Las Vegas Rail Project Backed by Fortress Secures $3 Billion in Federal Funding.

The proposed $12 billion high-speed rail project backed by Fortress Investment Group connecting Las Vegas to Southern California has won a $3 billion federal grant from the bipartisan infrastructure law.

The money will come from the US Department of Transportation's Federal-State Partnership for Intercity Passenger Rail Grant to help build the 218-mile (350 kilometers), all-electric high-speed rail service. The Infrastructure Investment and Jobs Act, signed into law by President Joe Biden in 2021, allocates $1.2 trillion for transportation and infrastructure spending.

The Fortress company behind the rail line, Brightline Holdings, says once built, it will shuttle passengers from Las Vegas to Rancho Cucamonga in California in just 2 hours and 10 minutes, twice as fast as the normal drive time. Brightline already has operations in Florida, where it built the country's first new privately financed intercity passenger rail in a century connecting Orlando to West Palm Beach and to Miami.

Continue reading.

Bloomberg CityLab

By Skylar Woodhouse

December 5, 2023

Chattanooga Electric Power Board, Tennessee: Fitch New Issue Report

The 'AA+' rating and 'aa+' Standalone Credit Profile reflect Chattanooga Electric Power Board's (EPB) consistently very low leverage ratio, as measured by net adjusted debt to adjusted funds available for debt service (FADS), in the context of the system's very strong revenue defensibility and consistently very low operating costs. Revenue defensibility remains very strong, as the system provides retail electric services in an economically diverse service area with very strong rate flexibility. EPB's very low operating cost reflects the system's access to low-cost and diverse energy supply from its contract with Tennessee Valley Authority (TVA; AA/Stable), the largest U.S. public power company. Fitch expects EPB's financial profile to remain supportive of the rating through Fitch Rating's five-year forward-looking scenarios, as EPB issues its 2023 series bonds and projects an additional $100 million of issuances in fiscal 2028 (fiscal year ends June 30). Leverage declined since fiscal 2020, when it peaked at 7.3x due to an increase in operating costs related to an EF-3 tornado event that damaged the portions of the system. Leverage was 6.4x at fiscal YE 2023, up from 5.7x in the prior year due to tightening margins as a result of increased purchased power and

O&M expenses. Fitch expects ratios to remain between 6.0x and 6.6x over the next five years, supported by an approved effective 3.4% rate increase in fiscal 2024.

[ACCESS REPORT]

01 Dec, 2023

[San Bernardino County Transportation Authority, California: Fitch New Issue Report]

The ‘AAA’ rating reflects the structure’s ample resilience to typical cyclical stresses, and the strong local economy and revenue growth prospects. The ‘AAA’ also reflects limited and quantified additional leverage plans (supported by satisfactory legal limitations on additional leverage), which result in a very strong debt service cushion from current revenues, relative to historical revenue volatility. Economic Resource Base: San Bernardino County is part of the broad, diverse and massive Southern California economy. The county is home to almost 2.2 million people with population growth since 2010 essentially equal to the nation. The Inland Empire (San Bernardino and Riverside counties) experienced rapid population growth and development before being among the hardest hit U.S. regions during the housing-led Great Recession. Since that time, population growth and development have continued albeit at a slower, more sustainable pace. The region is a major and growing inland trade and logistics center due to its rail and highway transportation links and proximity to Southern California’s major ports and interstate highways.

[ACCESS REPORT]

01 Dec, 2023

[Charles County, Maryland: Fitch New Issue Report]

Key Rating Drivers Revenue Framework: ‘aaa’: General fund revenues consist primarily of property and income taxes. Fitch expects future revenue growth to be above the level of inflation but below national GDP, consistent with past performance. The county has the independent legal ability to raise property tax revenues without limitation. Expenditure Framework: ‘aa’: The county maintains solid control over spending. Fixed carrying costs related to debt and retiree benefits are moderate. Education makes up about half of the county’s spending and any reduction would require state approval. Fitch expects spending growth to be marginally above revenue growth in the absence of policy action. Long-Term Liability Burden: ‘aaa’: The county’s long-term liability burden is low. Future debt needs are manageable and amortization of existing debt is rapid. Aggregate net pension liability, when adjusted to Fitch’s standard 6% investment rate of return, stands at a low 2% of personal income. Operating Performance: ‘aaa’: Fitch expects the county to maintain a high level of fundamental financial flexibility throughout economic cycles, supported by solid revenue growth prospects, expenditure and revenue flexibility and sound reserve levels.

[ACCESS REPORT]

01 Dec, 2023

Citi Muni Bankers Go to Jefferies With Department in Turmoil.

A team of public finance bankers focused on healthcare has left Citigroup Inc. for rival Jefferies Financial Group after the firm's executives have mulled closing the municipal banking department altogether, according to people familiar with the matter.

The group of about 10 bankers departing for Jefferies includes managing directors Brian Carlstead, Ben Klemz, and Katherine Meyers, according to the people. Spokespeople from both Citigroup and Jefferies declined to comment. Carlstead, Klemz and Meyers didn't respond to messages or phone calls requesting comment.

Citi, once the No. 2 underwriter of state and local debt, has seen a wave of muni dealmakers leave since 2022. And Bloomberg News reported earlier this month that Chief Executive Officer Jane Fraser is weighing whether to shutter the bank's municipal-bond trading and origination business. The bank now is ranked as the seventh-largest muni manager, down four slots from the same period in 2022, according to data compiled by Bloomberg.

Meanwhile, Jefferies has expanded its market share within the state and local government debt market this year. The New York-based bank is now ranked as the fifth largest underwriter of long-term municipal bonds so far in 2023, up three spots. Its market share is up more than two percentage points from last year, according to data compiled by Bloomberg.

Bloomberg Markets

By Amanda Albright

November 27, 2023

Private Jet Muni-Borrower Bets on Connecticut's Millionaires.

- **Clay Lacy Aviation deal signals return of muni junk bonds**
- **New Connecticut site to offer 'remote parking facility'**

A company that caters to the Hollywood private-jet set is tapping the municipal market to help it expand in Connecticut, where it hopes to serve the uber rich.

The unrated $43.8 million deal is being sold through the Wisconsin Public Finance Authority, a conduit issuer, for Clay Lacy Aviation Inc. to fund new construction and improvements at the Waterbury-Oxford Airport in Oxford, Connecticut, which is located about 80 miles from Manhattan.

The Clay Lacy Aviation bond sale is one sign that the junk segment of the municipal bond market is back, according to Jason Appleson, head of municipal bonds at PGIM Fixed Income. A number of junk and unrated bond issues struggled to find buyers this summer.

Continue reading.

Bloomberg Markets

By Joseph Mysak Jr

November 29, 2023

[Yet Another Private College in New York Is Closing.]

- **College of Saint Rose said it has to close it doors next year**
- **The school has $54 million of outstanding municipal-bond debt**

Another private college in New York is shutting its doors after struggling financially and said it won't make further interest payments to investors on its municipal bonds.

The College of Saint Rose, a private Roman Catholic school in Albany, said Friday it plans to close after this academic year. It was founded in 1920 as a women's college and still mostly serves female students.

"We are devastated that despite all our efforts we were unable to avoid closure," the chairman of the school's Board of Trustees Jeffrey Stone said in a statement. "Our goal now is to ease the transition for our students, faculty, and staff."

Continue reading.

Bloomberg

By Amanda Albright

December 1, 2023

City of Atlanta's Moving Atlanta Forward Infrastructure Bonds (Social Bonds) Win Prestigious Southeast "Deal of the Year" Award by The Bond Buyer.

ATLANTA— The City of Atlanta is proud to announce that its Series 2022 Infrastructure Bonds, part of the innovative Moving Atlanta Forward infrastructure package, has been honored as the Southeast "Deal of the Year" by The Bond Buyer. This distinguished accolade recognizes the most outstanding municipal finance transactions of the year, celebrating the creativity, resourcefulness and impact these initiatives bring to enhancing infrastructure and quality of life in municipalities across the nation.

"Integrating financial mechanisms with social objectives has been a guiding principle for our Administration, and we are incredibly proud to lead in this arena," said Mayor Andre Dickens. "Congratulations to CFO Balla and the Department of Finance for this accomplishment, and for keeping Atlanta on solid financial ground with the highest positive fund balance in our city's history. And thank you to Atlanta voters for overwhelmingly approving the Moving Atlanta Forward infrastructure package to make smart investments in our shared future."

This recognition extends beyond financial prudence—it is a resounding acknowledgment of Atlanta's broader commitment to societal welfare and sustainable development. The issuance was further strengthened by Moody's Investors Service's Aa1 rating and Fitch Ratings' AA+ affirmation, highlighting Atlanta's sound fiscal management and strategic policy alignment.

“Receiving this award from The Bond Buyer is not merely a recognition of our foresight and leadership but also a celebration of the collaborative efforts of all those who have been instrumental in this groundbreaking endeavor. We are committed to continuing our journey towards a fiscally responsible and socially responsive Atlanta,” said Chief Financial Officer Mohamed Balla.

The Series 2022 Infrastructure Bonds, with a significant portion designated as “social bonds,” reflects Atlanta’s unwavering commitment to funding projects that yield substantial social benefits. A total of $369 million of the $410 million raised were earmarked as social bonds, a first for the city. This strategic allocation underscores our dedication to channeling investments into areas crucial for civic development—including recreational facilities, transportation infrastructure, public safety and more.

The financed projects under this bond include impactful endeavors such as the renovation of parks and recreational facilities, modernization of greenhouse structures and construction of buildings for fire/rescue and emergency medical services. These initiatives are strategically designed to serve our city’s diverse populations, significantly enhancing public safety, equity and mobility.

The Bond Buyer, in its 22nd year of recognizing excellence in municipal finance, considered various factors for this award, including creativity, the ability to execute complex transactions under challenging conditions, the potential to serve as a model for other financings, and the public purpose of the deal’s proceeds. Read more about The Bond Buyer’s 2023 Deal of the Year finalists at https://www.bondbuyer.com/news/bond-buyer-announces-finalists-for-2023-deal-of-the-year

Post Date:11/29/2023 12:00 PM

Mayor’s Office of Communications
55 Trinity Avenue, Suite 2500 • Atlanta, Georgia 30303

Bond Investors Largely Ignore NYC’s $7 Billion Deficit.

- **Demand is high for bonds that yield more than 3% tax free**
- **NYC GO bonds and AAA-rated muni debt spread will likely widen**

Bond investors have piled into New York City’s tax-exempt bonds, lured by their relatively high yields.
To Evercore Wealth Management’s Howard Cure, the risk of holding city debt outweighs the reward.

He points to the city’s looming $7 billion budget deficit, exacerbated in part by spiraling costs of sheltering asylum seekers and other migrants that have sought refuge in New York. Declining Wall Street profits and job cuts at major investment banks will put pressure on city tax revenue, dimming New York’s fiscal outlook. That suggests the city’s general obligation bonds aren’t particularly attractive at current valuations.

Continue reading.

Bloomberg Markets

By Martin Z Braun

November 21, 2023

New York's Era of Overspending Ends With a Shudder.

After years of heady spending, the budget cuts announced by Mayor Eric Adams last week hit New York City like a punch to the gut: Most libraries would be closed on Sundays. The expansion of the city's signature prekindergarten program would be delayed. So would efforts to improve New York's notoriously dirty streets and keep rats at bay. The city's police force would be pared down in coming years.

Fiscal reality has caught up with a stunned city. The brutal cuts come as Mr. Adams scrambles to fill a $7 billion budget deficit in the next year. The Citizens Budget Commission, a nonpartisan watchdog group, estimates that the budget gap could be significantly higher, closer to $10.6 billion. New Yorkers may want to brace themselves. Much deeper cuts to city services could be ahead.

How did the nation's largest city get into this fix? Over the past decade, city government grew significantly, as did the size of its budget. Former Mayor Bill de Blasio hired tens of thousands of workers, expanding government services after years of relative austerity under former Mayor Michael Bloomberg during the Great Recession. Some of this spending went to important investments, like creating the city's free prekindergarten program. Other funds were put to far more questionable use, like a disastrous $1 billion mental health initiative that never got off the ground. Mr. Bloomberg had also left office with unsettled labor contracts in the city's municipal work force. Mr. de Blasio settled them, giving the workers significant raises.

Continue reading.

The New York Times

by Mara Gay

Nov. 24, 2023

Los Angeles, California: Fitch New Issue Report

The city's 'AA' Long-Term Issuer Default Rating reflects the city's strong operating performance with solid revenue growth largely outpacing managed expenditure growth. The city also benefits from a moderate debt burden and superior gap-closing capacity. Revenue Framework: 'aa': Historically, revenue growth has been solid, below national GDP growth but above inflation, reflecting the ability to capture revenues from across its wide range of economic activity. Although property taxes remain the largest and most stable of the city's general fund revenues, the city is also exposed to a number of economically sensitive revenue sources. Expenditure Framework: 'a': Over time, Fitch expects the natural pace of expenditure growth to be roughly in line with, to marginally above, the city's solid revenue growth given rising employee compensation costs and public demand for service enhancements. Long-Term Liability Burden: 'aa': The long-term liability burden is moderate relative to personal income with net pension liabilities and overlapping debt making up the bulk of liabilities. Operating Performance: 'aaa': The city demonstrates superior gap-closing capacity relative to expected revenue volatility.

ACCESS REPORT

Fri 17 Nov, 2023

Puerto Rico Sales-Tax Boon Means $400 Million Windfall for Bondholders.

- **CVIs offer no interest but have provision for annual payments**
- **The securities made their second annual payout on Nov. 1**

Puerto Rico's bankruptcy created some debt securities that don't pay interest, but still managed to deliver an almost $400 million windfall to investors this month.

Called contingent-value instruments, or CVIs, they're what investors received in March 2022 as part of a debt restructuring deal that cut $22 billion of the commonwealth's outstanding bonds down to $7.4 billion.

The CVIs are taxable securities that resemble zero-coupon bonds — except they do offer investors a chance to collect interest-like payments before the debt expires. This is because they include a provision that calls for holders to receive a payout in November if sales-tax collections for the prior fiscal year surpass projections. So far they have: CVI holders received $362 million in 2022 and $388.7 million on Nov. 1.

Continue reading.

Bloomberg Markets

By Michelle Kaske

November 20, 2023

Storms, Rising Seas and Salty Drinking Water Threaten Lower Louisiana.

Where the Mississippi River ends, the compounding threats of drought and climate change put pressure on communities that feel forgotten.

First, the flowers and vegetables in Cherie Pete's backyard in Venice, La., began to die. Then she had to take sweet tea off the menu at her roadside snack shop as saltwater coursed out of her faucets.

"There's no way I'm serving that to my customers," said Ms. Pete, 59. "I'm not making people sick."

All through a sweltering Louisiana summer and into the fall, people in Ms. Pete's corner of Plaquemines Parish, a marshy strip of land southeast of New Orleans dominated by fishing and the oil industry, endured salty showers and avoided drinking from the tap. Their water comes from the Mississippi River, which runs through the parish like a central nerve.

Continue reading.

The New York Times

By Jacey Fortin

Nov. 15, 2023

State of Washington: Fitch New Issue Report

The State of Washington's 'AA+' Long-Term Issuer Default Rating and GO bond ratings reflect the state's broad and growing economy, with solid long-term revenue growth prospects, as well as the state's demonstrated commitment to fiscal balance and long-term liabilities that place a low burden on resources. Revenue performance over time has exceeded U.S. GDP growth, and Fitch Ratings expects this to continue to support strong growth prospects. The state has complete independent control over taxation, with an unlimited legal ability to raise operating revenues as needed. Washington possesses ample expenditure flexibility, with statutory commitments, broad responsibility for education and infrastructure spending offset by low carrying costs. Washington also benefits from the broad expense-cutting authority common to most U.S. states. The combined burden of debt and net pension liabilities is low as a percentage of personal income but above the median for U.S. states. Debt ratios incorporate the funding of substantial capital needs, particularly for transportation, but are offset by a moderate net pension liability and an expanding economic resource base. Washington maintains very strong gap-closing capacity and budget flexibility with solid reserves. The state has prudently built up its fiscal reserves in times of economic recovery and expansion despite spending pressures linked to education and other pressing needs.

ACCESS REPORT

Thu 16 Nov, 2023

Palm Beach County School Board, Florida: Fitch New Issue Report

The 'AA' Issuer Default Rating (IDR) reflects the Palm Beach County School Board's (or the school district) solid revenue growth prospects and expenditure flexibility, low long-term liability burden, sound reserves and significant budgetary flexibility, which provide for very strong gap closing ability throughout economic cycles. The 'AA-' rating on the COPs is one notch below the IDR, reflecting the slightly higher degree of optionality associated with lease payments subject to appropriation.

ACCESS REPORT

Wed 22 Nov, 2023

Rivian Lines Up $15 Billion of Imaginary Bonds to Snag Tax Break.

- **Electric-vehicle maker to build campus outside of Atlanta**
- **The company promises new plant will create thousands of jobs**

Electric-vehicle maker Rivian Automotive Inc. released what would usually be a startling announcement for the municipal-finance market: A potential $15 billion bond for a Georgia campus, that would in theory be the largest ever muni sale and nearly the size of the company's market cap.

Except, the bonds aren't real.

The debt is structured as what's known as "phantom bonds" that are used by companies to get a property tax break in Georgia, and involve no real financial or accounting impact for the company involved, according to a report by law firm Smith, Gambrell & Russell LLP. In Rivian's case, it's a workaround because the state doesn't have legislation allowing for companies to get abatements that provide such relief.

The massive — yet essentially fictitious — sale is necessary as part of what's one of the largest economic development projects in Georgia's history. It's also indicative of the fierce arms-race states embark on to land massive manufacturing deals that promise high-paying jobs and an economic boon. The company says it will create 7,500 jobs and that once up and running, the facility will eventually produce as much as 400,000 vehicles per year.

The Irvine, California-based Rivian makes electric trucks and sport utility vehicles and is seen as a front-runner chasing market incumbent Tesla Inc. After a blockbuster initial-public-offering in 2021, the company struggled with supply chain challenges and ramping production. It has since managed to accelerate its output from a sole operational plant in Illinois over the course of this year.

The details of the Rivian deal are complicated. The bonds are essentially pseudo-issued through a four-county agency, known as the JDA, located 40 miles from Atlanta, which works to bring economic development to the area.

Under the agreement, the JDA issues the bonds to get a legal title for the project, which it will rent back to Rivian. Then, over the next 25 years, the company will make payments to local governments instead of the full property tax amount, though the payments do take into account local tax rates.

"The whole concept is set up for a break on the ad-valorem taxes," John Shakarjian, Rivian's associate general counsel for real estate and construction, said in an interview. "There's no cash changing hands, there's no cash being generated, there's no movement of money."

Shakarjian said Georgia's system for economic development projects was unusual among US states and even among countries abroad. He noted it's common for companies in Georgia to use the phantom-bond structure.

The bonds simply act as a "vehicle" to provide the tax break to Rivian, said Andrew Capezzuto, chief administrative officer and general counsel for the Georgia Department of Economic Development. He said countless phantom bond deals have been done to provide incentives.

"A lot of other states have the statutory authority to issue abatements and that just doesn't exist in Georgia," he said. "So some clever lawyers came up with this way in which they can do it — by transferring title of the asset to a tax exempt entity."

EV Windfall

Rivian has agreed to make payments-in-lieu-of-taxes — known as a PILOT — of $1.5 million that will gradually increase to $20.4 million by 2047. The company guaranteed it will pay at least $300 million, though that could increase if Rivian spends more than its initial commitment.

Currently, the area that will be home to Rivian's new factory generates tax revenue of only about $80,000, according to the state.

The reason why such deals are known as phantom bonds is that no actual debt service payments are made, unlike traditional transactions. As part of this structure, Rivian's rent will always equal the debt service costs and because Rivian is the sole bondholder, money doesn't change hands.

"Since the company is both the tenant and bondholder, such principal and interest payments may be constructively made and may be deemed to be made when due," the securities filing reads.

So far, $5 billion of phantom bonds have been issued as part of the agreement as Rivian kicks off the project, according to Shakarjian, the company's lawyer. If costs rise, Rivian can request that the JDA increase the bond's size to shield those costs from higher property taxes, he said. The JDA has authority for as much as $15 billion of Rivian's project costs to be abated.

Georgia's economic development agency has said that the deal is similar to agreements put in place for other companies like Kia Corp. and SK Innovation.

The deal faced controversy and a legal challenge in the state. But in August, a judge validated the bond agreement. One local resident in a 2022 column in the Morgan County Citizen said the EV company was being given a "free ride" by Georgia.

Capezzuto, the counsel for the state's economic development arm, said that Rivian isn't being taxed at full value but it's akin to sacrificing a few slices of pie.

"But Rivian might have chosen to go somewhere else," he said. "If Rivian chose to go somewhere else, we would have no pie at all."

Bloomberg Markets

By Amanda Albright

November 15, 2023

–With assistance from Martin Z. Braun and Ed Ludlow.

Rivian to Issue Up to $15 Billion of Debt for Georgia Plant.

- **EV maker will start construction on factory next year**
- **Bonds will be issued through joint county agency near Atlanta**

Electric-car maker Rivian Automotive Inc. plans to borrow as much as $15 billion of taxable bonds to help finance a manufacturing plant in Georgia.

The bonds will be issued through the Joint Development Authority of Jasper, Morgan, Newton & Walton Counties, a municipal agency, according to an Nov. 9 agreement, disclosed in a securities filing. The bonds will be backed by rental payments made by Rivian as part of an incentive package to woo the carmaker.

Rivian will purchase the bonds as they are issued, according to the filing. A representative for Rivian didn't immediately respond to a request for comment.

Continue reading.

Bloomberg Markets

By Martin Z Braun and Edward Ludlow

November 13, 2023

[Texas Battles Wall Street Over Muni Market.]

A week before the annual conference of the Municipal Advisory Council of Texas, the state's embattled Republican attorney general had threatened to bar eight banks from municipal bond deals in Texas simply because of their commitment to cut greenhouse gas emissions. JPMorgan's Jamie Dimon said the fight puts Texas' business-friendly reputation at risk. Danielle Moran has more on "Bloomberg Markets: The Close."

[Watch video.]

Bloomberg Markets: The Close – Muni Moment

November 15th, 2023

[Texas Battles Wall Street in Threat to State's Muni Market.]

Attorney General Ken Paxton wants to put a check on which big banks win business from the state and its municipalities.

The annual conference of the Municipal Advisory Council of Texas is typically a pretty low-key affair, with bond industry folks gathering at a sumptuous hotel for cocktails, golf and a bit of networking to help grease the wheels of future deals. But at this year's event, the dining rooms, deck chairs and fairways of the Las Colinas Resort just outside Dallas were abuzz with speculation about the future of big Wall Street firms in the state. And the name on everyone's lips: Ken Paxton.

A week before the Oct. 26-27 conference, the state's embattled Republican attorney general had threatened to bar eight banks from municipal bond deals in Texas simply because of their commitment to cut greenhouse gas emissions. That threat spurred concern on New York trading desks about losing access to the state's $50-billion-a-year debt market, where business is booming even as high interest rates crimp dealmaking elsewhere. JPMorgan Chase & Co.'s Jamie Dimon, whose bank is among those Paxton has targeted, gave a rare rebuke, saying the fight puts Texas' business-friendly reputation at risk. "I urge them to be very careful," Dimon said in an interview on Nov. 1. "It may hurt the ability to raise money."

The conflict dates to 2021, when the Texas legislature enacted a pair of laws that effectively accuse big financial companies of being too woke, specifically when it comes to oil and guns. The laws restrict state and local government contracts for companies that "boycott" the energy industry or "discriminate" against firearms entities. As attorney general, Paxton signs off on almost all muni bonds issued in Texas, so his approval is key to infrastructure financing in the state. "We want as many banks that want to do business with our state to be here," Paxton said in an interview on Nov. 13. "We just want them to follow the law while they're doing it."

Continue reading.

Bloomberg Markets

By Amanda Albright and Danielle Moran

November 14, 2023

Bank of America's $1.5 Billion Deal Casts Doubt on Texas Energy 'Boycott' Label.

Bank of America Corp. led a $1.5 billion natural gas bond sale for oil-giant BP Plc just as Texas politicians are deciding whether to punish certain Wall Street banks by labeling them as "energy boycotters" for their climate change policies.

At first blush, the deal might provide evidence that the bank doesn't shun the oil and gas industry as the label suggests. In fact, Bank of America has been named by environmental groups as one of the biggest financiers of fossil fuels in the world.

The bank served as senior manager last week on the $1.5 billion municipal-bond deal in Texas with BP, one of the biggest oil and gas companies in the world. The pre-paid gas bonds allow government agencies to purchase long-term supplies of natural gas and can help save utilities money. BP served as the guarantor on the bond sale. BP Energy Co. will provide the natural gas.

Continue reading.

Bloomberg Markets

By Amanda Albright and Danielle Moran

November 13, 2023

Texas AG Ken Paxton Says Banks Need to Avoid Politics to Win State Business.

- **Texas AG probing firms on whether they 'boycott' oil industry**
- **Banks 'don't get to decide what the law is,' Paxton says**

Texas Attorney General Ken Paxton defended state laws that punish banks for limiting work with the firearms or fossil-fuel industries, saying that Wall Street should stay out of the political sphere.

"The founders were very fearful about large banks controlling how this country went," Paxton said in an interview Monday. "It's part of the tension of democracy that states can push back on the big corporations and the big banks and say, 'Wait a minute, you guys don't get to decide what the law is in this country.'"

The firebrand Texas Republican, just weeks after being acquitted in an impeachment trial, has escalated a battle with Wall Street over what he says are policies that don't align with the state's conservative culture.

Continue reading.

Bloomberg Politics

By Danielle Moran and Julie Fine

November 13, 2023

State of Illinois: Fitch New Issue Report

The upgrade of Illinois' Issuer Default Rating (IDR) to 'A-' from 'BBB+' reflects the state's ability to execute on significant planned reserve contributions and maintain improvements in budget management including normalized accounts payable, thereby improving the state's overall operating profile.

ACCESS REPORT

Tue 14 Nov, 2023

Disney Buys TV Ads to Pitch Its Importance to Florida After DeSantis Fight.

- **The theme-park giant employs 82,000 people in the state**
- **Company lost control of Disney World's municipal district**

Walt Disney Co. will air a commercial on TV and online to promote its importance to Florida, the latest move in a battle with the governor and legislators that's gone on for more than a year.

The company, which owns the 25,000-acre Walt Disney World resort outside of Orlando, released an economic impact study Tuesday saying that it accounts for one out every 32 jobs in Florida, with 263,000 people either working for Disney or connected to it in some fashion. Some 82,000 are employed directly by the company in the state.

Disney said it contracts with 2,500 small businesses in Florida. The company's four theme parks, 24,000 hotel rooms, cruise ships and other operations contributed $40.3 billion to the local economy and $6.6 billion in taxes in 2022, according to the report, which was produced by Oxford Economics.

Continue reading.

Bloomberg Markets

By Christopher Palmeri and Thomas Buckley

November 14, 2023

State of Washington: Fitch New Issue Report

The State of Washington's 'AA+' Long-Term Issuer Default Rating and GO bond ratings reflect the state's broad and growing economy, with solid long-term revenue growth prospects, as well as the state's demonstrated commitment to fiscal balance and long-term liabilities that place a low burden on resources. Revenue performance over time has exceeded U.S. GDP growth, and Fitch Ratings expects this to continue to support strong growth prospects. The state has complete independent control over taxation, with an unlimited legal ability to raise operating revenues as needed. Washington possesses ample expenditure flexibility, with statutory commitments, broad responsibility for education and infrastructure spending offset by low carrying costs. Washington also benefits from the broad expense-cutting authority common to most U.S. states. The combined burden of debt and net pension liabilities is low as a percentage of personal income but above the median for U.S. states. Debt ratios incorporate the funding of substantial capital needs, particularly for transportation, but are offset by a moderate net pension liability and an expanding economic resource base. Washington maintains very strong gap-closing capacity and budget flexibility with solid reserves. The state has prudently built up its fiscal reserves in times of economic recovery and expansion despite spending pressures linked to education and other pressing needs.

ACCESS REPORT

Thu 16 Nov, 2023

Los Angeles, California: Fitch New Issue Report

The city's 'AA' Long-Term Issuer Default Rating reflects the city's strong operating performance with solid revenue growth largely outpacing managed expenditure growth. The city also benefits from a moderate debt burden and superior gap-closing capacity. Revenue Framework: 'aa': Historically, revenue growth has been solid, below national GDP growth but above inflation, reflecting the ability to capture revenues from across its wide range of economic activity. Although property taxes remain the largest and most stable of the city's general fund revenues, the city is also exposed to a number of economically sensitive revenue sources. Expenditure Framework: 'a': Over time, Fitch expects the natural pace of expenditure growth to be roughly in line with, to marginally above, the city's solid revenue growth given rising employee compensation costs and public demand for service enhancements. Long-Term Liability Burden: 'aa': The long-term liability burden is moderate relative to personal income with net pension liabilities and overlapping debt making up the bulk of liabilities. Operating Performance: 'aaa': The city demonstrates superior gap-closing capacity relative to expected revenue volatility.

ACCESS REPORT

Fri 17 Nov, 2023

Texas Passes New Funds to Support Power and Water Developments.

In 2023, Texas passed two pieces of legislation designed to address concerns about the Texas water supply and the reliability of the state's electric grid. These bills would establish the Texas Water Fund and the Texas Energy Fund to provide state support for water and generation projects. Both measures required constitutional amendments, which passed on November 7 as Proposition 6 (water) and Proposition 7 (dispatchable generation).

Proposition 6 and the Texas Water Fund

Proposition 6 calls for $1 billion to be appropriated to the Texas Water Fund. The fund will be administered by the Texas Water Development Board (TWDB), which may direct the money to any number of these programs: New Water Supply for Texas Fund (which will receive $250 million); the State Water Implementation Fund for Texas (and its supporting State Water Implementation Revenue Fund for Texas); the Clean Water or Drinking Water State Revolving Funds; the Rural Water Assistance Fund; the statewide water public awareness account; the Texas Water Development Fund II financial assistance program; and the Texas Water Development Fund II state participation account. In particular, the New Water Supply Fund is authorized to support public-private partnerships, which may serve an increasing role as a solution to the issues facing the global freshwater supply according to a book by Stanford Law Professor and O'Melveny attorney Barton H. Thompson, Jr. titled *Liquid Asset: How Business and Government Can Partner to Solve the Freshwater Crisis.*

Continue reading.

O'Melveny & Myers LLP

November 10, 2023

Voters in Deep Red Texas Oil Patch Pass $1.4 Billion School Bond.

- **Oil bosses backed largest-ever bond in Midland, Texas, history**
- **Improved schools could help draw oil workers to Permian Basin**

Voters approved a $1.4 billion bond sale to refurbish and expand the aging, overcrowded school system in Midland, Texas, the unofficial shale-oil capital of the US, preliminary results show.

The school spending package — the largest ever in the district's history — was approved by a 56%-to-44% margin Tuesday, according to the Midland County website.

The initiative had backing from many of the area's biggest oil companies, including Chevron Corp., Diamondback Energy Inc. and Pioneer Natural Resources Co., which Exxon Mobil Corp. is buying in its largest takeover in more than two decades.

Continue reading.

Bloomberg Markets

By Mitchell Ferman

November 7, 2023

[Oil Bosses Try to Sell Tax-Leery Texans $1.4 Billion School Bond.]

With better infrastructure, the desert city of Midland, Texas, would have a better chance of drawing workers to the continent's most productive shale fields.

When Sam Sledge walked the halls of Robert E. Lee High School in the early 2000s, the aging West Texas campus had already seen better days. Dozens of small, portable trailers littered the grounds to house student overflow, the chief of ProPetro Holding Corp. recalls, and Phys Ed was downright brutal in an un-airconditioned gym.

The institution has since dropped the Confederate general's name, but the physical structures at the rebranded school and others in the district have seen scant improvement, imperiling companies' ability to lure talent to the rural, oil-rich desert. Desperate to change that, drillers are urging voters on Nov. 7 to approve the biggest-ever school bond in Midland, Texas, history: a $1.4 billion package to expand and refurbish its aging, overcrowded school system.

Midland, like countless Texas municipalities, is outgrowing its infrastructure as companies expand their presence in the Lone Star State. A lucrative fracking industry in the Permian Basin — which pumps about 46% of the country's oil, spawning generations of extraordinary wealth and prompting supermajor Exxon Mobil Corp. to recently announce a $60 billion deal to become the basin's biggest player — requires a large, skilled workforce that's hard to retain given the sorry state of its hospitals, roads and educational system.

Continue reading.

Bloomberg CityLab

By Mitchell Ferman and Nic Querolo

October 25, 2023

[Judge Tosses Out Petition to Repeal Public Funds for Athletics Stadium in Las Vegas.]

Will the voters of Nevada have a say in whether taxpayer money should be used to help the Oakland Athletics build a new ballpark in Las Vegas?

Not as of now, based on a judge's ruling Monday.

The petition that would have been circulated to voters was "legally deficient," Nevada District Court Judge James Todd Russell declared. Russell said he expected an appeal to the state supreme court.

If the petition qualifies for the ballot, a referendum would ask voters whether to repeal some of the $380 million in public funding for the stadium. Bradley Schrager, an attorney representing a coalition that includes the A's, told Russell the legal deficiencies "could be remedied," meaning the petition could be reworded to address objections about whether it properly explained to voters the precise law that would be changed by the referendum and the effects of the changes.

"Looks like we will have to appeal to the Supreme Court or refile our petition," said Chris Daly of the

Nevada State Education Assn., the teachers' union sponsoring the petition.

If the referendum were to pass, it would not stop the A's from moving to Las Vegas but would add to team owner John Fisher's share of the stadium costs, now at $1.1 billion.

Major League Baseball owners are expected to approve the A's planned move at their meetings next week. MLB Commissioner Rob Manfred said at the World Series that "an adverse development with respect to that referendum" would be "a significant development."

The Oakland City Council is expected to approve a resolution Tuesday that would affirm the proposed waterfront ballpark there "remains viable" and "further affirms that, contrary to statements by the Commissioner of Baseball, the City has proposed a viable, detailed, and mutually beneficial proposal for the Project when the A's walked away from negotiations."

During testimony before the Nevada legislature, Las Vegas Convention and Visitors Authority President Steve Hill said he believed the A's would not return to Oakland if the Las Vegas deal fell apart but would instead look to move elsewhere. Portland, Ore., and Salt Lake City would be among the likely suitors.

Yahoo Sports

by Bill Shaikin

Mon, Nov 6, 2023

Nevada Judge Tosses Teachers Union-Backed Petition to Put A's Stadium Funding on 2024 Ballot.

CARSON CITY, Nev. (AP) — A Nevada judge threw out a proposed ballot referendum backed by a statewide teachers union that would give voters the final say on whether to give $380 million in public funding for a proposed $1.5 billion Oakland Athletics stadium on the Las Vegas Strip.

The Monday ruling from Carson City District Court Judge James Russell sided with two lobbyists affiliated with trade unions that favor the public financing for the A's stadium. Russell sent the teachers union-backed Schools over Stadiums political action committee back to the drawing board in their attempts to thwart the public funding that the state Legislature approved this year.

In an interview Tuesday, Schools over Stadiums spokesperson Alexander Marks said the organization's leadership will likely both appeal the decision to the Nevada Supreme Court and refile the referendum petition.

"While the decision is disappointing, it's not uncommon. Educators overcome obstacles every day, especially in a state ranked 48th in the nation," Marks said in a press release immediately after the ruling, referencing the state's recent low ranking in education funding. "We're undeterred and still committed to giving Nevada voters the opportunity to decide whether their tax dollars are used to subsidize a billionaire's stadium" — a reference to A's owner John Fisher.

The stadium financing debate in Nevada mirrors those happening nationwide over whether public funds should be used to help finance sports stadiums.

A’s representatives and some Nevada tourism officials have said the public funding could add to Las Vegas’ growing sports scene and act as an economic engine. But a growing chorus of economists, educators and some lawmakers had warned that it would bring minimal benefits when compared to the hefty public price tag.

The Nevada State Education Association has been among the most vocal opponents of public stadium funding, saying public schools need more investment and pointing to Nevada’s low rankings in school funding as a reason not to put forth the $380 million, which would largely be paid for by transferable tax credits and county bonds over 30 years.

Bradley Schrager, the attorney for the two plaintiffs, argued that the language on the petition was too broad, confusing and misleading.

“Nevadans deserve ballot measures that are conducted under the law,” Schrager said in a Tuesday interview. “And this one, at least for the moment, was not.”

The statewide teachers union had filed paperwork in September to start gathering signatures in hopes of getting a referendum to repeal the funding in front of voters on the 2024 general election ballot.

The group needed to gather about 100,000 signatures, or about 10% of the ballots cast in the last general election, to get the question in front of voters. Marks said they had not started gathering signatures yet in anticipation of Monday’s court ruling.

Associated Press

Tue, November 7, 2023

Petition Opposing A’s Stadium Struck Down, Lawyer Says.

LAS VEGAS (KLAS) — An effort to force a vote on public financing for the A’s baseball stadium on the Strip has lost in court, according to attorney Bradley Schrager.

Schrager told 8 News Now a Carson City judge struck down the “Schools Over Stadiums” petition on multiple grounds, and told organizers they can’t collect signatures for it. Schrager’s law firm, Bravo Schrager, filed a lawsuit to stop the petition in late September.

The effort to get state public financing removed from the stadium project was pushed by the Nevada State Education Associations. A social post on X Monday evening by @EduOverStadiums indicated the organizers intend to file an appeal or refile the petition. The complete statement appears at the bottom of this story.

Continue reading.

Yahoo

by Greg Haas

Mon, November 6, 2023

Financial Advisor on Pawtucket Soccer Stadium Deal Resigns Over "Concerns"

GoLocal has received a copy of a letter to the City of Pawtucket and the Pawtucket Redevelopment Agency from its municipal advisor announcing its resignation over concerns about the stadium deal and the bond offering.

In a letter to Pawtucket Mayor Donald Grebien and Bianca Policastro, the executive director of the Pawtucket Redevelopment Agency, three top Hilltop Securities executives notified the city of the firm's resignation.

"As you know we have detailed concerns about the proposed stadium transaction and bond offering. As a fiduciary to the City of Pawtucket and its development agency…we must do what we believe is in the City's and PRA's best interest," said the letter.

Continue reading.

golocalprov.com

Friday, November 10, 2023

State of Missouri: Fitch New Issue Report

The 'AA+' rating on the mega projects bonds primarily reflects the state's annual appropriation pledge, as evidenced by the financing agreement entered into between MHTC and the state. The 'AAA' ratings on the MHTC's outstanding first lien, second lien, and third lien state road bonds reflect the security structure's very strong resilience driven by improving debt service coverage (despite limited growth prospects) and MHTC's debt management policy limiting future leverage. Fitch Ratings expects resiliency to remain very high even as debt servicing costs increase in the short term. Policy actions taken by the state of Missouri to raise its statewide motor fuels tax, a key component of pledged revenues, ensure strong near-term coverage. Fitch's analysis on bonds of the first four liens focuses primarily on SRF revenues, which are not subject to annual legislative appropriation.

ACCESS REPORT

Fri 10 Nov, 2023

Great Lakes Water Authority (Water System), Michigan: Fitch New Issue Report

The 'A+'/'A' bond ratings on the Great Lakes Water Authority's (GLWA, or the authority) senior and subordinate bonds, respectively, and the 'a' SCP consider the system's strong financial profile within the context of very strong revenue defensibility and operating risk profiles, both assessed at 'aa'. Leverage, measured by Fitch Ratings as net adjusted debt to adjusted funds available for debt service (FADS), was approximately 10.2x in fiscal 2022, a modest increase from 10.0x in fiscal 2021.

Moving forward, projected increases in capital spending and associated debt issuances are anticipated to move leverage incrementally higher, but overall it should remain in line with the current rating.

[ACCESS REPORT]

Thu 09 Nov, 2023

[Great Lakes Water Authority Sewage Disposal System, Michigan: Fitch New Issue Report]

The upgrades to 'AA-' and 'A+' on the Great Lakes Water Authority's (GLWA, or the authority) senior and subordinate bond ratings, respectively, are based on sustained improvements in leverage, measured as net adjusted debt to adjusted funds available for debt service, over the past several years due to amortization of existing debt and savings from bond refinancings. The maintenance of the Positive Rating Outlook is based on the leverage trend, which Fitch Ratings expects will stabilize near current levels of about 8.5x to 9.5x. Yet, Fitch would like greater clarity on upcoming capital spending, as the system's capital improvement plan (CIP) has increased more than 20% yoy, due largely to inflation.

[ACCESS REPORT]

Thu 09 Nov, 2023

[Fitch: San Francisco's BART Recovery Trails NYC's MTA Given Lower Tax Support]

Fitch Ratings-New York/San Francisco-08 November 2023: New York City's Metropolitan Transportation Authority (MTA) has achieved a stronger recovery than San Francisco's Bay Area Rapid Transit (BART) following the decimation of ridership during the pandemic, Fitch Ratings says. The MTA's current financial plan eliminates previously reported budget gaps, due in part to additional tax revenue support from the State of New York. However, BART continues to struggle with rebalancing its budget in a fundamentally lower demand environment.

MTA ridership has recovered to approximately 70% of pre-pandemic levels and is on track to reach its "new normal" ridership forecasts of 80% of pre-pandemic levels by 2027, while BART has only recovered to 43% as of September 2023. The prevalence of remote work and hybrid office policies suggest ridership levels for most mass transit systems will not recover to pre-pandemic levels for an extended period, if at all.

[Continue reading.]

Wed 08 Nov, 2023

Atlanta, Boston Budgets Most Sensitive to Office-Market Stress.

- **Moody's report analyzes US cities' property-tax bases**
- **Some big municipalities rely more on the revenue than others**

Remote work and rising interest rates have battered office values, a potential worry for city officials and the investors who count on property-tax revenue to help repay some of the municipal debt they buy.

But a Moody's Investors Service analysis shows the impact of the upheaval in the commercial real estate market will vary from city to city depending on two key variables: the percentage of cities' tax dollars derived from property taxes and the share of the tax base made up by commercial property.

By these metrics, Atlanta and Boston's budgets are most sensitive to a decline in office, retail and hotel values among the 14 cities analyzed, while Phoenix and Philadelphia are best positioned. In Atlanta, commercial property makes up 48% of assessed value and property taxes comprise almost 40% of city revenue. By contrast, in Phoenix, commercial property accounts for about a quarter of assessed value, but real estate taxes make up just 9% of city revenue.

Continue reading.

Bloomberg Markets

By Martin Z Braun

November 7, 2023

Jamie Dimon Warns Texas to Stop Pushing Anti-Business Laws.

- **JPMorgan doesn't discriminate against any industry, Dimon says**
- **Lender is adding local bankers across US, including in Texas**

Jamie Dimon said Texas risks undermining its business-friendly reputation with laws designed to punish Wall Street banks for policies that limit work with the gun and fossil fuel industries.

"Texas is a wonderful, welcoming place" for business, the longtime JPMorgan Chase & Co. chief executive officer said Wednesday in an interview in Frisco, Texas. "The government's done a magnificent job and that's why you have the growth, why unemployment is so low, why people are moving companies and jobs here."

"I think it's a mistake to damage it even a little way," said Dimon, who runs the nation's largest bank.

Texas Republicans picked a fight with Wall Street over investment policies on firearms and oil in 2021, passing two laws that restricted public contracts with financial firms that "boycott" the fossil fuel sector or "discriminate" against gunmakers. The laws have upended bond deals and led to multiple probes into corporate policies, the latest of which was launched by Attorney General Ken Paxton last month to review 10 financial companies, including JPMorgan.

Continue reading.

Bloomberg Business

By Danielle Moran

November 1, 2023

Maine Proposal Would Force Buyout of Power Companies

A ballot initiative proposes creating a consumer-owned utility by using eminent domain to take over private electricity providers.

A measure on the November ballot seeks to overhaul how Maine residents get their electricity with a novel proposition: Create a consumer-owned utility by forcing a buyout of the state's two largest power companies.

Ballot Question 3 comes out of a grassroots campaign to ease costs and improve accountability in a system they say neglects the interests of Maine residents. Its supporters include national environmental groups and Senator Bernie Sanders. But a coalition of local businesses, labor unions, politicians and the power companies themselves say the proposal is too pricey and runs the risk of doing more harm than good.

The ballot initiative would replace the state's two largest power companies with a nonprofit utility, issuing bonds to force the purchase of Versant Power and Central Maine Power (CMP) — a move that would likely open up years of legal disputes over the use of eminent domain.

Continue reading.

Bloomberg CityLab

By Guillermo Molero

November 2, 2023

S&P Charter School Brief: Florida

View the S&P Brief.

30 Oct, 2023

S&P Charter School Brief: Arizona

View the S&P Brief.

1 Nov, 2023

Calpers Weighs a $53-Billion Increase in Climate Investments.

- **Fund seeks to balance returns with harder line on polluters**
- **Lawmakers have been debating cuts to oil and gas holdings**

The largest US pension fund is considering a $53 billion increase in its climate-related investments by 2030 along with new guidelines for exiting or reducing its holdings in polluters.

The climate push would roughly double the fund's exposure to areas such as wind, solar and carbon capture, bringing the total to $100 billion, according to a policy proposal published Friday by the California Public Employees' Retirement System. The divestment rules would be aimed at assets that pose a fiduciary risk because they "fail to present a credible net zero plan" for emissions.

The $444 billion fund is weighing the changes as California's Democratic supermajority seeks to balance calls for a hard line on major carbon emitters with concerns that poorly timed divestments could threaten returns. While legislation to force Calpers and the California State Teachers Retirement System to divest an estimated $15.1 billion was paused earlier this year after fierce opposition from the funds, the bill is expected to be taken up again soon.

Continue reading.

Bloomberg Markets

By Eliyahu Kamisher

November 3, 2023

Investors Like New York Subways. San Francisco's BART? Not So Much.

New funding bolsters transit bonds in some cities, while others struggle as pandemic aid runs dry

Wall Street is betting on a messy and divided recovery for U.S. city mass transit systems.

Some cities are facing budget crises due to dwindling Covid aid and lower ridership as many people continue to work from home. Others have found new revenue streams to power their buses and trains.

That has bifurcated the outlook for municipal transit bonds, an $84 billion market, according to Citigroup. New York subway bonds are trading at higher prices and lower yields relative to top-rated municipal debt, while San Francisco's Bay Area Rapid Transit District is staring down a decade of budget deficits. Boston- and Atlanta-area mass transit had their credit upgraded by ratings firms, while the Washington Metropolitan Area Transit Authority's bonds are in danger of being downgraded.

Continue reading.

The Wall Street Journal

By Heather Gillers

Oct. 27, 2023

How Public-Private Partnerships are Fueling Growth in Orlando.

The city of Orlando is the center of a growing, thriving metropolis that is home to more than two million residents. While theme parks and resorts attract tourists from across the globe and help fuel the economy, another growth engine in the form of public-private partnerships is strengthening economic development opportunities and improving the quality of life.

Public-private partnerships, also known as PPPs or P3s, involve collaboration and cooperation between government entities and private sector entities to jointly plan, finance, develop and manage projects. P3s are often used for utility and transportation infrastructure projects but today are expanding to social infrastructure projects such as hospitals, schools and community centers.

Benefits of public-private partnerships

Local governments use public-private partnerships to help move large scale community projects forward unlocking a wide range of benefits in the areas of:

- **Efficiency and innovation.** P3s leverage public and private sector expertise by effectively allocating responsibilities and scope of work. This combination drives innovation and increases efficiency in every stage of project development from planning, design and construction through operations and management.
- **Financial resources.** The ability to access private capital is key benefit of P3s. Tapping into the wide range of private sector financing tools reduces financial burdens on governments and frees up public funds for investment in other areas of need. Injection of private capital also provides the benefit of accelerating the development of projects, especially certain social infrastructure projects where public financing may be more limited.
- **Shared risk.** P3s are also beneficial when it comes to risk. In these types of partnerships, public and private entities allocate the risk associated with a project, thereby reducing risk for both parties.
- **Economic growth.** P3s are also transforming regions across America, stimulating economic growth, creating jobs and increasing competitiveness. Typically, P3s generate an outsized economic impact as compared to what the municipality could have achieved on its own.

Building a future-ready city with public-private partnerships

The city of Orlando and Mayor Buddy Dyer are leveraging all these benefits of P3s and more to become America's "future-ready" city. From urban infill mixed-use development to electric vehicles to a world-class performing arts center, P3s are solidifying Orlando as one of the best places in America to live, work and raise a family.

Creative Village is one of the P3 projects transforming the city's downtown. The city partnered with the master developer, Creative Village Development LLC. This $2 billion dynamic mixed-use project is designed to support a synergistic mix of uses including up to 900,000 square feet of office/creative space, 800,000 square feet of higher education space, 2,000+ residential units, 1,500 student housing beds, 100,000 square feet of retail/commercial space and 225 hotel rooms. Creative Village is anchored by the University of Central Florida and Valencia College downtown campus with more than 7,000 students.

Showcasing best practices in responsible development, Creative Village is centered around education and transit, including SunRail, Central Florida's commuter rail service. With Phase 1 of the project completed and Phase 2 underway, the completed project will be the largest transit-oriented development project in Central Florida, significantly expanding educational opportunities in downtown Orlando and providing substantial economic impact to the city.

A P3 project is also helping make Orlando ready for the future by ensuring that everyone experiences the benefits that electric mobility options can bring. The city of Orlando recently partnered with Hertz Electrifies to meet the city's goal of accelerating adoption of electric vehicles and expanding charging infrastructure. The Hertz Electrifies program is aimed at reducing emissions that harm public health, bolstering climate change resilience, and increasing access and affordability for all communities.

The [Dr. Phillips Center for the Performing Arts] in downtown Orlando was also developed through a P3. Located on almost nine acres and spanning two blocks in the heart of the city, across from city hall, this venue was constructed as a public-private partnership between the Dr. Phillips Center for the Performing Arts, the city of Orlando, and Orange County. Opened in 2014, the multi-theater facility is now a hub for the best international, national and local artists, and serves as a community gathering place and center for arts education. It attracts more than 750,000 visitors annually.

Orlando's successful public-private partnership projects demonstrate that P3s are a win/win for everyone. Under the leadership of Mayor Dyer, the city of Orlando is leveraging the full potential of P3s to improve the quality of life in Orlando and Central Florida, strengthen economic development opportunities, and support the revitalization of downtown.

americancityandcounty.com

Written by Craig Ustler

3rd November 2023

Craig Ustler, MAI, CCIM is the president of Ustler Development Inc. At Creative Village in Downtown Orlando, Ustler leads the master development team and has executed numerous vertical development projects across a variety of property types.

Chicago Is Luring Bond Buyers on Improved Ratings, Market Tone.

- **City's $513 million Midway refunding bonds see good demand**
- **Chicago schools to sell $600 million but park district on hold**

Chicago institutions are borrowing more than $1 billion this week, helped by Wall Street's improved outlook on the city and a bright spot in a bleak year for the municipal bond market.

The third-largest US city sold $513.5 million in refunding bonds for Midway International Airport on Tuesday after investor interest allowed bankers to reprice the debt at lower yields than initially offered. Next comes the Chicago Board of Education's sale of $600 million in debt on or about Thursday.

“Both have their credits trending positive with air travel helping Midway International Airport and improved budgeting helping the board of education,” said Daniel Solender, director of tax free fixed income for Lord, Abbett & Co., which holds $30 billion in muni assets. “The first one found strong demand. If the second is priced correctly, it should also do well. Overall, muni bond yields have reached very attractive levels.”

Continue reading.

Bloomberg Markets

By Shruti Singh

October 25, 2023

Promise of Free Money Backfires on California Community Colleges.

- **Schools terminate deals after funding fails to materialize**
- **Canadian investment firm says schools didn’t meet requirements**

Some community colleges in California are learning a hard lesson about free money.

The schools signed up to sell municipal securities whose debt service would be entirely covered by the loan and whose principal would be forgiven at maturity. They would never have to write a check.

Now at least two schools are facing the legal costs of terminating the transactions as well as pursuing alternative financing for almost $500 million in construction projects ranging from new classrooms to libraries to student housing, at a time when borrowing costs have climbed to the highest levels in decades.

Continue reading.

Bloomberg Markets

By Joseph Mysak Jr

October 24, 2023

Investors Like New York Subways. San Francisco’s BART? Not So Much.

New funding bolsters transit bonds in some cities, while others struggle as pandemic aid runs dry

Wall Street is betting on a messy and divided recovery for U.S. city mass transit systems.

Some cities are facing budget crises due to dwindling Covid aid and lower ridership as many people continue to work from home. Others have found new revenue streams to power their buses and trains.

That has bifurcated the outlook for municipal transit bonds, an $84 billion market, according to

Citigroup. New York subway bonds are trading at higher prices and lower yields relative to top-rated municipal debt, while San Francisco's Bay Area Rapid Transit District is staring down a decade of budget deficits. Boston- and Atlanta-area mass transit had their credit upgraded by ratings firms, while the Washington Metropolitan Area Transit Authority's bonds are in danger of being downgraded.

Continue reading.

The Wall Street Journal

By Heather Gillers

Oct. 27, 2023

Wall Street Worries About Losing Texas Deals Over Ken Paxton's Green Energy Probe.

- **State AG's review of bank energy policies disrupts borrowings**
- **AG 'has put a strain on municipalities,' Houston official says**

Texas Attorney General Ken Paxton is sending shock waves through the state's booming municipal-bond market, leaving borrowers and bankers alike on edge.

At least two banks, RBC Capital Markets and Wells Fargo & Co., were dropped from underwriting muni deals since Paxton said last week that he was probing the energy policies of a group of finance companies given commitments they've made to cut greenhouse gas emissions.

The review by Paxton, a rising star in the state's Republican Party, targets eight Wall Street bond underwriters, including JPMorgan Chase & Co., Morgan Stanley, RBC and Wells Fargo. The group has handled more than a quarter of the $51 billion of muni sales from Texas cities and localities in 2023, data compiled by Bloomberg show. Those banks are now at risk of losing business in the Lone Star State.

Continue reading.

Bloomberg Markets

By Amanda Albright, Nic Querolo, and Danielle Moran

October 27, 2023

Delta's Bonds for LaGuardia Terminal Draw Eager Muni Investors.

- **Yield is equivalent to 12% on taxable bonds for NYC's rich**
- **Investors placed orders for seven to nine times bonds on offer**

Delta Air Lines sold about $875 million in municipal bonds to help finance the completion of its new terminal at LaGuardia Airport. And the yields on the debt are exciting investors.

The bonds, issued through New York State's Transportation Development Corp. so investor returns are tax exempt, mature in 2035 and were priced to yield 5.6%, with securities maturing in 2040 priced at a 5.85% yield.

To match those yields, a New York City taxpayer in the $1 million per year tax bracket would need to get 11.6% to 12% on equivalent taxable corporate debt.

Investor orders totaled seven to nine times the amount of securities available, people familiar with the transaction said. The bonds carry Delta's corporate ratings of BB+ from S&P Global Ratings Inc. and Baa3 from Moody's Investors Service.

Citigroup Inc. managed the sale and the bonds have an optional par call in 2031.

Bloomberg Markets

By Martin Z Braun

October 25, 2023

Arizona Sports Complex Bondholders All But Wiped Out in Deal.

- **Investor agrees to pay $25.5 million for complex near Phoenix**
- **Holders of $280 million debt get $2.2 million cash, 11% equity**

Mutual funds that purchased $280 million of municipal debt to finance a 320-acre youth-sports complex near Phoenix would be virtually wiped out under a preliminary deal struck in the bankruptcy case.

Miami-based Burke Operating Partners agreed in principal to purchase Legacy Park for $25.5 million, with most of the proceeds going to building contractors for unpaid work. Bondholders would receive $2.2 million in cash and 11% of preferred equity in a new company that would own the facility according to an agreement outlined in a bankruptcy court hearing late Tuesday. It would need to be approved in the bankruptcy process to take effect.

Legacy Park has enough cash to remain open while the parties work to close the deal by the end of the November, said Keith Bierman, the complex's chief restructuring officer.

Legacy Cares filed for bankruptcy in May, saying construction setbacks, labor shortages and supply-chain delays amid the pandemic led to the park's delayed opening and resulted in lost revenue. Mutual funds including the Vanguard Group and AllianceBernstein Holdings LP hold the $280 million of Legacy Cares bonds issued by an Arizona agency. The bonds last traded on Aug. 23 for 10 cents on the dollar.

In addition to labor shortages, Legacy Park was also plagued by poor execution of restaurant and concession operations. In all, Legacy Park brought in just $27.7 million in 2022, far short of its nearly $100 million projection. It was losing more than $1 million a month on operations alone.

Legacy Park was the brainchild of Randy Miller, a former professional baseball player, who created Legacy Cares to finance the complex in the tax-exempt bond market. Miller, who had no experience in developing and managing sports facilities, resigned from Legacy Cares before the Arizona Industrial Development Authority approved the first $250 million tranche of bonds in March 2020.

Legacy Cares hired Miller's for-profit company Legacy Sports to develop and manage the complex.

The attorney for Legacy Cares proposed that a hearing be held on Nov. 20 to weigh the proposed sale.

Bloomberg Markets

By Martin Z Braun

October 25, 2023

Oil Bosses Try to Sell Tax-Leery Texans $1.4 Billion School Bond.

With better infrastructure, the desert city of Midland, Texas, would have a better chance of drawing workers to the continent's most productive shale fields.

When Sam Sledge walked the halls of Robert E. Lee High School in the early 2000s, the aging West Texas campus had already seen better days. Dozens of small, portable trailers littered the grounds to house student overflow, the chief of ProPetro Holding Corp. recalls, and Phys Ed was downright brutal in an un-airconditioned gym.

The institution has since dropped the Confederate general's name, but the physical structures at the rebranded school and others in the district have seen scant improvement, imperiling companies' ability to lure talent to the rural, oil-rich desert. Desperate to change that, drillers are urging voters on Nov. 7 to approve the biggest-ever school bond in Midland, Texas, history: a $1.4 billion package to expand and refurbish its aging, overcrowded school system.

Midland, like countless Texas municipalities, is outgrowing its infrastructure as companies expand their presence in the Lone Star State. A lucrative fracking industry in the Permian Basin — which pumps about 46% of the country's oil, spawning generations of extraordinary wealth and prompting supermajor Exxon Mobil Corp. to recently announce a $60 billion deal to become the basin's biggest player — requires a large, skilled workforce that's hard to retain given the sorry state of its hospitals, roads and educational system.

Continue reading.

Bloomberg CityLab

By Mitchell Ferman and Nic Querolo

October 25, 2023

Texas Launches New Review of Big Banks Over Energy Policies.

- **State probe targets members of a climate change group**
- **Companies can lose state business if found to violate law**

Texas Attorney General Ken Paxton's office said it's reviewing whether 10 financial companies, including Bank of America Corp. and JPMorgan Chase & Co., violate a Republican-backed state law that punishes firms for restricting their work with the oil and gas industry because of climate change concerns.

The probe pertains to companies that are members of groups seeking to reduce greenhouse gas emissions, the office said in a [letter to bond lawyers] on Tuesday. The office announced that it was reviewing companies that are members or affiliate members of the Net Zero Banking Alliance, Net Zero Insurance Alliance, Net Zero Asset Owner Alliance, or Net Zero Asset Managers.

"This office is reviewing whether companies or any affiliates that are members of a Net Zero Alliance are companies that boycott energy companies in violation of Senate Bill 13," Leslie Brock, assistant attorney general, said in the letter.

Continue reading.

Bloomberg Politics

By Amanda Albright and Danielle Moran

October 17, 2023

Wells Fargo Ousted From Texas Muni Deal Over Energy Policy Probe.

- **Bank was removed from school district deal on AG inquiry**
- **Texas is the largest market for muni bond sales this year**

Wells Fargo & Co. has been dropped from underwriting a school district bond deal in Texas, the latest sign of turmoil in the state's ongoing battle with banks over their climate change policies.

Raymond James is listed as the new senior manager on the $310 million bond deal for Cypress-Fairbanks Independent School District, based outside of Houston, according to people familiar with the matter who requested not to be identified because they aren't authorized to speak on the discussions.

The move shows Texas governments, major issuers of municipal bonds, are wary of working with banks that state Attorney General Ken Paxton put under review last week. Paxton said he was evaluating whether the companies can comply with a Republican-backed state law that punishes firms for restricting their work with the oil and gas industry because of climate change concerns.

A spokesperson for Wells Fargo and Jana Fuller, a spokesperson for Raymond James, declined to comment. Representatives for the Cypress-Fairbanks Independent School District didn't respond to emails and phone calls requesting comment.

Paxton's office announced in a letter dated Oct. 17 that it's reviewing companies that are members or affiliate members of the Net Zero Banking Alliance and other groups of companies that have committed to reducing greenhouse gas emissions. Wells Fargo is a member, and Raymond James is not, according to the group's website.

The investigation is the latest salvo in Texas' attempts to punish Wall Street for what it believes to be left-leaning stances on environmental policies. Texas is the largest market for municipal bond sales so far this year, with more than $50 billion of issuance.

The state passed a law in 2021 that restricts most public contracts with financial firms unless they verify that they do not boycott the oil and gas industry. Paxton's office, which oversees the state's lucrative new issue municipal bond market, said it's reviewing whether financial companies, including Bank of America Corp. and JPMorgan Chase & Co., can comply with that legislation.

Wells Fargo is credited with managing about $2 billion of Texas municipal bond deals so far in 2023, according to data compiled by Bloomberg. It is the 10th largest underwriter in the state.

Bloomberg Markets

By Nic Querolo and Amanda Albright

October 23, 2023

A Florida Beach Paradise Needs Millions to Keep Toilets Flushing.

- **Like the state, Cape Coral's population swelled in last decade**
- **Sale of $138 million in debt will help shift from septic tanks**

The accelerating growth of Cape Coral, Florida, is spurring the town to tap the municipal bond market for basic needs like running water and working toilets.

The Gulf Coast city plans to sell $138 million in debt next week, with proceeds used for water systems to reduce reliance on wells and site-specific septic tanks. Cape Coral joins other Florida cities building and expanding water and sewer facilities to meet demand from a US migration that's given the state the fastest-growing population in recent years.

"We didn't expect this to happen this quickly," Ryan Rossi, director of the South Florida Water Coalition, said regarding the population growth in the region. "We really need in Florida to update a lot of our infrastructure."

Continue reading.

Bloomberg Markets

By Shruti Singh and Eniola Longe

October 20, 2023

S&P Second Party Opinion: Rhode Island Housing And Mortgage Finance Corp.'s Impact Framework

The two eligible social project types are the construction and preservation of affordable mixed-income housing and providing single-family mortgage loans for qualifying low- and moderate-income, first-time homebuyers. We believe these projects will improve living conditions for low- and moderate- income residents in Rhode Island by helping maintain and expand access to safe, affordable housing, and encourage investment in sustainable communities. We assess RIHousing's Impact Framework as light green, which indicates activities representing transitions steps in the near term that avoid emissions lock-in but do not represent long-term low-carbon climate resilient solutions.

Download

S&P Charter School Brief: New York

View the Brief.

16 Oct, 2023

S&P Pension Spotlight: California

Key Takeaways

- Pension plans continue to be moderately funded for most cities and counties that participate under the California Public Employees' Retirement System's (CalPERS) statewide pension plans.
- We expect pension costs will rise for almost all local governments due in part to poor investment returns relative to plan assumptions.
- Pension obligation bond issuances have fall dramatically beginning in fiscal 2022 due primarily to the high interest rate environment.

Continue reading.

17 Oct, 2023

State of California (State Public Works Board): Fitch New Issue Report

The 'AA–' rating on lease revenue bonds, one notch below California's IDR, reflects the slightly higher degree of optionality associated with payment of appropriation debt. Lease revenue bonds are payable from base rental payments made by participating state agencies to the State Public Works Board. Tax revenues are dominated by personal income taxes, which are economically sensitive, particularly those related to capital gains. Long-term growth prospects for revenues are strong, driven by the state's robust economic fundamentals. The state retains the independent legal ability to raise taxes, subject to a legislative supermajority voting requirement. California has a solid ability to reduce spending throughout the economic cycle, although its flexibility is somewhat more restricted than most states due to constitutional requirements for funding education and voter initiatives that limit state discretion. Long-term liabilities, while above the median for U.S. states, remain a moderate burden on the resource base. California's strong budget management during the extended period of economic expansion and revenue growth following the Great Recession allowed the state to materially improve its financial position and enhance its ability to address future fiscal challenges.

ACCESS REPORT

Thu 19 Oct, 2023

State of Rhode Island: Fitch New Issue Report

The Rating Outlook revision to Positive from Stable reflects the State of Rhode Island's generally declining long-term liability burden as a share of personal income, supported by improvements in debt management and growing financial relief from pension changes enacted more than a decade ago. Fitch anticipates that Rhode Island's revenues will grow on a nominal basis over the long term given Fitch's expectations for slow economic growth in the state. The state has complete legal control over its revenue system through mechanisms such as base-broadening and the ability to levy new taxes and fees and to adjust rates. The state maintains ample expenditure flexibility with low carrying costs and the broad expense-cutting ability common to most U.S. states. Medicaid remains a key expense driver and a focus of expenditure-control efforts. Moderate revenue growth prospects temper Fitch's assessment of the natural pace of spending relative to expected revenue growth, with growth in spending likely to exceed new revenue formation in the absence of policy action. Rhode Island's long-term liabilities are moderate but well above the median for U.S. states. Pension obligations exceed outstanding debt, driven in part by past funding practices and the state carrying a sizable share of teacher liabilities. Rhode Island has high gap-closing capacity, wide-ranging budgetary management powers and a strong commitment to maintaining a prudent fiscal reserve through economic cycles. Policy measures implemented over the past decade have positioned the state effectively to deal with moderate economic downturns while maintaining a high level of financial flexibility.

ACCESS REPORT

Wed 18 Oct, 2023

State of Texas: Fitch New Issue Report

Texas' 'AAA' Issuer Default Rating (IDR) and general obligation (GO) bond rating reflect its growth-oriented economy and the ample fiscal flexibility provided both by its conservative approach to financial operations and the maintenance of substantial reserves, including in its budgetary reserve, the economic stabilization fund (ESF).

ACCESS REPORT

Fri 20 Oct, 2023

Chicago Mayor's Campaign Plans Collide With $538 Million Deficit.

- **Mayor Johnson set to release 2024 budget proposal on Wednesday**
- **City's costs from pensions to caring for migrants are climbing**

Chicago Mayor Brandon Johnson is set to reveal his 2024 budget on Wednesday, which will be a delicate balancing act between his campaign promises and the city's financial realities.

Rising crime, a half-a-billion dollar deficit, a $35 billion pension hole and soaring costs to care for the more than 18,000 migrants who have arrived in the Windy City since last August are all confronting the first-time mayor as he unveils his inaugural spending plan.

Johnson was elected in April on a progressive platform pledging to increase taxes on corporations, enhance public safety, and invest in poorer neighborhoods while arguing that the city's wealthiest should pay more to address the longstanding challenges. Businesses have since warned that they may consider leaving if they face new taxes, and the cost of caring for a growing influx of migrants has surged to $345 million, many of whom are sleeping at the airport and in police stations.

Continue reading.

Bloomberg

By Shruti Singh

October 10, 2023

Houston Needs to Borrow 'Billions,' Mayoral Frontrunner Says.

- **Whitmire cites 'fragile' water-treatment plant, leaky network**
- **Democrat leads main rival Jackson Lee 34% to 31% in new poll**

The leading candidate to become Houston's next mayor said the fourth-largest US city needs a multibillion-dollar bond issue to overhaul a brittle water system.

John Whitmire, the longest-serving Texas state senator, said one of his main priorities as mayor would be repairing and upgrading a decrepit water-distribution network that springs as many as 1,000 leaks a day. As recently as November, a widespread systemic failure prompted a citywide boil order that shut schools, disrupted hospital operations and closed restaurants.

A crucial water-treatment plant on the city's east side that failed last year "is very, very fragile," Whitmire said in an interview at Bloomberg's Houston office. "We have to do a major infrastructure program, not only water but certainly streets. Broken water mains are all over town so we've got to document that, we've got to convince the public that we're using their money wisely and then we've got to ask them for more."

Continue reading.

Bloomberg Politics

By Joe Carroll

October 10, 2023

[S&P Second Party Opinion: Massachusetts Housing Finance Agency (MassHousing) Impact Framework]

MassHousing has a strong social license to operate in the communities it serves. For close to 60 years, MassHousing has provided more than $27 billion for affordable housing, including single-family loans, down payment assistance, and loans for the construction and rehabilitation of affordable and mixed-income multifamily rental units. MassHousing's efforts are underpinned by ambitious education and counseling services which aim to promote financial literacy and upward mobility to the populations it serves.

Download.

Virginia Public School Authority: Fitch New Issue Report

The 'AA+' rating on the Virginia Public School Authority (VPSA) bonds, rated one notch below the Commonwealth of Virginia's (the commonwealth) 'AAA' Long-Term Issuer Default Rating (IDR), is based on the availability of sum-sufficient budgetary appropriations made by the Virginia General Assembly in amounts sufficient to cure any debt service deficiency on the bonds. Moneys needed to cover any such sum-sufficient appropriation will originate from the commonwealth's literary fund and, if necessary, its general fund.

ACCESS REPORT

Thu 12 Oct, 2023

San Francisco (City & County), California: Fitch New Issue Report

Key Rating Drivers Revenue Framework: 'aa': Very strong economic growth had been generating revenue growth well in excess of U.S. GDP for many years. Post-pandemic, Fitch expects certain revenues to be challenged given structural economic changes. Expectations for long-term revenue growth below U.S. GDP could affect the revenue framework assessment. This strength is partially offset by only moderate independent revenue-raising ability. Expenditure Framework: 'aa': Over time, Fitch expects expenditure growth associated with increasing salary and pension costs to be in line with or marginally above revenue growth. Expenditure flexibility is solid, reflecting a moderate fixed-cost burden, a demonstrated ability to curb expenditure growth through negotiated labor concessions, and the ability to temporarily reduce general fund capital spending in a downturn. Long-Term Liability Burden: 'aa': Long-term liabilities, net of those attributable to enterprise operations, are at the low end of the moderate range relative to the city's economic resource base. Based on the city's debt issuance plans, its amortization rate, and the expected growth in the resource base, Fitch expects the liability burden to remain in the moderate range.

ACCESS REPORT

Thu 12 Oct, 2023

[Commonwealth of Massachusetts: Fitch New Issue Report]

Tax revenues are diverse but dominated by individual income taxes, which are sensitive to economic conditions, particularly the components related to capital gains. Baseline growth prospects for tax revenues are strong and expected to match national GDP, driven by the commonwealth's underlying diverse economy that includes a significant knowledge-based industry component. Consistent with most states, the natural pace of spending growth is likely to marginally exceed expected revenue growth over time, requiring ongoing cost control. The commonwealth has ample ability to reduce spending through the economic cycle. Long-term liability levels in Massachusetts, while comparatively high for a U.S. state, are a moderate burden on resources. The commonwealth's above average liability position is partly the result of state funding of both capital needs and pensions that are more commonly funded at the local level, primarily for K–12 education. The commonwealth has superior gap-closing capacity supported by conservative budgeting, ongoing fiscal monitoring and a requirement to cut spending in response to revenue gaps. Gap-closing capacity is also supported by a funding mechanism that redirects a portion of economically sensitive capital gains tax receipts into the stabilization fund, which functions as the commonwealth's rainy day fund.

ACCESS REPORT

Thu 12 Oct, 2023

EPA Opens Civil Rights Investigation Over Alabama Sewer Funds.

Summary

- Civil rights law prohibits discrimination based on race
- Groups claim state funds do not reach Black residents in need

Oct 4 (Reuters) – The Biden administration has opened a federal civil rights investigation to examine whether Alabama environmental regulators discriminate against Black residents when giving out tens of millions of dollars in sewer and sanitation infrastructure funding.

The U.S. Environmental Protection Agency announced the probe in a letter sent to the Alabama Department of Environmental Management on Tuesday, after environmental and civil rights groups including the Natural Resources Defense Council requested an investigation in March.

The EPA said it will analyze whether the state agency has violated Title VI of the U.S. Civil Rights Act of 1964 through its management of a federally backed clean water fund that provides low interest loans to finance public infrastructure improvements in the state.

Continue reading.

Reuters

By Clark Mindock

October 4, 2023

Ice Rink's Muni Default Risks Pushing a Missouri City Into Junk Territory.

- **St. Louis suburb of Maryland Heights has BBB- rating from S&P**
- **Another downgrade could make it more expensive to borrow**

A small city in Missouri could see its credit rating cut to junk by S&P Global Ratings because of the financial woes plaguing a local ice rink backed by municipal debt.

The St. Louis suburb of Maryland Heights, home to 28,000 residents, currently has a BBB- rating, just one rung above junk. A slew of downgrades from S&P has brought its rating down eight notches from AA+ since 2020, largely because of its involvement with the Centene Community Ice Center. Managed by a local nonprofit, the facility serves as a practice center for the National Hockey League's St. Louis Blues and features four NHL-sized ice rinks.

The ice rink was once expected to make the St. Louis area a destination for hockey tournaments and special events. But it has faced pressure since the pandemic, when it was forced to temporarily shut its doors. The Industrial Development Authority of the City of Maryland Heights — the local agency that issued bonds for the facility — also defaulted on an interest payment to holders of its subordinate debt last month.

The default sparked a warning from S&P which has placed Maryland Heights on credit watch with negative implications. This means that there's a 50% chance the rating could change within 90 days.

Another downgrade could make it more expensive and difficult for the city to borrow in the future. Maryland Heights has $26 million of debt outstanding, according to data compiled by Bloomberg. It last borrowed from the muni market in 2020.

Because of the way the bonds for the ice center are structured, Maryland Heights technically isn't on the hook to pay bondholders. The ice center was built in a community improvement district which can levy up to a 1% sales tax for approved public uses, and that revenue is among the source that are used to pay bondholders.

Under the financing agreement, the city had agreed to set aside up to $625,000 each year to replenish a reserve account protecting the senior bonds if the revenue couldn't cover debt payments. It has done so at least a few times since 2020, according to regulatory filings.

City spokesperson Trisha Hall said in an emailed statement last week that Maryland Heights has "more than fulfilled these obligations over the past few years by providing funding beyond what is legally required."

The city hasn't agreed to make backstop payments to replenish the reserve account of the subordinated debt series that defaulted, according to the bond documents.

Future Issuance

Dave Otto, board member of the St. Louis Legacy Ice Foundation, the nonprofit that operates the ice rink, said he hopes the center wouldn't have to face a default again.

"Inflation has hit all of us and it hit the ice rink as well," he said on a call, adding that while revenue picked up, so did expenses. He declined to comment on how or when the last month's default could be remedied. About $53 million of municipal-bond debt is outstanding on the bonds sold in 2018, according to data compiled by Bloomberg.

Regardless of the city's obligations toward the ice center, the recent default may cause bond investors to be more skeptical of Maryland Heights' willingness to support future projects, said Lisa Washburn, a managing director at Municipal Market Analytics.

"If Maryland Heights were to come to the market, there could be a higher degree of skepticism that could lead to them having to pay an incrementally higher cost on their debt," she said. "It's because they have debt with their name on it that has defaulted, whether or not they were obligated to pay."

Bloomberg Markets

By Eniola Longe and Amanda Albright

October 3, 2023

Houston, Texas: Fitch New Issue Report

Revenue Framework: 'aa': Revenue growth prospects remain solid, as the recent healthy growth trend is expected to continue. Revenue-raising ability is high relative to historically modest revenue volatility despite certain city charter and state law constraints. Expenditure Framework: 'a': The pace of spending is expected to be above revenue growth, primarily due to increasing public safety and benefit-related spending, absent policy actions. Carrying costs are elevated and ongoing firefighter pay disputes could hinder expenditure flexibility. Long-Term Liability Burden: 'aa': Fitch Ratings expects the combined overall debt and pension burden to remain at the low end of the moderate range as a percentage of total personal income. Operating Performance: 'aa': Fitch expects that currently sound reserve levels and a demonstrated ability to make budgetary adjustments will allow the city to maintain a high level of financial flexibility through future economic downturns.

ACCESS REPORT

Mon 02 Oct, 2023

Fitch Downgrades Texas Hospital System Three Notches to B+.

- **Shrinking liquidity and reimbursements have squeezed Wise**
- **Unrestricted cash fell 32% to $69 million from end of 2022**

Fitch Ratings downgraded Wise Health System, citing shrinking liquidity and high doctor turnover among the pressures on the Texas operator.

The hospital system was lowered three notches to B+ from BB+ and placed on a negative rating watch by Fitch, according to a Friday report. Wise Health System's balance sheet is "approaching tenuous and offering a limited margin of safety," Fitch wrote. Its unrestricted cash declined to $69 million as of June 30 from $101 million at the end of last year.

Hospitals are coping with higher expenses for labor and supplies, and smaller and more rural systems like Wise are particularly squeezed.

Continue reading.

Bloomberg Markets

By Lauren Coleman-Lochner

October 2, 2023 at 8:30 AM PDT

Commonwealth of Kentucky: Fitch New Issue Report

The ‘AA-‘ rating on the commonwealth’s appropriation-backed debt, set one notch below the commonwealth’s ‘AA’ Long-Term Issuer Default Rating (IDR), is based on debt service paid on lease payments that are subject to annual appropriation. The ‘AA-‘ rating reflects a slightly elevated risk of non-repayment given the appropriation pledge.

ACCESS REPORT

Mon 02 Oct, 2023

State of New York: Fitch New Issue Report

The ‘AA+’ rating on senior lien PMT bonds reflects the solid growth prospects of the dedicated revenue stream and ample resilience of the bond structure based on the 2.25x additional bonds test (ABT). The rating is capped at the ‘AA+’ Issuer Default Rating (IDR) of New York State and does not reflect the credit quality of the MTA as revenues are not exposed to its operations.

ACCESS REPORT

Fri 06 Oct, 2023

S&P ESG Evaluation: California Water Service Group

The Group’s ESG Evaluation score of 74 illustrates our assessment of the company’s capable management of water services and sewage treatment.

Download

S&P Charter School Brief: Texas

View the S&P Brief.

27 Sep, 2023

Utah Infrastructure Agency: Fitch New Issue Report

The ‘BBB–’ ratings and maintenance of the Negative Outlook on Utah Infrastructure Agency (UIA) continue to reflect Fitch Ratings’ expectation that UIA’s nonconsolidated leverage, which excludes nonrecourse debt issued on behalf of certain municipalities in Utah, will improve but remain weak through 2024. Fitch expects nonconsolidated leverage, including the issuance of the series 2023 bonds to hover moderately over 9.0x through 2024, before improving to roughly 8.4x by 2025 due to solid growth in operating income. Fiscal 2023 shows nonconsolidated leverage stabilizing at roughly 9.2x from 10.1x the prior year based on near-final unaudited numbers. Downward rating action could be taken if UIA fails to reduce nonconsolidated leverage to closer to 9.0x by FYE 2024. UIA’s weaker financial profile reflects elevated leverage, measured as net adjusted debt to adjusted funds available for debt service (FADS), that rose to 12.4x on a consolidated basis, reflecting UIA’s issuance of additional nonrecourse debt for the Utah cities of Syracuse, Santa Clara and Cedar Hills. Fitch’s calculation of nonconsolidated leverage is 10.1x in fiscal 2022, reflective of financial performance marginally weaker than projections combined with depreciation that was slightly lower than projections, which Fitch adds back to FADS. UIA’s liquidity remains neutral to the ratings. The ‘BBB–’ rating factors in the system’s exposure to potential volatility in its customer base due to competition or technology changes for the life of debt. This risk is offset somewhat by UIA’s ability to access pledged loans of franchise tax revenue from creditworthy, contracting member cities. The additional $5.15 million in franchise tax revenue available to UIA is not included in Fitch’s metrics, but provides additional stability to UIA’s financial profile and allows for a final rating higher than the weaker financial profile assessment and suggested analytical outcome suggest.

ACCESS REPORT

Thu 28 Sep, 2023

Metropolitan Pier and Exposition Authority, Illinois: Fitch New Issue Report

The rating on the MPEA expansion project bonds reflects Fitch Ratings’ view that pledged state sales tax deposits will grow with inflation and that the security structure can withstand a substantial level of decline and still maintain sum-sufficient debt service coverage. The transfer to the bond trustee requires annual legislative appropriation, thereby capping the rating at one notch below the state of Illinois’ Issuer Default Rating (IDR). This is below our assessment of the underlying credit quality of the pledged revenues supporting the dedicated tax bonds.

ACCESS REPORT

Fri 29 Sep, 2023

New York City, New York: Fitch New Issue Report

Revenue Framework: ‘aa’: New York City has a highly diverse revenue base that supports resilience to changes in economic conditions. Fitch expects revenue growth to range between long-term inflation and U.S. GDP with a return to at least pre-pandemic levels of personal and corporate income tax revenues and continued strength in residential real estate values offset by pressure on commercial growth in the medium term. The city has solid independent legal ability to adjust property tax rates and a variety of fees and charges to offset the modest revenue declines expected in a typical economic downturn. Rates for other important revenue sources (mainly income and sales taxes and state aid) are not within management's independent control. Expenditure Framework: 'a': Carrying costs are moderate, typically about 20% of governmental funds spending. Other than education-related employees, most labor contracts are subject to binding arbitration; however, the city has demonstrated adequate expenditure flexibility primarily through its control over employee headcount. Fitch expects long-term spending patterns to be above revenue growth excluding policy actions. Long-Term Liability Burden: 'a': Ongoing and substantial capital needs will be the primary driver of expected growth in the city's long-term liability burden to an elevated but still moderate level as the resource base expands. However, debt policies in place support maintenance of debt issuances within affordability levels. Reported NPLs will incorporate market volatility but the city is required to fully fund its actuarially determined contributions. Net unfunded OPEB liabilities represent close to 13% of personal income but annual costs are a moderate portion of the budget excluding periodic contributions above pay-as-you-go. Operating Performance: 'aaa': The 'aaa' assessment reflects a very strong gap-closing ability and the city's close budget monitoring and control, as demonstrated by its ability to maintain consistent balance and manage outyear gaps. A high level of inherent budgetary flexibility provides protection against typical economic and revenue volatility.

ACCESS REPORT

Thu 28 Sep, 2023

New York Mega Mall Has Muni Bond Rating Slashed Deeper Into Junk.

Municipal bonds tied to Destiny USA, the biggest shopping mall in New York state, were cut deeper into junk by Moody's Investors Service on Wednesday because the complex is unlikely to meet a key measure of profitability needed to extend an outstanding loan.

Moody's lowered the rating on municipal bonds backed by payments in lieu of taxes to Caa2 from Caa1 and revised the outlook to stable, the company said in a release. The downgrade reflects an increase in "default risk" because the net-operating-income target needed to extend an existing subordinate mortgage-backed security loan past June 2024 is "unlikely to be satisfied."

The municipal debt was originally issued to expand the Carousel Center mall in Syracuse, New York, into a super-regional shopping complex, now called Destiny. About $270 million of Pilot bonds are outstanding, according to data compiled by Bloomberg.

Continue reading.

Bloomberg Markets

By Martin Z Braun

September 27, 2023

[New Yorkers Are Better Off Buying Muni Bonds, Bank of America Says.]

Wealthy New Yorkers can earn more investing in the city's municipal bonds right now than in corporate debt, Bank of America Corp. told investors Friday.

For New Yorkers subject to the highest tax rates, taxable bonds would need to yield 8.9% to compete with the yield offered on New York bonds, strategists Yingchen Li and Ian Rogow wrote in a note Friday. That's about 2.8 percentage points higher than a metric of yields on the ICE Bofa index of corporate bonds, they noted.

Bank of America is the top underwriter of municipal debt in the US.

The $4 trillion municipal bond market, like other parts of the fixed income, is offering elevated yields not seen in years as the Federal Reserve has hiked interest rates aggressively to combat inflation. But state and local debt has an added allure that other asset classes don't: the income is tax-exempt. That means that the yields on muni bonds are even higher after adjusting for taxes. And the higher your tax bracket, the more attractive the bonds look.

The yield on the 10-year AAA municipal benchmark has surged about 30 basis points this week, according to Bloomberg BVAL. The selloff has come after the Fed indicated its intention to keep interest rates high for as long as necessary to contain inflation.

"Muni yields are even more attractive now relative to corporates after recent selloff," the Bank of America analysts said.

For those living in New York City, which levies a city income tax, taxable bonds have to yield 9.68% to compete with the munis.

"In other words, New York City residents can earn more investing in New York munis than in high yield corporates," they wrote. The yield to worst, meaning the lowest amount of yield an investor can expect on the Bloomberg high-yield index, is about 8.9%.

Bloomberg Markets

By Eniola Longe

September 29, 2023

[Money Manager First Eagle Hires John Miller, Former Junk-Muni Titan at Nuveen]

- **Miller will start in January, lead muni-investment group**
- **Group will focus on high-yield munis initially, Miller says**

John Miller, who managed the municipal-bond market's largest junk mutual fund at Nuveen until earlier this year, will join First Eagle Investments in January to build a muni department from the ground up.

When he joins the $131 billion money manager in the new year, Miller says he'll focus on what has defined his career — the riskiest corners of the municipal market.

"I wouldn't rule out investment grade," he said in an interview. "But we'll start with high-yield. That is where my value-add is."

Continue reading.

Bloomberg Markets

By Danielle Moran

September 21, 2023

New Jersey's American Dream Megamall Losses Quadrupled in 2022.

- **Loss widened to $245 million as financial expenses ballooned**
- **Shopping and entertainment complex was 85% leased as of July 1**

American Dream, the megamall in New Jersey's Meadowlands, has seen its losses increase fourfold in one year, according to a draft securities filing.

The 3.5-million-square-foot shopping and entertainment complex, home to an indoor ski slope, amusement park and water park, lost about $245 million in 2022 as expenses almost doubled to $428 million, according to the three-page document posted Monday to the Municipal Securities Rulemaking Board's EMMA website. Financial expenses, which typically include debt service payments, ballooned to $189 million.

Kristen Buckley-White, an American Dream spokesperson, didn't respond to a request for comment.

Continue reading.

Bloomberg Markets

By Martin Z Braun

September 19, 2023

San Francisco (City and County) Public Utilities Commission, California: Fitch New Issue Report

The affirmation of San Francisco Public Utilities Commission's 'AA–' ratings reflects the very strong financial profile of the Power Enterprise, factoring in sizable capex plans and debt issuance scheduled over the next five years. System leverage, albeit higher, together with ongoing robust liquidity and adequate coverage should remain consistent with the rating, given the enterprise's strong revenue defensibility and low to midrange operating cost burden. Continued strong financial performance will depend heavily on planned rate increases. The rating is constrained by the customer concentration in SFPUC's unique service area. SFPUC provides service to certain customers within San Francisco, and some competition exists with Pacific Gas and Electric Company

(PG&E; BB+/Stable) for new customer growth in the city. The customer base is consequently highly concentrated with city-owned enterprises, such as San Francisco International Airport, the San Francisco Municipal Transportation Agency, and the SFPUC Water Enterprise and SFPUC Wastewater Enterprise, which are the largest customers. Fitch Ratings' analysis also takes into account an asymmetric risk factor stemming from California's strict legal interpretation of inverse condemnation as it relates to wildfires. Approximately 28% of SFPUC's distribution transmission lines are located in areas that present elevated or extreme wildfire risk, as defined by the California Public Utility Commission Fire Threat Map. The remaining 72% of the transmission lines are outside the High Fire Threat District. However, Fitch considers the likelihood of a massive wildfire event remote, and the utility continues to take steps to reduce overall wildfire risk through continued investment and power shutoffs during critical fire weather conditions.

ACCESS REPORT

Thu 21 Sep, 2023

S&P ESG Evaluation: California Water Service Group

The Group's ESG Evaluation score of 74 illustrates our assessment of the company's capable management of water services and sewage treatment.

Download.

State of California (State Public Works Board): Fitch New Issue Report

Key Rating Drivers Revenue Framework – 'aaa' Tax revenues are dominated by personal income taxes, which are economically sensitive, particularly those related to capital gains. Long-term growth prospects for revenues are strong, driven by the state's robust economic fundamentals. The state retains the independent legal ability to raise taxes, subject to a legislative supermajority voting requirement. Expenditure Framework – 'aa' California has a solid ability to reduce spending throughout the economic cycle, although its flexibility is somewhat more restricted than most states due to constitutional requirements for funding education and voter initiatives that limit state discretion. However, Proposition 98 school funding requirements also decline relatively quickly when revenues decline, acting as a form of automatic stabilizer during a downturn. Long-Term Liability Burden – 'aaa' Long-term liabilities, while above the median for U.S. states, are a moderately low burden on the resource base. The state is addressing its pension liabilities with measures including benefit changes, supplemental contributions and a long-term plan to increase contributions to the teachers' system.

ACCESS REPORT

Thu 21 Sep, 2023

State of New York: Fitch New Issue Report

Revenue Framework – 'aa' New York State's revenue base is diverse and has solid growth prospects above the level of long-term inflation but below U.S. GDP, driven by its diverse, wealthy economic profile. The tax base, concentrated in the large PIT component, is economically sensitive. The state has complete independent legal control over revenue. Expenditure Framework – 'aaa' The natural pace of New York's spending growth, driven by education and Medicaid funding demands, is likely to be marginally above revenue growth over time, requiring ongoing budget management. The state has ample flexibility to control spending. Long-Term Liability Burden – 'aaa' New York State's long-term liability burden, including debt and net pension liabilities, is near the median for U.S. states as a percent of personal income and an overall low burden on resources. Most long-term liabilities are for debt, rather than pensions, with relatively flat growth over the past decade. Net pension liabilities as a percentage of personal income are well below the state median, with the state utilizing conservative actuarial assumptions. Operating Performance – 'aa' Formal budgetary reserves historically have been modest relative to cyclical revenues, but have grown rapidly in recent years, along with the expansion of nonstatutory reserves. Financial resilience is still driven largely by the state's willingness to quickly adjust revenues and expenditures in response to fiscal deterioration, and its ability to build considerable flexibility into its regularly updated multi-year financial plans to absorb fiscal volatility. Budgeting practices, including statutory growth caps on Medicaid

ACCESS REPORT

Fri 22 Sep, 2023

Texas Water Development Board (State Water Implementation Revenue Fund for Texas): Fitch New Issue Report

The 'AAA' rating reflects the ability of the State Water Implementation Revenue Fund for Texas (SWIRFT) program's (the program's) financial structure and funding mechanisms to absorb hypothetical pool defaults in excess of Fitch Ratings' 'AAA' stress scenario without causing an interruption in bond payments. Bonds are backed primarily by political subdivision obligation (PSO) repayments and certain pledged accounts tied to each series of bonds. Portfolio Credit Risk: The combined PSO pool credit quality is very strong — approximately 87% of the portfolio is rated at least investment grade — but the pool remains somewhat concentrated. The pool's top 10 concentration is approximately 83%, which is above Fitch's 'AAA' rating category median of 55%. Financial Structure: Fitch's cash flow modeling demonstrates that program resources are sufficient to protect bondholders from losses under various default scenarios.

ACCESS REPORT

Wed 13 Sep, 2023

State of New Jersey (New Jersey Educational Facilities Authority): Fitch New Issue Report

The ‘A’ ratings for the New Jersey Educational Facilities Authority (NJEFA) revenue bonds, one notch below New Jersey’s ‘A+’ Issuer Default Rating (IDR), are based on annual contract payments made to the authority from the state treasurer, subject to annual appropriation. NJEFA, one of multiple state entities issuing debt supported by annual appropriations, provides financing for equipment, facilities construction or renewal, technology infrastructure, safety and other needs at higher education institutions, county colleges, libraries and related entities.

ACCESS REPORT

Fri 15 Sep, 2023

S&P Second Party Opinion: City of New York's General Obligation Bonds, 2024 Series B Taxable Social Bonds, Subseries B-1

City of New York’s General Obligation Bonds, 2024 Series B Taxable Social Bonds, Subseries B-1 Is Aligned With Principles.

Read the Opinion.

NYC’s Rising Migrant Costs Won’t Destroy Its Finances, Bondholders Say.

- **City has $8 billion reserve to help cover $5 billion price tag**
- **General obligation bonds are rated AA by S&P and Fitch Ratings**

New York City Mayor Eric Adams says the migrant crisis “will destroy” the city. Not so, say credit analysts and bondholders.

The cost to shelter and care for tens of thousands of migrants is projected to add nearly $5 billion in spending to the city’s $107 billion budget for this fiscal year and an additional $6 billion the following year, according to Adams. But the city has $8 billion in reserves to help cushion against the extraordinary expense.

“New York comes into this in great financial condition,” said Dan Solender, head of municipal debt at Lord Abbett & Co. “It’s a concern if it becomes something that shows up in the financial statements. So far, it’s not at that point.”

Continue reading.

Bloomberg CityLab

By Martin Z Braun

September 12, 2023

S&P U.S. Local Governments Credit Brief: California School Districts Means And Medians

Overview

S&P Global Ratings believes that California school districts' credit quality will remain relatively stable, supported by a favorable state funding environment and the receipt of one-time stimulus resources as districts mitigate challenges arising from broad school-aged demographic declines that the pandemic has exacerbated. We expect this trend to continue in the medium term, but districts in the state face more-difficult budgetary tradeoffs as they expend their remaining Elementary and Secondary School Emergency Relief (ESSER) funding and begin to experience the financial impact of continued enrollment declines. In fiscal 2023, the state made upward adjustments to its per pupil equalization formula applicable to most districts. Districts can use the average daily attendance (ADA) of the current year, prior year, or the average of the three most recent years, whichever is highest, to determine operating revenue under the state funding formula, but we think that the revenue effects and operational and asset management complexities of declining local student populations will continue to challenge the budgets of many districts for the long term. Accordingly, we also are seeing a surge in compensation increases to an extent that affects districts' bottom lines, as bargaining groups make the case for addressing broad-based inflation, the state's comparatively high housing costs, and a limited pipeline of qualified teachers.

S&P Global Ratings maintains ratings on 688 school districts in California, including school facilities improvement districts. Fifty-five percent of California school districts are in the 'A' category, 44% are in the 'AA' category or above, and fewer than 1% are in the 'BBB' category or lower. In addition, 99% of the ratings have a stable outlook. Four school district ratings have a positive outlook, while two have a negative outlook.

Continue reading.

30 Aug, 2023

Examining the Reach of California's Targeted School Funding.

Key Takeaways

Now entering its second decade, the Local Control Funding Formula (LCFF) fundamentally shifted school finance in California. Under LCFF, the robust state revenue growth of the past decade led to even greater increases for the state's highest-need districts. LCFF also brought about more flexible funding—along with concerns about whether additional funding is reaching the high-need students and schools for which it was intended. In this report, we provide comprehensive new evidence on the targeting and efficacy of LCFF funding for high-need students.

- **Spending on concentration grants improved test scores in high-need districts.** Concentration grants add funding above the LCFF base grant to districts with higher shares of high-need (English Learner, low-income, and/or foster youth) students. For these districts, the additional funding led to higher math and ELA scores, with the largest impact among 11th graders, who have had the longest exposure to increased LCFF funding. →
- **Local Control and Accountability Plans (LCAPs) show incomplete targeting of funds to high-need students.** Nearly 60 percent of districts in 2021–22 reported plans to spend less on

high-need students than the additional funding they received for high-need students. The extent of targeting varies widely across districts, and gaps between spending on high-need students and the additional funding intended for them tend to be greater in higher-need districts. →

- **Districts spend funds more evenly across schools than schools generate funds.** Schools with more high-need students generate more funding, but most districts do not spend these additional dollars in the same proportion. In 2020–21, spending at high-need schools was 75 cents higher per dollar of extra funding, compared to roughly 45 cents on the dollar in the two prior school years. However, districts vary in this proportion, with nearly 80 percent of concentration districts spending dollars more evenly across schools than LCFF would imply if districts allocated additional funding in proportion to a school's high-need share. →

Continue reading.

Public Policy Institute of California

by Julien Lafortune, Joseph Herrera, and Niu Gao

Indiana Finance Authority (State Revolving Fund): Fitch New Issue Report

The 'AAA' rating reflects the ability of the clean water (CW) and drinking water (DW) state revolving fund (SRF) bond program's (the program) financial structure to absorb hypothetical pool defaults in excess of Fitch Ratings' 'AAA' stress scenario without causing an interruption in bond payments. Aggregate pool credit risk is measured using Fitch's Portfolio Stress Model (PSM), and the strength of the program's financial structure is measured using Fitch's Cash Flow Model.

ACCESS REPORT

Wed 23 Aug, 2023

Facing Budget Shortfall, California Preps $2.6 Billion Bond Sale.

- **The bond sale includes $1.6 billion of refunding bonds**
- **State's latest budget reflects nearly $31.5 billion deficit**

California is coming to market next week with its largest municipal-debt offering of the year, $2.6 billion of tax-exempt general obligation bonds that are expected to draw strong demand from investors during a period of lower-than-expected issuance.

The sale includes $1 billion of new debt to fund a variety of voter-approved capital projects including school construction, improvements to clean water access and high-speed rail. The Golden State will also sell $1.6 billion of refunding bonds to cut its borrowing costs, according to bond documents.

Retail investors will begin placing orders on Wednesday ahead of pricing Thursday. The bonds will be underwritten by Citigroup Inc. and RBC Capital Markets, and they are rated Aa2 by Moody's Investors Service, AA- by S&P Global Ratings, and AA by Fitch Ratings.

Continue reading.

Bloomberg Markets

By Maxwell Adler

September 1, 2023

[S&P Second Party Opinion: Caritas Corp.'s California Municipal Finance Authority Mobile Home Park Senior Revenue Bonds]

Caritas Corp. has a strong social license to operate in the communities it serves. For more than 25 years, Caritas has acquired, renovated, and operated over 30 affordable housing projects and has a track record of maintaining affordable rents while upkeeping its properties. Regulatory oversight and regulation underscores compliance with social objectives. All of Caritas' projects, including the proposed acquisition of the Chatsworth Project, are governed by various federal and state laws with specific requirements to set aside housing for low-income residents and maintain affordable rent levels for all residents.

Download

San Francisco Taps Muni Market for Affordable Housing Project.

- **Bond sale will help finance 537 units of affordable housing**
- **San Francisco needs 82,000 new housing units by 2030**

A San Francisco redevelopment agency is borrowing $60 million in the municipal bond market this week to help finance affordable housing in a city that has some of the highest rents in the nation and is suffering from an exodus of people.

The Office of Community Investment and Infrastructure, an agency governed by the city and county of San Francisco, is selling $24.5 million of taxable bonds and $35.7 million of tax-exempt bonds to launch another phase of the Transbay Program, a roughly two-decade old transportation and housing project intended to transform an "underdeveloped" neighborhood.

Proceeds from the sales will go toward the construction of more than 500 affordable housing units and a new park in San Francisco's South of Market neighborhood, an area that now houses downtown skyscrapers, luxury hotels and offices for Salesforce Inc., LinkedIn and BlackRock Inc.

Continue reading.

Bloomberg Markets

By Maxwell Adler and Tanaz Meghjani

August 29, 2023

[S&P U.S. Local Governments Credit Brief: California School Districts Means And Medians]

Overview

S&P Global Ratings believes that California school districts' credit quality will remain relatively stable, supported by a favorable state funding environment and the receipt of one-time stimulus resources as districts mitigate challenges arising from broad school-aged demographic declines that the pandemic has exacerbated. We expect this trend to continue in the medium term, but districts in the state face more-difficult budgetary tradeoffs as they expend their remaining Elementary and Secondary School Emergency Relief (ESSER) funding and begin to experience the financial impact of continued enrollment declines. In fiscal 2023, the state made upward adjustments to its per pupil equalization formula applicable to most districts. Districts can use the average daily attendance (ADA) of the current year, prior year, or the average of the three most recent years, whichever is highest, to determine operating revenue under the state funding formula, but we think that the revenue effects and operational and asset management complexities of declining local student populations will continue to challenge the budgets of many districts for the long term. Accordingly, we also are seeing a surge in compensation increases to an extent that affects districts' bottom lines, as bargaining groups make the case for addressing broad-based inflation, the state's comparatively high housing costs, and a limited pipeline of qualified teachers.

S&P Global Ratings maintains ratings on 688 school districts in California, including school facilities improvement districts. Fifty-five percent of California school districts are in the 'A' category, 44% are in the 'AA' category or above, and fewer than 1% are in the 'BBB' category or lower. In addition, 99% of the ratings have a stable outlook. Four school district ratings have a positive outlook, while two have a negative outlook.

Continue reading.

30 Aug, 2023

How Did Things Go So Wrong at This Arizona Park Built With Muni Bonds?

The sports arena opened just last year. Bonds that built it recently traded at roughly 10 cents on the dollar.

Municipal bonds have a reputation for safety, but a financial meltdown at a sports arena in Mesa, Ariz., shows all munis aren't created equal.

Legacy Park, spread over 320 acres with volleyball courts, soccer fields and summer campers, filed for bankruptcy in May. That was just 15 months after it opened and three years after an entity known as the Arizona Industrial Development Authority agreed to issue muni bonds to pay for the park's construction. The bonds recently traded at roughly 10 cents on the dollar, and the park is looking for a buyer.

The sports park's financial troubles highlight a risky corner of the $4 trillion municipal-bond market, enabled by local government entities known as conduit issuers. That is a space where private-sector businesses, typically nonprofits, borrow tax-free to build malls, medical centers and charter schools.

Continue reading.

The Wall Street Journal

By Heather Gillers

Aug. 28, 2023

Puerto Rico Utility Bondholders Split on Way to Bankruptcy Exit.

BlackRock and other municipal bondholders are nearing a restructuring deal opposed by their longtime allies

A group of bond investors is expected to back a new restructuring plan for Puerto Rico's power utility but would have to contend with other creditors that want to keep fighting for a better deal.

BlackRock, Nuveen and Franklin Advisers are nearing a restructuring deal to write down $8.3 billion in debt owed by the bankrupt electric monopoly to a fraction of that amount, people familiar with the discussions said.

The new deal would open a path to ending the Puerto Rico Electric Power Authority's six-year bankruptcy case and has divided bondholders that until recently were united in negotiations. Bondholders including GoldenTree Asset Management are preparing to battle in court to try to sink the debt plan, due to be filed in court on Friday, according to people familiar with the matter.

Continue reading.

The Wall Street Journal

By Andrew Scurria

Aug. 24, 2023

Puerto Rico Electric Power Bonds Fall on Proposed Debt Deal.

- **Slump comes as some investors reach deal with utility**
- **Proposal would give some investors 12.5 cents on the dollar**

Some municipal bonds sold by Puerto Rico's bankrupt power utility have plunged after a group of investors reached a restructuring deal that would significantly slash the agency's debt load.
A security sold by the Puerto Rico Electric Power Authority, also known as Prepa, due in 2042 changed hands at an average price of 24.25 cents on the dollar between two trades on Monday, down from above 70 cents as recently as May, according to data compiled by Bloomberg.

The deal between creditors including BlackRock Financial Management and Nuveen Asset Management and the island's federally appointed financial oversight board, which is managing Prepa's bankruptcy, would reduce combined claims of $10 billion down to about $2.5 billion of new bonds. The deal would give bondholders who sign the agreement 12.5 cents on the dollar on what they were owed when Prepa entered bankruptcy in July 2017, and 3.5 cents for investors who decline to join the restructuring plan.

Continue reading.

Bloomberg Markets

By Danielle Moran and Michelle Kaske

August 28, 2023

Wells Fargo Is Cleared to Underwrite Texas Muni-Bond Deals by AG.

The Texas Attorney General's Office ruled that Wells Fargo & Co. can continue underwriting municipal-bond transactions in the state after probing the bank's policies on the firearms industry.

It's a win for Wells Fargo's public finance department, allowing it to maintain its presence in the top market for municipal-bond deals this year. The San Francisco-based bank is the sixth-biggest underwriter in the US muni market overall.

Leslie Brock, the chief of the AG's public finance division, wrote in a letter to bond counsel on Friday that the bank complies with the rules.

Continue reading.

Bloomberg Markets

By Amanda Albright

August 25, 2023

Moving to Texas Is All the Rage, Even in the Muni-Bond Market.

- **Credit spreads on Texas bonds have widened on supply surge**
- **Texas issuers have sold the most amount of debt so far in 2023**

It seems like everything is cheaper in Texas these days as the state lures residents and companies with a lower cost of living. Even municipal debt investors are now getting a bargain after a bond boom overwhelmed demand.
Texas governments and school districts are in the midst of a borrowing spree as the population swells. That caused bond yields to climb, giving investors a chance to buy pristine credits that are yielding 40 or even 50 basis points higher than the AAA benchmark.

Those rates have climbed so high that it makes sense for investors in a bevy of other states to buy Texas bonds. Meanwhile, the credits offer a safe haven: The state is one of a dozen that's rated AAA, higher than the federal government. Texas is considered the eighth-largest economy in the world.

Continue reading.

Bloomberg Markets

By Amanda Albright and Skylar Woodhouse

August 22, 2023

[Hawaii Munis Plunge in Latest Investor Warning on Climate Risk.]()

- **Index of Hawaii debt is down 2.8% in August, most of any state**
- **State's 'sizable cash balances' help disaster support: Fitch**

Hawaii state and local municipal bonds have surrendered all their 2023 gains in the past three weeks after the deadly Maui wildfires delivered a fresh reminder of climate risk in the $4 trillion market for state and local debt.

An index comprised of Hawaiian municipal securities has dropped 2.81% in August, the worst performance of any state and compared to a 1.8% loss for the broader market, according to data compiled by Bloomberg. Hawaii is one of only four states to post a negative performance this year. At the end of July, its municipal bonds were sporting a more than 2% gain for 2023.

"The Hawaii index was impacted by the large drop of bonds associated with the Maui catastrophe," said Tom Doe, president and founder of Municipal Market Analytics.

Continue reading.

Bloomberg Markets

By Maxwell Adler

August 25, 2023

McGuireWoods: California Proposes Rules Clarifying Notice and Review Requirements for Health Care Transactions

On July 31, 2023, the California Office of Health Care Affordability (OHCA) issued proposed regulations requiring health care entities to notify OHCA about material transactions at least 90 days prior to closing. McGuireWoods previously published an alert on California's advance notice and review requirements and the potential implications for health care transactions occurring in California on or after April 1, 2024.

California is one of many states to implement reporting requirements for health care transactions. Several other states such as New York, Oregon and Washington have similar laws and requirements. McGuireWoods continues to monitor these developments and analyze the impacts of such laws, most recently on June 5 and May 8, 2023.

Key Takeaways

1. By expanding the definition of "health care entity" to include entities like management services organizations, broadening of the definition of "material transactions" and potentially extending review timelines, OHCA will play an extensive role in future transactions.
2. Health care providers and entities operating in California that are planning or considering entering into a transaction now must consider the advance notice filing requirement, review

process and additional timing components when planning a transaction. This will include preparing documents and compiling significant amounts of information to submit the notice filing in advance of the 60-day initial waiting period for OHCA to determine whether to conduct a cost and market impact review (CMIR), and a potential additional 90-day waiting period if OHCA chooses to undertake a CMIR.

3. Health care providers and entities subject to the advance notice and review requirements must provide information about the entities undergoing the proposed transaction and submit copies of documents such as structure charts and transaction agreements. By default, OHCA will consider such information and documents as public records, but a submitter may mark certain documents as confidential or redact certain information, and OHCA will deem confidentially marked documents such as purchase agreements, financial documents and unredacted resumes as confidential.
4. Parties making filings must consider the antitrust and other market implications of a transaction in advance of their submission and be able to credibly address the impact of the transaction on competition, cost of care, quality of care, health equity, innovation and access to care. Failing to adequately develop a strategy that takes account of these aspects of a transaction in an initial filing can increase the odds that OHCA will undertake a CMIR, which involves significant additional delay, expense, disruption and the risk that OHCA may refer the matter to the Office of the Attorney General for additional action.
5. These proposed regulations provide additional details on the requirements and process, and they provide more details to the language of the statutes. Stakeholders may submit comments on the proposed regulations to CMIR@HCAI.CA.GOV until 5 p.m. on Aug. 31, 2023. It is unclear if the public should expect further changes, but OHCA intends to submit the finalized regulations as an emergency rulemaking package in October 2023.

Continue reading.

McGuireWoods LLP – H. Holden Brooks, Trey Andrews, Kristen H. Chang and Tom Siwula

August 14 2023

LA School System Kicks Off School Year With Municipal Bond Sale.

- **Proceeds from $384 million sale to also fund campus security**
- **Balance will finance electric bus, student enrollment efforts**

The nation's second-largest K-12 district is kicking off the new school year with a municipal bond offering while it contends with attacks from hackers, a dwindling student body and soaring labor costs.

The Los Angeles Unified School District, which begins the school year Monday, plans to borrow about $384 million to tackle cyberattacks, school safety and climate change, according to the bond offering prospectus. The series of bonds carries a sustainability label.

"The district is constantly facing a variety of persistent and evolving cybersecurity threats," said the prospectus, which details previous incidents, including a ransomware attack last year that exposed some student data.

Continue reading.

Bloomberg

By Lauren Coleman-Lochner

August 14, 2023

[Hollywood Strikes Pose a Credit Risk for $113 Million Muni Deal.]

- **Oscars ceremony is major source of revenue to repay the debt**
- **Moody's grades deal 2 steps below top rank with stable outlook**

Municipal-bond investors have to assess an unusual risk as part of a $113 million bond offering next week: The historic strikes that are paralyzing business for much of Hollywood.

The seller of the debt, a group affiliated with the Academy of Motion Picture Arts and Sciences, is familiar to muni-market participants because it has issued bonds several times for its Los Angeles museum, which opened in 2021.

However, this offering, which will refinance old, higher interest-rate debt, comes against a troubled backdrop for the industry. The Writers Guild of America went on strike May 2, seeking higher pay and other changes amid the rise of streaming TV and artificial intelligence. The strike, coupled with one by screen actors that began in July, has largely halted production of new films and scripted TV shows.

Continue reading.

Bloomberg Markets

By Amanda Albright and Maxwell Adler

August 16, 2023

[Maui Wildfires Put Hawaiian Electric On Hedge Fund Radars.]

California utility PG&E went bankrupt after raking up billions in wildfires liabilities

Wildfire Liabilities

Distressed debt investors are circling Hawaiian Electric and have zeroed in on a set of rarely traded bonds following deadly wildfires in Maui.

While the company's municipal bonds have sunk to distressed prices, Jefferies sent out quotes this week on the company's private placement notes at levels between 40 cents and 60 cents on the dollar. These notes are primarily held by insurance companies and are rarely traded. Meanwhile, traders at Seaport are also gauging interest from some investors in hopes of making a market in the bonds.

Continue reading.

Bloomberg

By Rachel Butt and Reshmi Basu

August 18

Brokers Ready Trading in Discounted Bonds of Hawaiian Electric.

- **Jefferies quoted private placement notes at distressed levels**
- **Some holders have held calls on potential fallout, recovery**

Some Wall Street bond brokers are soliciting interest in a series of rarely traded notes tied to Hawaiian Electric Industries, as market participants assess potential liabilities for the utility following deadly wildfires in Maui, according to people with knowledge of the situation.

Jefferies Financial Group sent out quotes this week on Hawaiian Electric Co.'s private placement notes at deeply distressed levels, between 40 cents to 60 cents on the dollar, said the people, who asked not to be named because the matter is private. Meanwhile, traders at Seaport Group are gauging interest from some investors, the people said.

The solicitation is among a number of early indications that both investors and the utility have started to take steps to determine potential losses stemming from the wildfires. The notes quoted by Jefferies are rarely traded, privately-placed securities primarily held by insurance companies, the people said. Several banks are also making markets in the company's municipal bonds.

Continue reading.

Bloomberg Markets

By Rachel Butt and Reshmi Basu

August 17, 2023

Hawaiian Electric Muni Debt Risks Junk Cut, Barclays Says.

A unit of Hawaiian Electric Industries that is under scrutiny for its possible role in the deadly Maui wildfires could end up seeing its municipal bonds slashed to high-yield from investment-grade, according to Barclays Plc muni and ESG strategists.

Hawaiian Electric Co. and its subsidiaries have roughly $500 million in special purpose municipal debt and it's "quite possible" those bonds could be downgraded to below investment-grade in the near future, reads Barclays' note out Wednesday. S&P Global Ratings cut Hawaiian Electric Industries to junk earlier this week.

"In that case we might see heavy forced selling from investors that are not able to hold high yield muni debt," strategists led by Clare Pickering wrote. "If this happens in late August or early September, the secondary market might not be deep enough to absorb heavy selling if it materializes, which might cause outsize price swings."

Continue reading.

Bloomberg Markets

By Amanda Albright

August 17, 2023

Hawaiian Electric's Municipal Bonds Tumble Amid Maui Fire Probe.

- **Utility's subsidiary has $495 million of munis outstanding**
- **Hawaiian Electric cut to junk Tuesday by S&P over lawsuits**

Municipal bonds sold by a unit of Hawaiian Electric Industries, which operates the utility that serves Maui, are plunging amid scrutiny over the company's possible role in the island's deadly wildfire.

Investment-grade muni bonds sold by Hawaiian Electric Co. due in 2039 traded at about 65.7 cents on the dollar on Monday. That compares with above 80 cents in the days before the catastrophe, according to data compiled by Bloomberg.

Continue reading.

Bloomberg Markets

By Amanda Albright

August 15, 2023

New York City Debt Offering Shows Attractiveness of Munis.

The 2023 bond comeback is rife with opportunities for fixed income investors. New York City's recent issuance, in particular, highlighted the attractiveness of municipal bonds.

"The City of New York ("the City") announced the successful sale of approximately $1.56 billion of General Obligation Bonds, comprised of $1.41 billion of tax-exempt fixed rate bonds and $151 million of taxable fixed rate bonds," a public press release stated. "Proceeds of the bond sale will be used to refinance outstanding bonds for savings. The transaction achieves over $108 million in total debt service savings, spread primarily across Fiscal Years 2024 through 2027."

Munis receive praise for their ability to offer fixed income investors with a tax-free alternative. When you combine that with the high yields of today, along with quality debt with low rates, it's a win-win.

"The Big Apple — rated AA by two ratings companies — sold 30-year debt that was priced to yield 4.35%," a Wealth Management article said. "It sounds modest, but with tax adjustments, the richest New Yorkers snapping up the securities earned yields equivalent to 10% taxable debt, an online tool from Eaton Vance Management shows."

That combination of high yield and quality makes munis even more appealing for high-net-worth individuals. The higher the tax bracket, the more beneficial munis become.

“The $4 trillion municipal bond market is offering elevated yields not seen in years,” the article added. “But the state and local debt market has an added allure that other asset classes don’t: the income is tax-exempt. That means that the yields on muni bonds are even higher after adjusting for taxes. And the higher your tax bracket, the more attractive the bonds look.”

Access to Munis in One ETF

Rather than sifting through countless muni options available on the U.S. market, the Vanguard Tax-Exempt Bond ETF (VTEB) is an easier way for all-encompassing exposure. With a 0.05% expense ratio, the fund offers low-cost exposure to municipal debt. It also offers a 3.45% 30-day SEC yield as of August 10.

VTEB tracks the Standard & Poor’s National AMT-Free Municipal Bond Index, which measures the performance of the investment-grade segment of the U.S. municipal bond market. This index includes municipal bonds from issuers, primarily state or local governments or agencies whose interests are exempt from U.S. federal income taxes, and the federal alternative minimum tax (AMT).

ETF TRENDS

by BEN HERNANDEZ

AUGUST 16, 2023

Senior-Living Operator Files for Bankruptcy Due to Pandemic.

- **Nashville Senior Care operates five facilities in three states**
- **Company has $213 million in municipal bond debt outstanding**

A senior-living company filed for bankruptcy this week after it exhausted an emergency loan, the latest to falter because of Covid-19.

Nashville Senior Care LLC’s plight illustrates the pressures bearing down on the senior-living sector. Higher staff and supply costs on top of tepid demand for such facilities have caused defaults to outpace the rest of the municipal bond market this year. About 8% of the $43 billion in outstanding senior-living bonds is in default, compared with less than 1% of the total municipal bond market, according to data compiled by Bloomberg.

At Nashville Senior Care, the pandemic shutdown lowered the number of residents “precipitously,” while expenses rose “dramatically,” leaving the facilities without the means to make needed investments, executive director Thomas Johnson said in a court filing.

Continue reading.

Bloomberg Markets

By Lauren Coleman-Lochner

August 18, 2023

Hedge Fund Paradise Hides Puerto Rico's Crisis In the Making.

A failing power grid and affordability strains are dividing the island into haves and have-nots.

If you walk in certain circles, it's easy enough to believe that Puerto Rico has moved past devastating hurricanes and the largest municipal bankruptcy in US history.

Ritzy hotels and luxury restaurants are sprouting up along the island's white-sand beaches and crystalline waters. Dinner for two can cost $500 at those high-end spots. Hedge fund executives and crypto exiles are moving in, lured by lucrative tax breaks.

But it's the hum of privately owned generators that makes those lifestyles possible, and shields this set of the island's inhabitants from the reality experienced by the vast majority.

Continue reading.

Bloomberg Economics

By Jim Wyss and Michelle Kaske

August 18, 2023 at 3:00 AM PDT

State Budget Creates Uncertainty in Local Michigan ARPA Project Commitments.

In late June, Michigan passed a bipartisan $81.7 billion budget for Fiscal Year 2024, which included $26.7 million to provide a 5% increase in statutory revenue sharing to counties, cities, townships and villages. This is great news for local governments which have often felt slighted by Michigan's fractured municipal finance system.

However, the press release proclaiming budget victory contained only a single sentence on the revenue sharing increase (See "Gov. Whitmer Applauds Passage of 'Make it in Michigan' Budget," press release, Executive Office of the Governor, (June 28, 2023), https://rb.gy/ikv21.)

As always, the devil is in the details. In this case, the details could leave some communities scrambling to obligate millions of dollars in federal funding before year end.

Continue reading.

By: BridgeTower Media Newswires//August 10, 2023

By Brandon M. Grysko

New York City, New York: Fitch New Issue Report

The ‘AA’ Issuer Default Rating (IDR) and GO bond rating reflect the city’s exceptionally strong budget monitoring and controls, supporting Fitch’s high assessment of operating performance. Federal stimulus aid relieved fiscal pressure that would have otherwise resulted from the city’s lagged economic recovery from the pandemic and has supported structural budgetary balance. The record revenue performance and strong recovery, as well as improvement in reserve levels will help management navigate through future economic downturns, including near-term challenges due to an expected deceleration of revenue growth, rising labor costs and other uncertainties associated with a high-inflation environment.

ACCESS REPORT

Tue 08 Aug, 2023

State of Tennessee: Fitch New Issue Report

Revenue Framework – ‘aaa’ Consistent with Tennessee’s recent experience, Fitch expects long-term state revenue growth, predominantly sales tax, to be in line with or above national economic growth. The state retains an unlimited legal ability to raise operating revenues. Expenditure Framework – ‘aaa’ Spending is dominated by Medicaid and education. The natural pace of spending growth in Tennessee is expected to equal or marginally exceed expected revenue growth over time, requiring ongoing cost control. The state retains ample flexibility to cut spending throughout the economic cycle. Long-Term Liability Burden – ‘aaa’ The state’s liability position is among the lowest of the states, driven by a historical reluctance to rely on debt issuance to fund capital projects and a consistently disciplined approach to pension funding. Operating Performance – ‘aaa’ Tennessee retains exceptional gap-closing capacity stemming from a willingness to cut spending (even in high-priority areas) and strong reserves, including both a budgetary reserve and a separate Medicaid program reserve.

ACCESS REPORT

Thu 10 Aug, 2023

Bankrupt Arizona Sports Park Wins Ruling Backed by Bondholders.

- **Judge rejects US request for independent supervision of venue**
- **Park’s sale staying on track benefits $280 million muni bonds**

Legacy Cares Inc., the non-profit owner of a bankrupt Phoenix-area sports complex, won a court fight to keep the venue’s planned sale on track after an Arizona judge rejected a federal monitor’s plea to appoint a trustee for the site.

The decision is a victory as well for holders of $280 million in municipal bonds, unsecured creditors and the landlord of the 320-acre complex. The trustee for Vanguard Group, AllianceBernstein Holding LP and other bondholders and other creditors opposed the federal monitor’s request.

Judge Daniel Collins of the US Bankruptcy Court for the District of Arizona ruled that naming a trustee for the complex would “gravely jeopardize” the sale of the facility and it’s ability to continue as a going concern. Legacy Cares asked the court to set a Sept. 18 deadline for bids on the venue and to complete the sale in early October.

Continue reading.

Bloomberg Markets

By Martin Z Braun

August 10, 2023

Arkansas Development Finance Authority: Fitch New Issue Report

Portfolio Credit Risk: The program exhibits higher concentration than similar 'AAA' pools rated by Fitch, and overall credit quality is about average. The pool consists of a relatively few 73 obligors, which contributes to high single- and top 10-obligor concentration. Implied pool quality, measured by the aggregate rating and loan term and as measured in Fitch's Portfolio Stress Model, is 'BBB'. Obligor security is solid with over 95% of the pool backed by water and/or sewer revenue pledges and the remaining 4% secured by sales or special tax revenues. Financial Structure: The program's cash flows are very favorable, as minimum annual debt service coverage is about 3.4x. As a result, Fitch's cash flow modeling demonstrates that program resources are sufficient to withstand hypothetical pool defaults in excess of Fitch's 'AAA' liability rating stress hurdle without causing an interruption in bond payments. Program Management: The Arkansas Natural Resources Commission, which manages the program, maintains sound underwriting and loan monitoring procedures. To date, the pledged portfolio has not experienced a permanent loan default.

ACCESS REPORT

03 Aug, 2023

State of Wyoming to Require Training to Reduce Mismanagement of Funds.

CASPER — To better guard against fraud in Wyoming's small towns, the state recently established its first training requirements for officials on how to manage public funds.

The state Legislature in 2022 directed the Department of Audit to develop the new rules amid growing concerns about rogue communities evading compliance with financial regulations.

"This was kind of borne out of findings and things that were coming out of audits of local governments and special districts and smaller towns and cities," said Department of Audit Public Funds Administrator Michael Hansen.

Continue reading.

Gillette News Record

By Mary Steurer Casper Star-Tribune Via Wyoming News Exchange Aug 2, 2023

S&P Pension Spotlight: Ohio

Key Takeaways

- Ohio's pension plans' statutory contribution framework has generally followed actuarial recommendations, which helps maintain funded ratios as long as contribution increases continue.
- While we view the state's pension position as stable with adequate funding discipline, the state's current contribution amounts are likely insufficient to maintain funding levels going forward due to their fixed status (versus annual increases) and aggressive assumptions.
- Recent changes to retiree medical other postemployment benefits have helped control costs and limit risk to governments across the noneducation plans.

Continue reading.

31 Jul, 2023

California Nonprofit Hospitals Turn to Bankruptcy for Leverage Against State.

Distressed nonprofit hospitals in the state are using chapter 11 to gain leverage against the attorney general, whose office critics say has caused some sales to collapse

Beverly Hospital near Los Angeles tried and failed for years to sell itself. It turned the corner when it filed for bankruptcy.

The chapter 11 filing in April gave the hospital operator some leverage against the state's attorney general, who has the authority to mandate prospective buyers to maintain costly services such as emergency and charity care, and to accept patients covered by government-backed healthcare programs.

Such requirements had stunted Beverly's earlier sale attempts. As its finances worsened, the hospital faced the rising possibility of shutting down, leaving tens of thousands of low-income patients in the city of Montebello without healthcare services.

Continue reading.

The Wall Street Journal

By Akiko Matsuda

July 30, 2023

S&P: California Housing Finance Agency 2023 Series A Bonds

CalHFA's Preliminary Offering Statement (POS) clearly details that the proceeds of the bonds will be applied toward refinancing mortgage loans that previously financed the acquisition, construction, and rehabilitation of a portfolio of six multifamily rental developments in central and Northern California. The properties comply with strict state-level green building standards across the portfolio, with additional energy-efficiency criteria applied to the portfolio's San Francisco-based rehabilitation projects.

Download the report.

Florida's Flood of New Wealth Boosts High-Speed Train Bonds.

- **Private railroad's munis started year cheap, investor says**
- **Fortress has invested more than $2 billion in project**

New York has Metro-North, London has the Network Southeast. Miami has the Brightline — and these days, people are climbing aboard.

Ridership on the five-year-old rail line, which connects Miami and West Palm Beach, has taken off as wealth has poured into South Florida, boosting the bonds that funded it by as much as about 20% this year. The number of passengers was up nearly 80% through June.

The high-speed line is one more reflection in the kaleidoscopic story of the new wealth pouring into Miami. Even the municipal bonds used to finance the privately owned railway have appreciated in value recently, much like South Florida real estate, private school fees and seemingly everything else in the Miami area. The soon to be 235-mile-long private rail is owned by the same company that hopes to link Los Angeles and Las Vegas by train.

Continue reading.

Bloomberg

By Martin Z Braun

July 27, 2023

Salt Lake City, Utah: Fitch New Issue Report

Revenue Framework: 'aaa': Fitch Ratings expects solid ongoing revenue growth, supported by significant new property development and economic expansion. The city has a substantial independent legal ability to raise revenues. Expenditure Framework: 'aa': Based on the city's current spending practices and recurring operating surpluses, Fitch expects the natural pace of expenditure growth to be generally in line with revenue growth. While the city has a somewhat elevated fixed-cost burden, its labor environment is flexible. The pace of spending is expected to be marginally above revenue growth absent policy action. Carrying costs are moderate, and the city's ability to control wages and benefits is solid. Long-Term Liability Burden: 'aaa': The city's long-term debt and pension liabilities are low relative to its economic resource base. Operating Performance: 'aaa': Strong control over revenues and spending, along with solid reserves both within and outside the general fund, contribute to the city's superior gap-closing capacity, which Fitch expects the city will maintain throughout economic cycles.

[ACCESS REPORT]

Tue 25 Jul, 2023

Oklahoma Development Finance Authority: Fitch New Issue Report

Revenue Framework: 'aa': Fitch Ratings expects that Oklahoma's revenues, which are supported by broad-based sources, will continue to reflect above average economic volatility tied to the natural resource sector. While the Oklahoma Legislature has unlimited independent legal ability to raise operating revenues, tax rate increases require either a legislative supermajority vote or direct voter approval, limiting practical revenue-raising flexibility. Expenditure Framework: 'aa': The state maintains ample expenditure flexibility with a low burden of carrying costs for liabilities and the broad expense-cutting ability common to most U.S. states. Long-Term Liability Burden: 'aaa': On a combined basis, the state's debt and net pension liabilities are well below the median for U.S. states as a percentage of personal income and are a low burden on resources. Other post-employment benefit obligations are minimal compared with debt and net pension liabilities, accounting for 0.1% of personal income versus 2.9% for debt and pensions. Operating Performance: 'aa': A constitutional provision limiting appropriations to only 95% of expected general revenue fund revenues provides a cushion for revenue variability, while the state's proactive management of financial operations has historically offset volatility.

ACCESS REPORT

Wed 26 Jul, 2023

Long Island Power Authority, New York: Fitch New Issue Report

The Positive Outlook reflects Long Island Power Authority's (LIPA) improving leverage ratio and Fitch Ratings' expectation that the gradual but consistent deleveraging trend that began in 2015 will continue through 2027. Leverage, measured by net adjusted debt to adjusted funds available for debt service (FADS), improved to 8.1x at YE 2022 from 8.8x four years prior. The improvement is in part attributable to LIPA's strategy of budgeting to achieve higher fixed-obligation coverage. Fitch expects leverage ratios to trend below 8.0x in 2023/2024, consistent with a higher rating, as performance continues to benefit from LIPA's revenue-decoupling mechanism (RDM) and modest but consistent rate increases designed to achieve higher fixed-charge coverage. LIPA's very strong service area, more disciplined approach to rate setting and authorized RDM should sustain its very strong revenue defensibility and overall performance even through periods of stress, further supporting its financial profile. LIPA's operating cost burden remains comparatively high within the sector. However, ongoing efforts to moderate costs and operating risk, and improve the terms of its operating services agreement (OSA) with system operator PSEG Long Island (PSEGLI) were reasonably successful in recent years, and are factored in the rating. The adoption of a public power model, whereby LIPA would directly operate the system upon termination of the OSA in 2025, is still under consideration. An upgrade of the rating is unlikely prior to a final decision related to management of the authority's assets.

ACCESS REPORT

Thu 27 Jul, 2023

Wells Fargo Gun Policies Probed by Texas, Risking Muni Work.

- **Texas AG's office probing bank's firearm policies, letter says**
- **Office will decide if bank is a 'discriminating company'**

Wells Fargo & Co.'s policies around the firearm industry are being probed by the Texas Attorney General's office, a potential threat to the bank's bond underwriting work in the state.

Leslie Brock, chief of the AG's public finance division, sent a July 26 letter to lawyers who work on bond deals in Texas saying that officials are studying whether Wells Fargo has a practice or policy that "discriminates against a firearm entity or firearm trade association."

The letter, obtained by Bloomberg News, is the latest salvo in the Lone Star State's fight with Wall Street over its environmental, social and governance policies. The probe is tied to legislation passed in 2021 that restricts certain government contracts with companies that the state deems as hostile to the gun industry. The AG determined Citigroup Inc. "discriminates" earlier this year.

Continue reading.

Bloomberg Markets

By Amanda Albright and Danielle Moran

July 27, 2023

State of Texas: Fitch New Issue Report

Texas' 'AAA' Issuer Default Rating (IDR) and GO rating reflect its growing economy and the ample fiscal flexibility provided both by its conservative approach to financial operations and maintenance of substantial reserves, including in its budgetary reserve, the economic stabilization fund. The Texas Public Finance Authority is one of several state agencies that issues GO bonds payable from a constitutional appropriation of the first moneys coming into the state treasury not otherwise appropriated.

ACCESS REPORT

Tue 25 Jul, 2023

San Antonio, Texas Water System: Fitch New Issue Report

Key Rating Drivers Revenue Defensibility Very Favorable Service Area, Affordable Rates for Vast Majority of Population: The system retains the legal authority to adjust rates as needed without external oversight (other than that of the city council). Fitch considers the monthly residential water and sewer bill affordable for around 82% of the service area population based on standard monthly usage of 7,500 gallons for water and 6,000 gallons for sewer. The very favorable service area is characterized by midrange income levels, an average unemployment rate relative to the nation and strong customer growth. Customer growth registered a five-year CAGR of 2.3% as of fiscal 2022. Income levels are about 80% above the national median as of 2021. The unemployment rate was 3.6% in 2022, in line with the national average. Operating Risk Very Low Operating Cost Burden, Moderate Investment Needs: The system's operating cost burden was very low in fiscal 2022, at $4,100 per million gallons (mg), consistent with the operating risk assessment. The life cycle ratio was very low at 27% in fiscal 2022. Annual capex relative to depreciation has been strong, with a five-year average of 217% from fiscal years 2018 to 2022. Planned capex for the next five years should generally outpace historical depreciation, supporting a continued very low life cycle ratio.

ACCESS REPORT

Fri 28 Jul, 2023

A Small City's Financial Crisis Leaves Virginia at a Loss.

Most state and local governments file their financial statements on time, but there are some notable exceptions. Among those are the last two cities to declare bankruptcy—Fairfield, AL and Chester, PA—as well as Puerto Rico, the largest municipal bond issuer to ever file a bankruptcy petition. Now another perennially late financial statement filer is getting attention from local media and its state government.

Hopewell, VA, a city south of Richmond, with about 23,000 people, is four years behind in producing audited financial statements. Further, its audits for the years 2015–2018 did not receive "clean" opinions from the Certified Public Accountants hired to review them, suggesting serious irregularities. The 2018 opinion was especially negative, with the auditor observing:

> There were material differences between the Treasurer Office's June 2018 bank reconciliation and the City and Component Unit School Board's adjusted general ledger and financial statements. The City, Treasurer's Office and Component Unit School Board were unable to provide sufficient appropriate audit evidence for these material discrepancies in cash transactions.

In connection with federal grant oversight, the auditor also assessed Hopewell's accounting systems and procedures and found them to be inadequate. City management accepted these findings and attributed the problems to "staff turnover, minimal documented procedures/guidelines."

Hopewell last issued municipal bonds in 2011. At that time, it received strong ratings from all three of the major credit rating agencies. But the city's mounting financial reporting challenges have compromised its credit. In 2017, both Moody's and Standard and Poor's withdrew their ratings due to Hopewell's failure to provide timely disclosure. Fitch followed in 2018.

At a City Council meeting, Ward 1 Councilor Rita Joyner noted the lack of credit ratings and concluded that, as a result, the city could no longer fund capital expenditures. That is not necessarily the case. Many governments issue unrated bonds and Hopewell's bonds traded in the secondary market multiple times (albeit at significantly elevated yields) in late 2022, suggesting that some investors are willing to shoulder the city's elevated credit risk if the city chooses to issue "junk bonds".

In recent months, the State of Virginia has been investigating Hopewell's financial status and offering assistance. The state government took a largely hands-off approach to local government finance until the City of Petersburg suffered a financial crisis in 2016. (Petersburg is just a ten-mile drive from Hopewell.) In 2017, the state legislature directed the Virginia Auditor of Public Accounts (APA) to create a local fiscal distress early warning system.

But, although the state can now identify distress situations, its intervention options are limited. State law allows the governor to allocate up to $500,000 to provide technical assistance to distressed local government but cannot compel the governing body to accept this assistance.

After determining that Hopewell was in distress, the state hired the firm of Alvarez and Marsal to assess the situation and make recommendations. In May, the consultants issued a 161-page report with 27 recommendations including the establishment of a fiscal turnaround project management office, the development of a multi-year financial plan, and the creation of new monthly and annual accounts closing processes.

In July, Virginia Secretary of Finance Stephen Cummings sent City Council members a letter, offering to fund an interim City Manager and Finance Director to help implement the consultant's findings if those individuals are approved by state officials. The Council rejected the state's offer by a 4–3 vote. Without Hopewell's cooperation, there is little more the state can do.

North Carolina has a much more aggressive local intervention law. If the state's Local Government Commission determines that a local government's finances have become unsustainable, it can take over "all of the powers of the council as to the levy of taxes, expenditure of money, adoption of budgets, and all other financial powers conferred upon the council by law." Further, the Commission has the power to merge or dissolve local governments which lack a path back to sustainability.

Hopewell's problems illustrate the need for Virginia to adopt a similar set of policies.

THE CATO INSTITUTE

by MARK JOFFE

JULY 24, 2023

Calpers Posts 5.8% Gain Helped by Stocks and Private Debt.

- **Publicly traded equities give pension fund a 14% boost**
- **Private equity, a star in prior years, loses some ground**

Calpers swung to a 5.8% gain in its latest fiscal year as the stock market rally and private debt buoyed the largest traditional public pension fund in the US.

The preliminary return for fiscal 2023 reported on Wednesday is a sharp turnaround for the California Public Employees' Retirement System, whose 6.1% loss in the prior year was its worst showing in more than a decade. The gain left Calpers holding $462.8 billion, enough to cover 72% of its future obligations, unchanged from a year earlier.

Continue reading.

Bloomberg Markets

By Eliyahu Kamisher

July 19, 2023

Wealthy Newport Beach Splurges $26 Million to Hide Power Lines.

- **City district sold $26 million of bonds in muni market**
- **Removing the power lines 'just looks better': Mayor Pro Tem**

Newport Beach, California is investing millions of dollars to remove unsightly power lines in an effort to boost its already sky-high property values.

The city tapped the municipal market for roughly $26 million this week to bury the lines in two sections of the beach-side town, which will "enhance neighborhood aesthetics, safety, and reliability" according to bond documents.

In 2021, residents approved a ballot measure to carry out the renovations and they'll pay special tax levies that will secure the bonds. Newport Beach is one of the wealthiest cities in the country, with a median household income of more than $140,000 — double the US average — while the median home price is more than $3 million.

Continue reading.

Bloomberg CityLab

By Jordan Fitzgerald

July 19, 2023

S&P Bulletin: Vermont Flooding And Storm Damage Unlikely To Have Negative Credit Implications

CHICAGO (S&P Global Ratings) July 17, 2023–S&P Global Ratings today said that it does not expect an immediate negative credit impact on rated U.S. public finance obligors in Vermont in the wake of last week's storm, which brought torrential downpours and heavy flooding in many parts of the state, including inundating Montpelier, the state capital.

Over a two-day period over July 9-11, parts of Vermont saw as much as nine inches of rain, triggering what state officials report as historic flooding, surpassing the damage experienced during Tropical Storm Irene in 2011 and destroying thousands of homes and businesses. On Tuesday, July 11, President Biden issued an emergency declaration authorizing the Federal Emergency Management Agency (FEMA) to coordinate the immediate disaster response and to provide federal disaster relief assistance. No official damage estimates are yet available.

S&P Global Ratings maintains a small number of credit ratings on Vermont issuers (see table), and we have been in contact with these issuers to assess near-term exposure. However, we do not believe that there is any imminent risk of credit deterioration. The state of Vermont (AA+/Stable) passed its fiscal 2024 budget in June and ended fiscal 2023 with budgetary stabilization reserves that were funded at the statutory maximum of 5% of appropriations in the general, education, and transportation funds. The state's unrestricted cash balance was more than $2.3 billion as of March, and management indicates that Vermont has sufficient cash on hand to meet immediate recovery needs without external borrowing.

Continue reading.

17 Jul, 2023

New York City Transitional Finance Authority, New York: Fitch New Issue Report

Strong Legal Framework: The bankruptcy-remote, statutorily defined nature of the issuer pursuant to state legislation and a bond structure involving a first-perfected security interest in the PIT and SUT revenues are key credit strengths. Payment of the PIT and SUT revenue to the TFA is not subject to city or state appropriation. Statutory covenants prohibit action that would impair bondholders. Robust Resilience: Fitch does not make a rating distinction between the senior and subordinate liens due to the high coverage levels and strong legal and practical protections against overleveraging. Fitch anticipates the security provided for both liens will remain highly resilient through the current economic environment and future downturns. Solid Growth Prospects: Statutory revenues benefit from the city's unique economic profile, which centers on its identity as an international center for numerous industries and a major tourist destination. Fitch believes longer term growth of pledged revenues may slow from historical levels but remain solid at levels between inflation and U.S. GDP following record levels of personal income and sales tax revenues during fiscal 2022.

ACCESS REPORT

Tue 18 Jul, 2023

Texas Tech University System: Fitch New Issue Report

Key Rating Drivers Revenue Defensibility: 'aa'; Solid Demand and Revenue Diversity: TTUS's 'aa' Revenue Defensibility assessment is supported by competitive demand indicators, moderate enrollment growth historically, with relatively steady state operating and capital support and well-balanced revenue diversity within a multi-institution system. The system's FTE student population held stable in fall 2022 (fiscal 2023) at 54,265. TTUS management anticipates continued stability in its enrollment base through fall 2023 (fiscal 2024) based on YTD trends. Operating Risk: 'aa'; Strong Cash Flow and Manageable Capital Plans: The 'aa' Operating Risk assessment reflects historically strong cash flow margins and capital flexibility. The adjusted cash flow margin for fiscal 2022 was up slightly to 13.6% from 12.1% in fiscal 2021. Federal stimulus funding, over $200 million system-wide, has supported operating performance in recent fiscal years. Nonetheless, Fitch views TTUS as having significant operating flexibility, including use of reserves. TTUS also benefits from a solid fundraising track record, with capital grants and gifts averaging about $53 million over the past five fiscal years (fiscals 2018-2022), and strong state support for capital projects in various forms.

Financial Profile: ‘aa’; Strong Debt Leverage Ratios: TTUS’s strong financial profile supports an ‘aa’ assessment, in line with the rating category and through a Fitch-modeled stress scenario. All bonds are fixed rate with a relatively front-loaded debt service structure.

ACCESS REPORT

Tue 18 Jul, 2023

Worst American City for Pensions Confronts a $35 Billion Crisis.

- **Brandon Johnson sets out to find ‘sustainable’ pension funding**
- **Mayor is against hiking property taxes, a key funding source**

One of Brandon Johnson’s first moves as Chicago mayor was to buy himself time to address the city’s biggest financial problem: the more than $35 billion owed to its pension funds.

Just days after his May inauguration, Johnson persuaded state lawmakers to shelve legislation that would’ve added billions to the pension debt, while pledging to establish a working group to come up with solutions by October.

Now, the clock is ticking for the progressive Democrat to fix the worst pension crisis among major US cities.

Continue reading.

Bloomberg CityLab

By Shruti Singh

July 14, 2023

Goldman Sachs Tapped to Manage $700 Million Deal for Tennessee Titans’ Stadium.

Goldman Sachs Group Inc. has been tapped to underwrite a large municipal-bond sale that will finance a $2.1 billion stadium for the National Football League’s Tennessee Titans.

A local municipal agency in Nashville is planning to sell about $700 million of bonds for the stadium, according to a regulatory filing posted on Thursday that listed Goldman as the underwriter. The exact size of the sale could change and is subject to approval at the agency’s July 20 board meeting.

In April, the Metro Nashville City Council approved the sale of up to $760 million in revenue bonds to fund its contribution for an enclosed stadium with a translucent roof to host the Titans. With a previously approved $500 million state contribution in hand, the public funding for the Titans’ arena totals $1.26 billion.

Continue reading.

Bloomberg

By Maxwell Adler and Amanda Albright

July 13, 2023

Bank of America Wins First Texas Muni Deal Since GOP-Backed Law.

- **Bank wins $161 million competitive deal from city of Frisco**
- **Biggest muni underwriter moving to revive Texas business**

Bank of America Corp. won a Texas city's bond deal on Wednesday, a sign that the nation's largest municipal underwriter plans to revive its public-finance business in the state after an absence of almost two years.

The bank won a $161 million offering in a competitive auction by the city of Frisco, its first time to handle a deal for a Texas city or local government since a GOP-backed law related to the firearms industry took effect in September 2021, data compiled by Bloomberg show. The bank suspended its work in the state late that year after the enactment of the law, which restricted Texas governments' work with companies that "discriminate" against firearm entities.

Bank of America doesn't lend to companies that make assault-style guns used for non-military purposes. The bank's law firm sent a letter to the Texas Attorney General's Office in May saying that the bank believes it complies with the 2021 measure and that it intends to resume working with public clients in Texas.

Continue reading.

Bloomberg Markets

By Amanda Albright and Joseph Mysak Jr

July 13, 2023

Detroit Marks Bankruptcy Anniversary by Borrowing Big to Tackle Blight.

- **City to sell $100 million of debt for blight, transportation**
- **'The market is more comfortable with bankruptcy' in munis**

Detroit is poised to mark the 10th anniversary of its historic bankruptcy by tapping the municipal bond market for $100 million of financing, most of which will go toward its program of reviving blighted neighborhoods.
The debt is scheduled to price on Tuesday, 10 years to the day after Michigan's biggest city, groaning under debt and pension obligations and hobbled by decades of population loss, filed what was at the time the nation's largest municipal bankruptcy.

Today, the city of about 620,000 is on the cusp of investment grade. S&P Global Ratings and Moody's Investors Service both raised its credit rating in April to the highest level since 2009, with the latter citing “robust revenue growth” and an influx of federal pandemic aid.

Continue reading.

Bloomberg CityLab

By Lauren Coleman-Lochner

July 12, 2023

Miami Beach Aims to Kill Spring Break Image With $100 Million Bond.

- **City is selling nearly $97.6 million for cultural improvements**
- **Projects include theaters, concert venues and museums**

Miami Beach wants to do away with rowdy spring break crowds in favor of ballet and botanical gardens.

To help pull it off, the Florida city is selling $97.6 million of municipal debt on Wednesday that will fund improvements to cultural projects, such as the Miami City Ballet and the Bass Museum of Art. The bonds will be backed by property taxes, which surged in recent years as the city became a magnet for the wealthy.

The sale is part of a broader effort by the barrier-island city to ditch its reputation as a spring-break destination, that every year lures in thousands of young people to its South Beach neighborhood for non-stop partying. The rush of partiers forced Mayor Dan Gelber to declare a state of emergency for two years in a row. Miami Beach now wants “cultural tourists,” Gelber said.

Continue reading.

Bloomberg CityLab

By Jordan Fitzgerald

July 11, 2023

Bank of America’s Return to Texas Muni Market Stalled by More Gun Questions.

Bank of America Corp. wants to revive its work in the No. 1 market for US municipal-bond sales.

But it doesn’t appear to have gotten a nod yet from the Republican-led Texas Attorney General’s Office, which is grilling the bank on its policies surrounding the firearms industry.

Austin Kinghorn, Texas associate deputy attorney general for legal counsel, sent the bank’s law firm dozens of questions about its gun industry policies in a June 26 letter. The document was obtained through a public records request.

Continue reading.

Bloomberg Markets

By Amanda Albright

July 10, 2023

State of Michigan: Fitch New Issue Report

Revenue Framework – 'aa' Michigan's tax revenues are diverse and dominated by economically sensitive income and consumption taxes, although other revenue sources are also significant. Fitch expects the natural pace of revenue growth to track close to inflation as extraordinary federal support for the economy subsides. There are no material limits on Michigan's ability to levy new taxes or enact tax rate increases. Expenditure Framework – 'aa' Fitch expects the state's natural pace of spending growth to be in line with, or slightly ahead of, revenue growth over the long term requiring ongoing policy action to control costs. The state has ample ability to reduce spending through economic cycles, partly as a result of having low carrying costs. Long-Term Liability Burden – 'aaa' Michigan's liabilities for debt and pension obligations are low and represent a small burden on economic resources. Direct debt has fallen given limited issuance over the past decade. Pension changes that shifted future obligations to a defined contribution plan have also limited growth in state pension liabilities and exposure to fluctuations in investment returns and retiree longevity associated with the plans. Operating Performance – 'aaa' Michigan's gap-closing capacity is exceptionally strong and stems from both a consistent willingness to make material budgetary adjustments that at times have included deep spending cuts to maintain structural balance, as well as the state's rainy-day fund, which has been built to an historically high level equal to nearly 15% of general fund spending. Contingent liability risks associated with distressed local governments have abated considerably given an improved economy, extra aid infusions to some municipalities and state and local management efforts.

ACCESS REPORT

Mon 10 Jul, 2023

University of Colorado: Fitch New Issue Report

The University of Colorado's (CU) 'AA+' Issuer Default Rating (IDR) is based on its very strong financial profile in the context of excellent demand and track record of strong adjusted cash flow margins, which have proven resilient to recent macro headwinds, such as labor inflation. As a comprehensive flagship research university, CU has a statewide and expanding national draw for students, as well as considerable fundraising capabilities.

ACCESS REPORT

Fri 14 Jul, 2023

Denver (City & County), Colorado: Fitch New Issue Report

Key Rating Drivers Revenue Framework: 'aaa': The property and sales tax revenues that support Denver's operations are likely to continue to grow at a strong pace given rapid population gains and robust economic expansion. The city's independent legal ability to raise revenues is ample, derived from voter-approved flexibility on property tax revenues, control over fees and charges, and existing margin under the special tax on retail marijuana. Expenditure Framework: 'aa': Denver's solid expenditure flexibility is derived from management's conservative budgeting, a moderate fixed cost burden and large pay-as-you-go capital outlays that can be reduced, deferred or eliminated. The city has demonstrated an ability to meaningfully cut spending at times of economic and revenue declines. Long-Term Liability Burden: 'aa': The city's long-term liability burden is expected to remain moderate despite upcoming GO debt issuances and anticipated increases in overlapping debt. On an aggregate basis, the city funds its pensions at or above actuarially determined levels. Operating Performance: 'aaa': Fitch currently expects sound reserve funding and a demonstrated ability to make budgetary adjustments will allow the city to maintain a high level of financial flexibility through the current recovery and normal economic cycles.

ACCESS REPORT

Fri 14 Jul, 2023

Boston Offers Tax Breaks to Turn Empty Offices Into Housing.

- **City announces pilot program to encourage office conversions**
- **Office-to-residential transformations are costly to take on**

Boston Mayor Michelle Wu is offering hefty tax breaks to companies to turn offices into housing, the latest example of a city seeking to address the challenges of remote work hitting downtowns and a lack of affordable residences.

Wu announced a program this week to encourage conversions by taxing developers at the city's much lower residential tax rate. The city would then offer a discount of up to 75% on the residential levy, so for a building with an assessed value of $10 million, annual property taxes would drop to as low as $26,850 from as high as $246,800.

There's no shortage of potential buildings to tap. Boston's office market has seen its vacancy rate climb to 14.2% during the second quarter, the highest level in two decades, according to data from CBRE Group Inc. Meanwhile, the city of 650,000 is struggling with escalating housing costs. Median monthly rent for a one-bedroom has jumped 8% in just a year to $2,800, Zumper figures show.

Continue reading

Bloomberg CityLab

By Skylar Woodhouse and Amanda Albright

July 12, 2023

[Citi CEO Jane Fraser on Losing a Texas Bond Deal Over Gun Stance: 'You Focus on What Your Company Stands For']

Earlier this year, the state of Texas booted Citigroup from its bonds business. Texas's conservative lawmakers said that Citi "discriminates" against the gun industry—the bank limited its engagement with the sector in 2018 after the Parkland shooting—and prevented Citi from underwriting $3.4 billion in municipal bonds.

Citi CEO Jane Fraser has been level-headed about the fallout of that decision, as she told *Fortune* CEO Alan Murray in an interview at a Fortune CEO Initiative dinner late last month.

"You focus on what it is your company stands for," she said. "You focus on what it is that your clients need, and you get on with the day job. [If someone says] you can't sell our bonds, you then suck it up."

Continue reading.

Yahoo Finance

by Emma Hinchliffe & Claire Zillman

July 5, 202

Texas Luxury Student Dorm Financed by Bonds Falls Deeper Into Distress.

- **The 3,400-bed complex boasts resort-style pools and clubhouse**
- **Colleges have privatized housing projects to avoid risk**

A massive luxury student housing complex in Texas is still showing signs of financial strain.

NCCD-College Station Properties LLC failed to make a complete payment due July 1 for bonds issued to build the complex near the Texas A&M University campus in College Station, according to a regulatory filing.

The project, known as Park West, has struggled despite fast-growing enrollment at the school. While the complex boasts volleyball courts, three resort-style pools and a clubhouse, it is located in an area that's far away from restaurants and entertainment venues.

Continue reading.

Bloomberg Markets

By Nic Querolo and Amanda Albright

July 6, 2023

[Texas Sued by Houston Over Law Limiting Power of State's Cities.]

- **Lawsuit claims 'Death Star' bill violates state constitution**
- **Supporters of law say it will standardize regulations in Texas**

The city of Houston said it sued the state of Texas to challenge a sweeping state law — known by opponents as the "Death Star" bill — that limits the power of municipalities to make their own rules.

Texas legislators sought to prohibit cities and counties from enforcing or creating regulations that go further than what is allowed under state laws governing labor, finance, agriculture, occupations, property and natural resources. The new law is set to take effect on Sept. 1.

But Houston claims the law violates the state constitution and could disrupt delivery of essential programs and services authorized by local ordinances, according to the lawsuit the city said it filed Monday in Travis County state court.

Continue reading.

Bloomberg Politics

By Madlin Mekelburg

July 3, 2023

Ransomware Attack in May Still Disrupting Dallas City Services.

The computer shutdown has delayed the issuance of permits. Dallas officials say 97 percent of their online services have been restored, but the city won't publicly disclose all the services still impacted.

Blake Smith was confused when his contractor told him at the end of June that the city of Dallas still hadn't approved his application for a new fence.

It had been three weeks since Smith's contractor submitted an application with the city to replace a chain-link fence surrounding his South Oak Cliff home with a taller wooden one.

So Smith said he called Dallas' development services office, which issues the permits, to get answers. It could be another two to six weeks before the application is reviewed, Smith recalled being told.

Continue reading.

governing.com

July 07, 2023 • Everton Bailey Jr., The Dallas Morning News, TNS

Bond Prospectus Reveals Rapid Decline of Florida's Insurance Market.

As Florida insurance carriers go under they are dragging down its guaranty fund.

Florida has launched a $600 million municipal bond sale touted for it's collapsing homeowners insurance market , along with new details of how toxic the homeowners market has become for carriers and how the publicly backed guaranty fund protecting policyholders has been upended

The municipal bonds were issued last week by the Florida Insurance Guaranty Association (FIGA), which is the state's bailout fund for insolvent primary carriers, according offering documents. The bonds are being offered in multiple series and are backed by a 1% "emergency" assessment levied by the Florida's Office of Insurance Regulation on insurance policies. Bank of America is managing the deal which was launched last week, according to an offering prospectus.

The last time FIGA issued a bond was $472 million with of notes in 1993 following Hurricane Andrew.

Continue reading.

riskmarketnews.com

by Chris Westfall

3 Jul 2023

Florida Passes Live Local Act to Incentivize Affordable Housing Development for the State's Workforce: McDermott Will & Emery

In March 2023, Florida Governor Ron DeSantis signed Senate Bill 102, also known as the Live Local Act (the Act), into law. The bill surpasses historical records for the state, represents the largest investment in housing opportunities to date and will go into effect on July 1, 2023. Its goal is to provide a comprehensive housing strategy to increase the availability of affordable housing opportunities for members of the Floridian workforce who desire to live in the communities in which they work.

In Depth

The Act introduces several new Florida Statutes, which are aimed at improving affordable housing opportunities in Florida, and modifies several existing Florida Statutes. A summary of the modifications and additions to some of those existing statutes are as follows:

Continue reading.

McDermott Will & Emery – Elena Otero and Kelly Shami

June 29 2023

Bay Area Transit Scrambles to Piece Together Funding.

California legislators agreed to provide additional operating support for transit agencies

facing big budget gaps. San Francisco area lawmakers are looking to raise bridge tolls to make up some of the difference.

In Brief:

- Bay Area lawmakers are hoping to temporarily raise tolls on seven state-owned bridges to provide additional funding for regional transit agencies.
- Statewide transit agencies had requested $5.15 billion in operational support from the state. The Legislature agreed to provide part of that funding.
- In the Bay Area alone, transit agencies are facing a cumulative $2.5 billion budget deficit over the next five years.

Continue reading.

governing.com

July 5, 2023 • Jared Brey

San Francisco's Sluggish Recovery Puts Its Top-Grade Credit Rating at Risk.

- **Moody's revised its rating outlook to negative from stable**
- **Mayor London Breed calls it a 'warning' for the city**

San Francisco's sluggish recovery from the pandemic may end up costing the city its pristine top-tier credit rating.

The outlook on the city-county's Aaa credit rating was cut to negative from stable this week by Moody's Investors Service. The ratings company said prolonged weakness in the city's commercial real estate market and the "stubbornly slow" rebound of office workers were factors that drove the move.

A credit-rating downgrade would be the latest challenge facing Mayor London Breed, who is seeking to close a $780 million deficit as part of the upcoming two-year budget cycle. A top credit rating is often a point of pride for public officials, and losing it could make it more expensive for the city to borrow in the municipal-bond market.

Continue reading.

Bloomberg CityLab

By Amanda Albright and Maxwell Adler

July 7, 2023

California Quietly Shelves $15 Billion Pension Divestment Bill.

The California State Assembly has shelved legislation that would have forced the country's two largest pension funds to divest an estimated $15 billion from oil and gas companies, a major blow to environmental advocates who hoped the funds could be a national model for the divestment movement.

SB-252, which passed the state Senate in May, won't be given a floor vote, according to the bill's lead author, Senator Lena Gonzalez of Los Angeles County. The legislation has been converted to a two-year bill, meaning lawmakers will have the opportunity to address the measure in the next session.

"I'm committed to bringing this bill up again next year," Gonzalez said.

Under the proposal, the California Public Employees' Retirement System and the California State Teachers Retirement System would have been required to remove assets of large oil and gas companies by 2031 and halt any new investments by 2024.

Continue reading.

Bloomberg Politics

By Eliyahu Kamisher

July 3, 2023

After Years of Ups and Downs, Los Angeles Moves Forward on Creation of a Public Bank.

Los Angeles is taking another step toward opening a city-owned public bank that would support projects driven by public interest.

The City Council voted last week to fund a feasibility study for the bank after advocates argued it would do better than private banks to serve Black and Latino communities, small businesses, green energy initiatives and affordable housing projects.

The move was the council's first financial investment in the long process toward launching the bank.

The idea of a public bank has floated around the City Council for several years. In 2018, voters rejected a proposal that would have amended the city charter to allow the bank's formation. One year later, Gov. Gavin Newsom signed a state law that allows all cities and counties to establish public banks, putting the idea back on the table in Los Angeles.

Continue reading.

THE LOS ANGELES TIMES

BY CHARLOTTE KRAMON

JULY 6, 2023

Graceland Muni Bonds Default as Tourism Recovery Comes Too Late.

- **Tourist attraction missed principal and interest on July 1**
- **Future payments could be made after pandemic-tourism rebound**

Municipal bonds sold for Elvis Presley's Graceland tourist attraction have fallen deeper into distress.

US Bank, the trustee on the debt, disclosed it couldn't make July 1 principal and interest payments on a series of senior bonds sold for the complex in 2017. The borrower had already defaulted on subordinate bonds after the pandemic led to a decline in visitors.

The trustee said it was about $945,000 short on roughly $1.8 million due this month after collecting all available dollars, according to a regulatory filing dated Wednesday. Certain payments on other series of bonds sold for the complex were made, the filing said.

Continue reading.

Bloomberg Markets

By Joseph Mysak Jr

July 5, 2023

Chicago Pension Debt Rises to $35 Billion as Mayor Hunts for Fix.

- **Liability grew due to investment impact from volatile markets**
- **City 'charting a better path forward' financially: Johnson**

Chicago's pension burden climbed last year after the city's retirement funds lost money due to volatile markets, deepening the long-standing fiscal woes for new Mayor Brandon Johnson.

The net pension liability across the city's four retirement funds rose about 5% to $35.4 billion as of Dec. 31 from $33.7 billion a year earlier, according to Chicago's annual financial report posted to the city's website.

The amount the city owes to its four pensions that pay benefits to retired firefighters, police officers, municipal workers and laborers increased "due to the short-term impact of the global market volatility on recognized investment income," the report said. The city's four funds range from about 19% to about 40% funded, according to the report. That's far short of other municipal plans: around the US, funding ratios for the largest public pensions average above 70%.

Continue reading.

Bloomberg CityLab

By Shruti Singh

July 3, 2023

Manhattan’s Battery Park City Tries to Protect Itself From Flooding a Decade After Hurricane Sandy.

- **Sale of $744 million of debt planned for waterfront community**
- **Half of lower Manhattan seen at risk from storm surges by 2100**

Over ten years after Hurricane Sandy flooded lower Manhattan, the Battery Park City Authority is set to sell about $744 million of debt with nearly half being used for sustainability projects like helping shore up the riverside community against climate change.

The group is raising funds for projects to fortify the community along the Hudson River, which is at risk from storm surges, including funding the construction seawalls and waterproofing a community center. The municipal bond sale of about $735 million in tax-exempt and $9 million in taxable bonds will also go toward restoring the Rockefeller Park House and playground, improving information technology as well as repairs to Pier A and its plaza, according to bond documents. Proceeds will also be used to refinance existing debt.

During the 2012 superstorm, floodwaters gushed into lower Manhattan from the Hudson River, damaging the Pier A Harbor House, Battery Park City Ball Fields and Asphalt Green. By 2100 — a year many young New Yorkers alive now may see — storm surges could leave nearly $14 billion or half of lower Manhattan’s properties in peril, according to a 2019 report from the New York City Economic Development Commission and the Mayor’s office.

Continue reading.

Bloomberg Green

By Jordan Fitzgerald

June 28, 2023

Reaffirming Deference Owed to Municipal Planning Boards, NJ Appellate Division Rejects Challenge to Liquor Store Approval: Day Pitney

In a win for the developer, 95 Tenafly LLC (95 Tenafly), on June 28 the Appellate Division reversed the trial court’s decision vacating the Tenafly Planning Board’s (the Board) approval of a site plan application by 95 Tenafly to build a Bottle King liquor store. (*Concerned Citizens of Tenafly, Inc. v. Borough of Tenafly Planning Bd*., No. A-1989-21, 2023 WL 4229288 (N.J. Sup. Ct. App. Div. Jun. 28, 2023). The Appellate Division rejected the trial court’s decision, which had come down on the side of a group challenging the application’s approval—the Concerned Citizens of Tenafly (the Concerned Citizens Group).) The Appellate Division rejected the lower court’s findings concerning the Board’s supposed lack of jurisdiction to hear the application as well as other findings relative to variances for parking spaces and signage.

As challenges to development applications by small groups of objectors become increasingly common, the Appellate Division’s decision rejecting the findings of the trial court and arguments of the Concerned Citizens Group served to reaffirm the deference owed to a Board’s findings in the absence of any arbitrary, unreasonable or capricious determinations.

The Board had granted preliminary and final site plan approval, including several variances and exceptions, such as a variance approving 55 parking spaces and five front-yard parking spaces, variances related to free-standing and building signage, and exceptions for the location of a dumpster facing the street as well as an exception allowing parking spaces 9.5 feet wide. The Board denied 95 Tenafly's requested variances for a flagpole height of 50 feet and a flag area of 216 square feet. The Board further imposed several conditions on the approval, including a requirement that 95 Tenafly return to the Planning Board to amend its plan if the police department were to find traffic and safety problems related to the left-hand turns into the site. The Board also prohibited gatherings for wine tastings (but not sampling wine within the store without invitation) and distribution of wine and spirits (but not making deliveries).

Shortly thereafter, the Concerned Citizens Group filed an action in lieu of prerogative writs, challenging the Board's approval of the Bottle King site plan application. The complaint alleged 19 issues with the plan and its approval, including issues with notice and proofs. After hearing oral argument on March 4, 2022, the trial court found that the Board's granting of 95 Tenafly's application was "arbitrary, unreasonable and capricious," and it vacated the approvals.

In reviewing the trial court's decision, the Appellate Division reversed in part and affirmed in part, rejecting much of the trial court's reasoning as being unsupported by the record.

In particular, the Appellate Division noted the trial court's finding—that the proposed flagpole was a principal use, not an accessory use, of the property, requiring Zoning Board of Adjustment approval instead of Planning Board approval—was not supported by either the record or common sense. The Appellate Division went on to reject each reason set forth by the trial court for vacating the approvals, finding again and again that the Board had proper jurisdiction and made determinations properly supported by the record. For instance, the Appellate Division found the notices provided by 95 Tenafly were adequate under the Municipal Land Use Law (MLUL), and it rejected arguments that notices must precisely describe each variance and waiver sought by an applicant. Public notice that 95 Tenafly sought to construct a retail liquor store sufficiently informed the public as to the nature of the application.

The Appellate Division further rejected the trial court's interpretation of Tenafly's land development regulations, reaffirming that the Board's knowledge of its local municipal circumstances should be accorded deference. The trial court had also agreed with the Concerned Citizen Group's argument that the Board improperly ignored the Group's experts' testimony. The Appellate Division disagreed, finding the Board had made appropriate and detailed findings showing 95 Tenafly had provided sufficient proof, satisfying the criteria for variances, including by giving greater weight to 95 Tenafly's traffic engineer and planner expert testimony than to the Concerned Citizen Group's expert's testimony. The Appellate Division also rejected the Concerned Citizen Group's one issue raised on appeal related to an alleged conflict of interest because of the former mayor's influence on the proceedings, noting the mayor recused himself from the decision-making process.

The Appellate Division's decision is another in a string of judicial decisions that have rejected manufactured challenges to development approvals, reaffirming the deference the courts must show to local planning boards that have properly followed the MLUL in approving development projects. Considering each allegation from the Concerned Citizens Group in turn, the Appellate Division rejected the trial court's finding that the approvals had been arbitrary, unreasonable and capricious, and it reinstated the Board's decision.

Day Pitney LLP – Katharine A. Coffey, C. John DeSimone, III, Peter J. Wolfson, Stephen R. Catanzaro and Erin Hodgson

July 6 2023

[JPMorgan Sued by American Dream Mall Builder for Unpaid Work.]

- **Bank provided construction loan and backstopped payments**
- **PCL Construction Services is seeking more than $30 million**

The construction manager for the beleaguered American Dream mall and entertainment complex in New Jersey's Meadowlands is suing JPMorgan Chase & Co. to recover more than $30 million of unpaid work and accrued interest for the project.

Denver-based PCL Construction Services alleges JPMorgan, which arranged a construction loan and serves as administrative agent for American Dream's developer, Ameream, is obligated to pay the bill if the developer doesn't, according to the lawsuit filed June 15 in a New York federal court.

"Ameream is now in financial distress," PCL Construction Services said in the lawsuit. "Agent now has a contractual obligation to advance the amounts due and owing that Ameream failed to pay as they became due. Yet, agent has failed to do so."

Continue reading.

Bloomberg Markets

By Martin Z Braun

June 20, 2023

[Swarthmore Leverages Its Rare AAA Rating to Borrow for Campus Renovations.]

- **College will issue $125 million of municipal bonds Thursday**
- **Funds will be used to refinance debt, campus improvements**

Swarthmore College is expected to tap the $4 trillion municipal bond market for more than $125 million of debt, hoping to lure buyers with its top-tier credit rating.

The Swarthmore Borough Authority will issue tax-exempt bonds in a competitive auction Thursday. The proceeds will fund capital projects on the Pennsylvania campus and will be used to refinance outstanding debt, according to preliminary bond documents. Improvements include the renovation of Martin Hall, an academic building that houses the school's computer science and media studies departments.

Both Moody's Investors Service and S&P Global Ratings granted Swarthmore their highest rating of AAA, a rare distinction among colleges. S&P currently designates 29 of about 450 colleges and universities as AAA, the company said. Other educational institutions that boast the rating include the nation's wealthiest schools like Harvard University, Yale University and the University of Texas.

Continue reading.

Bloomberg Markets

By Jordan Fitzgerald

June 21, 2023

Florida Sells Bonds to Backstop Its Homeowner's Insurance Industry.

- **The $600 million bond sale is the first of its kind since 1993**
- **Insurers had to close after Hurricane Ian, deluge of lawsuits**

A Florida state agency is selling municipal bonds to backstop the state's homeowner's insurance industry after a surge of claims and litigation drove some insurers to shutter.

The Florida Insurance Guaranty Association, which handles the claims of insolvent insurers, plans to borrow $600 million of bonds, according to preliminary offering documents. It is the first time in three decades the agency has tapped the municipal bond market to help support insurance claims.

The borrowing provides the agency with needed liquidity. "Our funding sources are somewhat limited," said Corey Neal, FIGA's executive director.

Continue reading.

BLoomberg CityLab

By Nic Querolo

June 26, 2023

Bank of America Seeks Texas Muni Revival After Two-Year Halt.

- **Bank had suspended underwriting in state due to GOP law**
- **Letter sent to AG's office says BofA plans to resume business**

Bank of America Corp. is seeking to resume its municipal-bond underwriting in Texas after a nearly two-year pause because of a Republican-backed law targeting banks over their gun policies, according to public records obtained by Bloomberg.

Bank of America, the nation's biggest muni underwriter, hasn't managed debt sales by Texas or its cities since two GOP measures went into effect in September 2021. One of the laws, known as Senate Bill 19, bars governmental entities from working with companies that "discriminate" against firearm entities.

The legislation caused a major pullback of Texas business by Bank of America and other Wall Street banks that have restrictions on dealings with gun companies. In 2018, Bank of America said it would stop making new loans to companies that make military-style rifles for civilian use. That policy remains in place.

The bank intends to continue its work with clients in Texas, a lawyer for Bank of America wrote in a

May 17 dated letter to Texas Attorney General Ken Paxton and Leslie Brock, who leads the office's public finance division.

"Even though BoA had suspended entry into any contracts requiring the SB 13 and 19 verifications, we believe BoA can appropriately make such written verifications based on an application of its current risk-based framework and policies," the letter said.

A spokesperson for Bank of America declined to comment. The Texas Attorney General's Office did not respond to a phone call requesting comment.

Paxton was impeached and suspended by the Republican-dominated House of Representatives in late May. Former Texas Secretary of State John Scott was named the state's interim attorney general.

Aside from the firearms legislation, a separate Texas law restricts certain public contracts with financial companies that boycott the energy industry. The Texas Comptroller's office has released a list of companies that it considers to do so, and Bank of America isn't on that list.

The lawyer at Foley & Lardner LLP, Ed Burbach, said in a separate email to the Attorney General's office that the bank is not on that list, nor does it discriminate against a firearm entity or firearm trade association. Burbach did not immediately respond to a phone call requesting comment.

The letter did say that the bank generally considers the firearms industry as "high-risk, with clients subject to a heightened due diligence requirement." Because of that, the bank avoids certain business transactions based on "traditional business reasons."

The letters and emailed correspondence were obtained via public records request.

"BoA has longstanding business relationships with public and private entities operating in Texas, including many energy sector participants and firearms industry participants," the letter said. "BoA anticipates continuing such relationships into the future. These commercial relationships are extremely important to BoA, its clients, and counterparties in Texas."

Other banks initially affected by the GOP laws have sought to revive their public finance businesses in the state. In January, the Texas Attorney General's Office said it wouldn't approve state or local debt deals managed by Citigroup Inc. JPMorgan Chase & Co., meanwhile, has underwritten Texas muni deals this year.

Bloomberg Markets

By Amanda Albright

June 27, 2023

Fitch: Puerto Rico's 2021 Audit Release a Key Administrative Step

Fitch Ratings-San Francisco/New York-21 June 2023: Puerto Rico's recent release of its fiscal 2021 audited basic financial statements indicates improved administrative capacity, according to Fitch Ratings. The commonwealth has also improved on the reliability, robustness, timeliness and accessibility of other supplementary information. Puerto Rico's ability to sustain improved budgetary, financial, and economic collection and reporting capabilities is a key component of any reasonable investigation Fitch would undertake in forming a credit view.

The June 12 release of Puerto Rico's fiscal 2021 audit (year-ended June 30) is a key component of the commonwealth's push to bring disclosures current following the restructuring of most of its debt in recent years. This follows fiscal 2019 and 2020 audits releases in Q2 and Q4 of 2022, respectively. The commonwealth anticipates publishing its fiscal 2022 audit by Q3 2023, and achieving a one-year audit lag with publication of its fiscal 2023 audit in Q2 2024.

A one year timeline would be a marked improvement for the commonwealth, but still lag peers in the municipal market. A recent study of release dates for annual comprehensive financial reports (ACFR's) by the University of Illinois, Chicago's Government Finance Research Center (UIC-GFRC) and Merritt Research Services found the median release time across the municipal market was 164 days for fiscal 2020. The National Association of State Comptrollers reports that for U.S. states, the average release time was 228 days for fiscal 2021. The median audit timeline for municipal governmental bond sectors has grown from 147 days in 2009 to 164 in 2020, according to the UIC-GFRC and Merrit Research Services study.

Anecdotally, several governments have reported to Fitch that pandemic disruptions, including steep declines in state and local government employment in 2020, contributed to longer audit timeframes. State and local government employment has since recovered, although it is still down slightly relative to 2019 averages.

Habitually delayed publication of audited financial reports beyond 270 days past the end of the fiscal year can indicate management weakness. GAAP-based financial reports are an objective and important source that Fitch and other market participants typically rely on to understand a government's financial performance. They provide a set of financial statements that comply with accounting requirements established by the Governmental Accounting Standards Board (GASB) and audited by an independent auditor using generally accepted accounting principles.

Audited financial statements present an official account of a government's financial condition for the last fiscal year, comparing it to prior fiscal years, and some include management discussion and analysis of the results.

When financial audits are delayed, Fitch typically relies on additional municipal transparency to perform its forward-looking analyses and continue assessing creditworthiness. Such transparency may include unaudited actuals, periodic revenue and expenditure budget performance reports, clear budget documents, economic reportage and forecasting, and other disclosures.

Puerto Rico officials attribute the establishment of a timelier audit release schedule to post-PROMESA reform efforts executed in concert with the Oversight Board. Major commonwealth reforms include stronger budgetary policies, institutional budgetary reforms, wholesale modernization of financial collection and reporting systems, civil service reforms, and stronger internal controls. Together, these initiatives greatly bolster transparency and accountability, allowing external parties greater insight into major factors of the commonwealth's credit quality.

Contact:

Bryan Quevedo
Director
+1 415 732 7576
Fitch Ratings, Inc.

One Post Street Suite 900
San Francisco, CA 94104

Karen Krop
Senior Director
+1 212 908 0661

Media Relations: Sandro Scenga, New York, Tel: +1 212 908 0278, Email:
sandro.scenga@thefitchgroup.com

Additional information is available on www.fitchratings.com

Los Angeles, California: Fitch New Issue Report

Key Rating Drivers Strong Security Resilience: Pledged revenues are resilient to cyclical revenue declines. Even assuming leverage to 2.0x, maximum annual debt service (MADS) coverage from the current 8.2x, the structure can easily absorb a revenue decline expected to result from a moderate recession scenario. The strong resilience assessment also considers the city's ability to raise the fee to the level needed to cover debt service and operational costs. Stagnant Natural Revenue Growth Prospects: The prospects for natural revenue growth (absent fee increases) are limited to new residential property development within the largely built-out city. There is no ratepayer concentration risk. Capped at City's IDR: Fitch does not assume that the SWR fee and other pledged revenues would be considered special revenues in the unlikely event the city declared bankruptcy. Therefore, Fitch caps the rating at the city's IDR of 'AA'/Outlook Stable.

ACCESS REPORT

Thu 22 Jun, 2023

State of Georgia: Fitch New Issue Report

Revenue Framework: 'aaa': Georgia's revenues, primarily comprising income and sales taxes, will continue to reflect the breadth of the economy and its solid long-term growth potential. The state has complete control over its revenues, with an essentially unlimited legal ability to raise operating revenues as needed, despite constitutional limitations on the individual income tax rate. Expenditure Framework: 'aaa': Consistent with most states, expenditure growth in Georgia is likely to marginally exceed revenue growth over time. Carrying costs for long-term liabilities are low but slightly above average for a U.S. state. Georgia retains broad expense-cutting ability. Medicaid is a key expense driver, but Fitch expects the state will continue to successfully manage it to contain expense growth. Long-Term Liability Burden: 'aaa': Georgia's long-term liability burden is low, and overall debt management is conservative. The state regularly issues bonds for capital needs and principal amortization is rapid. Georgia fully funds its actuarially determined contributions (ADCs) for pensions supporting a modest net pension liability (NPL) burden.

ACCESS REPORT

Fri 23 Jun, 2023

Austin ISD Launches New Website for Potential Bond Investors.

AUSTIN, Texas, June 14, 2023 /PRNewswire/ — Austin Independent School District (Austin ISD) today announced its new website for financial information, AustinISDInvestorRelations.com. The new site, created in partnership with BondLink, will make the district's financial information more readily available for the community and potential bond investors, in preparation for Austin ISD's upcoming bond sale.

In November 2022, Austin voters overwhelmingly approved Austin ISD's $2.4 billion bond package, the largest ever in Central Texas. Bond projects will modernize Austin schools and increase security for students and staff.

Austin ISD is the eighth-largest school district in Texas, serving over 73,000 students in 116 diverse school communities. It is also the first district in the state of Texas to have a AAA rating, the strongest possible, from two separate rating agencies: KBRA and Moody's. The AAA rating indicates the lowest risk of default. It also ensures that Austin ISD will get the lowest interest rates when taking on debt, which saves taxpayers money.

"Austin ISD is committed to credit quality and strong relationships with our investors and our community," said Eduardo Ramos, Chief Financial Officer at Austin ISD. "Through the launch of our new investor relations website with BondLink, we aim to communicate directly with more investors and maintain transparency with our community, while finding new opportunities to enrich our students' education."

BondLink, the cloud-based investor relations and debt management platform for the municipal bond market, helps issuers like Austin ISD provide a single location for accessing data and documents detailing their financing programs' credit features. BondLink collaborates with other school districts across the U.S., including Ft. Worth Independent School District (TX), and Washington Elementary School District (AZ)

Colin MacNaught, CEO and co-founder of BondLink, expressed his enthusiasm for the partnership, saying, "Austin ISD is setting a great example for financial transparency for school districts across the country. Through this collaboration, we look forward to working closely with their finance team to enhance their investor relations strategy. Other ISDs can take note of this leadership and start thinking about how they can elevate their finance programs, particularly in today's choppier market."

For more information about the Austin ISD's new transparency initiative and upcoming bond sales, please visit AustinISDInvestorRelations.com.

Local Taxpayers Could Be On the Hook for the A's Stadium.

I rarely disagree with the Review-Journal's view, but promoting the new Oakland A's stadium by saying that there will be no new taxes is deceptive (June 9 editorial).

The legislation provides the team with $380 million in tax credits from the state, along with county-issued bonds and infrastructure. Tax credits allow the entity to not pay taxes that would normally be paid. And issuing county bonds does cost the taxpayer money. Municipal bonds are debt securities issued by state and local governments. They are loans that investors make to government. In this instance it is being used to help fund the building of a MLB stadium. According to the U.S.Security and Exchange Commission, the issuer, (Clark County) has the power to tax residents to pay the bondholders.

The road infrastructure for the new ball park also comes from taxes we citizens pay.

Continue reading.

Las Vegas Review-Journal

Michael O. Kreps

June 17, 2023

A's Public Financing Lacks Public Scrutiny.

Does anyone else feel like the "the public" didn't get much of a say in whether or not we finance a new ballpark somewhere along the Strip?

Even as the legislature began its second week of the special session to give the Oakland A's a truckload of "public financing," almost none of the process had been terribly open to the public. The clandestine nature of backroom deals that defined the special session is the type that generally doesn't instill confidence the interest of the public good is being prioritized above all else.

Judging by the testimony submitted by the public, Nevadans aren't exactly leaping with joy over the passing of the bill. More than 80 percent of public testimony had been in opposition.

Continue reading.

The Nevada Independent

by Michael Schaus

June 18th, 2023 at 2:00 AM

How the A's Stadium Revenue 'Waterfall' Will Repay Public Funds.

As the Oakland A's pitched state lawmakers on contributing up to $380 million in public financing for a new $1.5 billion baseball stadium in Las Vegas, one word kept coming up: "waterfall."

Bill supporters and lawmakers aren't talking about natural river formations or TLC's smash 1996 hit — waterfall in this context refers to a funding mechanism where tax revenue generated inside the stadium goes toward paying back public bonds, filling up reserve funds to backstop the bonds and more in a prioritized order.

But how does that waterfall actually work?

Under the legislation (SB1) — which the Legislature approved Wednesday and awaits Gov. Joe Lombardo's signature — the stadium would sit in a "sports and entertainment improvement district" created by Clark County commissioners. Tax revenues generated within that district would be pooled together to pay off the public funding for the stadium, a concept known as "tax-increment financing" (TIF), also known in this case as a "mega-TIF" because it would use all tax revenues and fees generated within the district.

Continue reading.

The Nevada Independent

by Sean Golonka, Tabitha Mueller & Jacob Solis

June 15th, 20

Governor Signs Public Funding Bill for New Athletics Stadium in Las Vegas.

RENO, Nev. — Nevada Gov. Joe Lombardo signed into law a $380 million public financing package to help build a Major League Baseball stadium for the Oakland Athletics on the Las Vegas Strip as MLB's commissioner outlined a months-long approval process for the A's proposed move there.

The first-term Republican governor and former sheriff in Las Vegas said he was excited to sign the measure the Democrat-controlled Legislature approved after a seven-day long special session.

"This is an incredible opportunity to bring the A's to Nevada," Lombardo said in a statement from Carson City.

The $1.5 billion stadium with a retractable roof is planned near the homes of the NFL's Vegas Raiders, who fled Oakland in 2020, and the NHL's Golden Knights, who won the Stanley Cup this week in just their sixth season.

"This legislation reflects months of negotiations between the team, the state, the county, and the league," Lombardo said. "Las Vegas' position as a global sports destination is only growing, and Major League Baseball is another tremendous asset for the city."

Baseball Commissioner Rob Manfred outlined the review process of the A's proposed relocation during a news conference hours earlier at a meeting of owners in New York. With a capacity of 30,000, the stadium would be MLB's smallest.

Manfred said the team must submit a relocation application explaining its efforts in Oakland and why Las Vegas is a better market. A relocation committee will define the new operating territory and television territory. It will then make a recommendation to Manfred and the eight-man executive council. The executive council formulates a recommendation to all clubs, which must approve the move by at least three-quarters vote.

The team said in a statement the Nevada governor's signing of the funding package was "a significant step forward in securing a new home for the Athletics."

"We will now begin the process with MLB to apply for relocation to Las Vegas," the statement said. "We are excited about Southern Nevada's dynamic and vibrant professional sports scene, and we look forward to becoming a valued community member through jobs, economic development, and the quality of life and civic pride of a Major League Baseball team."

The $380 million in public funding would mainly come from $180 million in transferable tax credits and $120 million in county bonds. Backers have pledged that the creation of a special tax district around the proposed stadium would generate enough money to pay off those bonds and interest. The plan would not directly raise taxes.

The plan had revived the national debate over public funding for private sports clubs. A's representatives and some Nevada tourism officials have said the measure could add to Las Vegas' growing sports scene and act as an economic engine. But a growing chorus of economists and some lawmakers have warned that such a project would bring minimal benefits when compared to the hefty public price tag.

Opposition came from both sides of the aisle, especially in northern and rural Nevada several hundreds of miles away from Las Vegas.

"No amount of amendments are going to change the fact we are giving millions of public dollars to a billionaire," Assemblywoman Selena La Rue Hatch, a progressive Democrat from Reno, said during the debate.

"Using taxpayer money on pet projects instead of private capital is socialism," said Republican Sen. Ira Hansen, from neighboring Sparks.

But backers said in addition to creating 14,000 construction jobs and permanent jobs subject to collective bargaining, Major League Baseball on the Las Vegas Strip will build on the excitement surrounding the Raiders, the Golden Knights and the WNBA's Aces in a city that had no major professional sports before 2016.

"With the Aces winning a national championship last year and the Golden Knights securing the Stanley Cup just last night, it is clear Las Vegas is clearly becoming the entertainment and sports capital of the world," said Democratic Assemblywoman Shea Backus, from Las Vegas.

Associated Press

Thu, Jun 15, 2023

Los Angeles County, California: Fitch New Issue Report

Key Rating Drivers Revenue Framework: 'aa': The county's revenues demonstrate limited volatility, reflecting the size and maturity of the economy and tax base, which retains a large Proposition 13 cushion. Growth prospects for revenues are solid. The county's independent legal ability to raise revenues is restricted by state law but is satisfactory since it has control over fees and charges for services. Expenditure Framework: 'aa': Fitch expects expenditure growth to be marginally above future revenue growth in the absence of policy action. The county continues to enjoy solid expenditure flexibility, although policy changes and potential litigation outcomes could somewhat constrain that flexibility in the future. Pension and other post-employment benefit (OPEB) obligation contributions have been ramped up to pay down significant liabilities; however, such payments have remained a relatively stable percentage of spending in recent years. Long-Term Liability Burden: 'aa': The county's long-term liability burden for debt and pensions is moderately low relative to total personal income. The majority of debt is issued by overlapping jurisdictions. Operating Performance: 'aaa': The county demonstrates an ongoing commitment to support a strong financial cushion. This cushion is aided in part by the DHS's stable/solid financial position, which is supported by a five-year extension of full reimbursement for certain safety net hospital costs. The county, which has superior gap-closing capacity, is very well positioned to address economic downturns.

ACCESS REPORT

Tue 06 Jun, 2023

Louisiana Connected And The City Of Mansfield Announce Partnership To Design, Build And Operate A Fiber-Based Municipal Broadband System: Orrick

The Company
Louisiana Connected, a technology company that was created during the COVID-19 pandemic to address the systemic broadband blight in rural and urban Louisiana, and the city of Mansfield, are pleased to announce a partnership allowing the company to construct a fiber optic network that will deliver high-speed internet service directly to the homes and businesses in this Northwest Louisiana town.

The Impact
The Mansfield City Council, on May 22, 2023, voted unanimously on a Binding Memorandum of Understanding (MOU) with Louisiana Connected to design, build and operate the fiber-based broadband municipal system.

Louisiana Connected will fully-fund the multimillion-dollar construction and operation of the Mansfield network with private capital.

"Since the pandemic, I have worked alongside the City Council to fulfill the desire of many residents for efficient broadband in the city," said Mayor Thomas Jones. "I am excited to be on track with my goal to deliver on that strategic plan and look forward to a collaborative partnership with Louisiana Connected going forward."

"We applaud Mayor Jones and the City Council's leadership whose vision for world-class internet infrastructure for Mansfield made this announcement possible," said Donnette Dunbar, CEO of Louisiana Connected. "We are grateful for the City of Mansfield's support and look forward to providing them with a network that will support their goals for growth and prosperity."

The Team
An Orrick team led by Charles Cardall negotiated the Binding MOU, which came on the heels of a five-month state-required feasibility study so the city could receive complete cost estimates for the system's buildout as well as identify the neighborhoods with broadband deficit.

"Internet access has become as critical for learning, business and health as electricity and gas for basic living," said Charles. "Data shows 42 million Americans still have no access to broadband and millions more have low level connections, which is why Orrick is excited to apply our expertise to get these communities online and unlock the myriad social and economic benefits that emerge with improved digital equity."

Learn More
[Louisiana Connected]

June.06.2023

Frederick Health Hospital, Inc., Maryland: Fitch New Issue Report

Revenue Defensibility: ‘bbb’; Dominant Market Share in Growing Service Area: The midrange revenue defensibility reflects FH’s dominant market share of about 70% in an economically diverse and growing service area. Its market position is relatively secure due to the regulated nature of MD healthcare including certificate of need programs. FH focuses on its core service lines including cardiology, oncology neurology and women’s health and does not provide trauma, open heart or transplant, so there is some outmigration to surrounding academic medical centers. FH’s solid market share is supported by an expanding outpatient footprint including the cancer center completed in 2017 and the recent critical care expansion including the ICU and emergency department. Under Maryland’s Global Budget Review (GBR) program, annual revenue is allocated to hospitals for regulated service lines and is determined and known before the start of each year and adjusted annually for changes in market share, services provided and population growth. Approximately 70% of FH’s revenues fall under Maryland’s all payor system, which provides predictable revenue streams but may create a lag in reimbursement in a rapidly growing service area, such as FH’s, and in the case of unpredictable utilization patterns, as was the case during the pandemic.

ACCESS REPORT

Tue 13 Jun, 2023

Sarasota County, Florida: Fitch New Issue Report

The ‘AAA’ Issuer Default Rating (IDR) and general obligation (GO) bond rating reflect the county’s superior gap-closing and low long-term liability burden. The county’s independent legal revenue raising ability, solid expenditure control and conservative budgeting practices provide the county with a considerable ability to maintain a high level of financial flexibility throughout economic cycles.

ACCESS REPORT

Mon 12 Jun, 2023

University of Texas System: Fitch New Issue Report

Revenue Defensibility: ‘aaa’: Very Strong Demand; Consistent Revenue Diversity: The University of Texas System’s (UTS) ‘aaa’ revenue defensibility assessment is supported by exceptionally strong underlying market characteristics and solid enrollment as Texas’s public research flagship university system. Overall revenue stability benefits from a solid enrollment niche, diverse multi-facility healthcare operations, strong fundraising, a deep research base, historically stable state operating support and substantial endowment income. Operating Risk: 'aa': Consistently Solid Cash Flow Margins: The 'aa' operating risk assessment reflects UTS's solid cash flow margins, which average in excess of 20%. The assessment further reflects strong capital fundraising and state debt service support of designated capital projects. Financial Profile: 'aaa': Resilient Liquidity; Very Strong Leverage Metrics: UTS's 'aaa' financial profile is supported by very low leverage ratios, as measured by available funds to debt, which remain solidly within the rating category through Fitch's modeled stress scenario that incorporates both an operating revenue stress and a market-driven investment downturn.

ACCESS REPORT

Sacramento Municipal Utility District, California (Electric): Fitch New Issue Report

The 'AA' rating reflects the Sacramento Municipal Utility District's (SMUD) very strong and stable financial profile in the context of its 'aa' revenue defensibility assessment and 'a' operating risk assessment. The 'aa' financial profile is expected to persist over the medium term, with leverage, calculated as net adjusted debt to adjusted funds available for debt service, remaining between 5.0x and 6.0x and supportive of the rating. Higher than anticipated costs from the implementation of SMUD's ambitious 2030 Zero Carbon Plan, adopted in April 2021, could occur as energy purchases from clean technology increase. However, Fitch Ratings anticipates that costs will be recovered in a timely manner to preserve the utility's financial profile, or the target date would be delayed if costs are significantly higher than anticipated, given SMUD's focus on affordability and reliability to guide the pursuit of its 2030 goal.

ACCESS REPORT

Iowa Finance Authority: Fitch New Issue Report

Key Rating Drivers Sound Financial Structure: Fitch's cash flow modeling demonstrates that the resources of Iowa Finance Authority's (IFA, or the authority) combined CWSRF and DWSRF programs (together, the program) are sufficient to withstand hypothetical pool defaults in excess of Fitch's 'AAA' liability rating stress hurdle, as produced using Fitch's Portfolio Stress Model (PSM). Surplus annual loan repayments and pledged reserves primarily provide this loss protection. Above-Average Pool Diversity: Fitch views the program's pool diversity as above-average, driven by the large number of borrowers (more than 750 obligors). The top 10 borrowers represent a low 36% of the pool total and the largest single borrower represents a moderate 14% of the pool. Largely Unrated Portfolio: Overall, IFA's pool quality is below average in comparison to similar programs Fitch rates, as more than three-quarters of the loan portfolio does not carry a public rating. To mitigate this risk, Fitch's PSM conservatively assumes unrated borrowers to be of sub-investmen--grade quality (BB). Effective Program Management: IFA and the Iowa Department of Natural Resources (DNR) jointly manage the program following underwriting and loan monitoring procedures set forth by the MTA. The program has not experienced a default of any pledged borrower to date.

ACCESS REPORT

Orlando Utilities Commission, Florida: Fitch New Issue Report

The ‘AA’ Issuer Default Rating and rating on Orlando Utilities Commission’s (OUC) utility system revenue bonds reflects the utility’s very low leverage in the context of very strong revenue defensibility and operating risk, which are both assessed at ‘aa’. OUC’s revenue defensibility is anchored by the provision of monopolistic electric and water utility services to a very favorable and growing service area, as well as the independent ability to raise rates without regulatory oversight. OUC’s operating cost burden is historically very low. However, elevated gas prices in 2022 drove operating costs to 11.11 cents/kWh from 9.04 cents/kWh in 2021. Natural gas accounts for 65% of OUC’s energy generation; sustained elevated operating costs could negatively affect OUC’s very strong operating risk assessment. OUC’s financial profile and leverage ratio, measured as net adjusted debt to adjusted funds available for debt service remained very strong in fiscal 2022, when recorded leverage was a very low 4.3x. Total operating expenses increased 22% yoy, while purchased power expense nearly doubled yoy, totaling $86.6 million in fiscal 2022. Operating margins remained strong as the utility’s fuel charge pass-through increased revenues and recovered higher fuel costs. Fitch Ratings expects OUC will continue to demonstrate strong operating performance while incorporating additional capital spending to reach long-term carbon-emission goals.

ACCESS REPORT

Fri 02 Jun, 2023

S&P Charter School Brief: Tennessee

View the Brief.

1 Jun, 2023

California Pension Bill Seeks $15 Billion Divestment.

The California state Senate approved a bill that would force the country’s two largest pensions to divest an estimated $15 billion from oil and gas companies, a measure opposed by the funds’ managers.

The measure, which passed in a 23-10 vote on Thursday, requires the California Public Employees’ Retirement System and the California State Teachers Retirement System to empty their assets of large oil and gas companies by 2031 and halt any new investments by 2024.

The bill now heads to the Assembly, where similar legislation died last year after approval by the Senate.

The proposal highlights key divisions among California’s Democratic supermajority as lawmakers’ tough stance on climate change clashes with concerns that divestment will threaten the financial health of municipalities burdened with millions of dollars in pension fund liabilities. It also contrasts with efforts by Republican-led states like Florida and Texas to limit funds from making investment decisions based on environmental, social and governance issues.

“Senate Bill 252 would do nothing to combat the dangers of climate change,” Calpers Chief Executive Officer Marcie Frost said in a statement. “Its only impact, at least in the short term, would be to make it that much harder to achieve the investment returns needed to pay the benefits promised to Calpers members.”

Calpers said it uses its investments to push for climate change issues at large companies. The pensions say divestment would also increase risk by reducing their portfolio’s diversification.

But Senator Lena Gonzalez of Los Angeles County, the bill’s author, said the legislation’s eight-year divestment timeline is sufficient to achieve the goals without harming returns.

“You’ve been engaging for decades with companies and they haven’t done anything,” said Gonzalez. “Clearly their strategy isn’t working.”

The bill has also splintered California’s powerful labor interests. Unions representing firefighters and construction trades are against the measure, while a major teachers’ union and the California Nurses Association support it.

Calpers and Calstrs manage a combined $822.6 billion in assets. The funds are under pressure to provide an investment return rate of 6.8% and have in recent years turned to private equity to boost returns.

Proponents of the bill say the pension funds’ continued investment in the oil and gas sector flout California’s goal of reaching net zero carbon emissions by 2045.

Bloomberg Politics

By Eliyahu Kamisher

May 26, 2023

Rural California Hospital’s Bankruptcy Highlights Industry Strains.

- **California’s San Benito Health Care District filed Chapter 9**
- **Nine rural hospitals in state closed since 2005, report says**

In yet another sign of the increasing financial stress facing US hospitals, a public health care operator in California has filed for bankruptcy protection.

San Benito Health Care District in Hollister filed for Chapter 9 bankruptcy on Tuesday, citing labor costs, a years-long shortage of working capital and a $5.2 million overpayment from Medicare it had to return, the court filing said. The Chapter 9, which is filed by municipalities and public entities, is rare compared to other bankruptcy filings used by corporations and individuals.

The move allows the district to address excessive health-care costs for its workers and find a partner or buyer, a press release prior to the filing said. The district operates the 25-bed, 116-year-old Hazel Hawkins Memorial Hospital and a handful of specialty and rural health clinics and nursing homes.

Continue reading.

Bloomberg

By Lauren Coleman-Lochner

May 24, 2023

Fitch: California Revenue Shortfall Consistent with Historical Volatility

Fitch Ratings-New York/San Francisco-25 May 2023: California's deteriorating revenue forecast reflects the high sensitivity of the state's tax revenues to changing economic conditions, which is a fundamental characteristic of its credit profile, says Fitch Ratings. California (Issuer Default Rating 'AA'/Stable) benefits from strong financial resilience and prudent fiscal management since the 2008-2009 Great Recession. Fitch anticipates the state will respond to the lower available tax revenues with sustainable actions that support ongoing structural budget balance.

The May Revision to Governor Newsom's fiscal 2024 budget proposal assumes revenues will be $31.5 billion lower for fiscal years 2022-2024 than was assumed when the fiscal 2023 budget was enacted in June 2022. Fiscal 2023 general fund revenues, prior to transfers, are forecast to be $16.7 billion (7.5%) lower than the June 2022 estimate and down 7.7% yoy. Forecast fiscal 2024 general fund revenues of $206.6 billion, prior to transfers and solutions, are $26.8 billion (11.5%) lower than the June 2022 estimate but still well above pre-pandemic fiscal 2019 levels of $144.5 billion.

The lower revenue forecast is driven largely by weakness in the personal income tax (PIT), with slowing economic conditions and technical factors playing important roles. The PIT is highly sensitive to economic changes, and the forecast reflects slower economic growth after the very rapid pace of growth immediately following the pandemic recession. The governor's economic assumptions assume a stronger rebound in national GDP growth than does Fitch's economic outlook, leaving the state's revenue forecast susceptible to downside risk. Additionally, the state Legislative Analyst Office's (LAO) assessment of the May Revise suggests a more pessimistic outlook with the fiscal 2022-2024 forecast an additional $11 billion below the Governor's estimate.

California's pass-through entity (PTE) elective tax and the deferral of tax deadlines in a number of counties add uncertainty. The PTE elective tax allows business owners to work around the federal cap on state and local tax deductions by combining corporate income tax payments and personal income tax credits. The department of finance (DOF) estimates nearly 10% of general fund revenues before transfers from fiscal 2022-2024 will be PTE elective tax payments. The mix of payments and credits with unpredictable timing complicates revenue forecasting.

Following severe winter storms, the state deferred tax deadlines for individuals and businesses in 55 counties, representing 99% of the state's population, from April to October 2023. The state estimates the deferral will shift $40 billion of its tax revenue from the current into the next fiscal year, while acknowledging the difficulty in crafting an estimate given the lack of clarity on potential taxpayer behaviour. Fitch considers the state's liquidity cushion ($109 billion including $91 billion in borrowable resources as of April 30, 2023) more than adequate to address cash flow implications.

The May Revision addresses the lower revenue forecast by tapping resilience built into the fiscal 2023 and previous budgets without dipping into the budget stabilization account (BSA) or taking deep cuts to ongoing spending. Prior budgets enhanced resilience by reducing budgetary and other debt, limiting growth in ongoing spending, applying non-recurring revenues to one-time spending including for capital investment rather than debt issuance, placing revenue triggers on new programs, and building reserves.

The bulk of the Governor's proposed budget balancing actions involve some form of spending reduction, including funding delays, reduced one-time spending, spending shifts from the general fund to other funds, and trigger reductions that can be restored if the revenue picture improves. The Governor is also proposing to renew and increase a managed care organization tax that is expected to raise $3.4 billion. The May Revise includes a modest withdrawal of $450 million of the $900 million balance Safety Net Reserve but does not touch the larger $22.3 billion BSA, and adds to the Public School System Stabilization Account, bringing its total to 10.7 billion, leaving these reserves available to address further revenue deterioration.

Contact:

Karen Krop
Senior Director
+1-212-908-0661
Fitch Ratings, Inc.
300 West 57th Street
New York, NY 10019

Bryan Quevedo
Director
+1 415-732-7576

Media Relations: Sandro Scenga, New York, Tel: +1 212 908 0278, Email: sandro.scenga@thefitchgroup.com

Additional information is available on www.fitchratings.com

[Los Angeles Department of Water & Power, California: Fitch New Issue Report]()

The 'AA–' rating reflects Los Angeles Department of Water & Power's (LADWP) very strong financial profile in the context of a large and diverse retail customer base, very strong revenue defensibility characteristics, increasing operating costs and a large capital plan. LADWP is in the process of redesigning its overall power supply portfolio to comply with state and local requirements to increase renewable energy resources and supply 100% carbon-free energy to retail customers by 2035. The rating analysis does not incorporate full potential costs related to the power supply conversion because the utility's strategic plan to reach the target and the total costs are not yet fully identified. Fitch expects a final plan in 2023, but additional costs in the capital improvement plan (CIP) are not expected to be materially incurred over the five-year CIP.

ACCESS REPORT

Fri 26 May, 2023

Marin City Apartment Complex Opponents File Suit to Block Bonds.

Opponents of a 74-apartment, five-story development at 825 Drake Ave. in Marin City have filed a lawsuit to block the issuance of bonds needed to finance the project.

The suit was filed on May 18 by Save Our City, an advocacy group, and the group's co-founder, Marilyn Mackel, a Marin City Community Development Corp. board member and a former court commissioner in Los Angeles County.

The suit seeks an order invalidating the Marin County Board of Supervisors' decision on March 21 to approve the issuance of the revenue bonds by the California Municipal Finance Authority.

The authority is a joint powers agency of 350 California counties, cities and special districts that assists local governments, nonprofits and businesses with the issuance of taxable and tax-exempt financing. Marin County is one of the authority's members.

Under federal law governing tax-exempt financing, a government whose territory includes the location of the project had to approve the bonds. As a result, only Marin County or the state could provide the necessary approval.

The supervisors voted 3-2 to approve issuance of the bonds, with Stephanie Moulton-Peters and Eric Lucan casting the dissenting votes. Save Our City's lawsuit alleges that the supervisors who voted in favor of issuance "cast their votes based on incorrect understanding of the nature and extent to their authority to approve or disapprove the project."

"All three of these supervisors," the suit states, "expressed their understanding that they could not lawfully vote to disapprove the proposed tax-exempt bond financing for the project on their own substantive objections to the project arising from features of the project that are detrimental, or that these supervisors considered detrimental, to the community."

The defendants named in the suit are Marin County, the county supervisors, the California Municipal Finance Authority and the developers, Pacific West Communities and Affordable Housing Land Consultants.

"We have not yet seen the lawsuit," County Counsel Brian Washington wrote in an email. "As required by SB 35, the county ministerially approved the 825 Drake Project without the Board of Supervisors being allowed to be part of the decision-making process. It will be the developer's obligation to defend any lawsuit challenging the project."

Supervisor Dennis Rodoni said also he had not seen the suit and declined to comment. Supervisors Katie Rice and Mary Sackett did not respond to a request for comment. The developers did not respond to requests for comment.

Mackel said Monday that Save Our City has more than 100 people on its mailing list and has been meeting since October. She said the legal costs associated with the lawsuit are being covered by an anonymous donor.

"Safety issues are the primary concern we're focusing on," Mackel said, "although there are many, many others."

Bettie Hodges, another Save Our City co-founder and director of the Hannah Project Partnership for Academic Achievement, said, "The streets are extremely narrow. There is limited parking, which will create congestion. There is concern among residents that emergency vehicles will have limited access."

Because of Senate Bill 35, the project was approved without review by the Marin County Planning Commission or environmental analysis under the California Environmental Quality Act. The law, intended to streamline housing development to address California's severe housing shortage, mandates a ministerial approval process for projects proposed in jurisdictions that have failed to create their state-mandated quota of housing.

Hodges said a high percentage of Marin City's housing is already affordable or subsidized by the government, so if Marin City were a separate jurisdiction it would be exempt from SB 35.

One of the few requirements that developers face under SB 35 is to make a certain percentage of their residences affordable to households making below 80% of the area median income. Depending on the circumstances, the requirement can range from a maximum of 50% to a minimum of 10%.

Under SB 35, the developer of 825 Drake Ave. is not required to provide any parking, since the site is located within a half-mile of a Marin Transit bus stop. If not for SB 35, the county would have required two parking spaces per dwelling.

Mackel said another big concern of Save Our City is the effect the project will have on Village Oduduwa, a low-income seniors complex, which it will abut.

"The seniors will have no sunlight," Mackel said.

Other safety concerns include the fact that the project will be located in a state-designated high fire hazard zone at heightened risk to wildfires in the summer, and in an area prone to flooding in the winter with just one road in and out of the community.

The controversy over the project grew more intense following the March 21 hearing on the bonds. Alexis Gevorgian, who had been the spokesperson for the project, said that 16 of the apartments would be reserved for four-person households earning $49,800 per year or less; eight for four-person households earning no more than $83,000; and 29 for four-person households earning no more than $99,600. Twenty of the apartments would be affordable to four-person households earning up to $116,200.

Hodges questions whether the developer is committed to those numbers.

"I think those ranges are aspirational," she said.

The Marin Housing Authority is allocating vouchers to the project so 25 households will be guaranteed to pay no more than 30% of their income for rent.

During the March hearing, Kimberly Carroll, director of the Marin Housing Authority, also said the apartments will provide options for residents of Golden Gate Village who are being forced to move because their family size has diminished and there are no appropriately sized apartments available in the neighborhood.

Marin Independent Journal

By RICHARD HALSTEAD | rhalstead@marinij.com | Marin Independent Journal

PUBLISHED: May 25, 2023

[New York City, New York: Fitch New Issue Report]

The ‘AA’ Issuer Default Rating (IDR) and GO bond ratings reflect New York City’s exceptionally strong budget monitoring and controls, supporting our high assessment of operating performance. Federal stimulus aid has relieved fiscal pressure, which would have otherwise resulted from the city’s lagged economic recovery, and supported structural budgetary balance. However, the record revenue performance and strong recovery from the pandemic, as well as improvement in reserve levels, will help management navigate through future economic downturns, including near-term challenges due to an expected deceleration of revenue growth, rising labor costs and other uncertainties associated with a high inflationary environment.

ACCESS REPORT

Mon 22 May, 2023

[Oregon Department of Transportation: Fitch New Issue Report]

The ‘AA+’ rating reflects the exceptional resilience of the security structure and growth in pledged revenues that is expected to exceed the long-term rate of inflation. Assuming additional debt issuance to the additional bonds tests (ABTs), net pledged revenues could sustain significant declines and still comfortably meet maximum annual debt service (MADS) requirements on the senior, subordinate, and second subordinate lien bonds. The rating is capped by the state’s Issuer Default Rating (IDR) of ‘AA+’.

ACCESS REPORT

Wed 24 May, 2023

[State of Connecticut: Fitch New Issue Report]

Connecticut’s ‘AA-‘ Issuer Default Rating (IDR) reflects its superior gap-closing capacity, as well as its wealthy and diverse, yet slow-growing, economic profile. The rating also incorporates the state’s elevated liability burden, carrying costs and expenditure growth trends, which are likely to remain comparatively high over time. Economic Resource Base: Connecticut has a diverse and mature economic base anchored by a large finance sector as well as important manufacturing, education and health sectors. Post-pandemic economic growth trails national trends. Connecticut has the highest per capita personal income of any state, although income growth slowed in the prior decade.

ACCESS REPORT

Wed 24 May, 2023

Oklahoma Capitol Improvement Authority: Fitch New Issue Report

Revenue Framework: ‘aa’: Fitch Ratings expects that Oklahoma’s revenues, which are supported by broad-based sources, will continue to reflect above average economic volatility tied to the natural resources sector. While the state legislature has unlimited independent legal ability to raise operating revenues, tax rate increases require either a legislative supermajority vote or direct voter approval, limiting practical revenue-raising flexibility. Expenditure Framework: ‘aa’: The state maintains ample expenditure flexibility with a low burden of carrying costs for liabilities and the broad expense-cutting ability common to most U.S. states. Long-Term Liability Burden: ‘aaa’: On a combined basis, the state’s debt and net pension liabilities are well below the median for U.S. states as a percentage of personal income and are a low burden on resources. Other post-employment benefit obligations are minimal compared with debt and net pension liabilities, accounting for 0.1% of personal income versus 2.9% for debt and pensions. Operating Performance: ‘aa’: A constitutional provision limiting appropriations to only 95% of expected general revenue fund revenues provides a cushion for revenue variability, while the state’s proactive management of financial operations has historically offset volatility.

ACCESS REPORT

Fri 26 May, 2023

Florida Enacts Anti-ESG Legislation - House Bill 3 Explained: Akin Gump

On May 2, 2023, Gov. Ron DeSantis (R-FL) signed into law House Bill 3 (HB3), legislation that, among other things, blocks the consideration of environmental, social and governance (ESG) factors in state and local investment decisions and procurement processes. As we have written about previously (e.g., here), the politicization of ESG is creating significant complexities for companies that do business in multiple jurisdictions, some of which require or permit the consideration of ESG factors, and others that have adopted anti-ESG legislation similar to HB3. That said, HB3, which is scheduled to take effect on July 1, 2023, is considered among the farthest reaching anti-ESG legislative enactments to date. The following alert describes HB3’s requirements.

At a high-level, HB3 requires that investment decisions (and proxy voting decisions) for state pension assets be made taking into account only “pecuniary factors.” For purposes of the legislation, “pecuniary factors” are defined as factors that are “expected to have a material effect on the risk or returns of an investment based on appropriate investment horizons consistent with applicable investment objectives and funding policy.” Importantly, the term prohibits “the consideration of…any social, political or ideological interests” when state and local officials make investment and other covered decisions. Notably, in addition to applying to investment decisions relative to state pension assets, among other things, HB3 also places limits on investment decisions for local governments; prohibits the issuance of ESG bonds in Florida; and imposes limits on state procurement processes. More specifically:

Continue reading.

Akin Gump Strauss Hauer & Feld LLP – Martine E. Cicconi, Mark R. Herring, Stacey H. Mitchell, Brian Arthur Pomper, Ryan C. Anderson and Christopher A. Treanor

May 18 2023

Sixth Circuit Invalidates Application of Nashville's Sidewalk Ordinance Under The Takings Clause: Squire Patton Boggs

In *Knight v. Metro. Gov't of Nashville and Davidson County* (No. 21-6179), the Sixth Circuit decided a longstanding question about the standard that applies to conditions imposed by a legislature on those applying for building permits. The issue is common enough: a city wants more sidewalks to improve safety, health, and traffic. So the city requires landowners to add sidewalks to their properties as a condition of issuing building permits. Nashville's ordinance requires to grant an easement and build a sidewalk or to pay a fee to build sidewalks elsewhere in the city. The question in Knight was whether this permit condition should be judged under the unconstitutional conditions test in *Nollan v. California Coastal Commission*, 483 U.S. 825 (1987) or the deferential balancing test used for zoning restrictions under *Penn Central Trans. v. NYC*, 438 U.S. 104 (1978). State courts have long been divided on whether *Nollan* is limited to the discretionary decisions of zoning administrators, or whether it also applies to municipal legislation like Nashville's rule.

Writing for the panel, Judge Murphy's opinion reviews the history of the Takings Clause and Supreme Court decisions on unconstitutional conditions, and concludes that *Nollan* applies and that Nashville's ordinance violates the Takings Clause by "forcing a few people to bear the full cost of public programs that the public as a whole should pay for." The ordinance lacks the "nexus" and "rough proportionality" between the imposed condition and the social costs of the new construction. Extending existing sidewalks would be permissible, the court explains, but Nashville cannot force landowners to build "sidewalks to nowhere" or "pay for sidewalks miles away" without compensation. After saying so, however, the court says it has not actually decided the issue because Nashville had waived all arguments regarding *Nollan* by focusing exclusively on the *Penn Central* test. Though the panel avoids declaring Nashville's ordinance unconstitutional, its opinion gives important guidance for cities imposing conditions on building permits across the Sixth Circuit—and for landowners that challenge those ordinances.

Squire Patton Boggs – Colter Paulson

May 15 2023

State of Wisconsin: Fitch New Issue Report

Revenue Framework: 'aa': Wisconsin's sound revenue framework relies on broad based taxes that generally reflect economic performance and which Fitch Ratings anticipates will continue to grow in line with long-term expectations for inflation. Wisconsin has an unlimited legal ability to independently raise revenues. Expenditure Framework: 'aaa': Fitch anticipates Wisconsin will continue to effectively manage a natural pace of spending growth expected to be slightly above annual revenue growth, reflecting the primary drivers of Medicaid and education. The state benefits from low fixed carrying costs and has demonstrated ample ability to cut spending if needed. Long-Term Liability Burden: 'aaa': Long-term liabilities are low and below the U.S. state median. The state benefits from strong pension funding and a benefit structure that shares the risk of investment underperformance with beneficiaries.

ACCESS REPORT

16 May, 2023

Chicago Names New Finance Chief.

Jill Jaworski—a municipal advisor who has worked with city schools and transit systems—is Chicago's next finance chief.

Mayor-elect Brandon Johnson, who replaces Mayor Lori Lightfoot on May 15, made the announcement on Thursday.

Chicago is one of the nation's most indebted major cities but has chipped away at its massive pension liability over the past decade. The city recently won back an investment-grade rating from Moody's Investors Service after seven years of "junk" status.

Ms. Jaworski has more than a decade of experience at public finance firm PFM, which says on its website that she worked with clients including Chicago Public Schools and transit systems serving Washington D.C. and Dallas. A municipal advisor helps ensure state and local governments get the best price when they sell bonds to investors.

Mr. Johnson on Thursday also named Annette C.M. Guzman as budget director and S. Mayumi Grigsby as director of policy.

The Wall Street Journal

by Heather Gillers

May 11, 2023

S&P Not-For-Profit Acute Health Care State Snapshot: Maryland

Table of Contents

S&P Global Ratings has 10 public ratings on Maryland not-for-profit acute-care providers, split evenly between health systems and stand-alone hospitals. We also rate Maryland-based Bon Secours Mercy Health, although we have excluded it from this ratio analysis because the system no longer operates acute-care hospitals in the state. Given that the state and location in which providers operate can significantly influence health-care delivery, from underlying demographic trends to the legislative and competitive environment, market-specific factors provide a crucial backdrop for our analysis of an entity's overall credit profile. This report aims to provide greater analytical insights from the sample of issuers compared with acute-care providers across the country and to supplement our top-level and national credit views on the not-for-profit health-care sector.

Continue reading.

10 May, 2023

State of Texas: Fitch New Issue Report

Texas' 'AAA' Issuer Default Rating (IDR) and GO bond rating reflects its growing economy and the ample fiscal flexibility provided both by its conservative approach to financial operations and the maintenance of substantial reserves, including in its budgetary reserve, the economic stabilization fund (ESF). The Texas Water Development Board issues GO water financial assistance bonds under various constitutional provisions to support water conservation and infrastructure projects throughout the state. Most GO water financial assistance bonds are self-supporting from repayments of project loans and income received from investments.

ACCESS REPORT

Thu 11 May, 2023

A Texas Fund That Lowers School Borrowing Costs Is Available Again to Districts.

A $56.8 billion sovereign wealth fund's program that helps schools in Texas pay lower interest rates on municipal bonds will be available again to eligible schools and districts.

The Internal Revenue Service raised the capacity limits of The Texas Permanent School Fund's debt guarantee program, according to a press release by the State Board of Education on Thursday. The IRS posted a notice of intent to update language that previously limited the capacity of the fund's debt guarantee program.

In November, for the first time in about a decade the fund had to turn nearly all applicants to its program away because of the lack of capacity.

Read More: Texas Schools Face Higher Borrowing Cost as State Fund Maxed Out

"News of this change by the IRS is a welcome victory for Texas students and taxpayers," said State Board of Education Chairman Keven Ellis in the press statement. "Instead of paying millions in higher interest costs, school districts can instead use that money for much-needed facility improvements."

The rule change is effective as of May 10, and will allow the State Board of Education and Texas Education Agency to guarantee bonds passed in elections earlier this month, the release said. Without the change, requests for a guarantee would have been denied, forcing school districts and charter schools to pay higher interest rates.

The update allows the program to guarantee debt up to a limit of five times the cost value of the fund, or about $218 billion at current levels, according to the release. Credit guarantee essentially allows Texas public and charter schools to issue debt at AAA credit ratings, despite the underlying rating of the issuer.

Bloomberg Markets

By Nic Querolo

May 12, 2023

Chicago Names New Finance Chief.

Jill Jaworski—a municipal advisor who has worked with city schools and transit systems—is Chicago's next finance chief.

Mayor-elect Brandon Johnson, who replaces Mayor Lori Lightfoot on May 15, made the announcement on Thursday.

Chicago is one of the nation's most indebted major cities but has chipped away at its massive pension liability over the past decade. The city recently won back an investment-grade rating from Moody's Investors Service after seven years of "junk" status.

Ms. Jaworski has more than a decade of experience at public finance firm PFM, which says on its website that she worked with clients including Chicago Public Schools and transit systems serving Washington D.C. and Dallas. A municipal advisor helps ensure state and local governments get the best price when they sell bonds to investors.

Mr. Johnson on Thursday also named Annette C.M. Guzman as budget director and S. Mayumi Grigsby as director of policy.

The Wall Street Journal

by Heather Gillers

May. 11, 2023

Arizona Sports Complex With $284 Million Municipal Debt Files for Bankruptcy.

- **Miller Buckfire has begun marketing borrower's stake in park**
- **Legacy Cares informs bondholders of plans in securities filing**

Legacy Cares Inc., a nonprofit organization created to build and operate a sprawling 320-acre youth-sports and entertainment complex in Arizona, filed bankruptcy, according to a court filing Monday.

The bankruptcy may include the sale of the nonprofit's interest in the complex, pursuant to a reorganization plan. Miller Buckfire, which was retained by Legacy Cares to investigate options, has begun preliminary marketing, according to a notice on EMMA, an online repository for disclosure run by the Municipal Securities Rulemaking Board.

"No assurance can be given if or when the borrower's interest in Legacy Park will sell or at what price," according to the securities filing dated May 1.

Continue reading.

Bloomberg Markets

By Martin Z Braun and Maxwell Adler

May 1, 2023

DeSantis Board Sues Disney After Company Retaliation Lawsuit.

- **Lawsuit claims Disney legal moves 'reek of a backroom deal'**
- **Board suit follows Disney legal claim of DeSantis retaliation**

The Ron DeSantis-appointed board of the municipal authority overseeing Walt Disney Co.'s Florida parks sued the company Monday, claiming Disney violated state law in trying to ward off the board's efforts to govern park operations.

The legal fight is the latest twist in a political drama that began when Disney criticized DeSantis-backed legislation last year that limited what schools can teach about gender and sexuality. DeSantis appointed the district's board to replace another one that had been in place for decades and allowed Disney to govern itself.

Last week, Disney sued after the oversight district voted to halt a development agreement and related covenants signed by the company, which employs 75,000 people in Florida. Disney's lawsuit claimed in federal court that the governor's actions were retaliatory, anti-business and unconstitutional after the company exercised its free speech rights.

Continue reading.

Bloomberg Politics

By David Voreacos and Felipe Marques

May 1, 2023

Virginia Public School Authority: Fitch New Issue Report

Key Rating Drivers Revenue Framework: 'aa': Fitch expects Virginia's principal revenue sources, primarily income and sales taxes, will continue to reflect the depth and breadth of the economy as well as its above-average sensitivity to cyclical downturns. The commonwealth has complete control over its revenues, with an unlimited legal ability to raise operating revenues as needed. Expenditure Framework: 'aaa': Virginia maintains ample expenditure flexibility, with a low burden of carrying costs for liabilities and a broad ability to cut expenses common to most U.S. states. As with most states, Medicaid remains a key expense driver, but one Fitch expects the commonwealth will be able to actively manage without threatening fiscal stability. Long-Term Liability Burden: 'aaa': Virginia's long-term liability burden is low and well managed. Debt issuance is carefully monitored through both constitutional limitations and stringent institutional practices. Virginia's ratio of net pension liabilities to personal income remains below that of most states. Operating Performance: 'aaa': The commonwealth is well positioned to deal with economic downturns, having exceptionally strong gap-closing capacity derived from its control over revenues and spending. Virginia also demonstrated an ability to restore financial flexibility in times of economic recovery and expansion. The state maintains solid reserves, which are rapidly replenished when drawn upon.

ACCESS REPORT

Thu 04 May, 2023

Philadelphia, Pennsylvania: Fitch New Issue Report

Key Rating Drivers Revenue Framework: ‘aa’: Wage taxes, Pennsylvania Intergovernmental Cooperative Authority (PICA) taxes, property and business income and receipts (BIRT) taxes together make up about 60% of total general fund revenues. Fitch Ratings expects revenues to resume growth that exceeds its expectations for long-term inflation as the economic conditions improve. The city retains essentially unlimited independent legal ability to raise revenues. Expenditure Framework: ‘a’: Spending increases will likely exceed revenue growth, requiring continued proactive budgeting. The city has just adequate expenditure flexibility notwithstanding moderate fixed costs given a highly unionized workforce and a statutorily defined collective bargaining framework. Long-Term Liability Burden: ‘aa’: Long-term liabilities are expected to remain moderate relative to Philadelphia’s broad and diverse economic resource base. Operating Performance: ‘a’: Reserves have strengthened with the city’s prudent management through the pandemic-driven downturn and subsequent economic and tax revenue recovery. Fitch believes the city will continue its trend of prudent and conservative budget management, preserving strong gap-closing capacity to withstand a moderate economic downturn.

ACCESS REPORT

Fri 05 May, 2023
