The Misbegotten Bidding War Over Public Subsidies For The Washington Commanders Football Team

Dan Snyder, owner of the newly-renamed Washington Commanders football team, reportedly wants to build a $1 billion stadium that would anchor $2 billion in commercial development including hotels, offices, and retail. And politicians are falling all over themselves to provide public dollars to help him.

Like the team's long-suffering fans, those local pols have fallen victim to the triumph of hope over experience. They believe a new football stadium is a fast track to massive economic development. Yet, extensive research suggests this outcome is about as rare as a Super Bowl victory for Washington's football team. Here is one example. Here is another. And another.

Bipartisan subsidies

No matter. In Virginia, lawmakers are debating competing bipartisan proposals to authorize up to $1 billion in tax-exempt bonds to fund Snyder's project. In one version, the state would help the Commanders repay the bonds by diverting to the team 2 percentage points of any sales taxes paid on purchases made at the project as well as any income tax from the salaries of players and executives. Plus, the team could retain any revenue from the naming rights it sells on the stadium. A competing bill is somewhat less generous: It would allow the team to keep only half the naming rights revenue.

Continue reading.

Forbes

by Howard Gleckman

Feb 23, 2022

Kansas GOP Takes Up Gun Bill Targeting Banks' Muni Business.

- **Bill sponsor says seeking to address 'corporate gun control'**
- **Proposed law would affect government entities in Kansas**

A Kansas bill would block governmental entities in the state from working with companies that have restrictive gun policies, adding to a wave of GOP legislation that's targeted Wall Street's public-finance business.

A group of Republican Kansas state senators put forward legislation last week that would bar companies from government contracts worth at least $100,000 unless they can certify in writing that they don't "discriminate" against the firearms and ammunition industries.

Kellie Warren, one of the senators, introduced the proposal, and it was referred to the Senate's Committee on Federal and State Affairs. She is the chair of the chamber's judiciary committee and a candidate for state attorney general. Other co-sponsors include Senate Majority Leader Larry Alley and Renee Erickson, Senate assistant majority leader. While the legislature is Republican-controlled, Governor Laura Kelly is a Democrat.

If enacted, the bill risks curtailing banks' municipal-bond underwriting in the state. Borrowers there sold about $3.8 billion of munis last year, ranking it roughly 30th among U.S. states, data compiled by Bloomberg show.

It's the latest effort by local Republican officials nationwide to punish Wall Street firms for their gun policies. GOP lawmakers in Arizona, Kentucky, Missouri, Ohio, South Dakota and West Virginia have also introduced legislation, conceived by an influential gun group, the National Shooting Sports Foundation, that aims to punish Wall Street for what it deems to be restrictive gun policies.

Warren said in an emailed statement Tuesday that she and other GOP leaders are seeking to address "corporate gun control"

"The leftist mob has a radical agenda designed to circumvent our constitutional rights in order to re-engineer society by attacking the gun trade," she said in the statement. "Knowing their policies are deeply unpopular in Kansas, they seek to enforce their agenda through woke corporations seeking to cancel our right to bear arms and bully those involved in the commerce of firearms and ammunition."

The legislation impacts all governmental entities in the state, including state agencies and political subdivisions, which Kansas state code defines as any government body that can levy taxes.

The effort builds on a law passed in Texas last year that has successfully shut out Wall Street behemoths like JPMorgan Chase & Co. and Bank of America Corp. from underwriting most municipal in the state, which is a key public-finance market.

Bloomberg Markets

By Amanda Albright and Danielle Moran

February 15, 2022

[New Jersey Turnpike's Swaps Mean a Windfall, Sort of.]

- **Swaps pay more, but underlying floating-rate debt costs more**
- **Agency has almost $800 million of swaps, had been $1.8 billion**

Motoring through some old bond-offering documents the other night, I was struck by something unexpected and shocking and I couldn't look away: Interest-rate swaps!

And not one or two, but 16 of them totaling $795 million, all legacies from bond deals from 2015 to 2020. There they were, laid out for all to see starting on page 16 of the prospectus for a bond offering from the New Jersey Turnpike Authority in January 2021.

It occurred to me that they might be proving a boon, with London interbank offered rates, a key component of the swaps, having generally drifted higher in recent weeks ahead of next month's widely expected Federal Reserve rate hike.

Swaps swept through the municipal market in the 1990s. They went from being something that sophisticated issuers used to hedge floating-rate debt to something that no issuer of any size could possibly do without.

They blew up in the Jefferson County, Alabama, bankruptcy in 2011, and rueful local governments and school districts spent years getting out of the contracts with sometimes hefty termination payments, totaling billions of dollars nationwide, after the financial crisis. They were intended to protect against the risk of rising rates, but rates fell, leaving municipalities paying more, not less.

But they never really went away. They remained a legitimate financing tool for big bond issuers like the New Jersey Turnpike, which in January was upgraded by Moody's Investors Service to A1. The authority has $10 billion in fixed-rate and $800 million of variable-rate bonds outstanding, so the swaps amount to less than 10% of that.

The authority "used to have something like $1.8 billion in swap notional amount back in 2004," or 40% of total debt, wrote John Medina, a senior credit officer at Moody's, in an email about the swaps portfolio.

No Windfall

As it turns out, the swaps aren't turning into a windfall for the authority even as short-end rates are rising, but they do appear to be working as intended.

The swaps essentially represent a side bet on a related series of bonds. An issuer offers to pay a bank a fixed rate in exchange for a floating one. That floating rate, as the authority says in its offering docs, "is meant to closely approximate the method of determining the floating interest rate payable" on the underlying variable-rate bonds. But if short-term rates rise, so will the floating rate the counterparty pays.

So let's assume an issuer pays a fixed rate, and accepts a percentage of an index as its floating rate, say 67% of Libor, a level used in some of the turnpike swaps. As the index climbs, the issuer gets 67% of a larger and larger number. Hence my question about a windfall.

And the answer was: Yes. And no.

"The mark-to-market value as of a couple of weeks ago was only negative $46 million" on the agency's floating- to fixed-rate swaps, on what is now a notional amount of about $774 million, Medina wrote.

In each swap, NJTA is receiving a percentage of Libor and paying a fixed percentage, he explained. As that underlying index for the receiving side rises, NJTA will get more funds on a monthly cash-flow basis for each swap. However, the interest costs are also rising on the underlying floating-rate obligations.

"So NJTA is paying more on a monthly cash-flow basis for each of those floating-rate notes," he said.

Which means that the increased amount the Turnpike gets on the swaps is canceled out by the larger sum it's paying out. And this is exactly how swaps should work in a large, sophisticated issuer's stack of debt.

‘Prudent Approach’

The swaps portfolio has shrunk along with the agency’s use of variable-rate debt, Medina said.

“This has allowed NJTA to take advantage of the declining and low interest-rate environment for the last decade or so while keeping a portion of its large debt portfolio at the shorter end of the curve,” he said. “A prudent approach to debt management over time.”

The Turnpike didn’t respond to a request for comment on the swaps portfolio.

There’s one other thing that struck me about this financing. Instead of issuing typical variable-rate bonds, the authority chose direct-purchase transactions, or private placements with single investors, for its floating-rate exposure, bypassing the whole underwriting process and market risks of variable-rate demand obligations. So maybe that’s what’s hot in Muniland now.

Bloomberg Markets

By Joseph Mysak Jr

February 15, 2022

— With assistance by Danielle Moran

(Joe Mysak is a municipal market columnist who writes for Bloomberg. His opinions do not necessarily reflect those of Bloomberg LP and its owner, and his observations are not intended as investment advice.)

[S&P: Some Missouri School Districts Could Face Long-Term Financial Pressure From Mask Mandate Lawsuits, Others Could Face Higher Capital Costs]

Key Takeaways

- The Missouri attorney general is suing 45 Missouri school districts for enforcing mask mandates.
- We do not anticipate any major pressure on the districts’ credit quality in the short-term. However, a significant judgement against the districts could pressure finances or operations and consequently credit quality.
- We will consider any rating actions on a case-by-case basis.
- The treasurer’s office has disallowed school districts who enforce a mask mandate from participating in the Missouri enhancement program.

Continue reading.

11 Feb, 2022

9th Circuit Rules Publicly Owned Utilities Not Exempt From Federal Antitrust

Challenges Under Filed-Rate Doctrine.

On January 31, 2022, the 9th Circuit Court of Appeals reversed and remanded a district court's dismissal of an antitrust challenge by a class of solar rooftop customers against their municipal utility, the Salt River Project Agricultural Improvement and Power District (SRP).

SRP is a political subdivision of the State of Arizona and provides power and water service to most of the Phoenix metropolitan area. State law gives it the authority to set prices for the sale and distribution of electricity to the approximately one million customers in its service territory.

In its opinion, the Court of Appeals determined that because the publicly owned utility sets its own electric rates, it does not benefit from the legal protections enjoyed by other regulated entities. Specifically, the filed-rate doctrine—which can bar federal antitrust claims based on rates approved by state agencies—was inapplicable because SRP "does not file its rates with anyone other than itself."

Background

In 2015, SRP adopted a new pricing scheme that established separate rates for rooftop solar customers, charging solar customers up to 65 percent more than its non-solar customers (who saw their rates go up approximately 4 percent). After adopting the new pricing plan, SRP then ran advertising that promoted its increased rates for solar customers, which resulted in a huge decrease in applications for third-party solar energy systems in SRP's territory.

Some of SRP's solar rooftop customers filed suit against the utility, asserting claims under the Sherman Act, the equal protection clauses in the Arizona and U.S Constitutions, and various Arizona consumer protection and price discrimination laws. The complaint alleged that the price plan "discriminates against customers that use solar energy systems and disincentivizes further purchases and use of solar energy systems" by eliminating "the economic value in investing in solar energy systems to self-generate electricity."

The district court dismissed the complaint in its entirety, finding that the federal equal protection claim was untimely and that the complaint failed to show that the rate hike violated federal antitrust laws. The court found that the state-law claims were barred because they failed to plead injury under the state statutory requirements. On appeal, the 9th Circuit panel reversed, rejecting SRP's argument that the filed-rate doctrine barred the federal Sherman Act antitrust claim.

The Court's Ruling

The filed-rate doctrine, a judicially created rule, bars individuals from asserting federal civil antitrust challenges to a utility's rates that were previously approved by the Federal Energy Regulatory Commission (FERC) or a state public utility commission such as the Arizona Corporation Commission (ACC). The 9th Circuit explained that the doctrine "presumes at least some degree of independent oversight."

In this case, however, because SRP's board sets the utility's rates, without review by the FERC or the ACC, the appellate court found the doctrine inapplicable. Thus, the Court of Appeals reversed the dismissal of the federal claims and remanded the case to the district court for further proceedings. The 9th Circuit, however, did uphold the application of the Local Government Antitrust Act, which bars money damages, leaving only the possibility for declaratory and injunctive relief going forward.

This case arose in the context of distributed solar generation, and is important for that reason alone, but more broadly it could impact the rate setting of publicly owned utilities as they address the growing movement of their customers toward various forms of distributed generation and storage. Specifically, it could open the door to more antitrust litigation against publicly owned utilities as they navigate the balance between deployment of third-party vs. utility-owned energy resources.

Davis Wright Tremaine LLP – Barbara S. Jost, Patrick J. Ferguson and Taylor Sutton

February 18 2022

State Farm Stadium to Get Bond-Financed Upgrade Before Next Super Bowl.

- **Arizona agency sets $146 million sale for home of Cardinals**
- **Portion of proceeds to finance improvements for 2023 event**

Fans at Super Bowl LVII in Arizona next year may want to take time to inspect State Farm Stadium. After all, they're helping to pay for a bond-financed spiffying up of the place.

The Arizona Sports and Tourism Authority, owner of the NFL's Cardinals home in Glendale, is slated to sell $146.3 million of municipal bonds for the facility, site of the big game next February. While much of the proceeds will refinance outstanding debt, a portion will go to improve heating, ventilation and air conditioning, buy new furniture and replace the carpets and floor, according to preliminary bond documents.

"This bond sale will help keep State Farm Stadium at the forefront of the competitive and evolving mega events industry," said Teddy Eynon, board chair of the authority, in an e-mailed statement.

The bonds are backed by revenues including tourism taxes, like those on hotels where fans will be billeted and surcharges on cars they may rent, plus money from concessions and merchandise sales at the stadium. In an unusual twist, the bonds are also supported by a subset of the state income tax levied on National Football League employees, namely players, coaches and staff for the Cardinals.

The deal, managed by RBC Capital Markets, comes just days after the Los Angeles Rams beat the Cincinnati Bengals in a Super Bowl that drew 112.3 million viewers, the most-watched show in five years. Fitch Ratings grades the bonds A and recently raised the outlook on the debt to stable from negative. The debt is rated A1 by Moody's Investors Service.

The 63,000-seat stadium, completed in 2006, sits on about 33 acres outside Phoenix and boasts a retractable roof, 88 luxury suites, and three over-sized event spaces plus premium club seating and private lounge areas. The climate-controlled arena hosted the Super Bowl in 2008 and again in 2015, the same year it held the league's Pro Bowl.

The two 2015 games and their related events produced a $719.4 million gross economic impact for the region, the largest of any event in Arizona at the time, according to a study completed by the Seidman Research Institute, W.P. Carey School of Business at Arizona State University.

Cities often compete for major sporting events, convinced that they'll bring a windfall of economic activity from fans and tourists. Some economists maintain that the impact is generally overblown, though such events are important for small businesses and the cultural and tourism draw of a city, especially since the coronavirus pandemic.

The authority and the Cardinals are investing in the stadium improvements in anticipation of the Super Bowl, the 2024 National Collegiate Athletic Association men's basketball March Madness Final 4 games and other major events that attract out-of-state visitors, Eynon said.

"Tourism in Arizona is rebounding and we want to offer the highest technological amenities and guest service experience in the industry," he continued.

And perhaps hosting the 2023 Super Bowl could bring good luck to the Cardinals, tied for 11th in odds to win next year's game at +2,500 according to Caesars Sportsbook. In 2021, the Tampa Bay Buccaneers took the title at their home stadium before the Rams won in Los Angeles this year.

Bloomberg Markets

By Danielle Moran

February 17, 2022

Puerto Rico's Restructured Debt Poised to Boost High-Yield Muni Market.

- **Officials aim to restructure Puerto Rico's debt by March 15**
- **Puerto Rico set to begin repaying bondholders this year**

Puerto Rico is poised to exit bankruptcy and begin paying bondholders again, a milestone that's likely to boost not only the value of commonwealth debt but also other risky state and local securities.

Puerto Rico stopped paying debt service in 2016 and then fell into the biggest bankruptcy ever in the $4 trillion municipal bond market the following year. Now Puerto Rico's financial oversight board is set to execute a restructuring plan, approved by a court last month, that will slash $18.8 billion of commonwealth-guaranteed debt down to $7.4 billion.

Prices on the newly restructured Puerto Rico securities are expected to increase following the debt exchange. That could help the high-yield municipal-bond market rebound from declining as yields have increased on anticipation that the Federal Reserve will raise interest rates.

"A rising tide lifts all ships," said Jeffery Burger, a senior portfolio manager at Insight Investment Management who runs the group's high-yield fund, "If Puerto Rico does well given they're so important to the high-yield market, that has the potential to knock onto other high-yield investments."

Below-investment-grade municipal securities and unrated state and local debt has dropped 3.5% this year and high-yield Puerto Rico debt has declined by 3.1%, according to Bloomberg Barclays Indexes.

Puerto Rico debt has a history of trading up in price once it's been restructured. A commonwealth bond backed by sales-tax revenue and maturing in 2058 traded Thursday at an average price of 110.5 cents on the dollar, up from 97.4 cents in February 2019 when Puerto Rico restructured the securities through a debt swap.

The oversight board on Feb. 21 is expected to certify a revised operating budget for the island that will include debt service costs for the fiscal year ending June 30 and also allocate $10.8 billion in cash payments to investors, insurance companies and public workers. The island needs an amended budget with those allocations in order to complete the debt restructuring.

"Once it's finalized there's more value to the bonds because a deal's been done and they're paying," said Daniel Solender, head of municipals at Lord Abbett & Co., which manages $35 billion of state and local debt, including Puerto Rico. "There might be more demand as investors want to get the yield and invest in a bond that they haven't been able to in awhile."

Along with the new bonds, investors will receive a combined $7 billion upfront cash payment as part of the restructuring deal. That's money that may find its way into risky municipal-debt investments.

"It'll create another large liquid bond in the market," Solender said. "If it works out, it's good for the high-yield muni market to have another credit like that."

Bloomberg Markets

By Michelle Kaske and Danielle Moran

February 17, 2022, 12:00 PM MST

Illinois Weighs $1 Billion of Debt to Extend Pension Buyouts.

- **Proposal would follow similar amount authorized in 2018**
- **'It chips away at a much larger problem,' Fitch's Kim says**

Illinois lawmakers are considering a bipartisan proposal to authorize selling $1 billion of debt to pay for pension buyouts, in a bid to reduce the worst-rated state's massive unfunded liability for its retirement systems.

A bill introduced in December by state Representative Bob Morgan, a Democrat, would approve borrowing to extend a buyout option for many employees of the state, its universities and school systems. The debt would be on top of a previous authorization from 2018 to issue $1 billion of so-called pension-obligation acceleration debt, most of which has been sold.

The pension-buyout program has already cut Illinois's liability by $1.4 billion, but that still leaves an unfunded obligation of about $130 billion, state data show.

"It chips away at a much larger problem," Eric Kim, an analyst for Fitch Ratings, said in an interview. "But you are paying for it with debt."

A key distinction of the Illinois program is that it reduces liabilities, instead of replacing them with a bond obligation, as traditional municipal pension debt typically does, Kim said. Illinois has sold traditional pension securities, including $10 billion in 2003.

The proposal comes amid the biggest wave of municipal pension-obligation bond issuance in decades, and at a time when interest rates are still well below historical averages. States and localities sold around $13 billion of traditional pension-obligation debt in 2021. That was the most since 2003, when they issued $17.5 billion, including the Illinois sale, data compiled by Bloomberg show.

Illinois's unfunded pension liability, which ballooned for years largely due to insufficient state contributions, is a key drag on its credit ratings even after it got the first upgrades in two decades last year. Its finances are benefiting from an improving economy that's boosting revenue and billions in federal aid, but the state still has to solve its pension conundrum.

Moody's Investors Service upgraded the state to Baa2 from Baa3 last year, bringing it to two steps above junk. S&P Global Ratings lifted it to BBB from BBB-, while Fitch Ratings raised its outlook to positive from negative, but kept it at BBB-. Even amid the improving fiscal prospects, the firms cited pensions as a challenge.

The drag is apparent in the bond market, where Illinois 10-year debt trades at yields almost a full percentage point above benchmark munis, more than double the spread of New Jersey, which has grappled with its own pension-funding issues.

Costs Transformed

Illinois Representative Mark Batinick, a Republican co-sponsor of the legislation, said the early payout option for retirees allows the state to cut costs, and bonds let it transform variable costs associated with the unfunded liability into fixed expenses.

The buyout offers retirees accelerated payments in lieu of pension benefits or in exchange for reduced cost-of-living increases. The program was set to end in June 2021 but the General Assembly extended it through June 2024 following the recommendation of Governor J.B. Pritzker, a Democrat who's up for re-election this year.

The new legislation would add bonds and extend the program through June 2026.

The governor "is supportive of additional general-obligation bond authorization to provide additional funding for the buyout program," Jordan Abudayyeh, a spokeswoman, said via email.

Illinois has paid more than $820 million under the program as of Jan. 1, according to the governor's budget office. From the initial $1 billion bond authorization, Illinois sold $300 million in 2019, $350 million in 2020 and $235 million in 2021. On Dec. 31, $851.6 million in principal was outstanding.

The state may issue the remaining $115.4 million from the original authorization in fiscal 2023, which begins July 1, according to the governor's proposed budget. Next fiscal year, the state pension systems will need $312 million in additional pension-acceleration bond proceeds to meet retiree participation in the program, according to the budget.

Committee Approval

Representative Morgan says he's pushing for a full House vote within the next few weeks. The legislation passed unanimously in the chamber's personnel and pensions committee last month.

The proposal needs actuarial analysis and fuller vetting through greater public deliberation, said Laurence Msall, president of the Civic Federation, a government watchdog. The program also may not be as beneficial as broader structural reform or the addition of money on top of the statutory contribution that Pritzker has proposed in his latest budget, Msall said.

"We have not seen any actuarial analysis for the cost of the borrowing compared to the savings and what's necessary to achieve that," Msall said in an interview.

Bloomberg Markets

By Shruti Singh

February 16, 2022

Fitch: Illinois Slowly Inching Towards Pre-Pandemic Strength

Fitch Ratings-New York-16 February 2022: Illinois' recently released executive budget shows a state making more fiscally sound decisions and painstakingly building towards a return to the state's pre-pandemic rating, or as Fitch Ratings states in a new report, possibly even higher.

Continued improvements in Illinois' operating performance highlight the state's recent economic and fiscal progress with legislative deliberations on the budget beginning in earnest soon. "Illinois' once-towering backlog of unpaid bills has been steadily reduced, with more improvements possible if the governor's proposals are implemented," said Eric Kim, Fitch's head of state government ratings and lead analyst for Illinois.

Like many states, Illinois benefited significantly from the broad national economic recovery thanks mainly to the trillions in federal economic stimulus approved by Congress. $8.3 billion in direct federal aid from the American Rescue Plan Act's (ARPA) Coronavirus State Fiscal Recovery Fund (SFRF, $8.1 billion) and the Coronavirus Capital Projects Fund (CCPF, $254 million) provides further boost to the state's fiscal and economic outlook. The governor proposes using approximately $535 million of remaining ARPA aid in 2023 on one-time uses. According to Kim, this largely non-recurring usage of aid will avoid creation of a fiscal cliff.

Despite its progress, Illinois is not without lingering challenges, in this case pension liabilities. Despite the budget requiring annual pension system contributions to reach 90% funded by 2045, Fitch deems this amount inadequate to fully address the state's sizable pension burden. In fact, "Illinois' pension liabilities and related contribution demands will grow over time if the state continues to underfund the systems," said Kim.

Pension challenges aside, Illinois' fiscal decision-making has improved markedly of late. "Continuing more normal fiscal decision-making process, including on-time budgets that address fiscal challenges primarily with sustainable measures, could support positive rating action," said Kim.

"Illinois' Executive Budget – A Credit View" is available at www.fitchratings.com.

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Philadelphia Bill Would Establish First Ever Municipal Public Bank Entity.

The stated mission of the proposed Philadelphia Public Financial Authority is to support Black-owned businesses and other businesses in neighborhoods that have historically lacked access to credit.

After coming into office in 2016, the first bill Philadelphia City Council Member Derek Green passed was a resolution to initiate hearings on establishing a "public bank" in Philadelphia.

That resolution took as a model the state-owned Bank of North Dakota, established in 1919 and still a thriving, profitable institution with $10 billion in assets today. By law, all of the state government's deposits are held at the Bank of North Dakota. With that as its deposit base, the bank partners with private banks and credit unions all over the state to finance economic development, making loans to support everything from huge infrastructure projects to small local businesses like F-M International Foods, an immigrant-owned grocery store in Fargo.

In order to avoid competing with the private sector, the state-owned bank primarily uses what's known as "loan participations" — private lenders originate the loans, but behind the scenes the Bank of North Dakota agrees to supply a share of the borrowed amount in exchange for a share of the interest paid on the loan. Loan participations are a way for banks to manage risk and do more loans or larger loans than they otherwise might by themselves. In a typical year, the Bank of North Dakota says it makes around 800 business and agriculture loans in partnership with private lenders across the state. In 2020, it made more than three times that amount: 2,500 loans as well as emergency grant distributions.

Continue reading.

NEXT CITY

by OSCAR PERRY ABELLO

FEBRUARY 17, 2022

Philly Is Poised to Become the First U.S. City to Run Its Own Bank.

Supporters say public banking will boost Black and brown businesses and spur investment in disadvantaged areas. Critics worry, but is municipal government any more shady than the private sector?

Philadelphia is moving closer to becoming the nation's first city to charter a public bank, with City Council scheduled to vote March 2 on creating a Philadelphia Public Financial Authority.

Proponents believe it would help Black and brown entrepreneurs and provide much-needed financial services to disadvantaged residents. Critics worry about set-up costs, and question whether funds deployed by a public bank would truly be independent from political influence.

One of the idea's boosters is Brittany Alston, research director at the Action Center on Race and the Economy, one of the organizations that formed the Philadelphia Public Banking Coalition

Continue reading.

billypenn.com

by Jordan Levy

Feb 18, 2022

American Dream Mall Owner Seeks Payment Extension on $1.7 Billion Loan.

- **JPMorgan led group of lenders for 2017 construction financing**
- **New Jersey mall recently used reserves to pay municipal bond**

The owner of the American Dream super-mall in New Jersey is seeking a four-year extension to repay $1.7 billion in construction financing after project holdups and pandemic lockdowns kept shoppers away, according to people with knowledge of the talks.

Triple Five Group, American Dream's owner, is asking a group of lenders led by JPMorgan Chase & Co. for more time to repay loans made in 2017, said the people, who asked not to be identified because the talks are private. The 2017 debt included a $1.2 billion senior loan and a $475 million mezzanine loan that was supposed to be repaid last year.

The talks are part of a larger effort to restructure the mall's $3 billion in debt and avoid bankruptcy for the massive shopping and entertainment complex in New Jersey's Meadowlands, the people said. The mall also has about $800 million in municipal bonds that are senior in repayment rank to the construction financing. Triple Five said last week that the mall nearly depleted a reserve account to make a $9.3 million interest payment on another $287 million of municipal bonds supported by sales tax receipts.

Representatives of Houlihan Lokey Inc. and law firm Weil Gotshal & Manges, the advisers representing the developer, declined to comment on the talks, which are private and still in progress.

A loan extension typically would require the borrower to contribute new equity to the project, pay a higher interest rate and make other concessions to satisfy lenders. The 2017 loans initially required interest-only payments ranging from 6.75% to 9.75% above the benchmark London interbank offered rate, rates that increased by 0.5% in the third year.

The lenders include Barry Sternlicht's Starwood Property Trust Inc., Goldman Sachs Group Inc., CIM Group and iStar Inc., Bloomberg previously reported. The lenders are being represented by Moelis & Co. in the negotiations. Representatives of all the lenders declined to comment.

American Dream's 2019 opening came after almost two decades of development delays, and just months before the arrival of the Covid-19 pandemic, which shut down retail shopping and entertainment venues. American Dream reopened in 2021.

The mall's sales for the fourth quarter, typically the biggest for retailers because of holiday shopping, totaled $82.4 million, down almost 1% from sales in the third quarter. Its luxury wing, anchored by Saks Fifth Avenue, opened in September.

Don Ghermezian, co-chief executive officer of American Dream, attributed the decline to a confluence of disasters: Flooding from Hurricane Ida in August and September damaged some shops, followed by an electrical fire that damaged the mall's indoor ski slope and several other stores. The ski hill, which is part of a slew of the 3 million-square-foot mall's entertainment offerings, is expected to reopen in May.

Bloomberg Markets

By John Gittelsohn and Erin Hudson

February 9, 2022

Illinois Comptroller Urges Credit Upgrades in Letter to Rating Firms.

- **State's moves 'favor upgrading' bond rating, Mendoza writes**
- **Touts unpaid bill backlog reduced, emergency loans paid back**

Illinois Comptroller Susana Mendoza is urging the top three credit rating firms to again bump up her state because of its mounting fiscal improvements that already led to its first upgrades in two decades last year.

"I believe Illinois is due to be recognized for our current achievements and plans to further strengthen our financial situation, and I believe these are strong indicators that favor upgrading Illinois's credit rating," Mendoza wrote in a letter dated Feb. 4, viewed by Bloomberg News.

Mendoza, a Democrat who took office in late 2016, wrote similar letters advocating for the firms to take the state's progress into account in April and then pushing for higher ratings in July. Illinois received an upgrade from Moody's Investors Service in June to Baa2 from Baa3. S&P Global Ratings lifted its score to BBB from BBB- in July amid rebounding revenue and billions in federal aid. And Fitch Ratings raised its outlook on the debt to positive from negative in June but maintained its BBB- rating.

The gains lifted Illinois from the brink of junk, though it still has the lowest rating of any U.S. state. Moody's and S&P consider Illinois two steps above junk, while Fitch has it one level above junk.

Mendoza's letter last week touts the recent progress. Illinois has reduced its unpaid bill backlog to below $3 billion; paid back early the full $3.2 billion in emergency loans taken in 2020 from the Federal Reserve's Municipal Liquidity Facility; and it intends to repay the remaining $719 million in state interfund borrowing by the end of the fiscal year on June 30, Mendoza wrote.

"If this information is not sufficient to lead to a favorable review, Governor Pritzker's recently announced budget proposal will surely check off any remaining doubts that Illinois is on the right track to fiscal stability," Mendoza said. "I am hopeful this will be welcome news to you and that your ratings agencies will reward Illinois with yet another credit upgrade."

Governor J.B. Pritzker, the first-term Democrat who is up for re-election in November, put forward a

$45.4 billion budget for the year starting in July last week, proposing to cut spending 3.4% from this fiscal year with a projected general-fund surplus of $458 million.

The budget includes a $279 million contribution to the Budget Stabilization Fund, also known as the rainy day fund, after a $600 million contribution in fiscal 2022. The fund currently holds $22 million, according to the comptroller’s website.

Additionally, the governor has proposed extra pension contributions of $500 million total above the annual payment in fiscal 2022 and 2023 to go toward the unfunded retirement liability standing at about $130 billion.

Next year’s budget won’t erase burdens the state has created for itself over decades, but investors and credit rating firms have said measures such as increasing its rainy day fund and pension payments will improve its credit prospects.

Pritzker has also proposed nearly $1 billion in tax relief with a one-year suspension of the state’s grocery tax and freeze of a gasoline tax increase as well as higher property tax rebates.

“The governor’s proposals are likely to meet with approval by credit rating agencies, leaving Illinois poised for positive rating news this calendar year as its credit slowly normalizes,” CreditSights Inc. wrote in a report on Feb. 2.

The rating firms did not comment specifically on the prospects for upgrades in the days after the governor’s budget address but are taking note of the use of rebounding revenue to rebuild its finances.

“Those are positive steps forward,” Matthew Butler, vice president-senior credit officer for Moody’s, said in an interview last week.

S&P analyst Geoffrey Buswick said a budget proposal by itself wouldn’t trigger a credit action and there are still months of budget negotiations ahead of the state. Lawmakers have to approve Pritzker’s spending plan.

Meanwhile, Fitch’s positive rating outlook means the state could see an upgrade in one to two years if current trends continued.

“Fitch always appreciates opportunities to hear directly from policymakers to help us understand their thought processes and the factors they are considering as they make fiscal choices,” Fitch analyst Eric Kim said in an emailed statement Monday.

A budget impasse 2015 through 2017 between former Governor Bruce Rauner, a Republican, and the Democrat-controlled state legislator led to unpaid bills topping $16 billion in 2017. But Illinois has since benefited from an economic recovery with the budget proposal reflecting revenues above past projections, according to Fitch.

“We are continuously evaluating fiscal and economic developments for the state, including information discussed with the Comptroller’s office and with the administration, and our rating perspective remains the same as outlined when we revised the outlook to positive,” Kim said.

Bloomberg Markets

By Shruti Singh

February 7, 2022, 11:38 AM PST

[Longwood Gardens’ $250 million Renovation Taps Increasingly Popular ‘Green’ Bonds.]

Want to spruce up your portfolio with environmentally-friendly fixed income? Green bonds may be the answer — with caveats.

Renowned for its sumptuous plantings and exuberant orchids, Longwood Gardens is going green in a new way: “green bonds.”

Its $250 million renovation is being funded through a combination of grants, endowment money, and a tax-exempt “green” bond issue for $200 million in 2021.

It’s traditional for companies, towns, and nonprofits to finance projects with bonds, which are essentially loans from investors that promise to repay principal with interest. But Longwood is using a fast-growing tool — green bonds — which are marketed to investors who aim to back environmentally friendly projects.

Continue reading.

The Philadelphia Enquirer

by Erin Arvedlund

Updated Feb 13, 2022

Atlanta District's Secession Bill Is Dead, Georgia Leaders Say.

- **Lieutenant governor, House speaker say Buckhead will remain**
- **Losing the neighborhood would have dealt blow to revenue**

The wealthy district known as Buckhead will remain a part of Atlanta for now after key Republicans in Georgia’s state legislature said they oppose letting citizens vote on secession.

House Speaker David Ralston told the Atlanta Journal-Constitution that he was putting the legislation on hold. Lieutenant Governor Geoff Duncan, who presides over the Senate, told the newspaper in a separate interview Thursday that he opposed the secession movement. Without support from the leadership, the move stands little chance of passing.

“It takes two chambers to pass a bill. The Senate was very clear and I respect their decision,” Ralston told the newspaper.

Efforts to reach Bill White, a resident who heads the pro-deannexation Buckhead City Committee, weren’t immediately successful.

Duncan said Atlanta’s new mayor, Andre Dickens, deserves an opportunity to resolve issues, such as an increase in crime, that secession proponents say are the reasons they seek to separate the majority White area from the predominantly Black city.

The Democratic mayor, who took office in January, applauded the move in the legislature.

“We will remain one city with one bright future,” Dickens said in a statement. The lawmakers “have given me and my administration the runway we need to take off, and we will continue in our work to move Atlanta forward.”

The deannexation of Buckhead would have been devastating to Atlanta’s finances. The pro-Buckhead group estimated that it contributed about 40% of Atlanta’s revenue. Groups opposed to deannexation warned that it could result in Atlanta seeing credit-rating downgrades.

Tom Gehl, director of governmental relations for the Georgia Municipal Association, said the lawmakers’ comments splash cold water on the deannexation effort. The group, which represents municipal governments in Georgia, opposed the idea.

“Both of those are very encouraging signs that the proposed Buckhead City won’t be on the docket for this 2022 session,” he said.

In February, businesses in Buckhead urged lawmakers to table legislation to create Buckhead City. “The proposed Buckhead City worsens many of the problems it aims to solve in Atlanta and simultaneously creates new issues across the state,” they said in the letter.

Gehl said the Buckhead deannexation efforts could have threatened Atlanta’s reputation as being friendly to business.

“Having this distraction, having this assault on the brand, is detrimental to the state in general,” Gehl said.

Bloomberg Politics

By Brett Pulley and Amanda Albright

February 11, 2022

— With assistance by Eliza Ronalds-Hannon

Atlanta's Wealthy, White Suburbs Want Their Own Cities.

As metro Atlanta diversifies, some state lawmakers are trying to draw new city boundaries around race and class. Academics see it as a variation of “white flight.”

Like most of metro Atlanta, the suburbs of Cobb County have been becoming more liberal and diverse. So much so that in 2020, Cobb County’s board of commissioners changed from majority-Republican to majority-Democrat for the first time in decades, with the election of three Black women. One of them, Lisa Cupid, is the first African American and woman to chair the board of commissioners in the county’s history.

Now, some Georgia lawmakers are advancing bills that could turn several wealthy — and majority-white — Cobb County neighborhoods into new cities, moves that would give these communities more control over local resources. Residents of East Cobb, Lost Mountain and Vinings will be able to vote on creating the new municipalities as early as May if the full Georgia general assembly approves legislation that would create ballot referendums for each. Cobb County Chair Cupid says a May ballot doesn't give the county enough time to finish a study on the financial impact of the new city formations. Meanwhile, a bill to create a more economically and racially diverse city in south Cobb County called Mableton has yet to move forward.

[Continue reading.]

Bloomberg CityLab

By Brentin Mock

February 11, 2022

[Atlanta Fends Off Wealthy Enclave's Effort to Leave the City.]

- **Buckhead movement collapses amid opposition, logistic hurdles**
- **Secession would have dealt deep blow to capital's finances**

Atlanta has fended off — for now — a push by a wealthy enclave to break off from the Georgia capital after opposition from the city, business community and school leaders alike.

Republican state leaders essentially nixed the idea of allowing residents in the district known as Buckhead, an upper-crust area home to about 20% of the city population, to vote on deannexation later this year. House Speaker David Ralston told reporters on Friday that the legislation wouldn't be considered this session after Lieutenant Governor Geoff Duncan, who leads the state senate, voiced opposition to it.

The collapse in support saves Atlanta from a potentially devastating blow to its finances, with one pro-cityhood estimate showing that losing Buckhead would cost the capital approximately 40% of its tax revenue. A split also would have essentially segregated the wealthy, White area from the mostly-Black city of Atlanta.

The effort ultimately couldn't overcome logistical hurdles, such as failing to provide detailed plans for Buckhead's students, a new police force, or its stated proposal to share the burden of repaying Atlanta's outstanding debt.

Still, the push went further than many thought possible, and proponents are indicating they'll try again. The effort had been led by Bill White, a fundraiser for Donald Trump and chief executive officer of the Buckhead City Committee, who had seized on violent crime in the area to argue for creating a new city with better services. He couldn't be reached for comment Friday.

"Common sense is prevailing," said Michael Handelman, a Buckhead resident who co-founded a neighbors' group that advocated against deannexation. He said that cityhood doesn't offer a "rational" path to addressing public policy challenges facing Atlanta and other cities.

"It's the equivalent of burning your house down because you don't like the kitchen sink," he said.

The GOP leaders' announcement will give Atlanta Mayor Andre Dickens, who took office in January, more time to address Buckhead residents' concerns with crime and other issues. "They have given me and my administration the runway we need to take off, and we will continue in our work to move

Atlanta forward," he said in a statement on Friday.

Duncan raised the logistical concerns on Thursday in an interview with the Atlanta Journal-Constitution.

"What is the strategy to stem crime? What is the strategy to deal with Atlanta public schools in the city's footprint? What are the finance ideas around the bond package?" he told the paper. "Those questions haven't been answered."

Supporters of deannexation may look to continue their effort, possibly through new and more detailed legislative proposals.

Christian Zimm, the vice president of communications for the BCC who is running for election to Georgia's Atlanta-based 5th Congressional District, said the movement is "far from over."

"We'll see what happens in the rest of the session," he said, speaking in his capacity as a candidate for Congress. "We've made a lot of progress this year getting two bills into the legislature, and people thought it would never get this far."

Indeed, GOP leaders left open the possibility that the legislation could be on the table again next year. Ralston, the House speaker, told reporters Friday that he would be watching to see how city leaders address crime.

"We'll be back next year if things haven't changed a lot," he said.

The secession of Buckhead would strike at the power of the city's Black political class. Atlanta as a whole is 51% Black, according to 2019 census data. An analysis by the Atlanta Journal-Constitution found that the new Buckhead City would be roughly three-quarters White.

Black residents have been involved in a 50-year project to accrue power in the city, beginning with the election of the first Black mayor, Maynard Jackson, in 1973. Today, a mostly Black cast of elected officials is in charge of the largest city in the South, which has one of the highest concentrations of Fortune 500 company headquarters in the nation.

Financial Realities

Businesses in Buckhead urged lawmakers this month to table legislation to create Buckhead City, saying that it would be costly to create a new city from scratch. Some officials expressed concern that deannexation would threaten the Atlanta's ability to attract companies and continue to develop its economy.

Losing Buckhead would potentially leave Atlanta to manage its debt load with a dramatically reduced revenue base. The city had about $274 million of general-obligation bonds outstanding in fiscal 2020, according to its financial report.

Lobbying groups and grassroots organizations had made the case to state lawmakers that deannexation would threaten Atlanta's standing in the bond market, raising the risk of rating downgrades and an attendant rise in its cost to borrow.

The Buckhead cityhood movement claims that the new city would simply cover its pro-rata share of Atlanta's debt, or around 40%. But opponents of deannexation cast doubt on their ability to do so without legislation authorizing that step — and even then, there would likely be legal challenges, they said.

Recent history elsewhere in Georgia demonstrated the messy financial implications of deannexation. In 2018, the wealthy neighborhood of Eagle's Landing sought to deannex from the mostly-Black city of Stockbridge. The move was challenged by a lending arm of Capital One Financial Corp., which held nearly $12 million in Stockbridge bonds and filed a lawsuit claiming a move to deannex would violate the contracts clauses of the U.S. constitution.

Capital One's complaint detailed how deannexation would cost Stockbridge about half of the tax base backing the debt, "substantially impairing and eliminating a significant portion" of the security backing the bonds. Voters ultimately voted down the proposed new city.

The Georgia Municipal Association cited the Stockbridge example to lawmakers to indicate what is at stake with the Buckhead deannexation, said Tom Gehl, director of governmental relations for the group, which is against the effort.

Gehl said the moment brought to mind the Phoenix that's depicted on the city's seal.

A downtown sculpture called Atlanta from the Ashes, known as the Phoenix, represents its rise to a major Southern powerhouse after the destruction wrought by the Civil War.

"'Die out' doesn't mean that they don't have a chance of rising again like the Phoenix," he said. For that reason, he said his group was going to watch for any "trickery" in the legislature surrounding deannexation.

Bloomberg Politics

By Amanda Albright and Eliza Ronalds-Hannon

February 12, 2022, 5:00 AM PST

— With assistance by Brett Pulley

California State Treasurer Announces 2022 Tax-exempt Debt Allocation for Affordable Housing Development

State Treasurer Fiona Ma announces 2022 tax-exempt debt allocation for affordable housing development

California State Treasurer Fiona Ma announced the California Debt Limit Allocation Committee's (CDLAC) approval of more than $3.7 billion in allocation available for affordable housing in 2022.

CDLAC and the California Tax Credit Allocation Committee (CTCAC), both chaired by Treasurer Ma, authorize tax-exempt debt and award state and federal low-income housing tax credits (LIHTCs) that together were responsible for the production of 22,946 total units of housing in 2021.

"Affordable housing is a critical need for Californians. The Committees understand we are responsible for allocating resources that help developers build the units that are so desperately needed across our state," Treasurer Ma said.

The state and federal 4% and 9% LIHTC programs CTCAC administers incentivize the development of qualified new construction projects and the rehabilitation of existing properties. These tax credits are a critical equity source for producing and preserving affordable rental properties that help reach the Governor's goal of producing 3.5 million units of new housing in California by 2025. To access the federal 4% LIHTCs and specific state LIHTCs, developers must also be allocated private activity tax-exempt bond authority from CDLAC.

Combined, CTCAC and CDLAC have provided incentives that have allowed for greater production of housing units over the past several years. The number of housing units developed through these incentives in 2017 was 14,091 while 22,946 were produced in 2021. Last year, CTCAC and CDLAC authorized funding for 269 projects with bond allocation of more than $4.3 billion, nearly $550 million in annual federal LIHTCs and more than $600 million in state LIHTCs.

"The Committees and our teams are dedicated to helping solve California's housing and homeless needs through a strategic allocation process that will result in more homes for those that need it most," CDLAC and CTCAC Executive Director Nancee Robles said. "We know our available resources are outpaced by demand, yet we are confident that the allocation and awards are making a positive and direct impact throughout California."

Through the LIHTC programs, private investors receive federal and sometimes state income tax credits as an incentive to make equity investments in qualified affordable rental housing projects. Since 1986, more than 500,000 affordable housing units have been supported in California thanks to LIHTC funding.

Both CTCAC and CDLAC are achieving greater efficiency that maximizes the number of units that can be created with the scarce resources available. CTCAC also awards the 9% federal disaster LIHTC distribution. In 2021, 65 disaster credit applications were received, and 39 awards were awarded for $79.6 million.

Due to the success of the state LIHTC awards made in 2020 when the total allocation was increased from $109 million to more than $600 million, Governor Newsom approved another $500 million in state LIHTCs in 2021. Treasurer Ma looks forward to her role in administering these critically important programs in 2022.

California State Treasurer's Office

February 2, 2022

Head of Puerto Rico Oversight Board Resigns as Bankruptcy Ends.

- **Natalie Jaresko had been executive director since 2017**
- **Jaresko stepping down after court approved restructuring plan**

Natalie Jaresko, the executive director of Puerto Rico's Financial Oversight and Management Board, is resigning after helping the U.S. commonwealth through a historic bankruptcy.

Jaresko will step down April 1, shortly after a federal judge approved a debt-restructuring plan that will allow the island to emerge from the biggest municipal bankruptcy in U.S. history. In a statement, the oversight board said it's beginning the search for a new executive director and that Jaresko will assist with the transition.

In the position since March 2017, Jaresko helped hammer out the contentious deal approved last month that slashed Puerto Rico's overall debt by about 80%, according to the board.

"Puerto Rico has the strength, and the people of Puerto Rico have the dedication, to end this crisis and build a better future," Jaresko said in a statement, adding that the debt reduction had led the Caribbean island to "an important turning point."

While the board has been seen as a key player in fending off Puerto Rico's creditors, the body's power over local finances — and its ability to overrule elected officials — have also fueled resentment.

In statement, Governor Pedro Pierluisi acknowledged the "great differences" he'd had with the board, particularly around pension reform and "micromanaging government operations," but he said Jaresko had always "worked in good faith and in favor of what she believes is for the benefit of Puerto Rico in the long run."

"I wish her great success in her future endeavors and urge the members of the FOMB to ensure that whoever replaces her knows that we are in a transition stage toward the end of the Board's mandate," he said.

Before becoming executive director, Jaresko worked for the U.S. Department of State, was the Finance Minister of Ukraine from 2014 through 2016, and was a founding partner of Horizon Capital private equity fund.

Bloomberg Markets

By Jim Wyss

February 3, 2022, 9:51 AM PST

Amendments to the PA MPC Clarify Municipal Bonding Requirements.

Kicking off 2022, we can celebrate a win for builders and developers with the enactment of PA Senate Bill 208, which was signed into law by Governor Wolf on December 22, 2021.

SB 208 made numerous changes to Section 509 of the Pennsylvania Municipalities Planning Code (the "MPC"), which deals with posting financial security to guarantee completion of the public improvements depicted on a plat. Pursuant to Section 509, a municipality can require a developer to post financial security (usually in the form of a letter of credit or a bond) in an amount equal to 110% of the cost of the public improvements shown on the plan before releasing it for recording. These bonded improvements typically include roads, stormwater and drainage facilities, open space improvements, and required buffer landscaping.

Under the procedures outlined in Section 509, developers can request periodic reductions to the amount of financial security that a municipality is holding for a project as work progresses. Before SB 208, however, Section 509 contained language that some municipalities used to retain financial security equal to both the cost of the outstanding improvements and 10% of the original bond. As an example, imagine a situation where a developer is required to post a $1,000,000 bond with a municipality. The developer completes all but $75,000 of the required work and requests a partial release of the bond. Under former Section 509, even though the developer only has $75,000 of work to complete, some municipalities took the position that they were entitled to hold a bond of $175,000

(10% of the original amount of financial security posted plus the cost of the remaining improvements) – more than 2 times the cost of the remaining improvements. Obviously, such an outcome goes far beyond protecting a municipality's interest in ensuring a project is completed and negatively impacts a developer's ability to get bonded for other projects.

SB 208 modifies Section 509 to clarify that a municipality may only retain 110% of the value of the remaining improvements. So, in the previous situation, the municipality could hold $82,500 (the cost of the remaining improvements plus a 10% contingency). The full language of SB 208, which will take effect 60 days from the date of enactment, is available here.

McNees Wallace & Nurick LLC

February 1, 2022

Pritzker Seeks to Burnish Illinois's Newly Won Fiscal Reputation.

- **State last year got first debt rating upgrades in two decades**
- **Pritzker highlights fiscal improvement in re-election campaign**

When Illinois Governor J.B. Pritzker, the billionaire Democrat running for re-election, delivers his fiscal 2023 budget proposal next week, his aim will be to show taxpayers, investors and legislators that the state's financial gains are here to stay.

Illinois received its first credit upgrades in two decades last year amid a rebound in tax revenues and billions of dollars in pandemic-era federal aid. The improved finances allowed officials to pay years of backlogged bills and better investment returns helped the state reduce its unfunded pension liability for the first time since 2017.

It's been a dramatic reversal for the state with the lowest credit rating. At the end of 2020, Illinois risked a downgrade to junk-bond status after taking emergency loans from the Federal Reserve to allay revenue losses from the pandemic. The state had almost no rainy day fund, paid an ever-higher penalty to borrow in the $4 trillion municipal bond market and Pritzker's plan to collect more taxes from the wealthy was rejected by voters.

"The state has done a lot in recent years to right its fiscal ship," said Amanda Kass, associate director of the Government Finance Research Center at the University of Illinois in Chicago. "Is that a blip in a long-term trend or is this the start of an upward trajectory in the state's finances?"

The state has a history of financial missteps. Its unfunded pension liability had ballooned because it didn't contribute enough for decades, leading it to take on billions in debt. An impasse between former Governor Bruce Rauner, a Republican, and the Democrat-controlled General Assembly resulted in the state having no budget from 2015 to 2017, sending unpaid bills soaring and creating more debt.

In recent campaign ads, Pritzker presents himself as the financial conservator the state needs. He says he plans to keep working to responsibly manage the budget, reduce Illinois's interest costs, further cut the bill backlog and earn more credit upgrades. His budget proposal, scheduled for Feb. 2, is expected to outline some of those efforts.

"What they've seen for three years is very responsible fiscal leadership," Pritzker said in an interview earlier this month, referring to the state's stakeholders.

The penalty Illinois pays compared to benchmark 10-year municipal securities has remained under 1 percentage point for the last nine months, after reaching more than four percentage points in May 2020, but it's still the highest among peers. The bill backlog sits around $3 billion, from about $5 billion a year ago.

While Illinois was the only state to tap the Fed's Municipal Liquidity Facility during the pandemic, it repaid the full $3.2 billion early. When S&P Global Ratings and Moody's Investors Service upgraded the state in mid-2021 to BBB and Baa2 respectively, they cited not just the federal aid but better financial management as well. Fitch Ratings boosted its outlook to positive from negative for Illinois, and rates it BBB minus.

For fiscal 2022, the state has forecast a surplus of $418 million, bigger than an earlier estimate, citing cost cuts, use of part of its more than $8 billion in American Rescue Plan Act money, and higher revenue from sales and income taxes. The state kept most spending unchanged, other than education and vital services, Pritzker said.

"We intend to continue to be responsible," he added.

For fiscal 2023, Pritzker's budget office in November projected a deficit of $406 million, smaller than previously forecast. The governor declined to comment on specifics on spending and revenue for fiscal 2023, which begins July 1, such as whether he plans to increase the rainy day fund contribution beyond the already proposed $300 million.

Illinois in November forecast shortfalls will return in fiscal 2023
Source: Illinois Governor's Office of Management and Budget
"The goal would be to keep spending below the level of natural growth that would occur in the budget in terms of revenue, so that we can continue to put together a surplus for the state," he said.

Pension Peril

An upgrade could be in the offing if Illinois continues passing budgets on time, institutionalizes financial management and keeps paying down debts and bills, said Eric Kim, an analyst for Fitch Ratings. Pensions remain a challenge, Kim said.

"If there's an opportunity for us to transfer assets, whether it's cash or anything else, into the pension system that would reduce that net pension liability without having a detrimental impact upon our budget or upon the people who are recipients, vulnerable populations that are recipients of state services, we will always look at that," Pritzker said, without offering specifics.

The overall pension system's strong investment returns recently provided some help, but that may be temporary. Illinois's total unfunded pension liability across five state-run systems fell 10% to $130 billion on June 30 from a record in fiscal 2020, the Commission on Government Forecasting and Accountability said in a December report.

ARPA Spending

The billions the state has received from the federal stimulus packages, including the American Rescue Plan Act, can't be used for pensions or debt. The governor's budget is expected to shed light on plans to spend remaining federal funds, said Laurence Msall, president of the Civic Federation, a government watchdog group. Potential contributions to the rainy day fund or the state's unemployment insurance trust fund debt are possible and will get scrutiny, he said.

“Investors are going to be looking for a continuation of the demonstrated fiscal discipline and not letting this very unique opportunity go to waste,” said Ty Schoback, a senior municipal research analyst for Columbia Threadneedle Investments, which holds $17 billion in muni assets, including Illinois debt.

Pritzker says any concerns about higher ongoing spending given the influx of federal aid are misplaced.

“We have not dedicated any ARPA dollars to recurring programs,” said Pritzker, adding he and Democratic leaders of the General Assembly insist on this restraint. “Everything that we have dedicated those ARPA dollars to are one-time expenditures. We’ve been very disciplined about that from the beginning.”

Bloomberg Markets

Ohio Promised $2.1 Billion in Incentives to Lure Chipmaker Intel.

- **Intel chose Ohio site for its new $20 billion chip-making hub**
- **Subsidy package exceeds what Samsung, Amazon received**

The state of Ohio and its private economic development group offered Intel Corp. $2.1 billion in incentives to lure the chipmaker to the state, winning a national competition for the employer.

The chip-maker announced last week that it will invest $20 billion to construct two fabrication plants on a 1,000-acre site in New Albany, near Columbus.

Once Intel develops the site, local property tax abatements will further enhance the $2.1 billion subsidy package, which exceeds what other high-profile companies have been promised in recent years for their projects.

Intel said it expects the plants to be operational by 2025, with the potential for more factories and total company investment over the next decade reaching $100 billion. The plan will rely on the most advanced technologies and result in an increased American share of the global chip supply chain, the company said.

State officials hailed the “mega project” as the largest single private-sector company investment in Ohio history. It brings semiconductor production to a state that has lost almost 30% of its manufacturing jobs over the last two decades and struggled to shake its Rust Belt image.

The state is offering $1.2 billion in cash incentives, including a $600 million direct grant to the company to offset the cost of construction, as well as $691 million to help cover infrastructure costs. Intel is further eligible for a 30-year, $650 million job-creation tax credit, conditioned on Intel making good on pledges to add to its Ohio payroll.

JobsOhio, the state’s private development entity, in addition said it will provide Intel with as much as $150 million in combined economic development and workforce grants, bringing the known total to $2.1 billion.

“This is a massive offer larger than many state programs,” Nathan Jensen, an economic incentives expert at the University of Texas Austin, wrote in an email. He called it a “marketing ploy” for Ohio to label its effort to out-compete other states as “onshoring production.”

Chipmakers have recently been awarded generous subsidies by states eager to attract business. To land a $17 billion investment from Samsung Electronics Co., state and local officials in Texas rolled out a package that included waiving almost all the company’s property taxes for 25 years, a $314 million reduction in school district taxes and a $27 million state grant.

The Ohio subsidies for Intel are larger than what Amazon.com Inc. received — about $775 million — to build a second headquarters in Northern Virginia.

The total value of Intel’s local property-tax abatement is not known since it covers buildings that haven’t yet been constructed. It’s also not known if Ohio will issue municipal bonds to help cover the infrastructure development costs, the state’s director of development, Lydia Mihalik, said Friday.

The incentives were “certainly a piece of the puzzle” in drawing the company to Ohio, in addition to the state’s workforce and leadership, Mihalik said.

Intel isn’t the first company to be attracted by the state’s subsidies, according to data from Washington-based policy group Good Jobs First. General Electric Co. and Amazon both received more than $200 million in incentives. The state has awarded $5.7 billion in incentives since 1983, with most of that coming in the last decade, the group said.

The Santa Clara, California, company said the project is expected to generate more than 20,000 jobs in Ohio, including 3,000 corporate positions earning an average of $135,000 a year, plus benefits. It will add $2.8 billion to Ohio’s annual gross state product and bring in new businesses to support the chip factories, officials said.

Intel is also counting on the U.S. to deliver additional financial incentives to support an expansion of domestic chip manufacturing. Congress is currently considering funding for the CHIPs Act, a measure that has passed the Senate but not the House. It would create a $50 billion pot of money for companies willing to locate production in the U.S.

Intel Chief Executive Officer Pat Gelsinger said while Intel is making the initial investment for the two factories in Ohio, planned expansion beyond that will be slower and possibly not as big if the CHIPs act is not enacted.

“We’re making this bet today assuming CHIPs Act gets done,” Gelsinger said at a press conference in Ohio last Friday to announce the project.

Gelsinger has said Intel chose the Ohio location from among 30 to 40 prospective sites and that the availability of potential employees from local universities, military veterans and the relatively cheap cost of labor were also factors.

Keyvan Esfarjani, Intel senior vice president of manufacturing, supply chain and operations, said Ohio offered the best combination of a favorable regulatory environment, available talent pool and infrastructure.

Intel said it pledged $100 million toward partnerships with state educational institutions to build a pipeline of employees and to bolster research programs in the region.

Bloomberg Markets

— With assistance by Ian King

Hoboken Balks at $241 Million School With Its Own Ice Rink.

- **Hoboken Balks at $241 Million School With Its Own Ice Rink**
- **Anti-referendum group wanted focus on academics, not amenities**

Hoboken voters sent a clear message that a $241 million school-construction proposal was excessive, rejecting a tax hike as the Board of Education's solution for the New Jersey city's swelling population.

Opponents said the proposal for a new high school with an indoor ice rink and rooftop football field lacked transparency and was rushed.

With 100% of districts reporting unofficial results, voters in the square-mile city across the Hudson River from Manhattan were rejecting the proposal about 2-to-1.

"We believe that local, long-term investment, which includes community involvement, in our education system, is important and necessary, and we look forward to discussing our plans moving forward," the Board of Education said in a statement on Wednesday.

Jerome Abernathy, a resident and father of two, said the funds should have been targeted more at academic improvements and less on amenities. He said he would have been happy to pay higher taxes for that.

"My kids went to the Dalton School, it costs a lot of money, it's one of the best high schools in the country, and they didn't have amenities like that," said Abernathy, who has lived in Hoboken since 1991.

Abernathy handled advertising strategy for Hoboken for Public Schools, organized to get no-voters to the polls. Its targets included empty-nesters, alternative-school advocates and single-family homeowners. The strongest dissent came from residents surprised by how quickly the proposal materialized and was placed on the ballot, Abernathy said. He said he spent about $5,000 of his own on the group's effort.

Of 10 school-bond referendums on Tuesday's ballot in New Jersey, Hoboken's was the only one to fail, according to the New Jersey School Boards Association. Hoboken's $241 million price tag was over 60% of the total amount put to voters across the state.

The nine approved referendums ranged from $985,000 to $33 million, and all were to receive some state aid for debt service, unlike Hoboken.

Prior to the vote, Hoboken School Board President Sharyn Angley said there was "no contingency plan" should the referendum fail. The board has to wait a year before a new plan can be placed on the ballot.

"We certainly intend to engage the community with more input," said Jane Mylan, 44, who supported the bond through Friends of the New Hoboken High School. She attributed the vote's failure to "misconceptions" that enrollment in the district isn't growing, and the city's lack of access to state aid.

Hoboken is one of the most densely populated cities in the country, with more than 60,000 people counted in the 2020 Census — a 21% increase from 2010. The city that is a short train ride from the

World Trade Center is a hub of young professionals, many of whom have begun families there.

New Jerseyans pay the highest property taxes in the nation — an average $9,284 in 2021. Hoboken's average bill — a combination of county, school and municipal levies — was $8,402. School officials had wanted to increase residents' property taxes by about 6%.

Daniel Solender, head of municipals at Lord Abbett & Co. in neighboring Jersey City, pointed to the portion of Hoboken's young, childless population that was reluctant to shoulder the cost of the new school.

"The rejection was mainly due to how ambitious the plan was and how costly it was," he said. "It might have had a better chance if it was a less fancy plan."

Bloomberg

By Nic Querolo and Danielle Moran

January 26, 2022

Puerto Rico's Bankruptcy Is Ending. What Comes Next?

The biggest bankruptcy ever in the municipal debt market is on a path to resolution, now that a U.S. judge has approved a restructuring plan for Puerto Rico. Still, there are plenty more challenges ahead for investors, the island's still-bankrupt electric utility and its beleaguered residents. Even with a sharp reduction in debt payments, the key issue for Puerto Rico is whether it can turn around an economy that's been shrinking for years amid a steady loss of population.

1. How big was Puerto Rico's bankruptcy?
The debt restructuring — an agreement between Puerto Rico's government, bondholders, insurance companies, vendors and labor groups — will erase $33 billion of debt and other obligations, including the cutting of $22 billion of bonds to $7.4 billion. It surpasses Detroit's $18 billion bankruptcy in 2014, previously the largest. When Puerto Rico's governor announced in 2015 that the commonwealth, a Caribbean island that is a U.S. territory, could not repay what it owed, the debt of the government and the agencies and authorities it controlled totaled $74 billion.

2. What did the judge decide?
U.S. District Court Judge Laura Taylor Swain agreed to the restructuring plan, including the issuance of new bonds that will reduce Puerto Rico's outstanding debt. She also rejected assertions by some creditors that a federal law, called Promesa, that was passed to allow Puerto Rico to restructure its obligations through U.S. court oversight violates the Constitution. The agreement she approved also avoids cuts to pension benefits for islanders and establishes a new pension reserve trust; Puerto Rico's depleted retirement fund owes an estimated $55 billion to current and future retirees.

3. How will the debt restructuring work?
Puerto Rico's government and the financial oversight board created by Promesa to manage its bankruptcy process plan to execute a debt exchange on or before March 15. At that time anyone holding a Puerto Rico general obligation bond or commonwealth-guaranteed debt will swap their securities for new restructured general obligations. This will facilitate the reduction in principal to lower Puerto Rico's debt load.

4. What are bondholders getting?
The new bonds will give investors as little as 67.7 cents on the dollar to as much as 80.3 cents on their current holdings, depending on the type of bond they bought and when it was sold. They will also receive a $7 billion cash payment and a so-called contingent value instrument that pays out if Puerto Rico’s sales-tax collections exceed projections.

5. How does the restructuring help Puerto Rico?
Once the bonds are exchanged, Puerto Rico will pay no more than $1.15 billion in principal and interest annually on its general obligation bonds and sales-tax debt, down from as much as $3.9 billion. That means for every dollar of taxes and fees that the government collects, just 7.2 cents will go to creditors, leaving the remaining revenue to serve the 3.3 million people of Puerto Rico.

6. Are there any obstacles to the debt restructuring?
The steps necessary for the bond exchange are mostly administrative. The oversight board and the government need to certify an updated multi-year fiscal plan and amend the island’s current budget to incorporate the new payments to bondholders.

7. What else needs to be done?
Puerto Rico has authorities and agencies that are also in bankruptcy or working through debt restructurings outside of court. Its government-owned Electric Power Authority, which provides most of the electricity on the island, is still in bankruptcy and is seeking to cut its $9 billion in debt by about a third. The island’s Highways and Transportation Authority is also working to reach a resolution on the $6 billion it owes in bankruptcy.

8. How did this all happen?
Puerto Rico and its authorities and government agencies racked up the $74 billion of debt through years of borrowing to cover operating expenses as its economy shrunk and its population fell by 12% between 2010 and 2020. Its debt was widely held: mutual funds throughout the U.S. bought it for its tax-exempt benefits. Once the commonwealth could no longer borrow through the capital markets at affordable rates, it defaulted on its general obligation bonds in 2016 and the oversight board sought bankruptcy in May 2017.

9. What’s the plan for recovery?
Puerto Rico officials anticipate investment on the island will grow once the end of bankruptcy removes longstanding uncertainty over the island’s finances and the government regains the ability to increase spending on health and education. Federal funds are also expected to boost the island’s economy: Puerto Rico is set to receive more than $40 billion of federal recovery funds in the coming years, including $1.9 billion included in the Infrastructure Investment and Jobs Act passed in 2021.

10. What’s been the reaction among residents?
The federally-appointed oversight board has been very unpopular among residents, who have viewed it as taking away the island’s autonomy and ability to govern itself. Many Puerto Ricans also question the settlement, asking why they should repay hedge funds, distressed-debt buyers and other investors when the island has suffered from devastating hurricanes, earthquakes and chronic power outages. Nearly 44% of its residents live in poverty. Another source of discontent is the more than $1 billion in bankruptcy fees the island owes or has paid to lawyers, financial consultants and outside experts.

Bloomberg QuickTake

By Michelle Kaske

January 26, 2022, 3:00 AM PST

[Puerto Rico's Recovery Depends on Getting Back Its Government.]

The island's exit from bankruptcy won't deliver it from hard economic decisions — the kind that are best made by elected officials whom voters can hold to account.

Last week, Judge Laura Taylor Swain of the Southern District Court of New York certified the plan that will sharply reduce Puerto Rico's tax-supported debt and allow the island to emerge from bankruptcy.

Thus ends a five-year chapter in the largest and most complex municipal restructuring in U.S. history, a saga that unfolded as the commonwealth coped with devastating hurricanes and earthquakes, a U.S. president who held up $20 billion in aid, popular protests that toppled the island's government and, finally, the onslaught of Covid-19.

The plan that Judge Swain approved is technically sound. But strategic investment and hardheaded realism will be needed to avoid long-term deficits and avert a second default. More fundamentally, to make the difficult decisions that lie ahead, Congress should amend the Puerto Rico Oversight, Management and Economic Stability Act ("Promesa"), the law passed to save the island, and return power to the people of Puerto Rico and their elected officials.

From 2015 to 2017, I led a team at the U.S. Treasury that worked with Congress to design and pass Promesa. As Puerto Rico veered toward default in 2016, it had depleted its $55 billion pension plan and amassed $70 billion in debt, owed to everyone from on-island retirees to hedge funds that had bought claims for pennies on the dollar. If Congress had not stepped in, a cascading series of defaults threatened to turn a fiscal crisis into a humanitarian one.

What makes the restructuring plan approved by Judge Swain, which covers $55 billion in public pension plan claims and $34 billion in debt, technically sound?

First and foremost, by petitioning the courts five years ago, the island was able to suspend debt payments, deferring nearly $20 billion that would otherwise have been disgorged to creditors. Promesa staved off those claims, allowing the government to function and invest in the face of natural disasters.

Second, the debt will be simplified and significantly reduced. Prior to the restructuring, the commonwealth would have had to pay between $2.5 billion and $3.9 billion in annual debt service. This will be reduced to between $1.15 and $1.7 billion, with the higher amount paid only if the island's sales and rum tax collections exceed current expectations. Debt payments will consume 7% of the budget, versus roughly a quarter before. Including interest savings, the amount of debt forgiveness, or haircut, will total over 50%, ranging from a third for the most senior creditors to over 90% for the most junior — and if taxes overperform, senior creditors could eventually recover close to their entire claim.

Third, public pensions, which prior governments depleted to an unheard-of zero level of funding against $55 billion of liabilities, will remain intact. Because pensions support nearly 320,000 residents in Puerto Rico, Promesa included language that they "must be adequately funded," a provision not found in the municipal bankruptcy code, which treats these important stakeholders as relatively junior, unsecured claims. Although teachers and judges will have their pensions frozen at today's rates, they will have access to Social Security benefits for the first time.

These achievements are real, but they do not ensure that the island's debt is truly sustainable over time. The Oversight Board created by Promesa to renegotiate the island's debts and oversee its finances will soon publish the 2022 Fiscal Plan. Past plans have shown deficits starting in 2036, while relying unrealistically on structural reforms, including changes to labor law beyond the board's authority, as a way to spur economic growth. Even though the debt has been cut, it is the only fixed component of the budget, so the people of Puerto Rico bear the risk of underperformance. The critical investments that Puerto Rico can now make must be guided by a long-term strategic vision for the economy.

The U.S. Congress must also address the uncertainty over future Medicaid contributions to Puerto Rico, a provision that was included in the stalled Build Back Better bill. An interpretation by the Biden administration's Center for Medicare and Medicaid Services (CMS) increases the statutory federal share of Medicaid for the island to nearly $2.9 billion from $400 million under the Trump administration. But without legislation, re-interpretation by a future CMS could blow a hole in Puerto Rico's budget larger than the pension payments.

As important, the federal funds already allocated to rebuild the island's infrastructure, electricity grid and housing need to flow more quickly. These investments will underpin longer-run growth. As of this writing, over $40 billion have been obligated but not outlaid in Puerto Rico, including more than $18 billion in Community Development Block Grants for housing construction.

More fundamentally, it is time to reassess the governance of Puerto Rico's fiscal planning.

In the spring of 2016, the late Governor Rafael Hernandez Colon visited me at the U.S. Treasury, accompanied by former Governor Anibal Acevedo Vila, to voice his opposition to Promesa. To me, the technical merits of the law were clear: Without it, there was no path to avert the cascading series of defaults and draconian cuts to essential government services that would ensue.

Yet as Hernandez Colon emphasized, Promesa's technical merits weren't what really mattered to the people of Puerto Rico. He spoke primarily of its "oversight" provisions creating a federally appointed board to negotiate the restructuring of the debt and oversee the island's finances. He saw this as an affront to his life's work of preserving the commonwealth, whereby Puerto Rico, by its own constitution, is "a state that is free of superior authority in the management of its own local affairs but which is linked to the United States."

Promesa essentially overrode this clause. In order to withstand inevitable challenges from creditors in federal courts, the law relies on Article 4 of the U.S. Constitution, which defines the island as a territory or "possession" and, while the full scope of its jurisdiction remains an unsettled matter, confers plenary authority over its affairs to the U.S. Congress. Hernandez Colon had come to Washington to state his opposition as a matter of principle. "It is the kind of thing over which wars are fought," he said starkly. The meeting left a lasting impression and still requires an adequate response.

Promesa became law in a divided government, with a Democratic administration that sought debt restructuring for Puerto Rico and a Republican-controlled Congress more focused on controlling the island's finances. A bipartisan compromise paired a powerful restructuring authority with an oversight board modeled on those created for New York and Detroit, giving it the ability to approve or, if necessary, revise the Puerto Rico legislature's budgets.

As predicted, creditors sought to have Promesa overturned. But in 2020, the Supreme Court held unanimously that the oversight board was legally constituted. In a concurring opinion, Justice Sonia Sotomayor nonetheless echoed Hernandez Colon's private remarks, lamenting the "freewheeling exercise of [federal] control" over the government of Puerto Rico.

To be free of the Oversight Board, Puerto Rico must have four consecutive years of balanced budgets according to GASB accounting rules and access to traditional municipal markets. Given its chronic delay in producing audited financial statements, that will take years to achieve.

Some may argue that the board is necessary to encourage much-awaited fiscal reform and transparency. But there has been little progress. And for all its good work on the commonwealth plan, the board's limited political legitimacy on the island has inhibited its ability to play the constructive, ongoing role for which it was designed.

The Oversight Board of New York, the Municipal Assistance Corporation, was founded in 1975 (when the city nearly went bankrupt) and didn't vote itself out of existence until 2008. Puerto Rico cannot afford to wait that long for its financial governance to be returned to duly elected officials.

True, Puerto Rico can now attract investment without the cloud of an ongoing bankruptcy proceeding, and the federal government can appropriate funds without fear that the money will flow to creditors, rather than the people of Puerto Rico. But current Governor Pedro Pierluisi is also right that "we still have a lot of work ahead of us."

The right response to Governor Hernandez Colon will be to allow the government of Puerto Rico to carry out that work, fully embracing the fiscal reforms, transparency initiatives and balanced budgets that will be necessary to avoid a second crisis. Congress should amend Promesa to sunset the board as soon as practical following confirmation of the final plan of adjustment.

No meaningful, lasting recovery is possible without the restoration of self-governance to the people of Puerto Rico.

Bloomberg Politics

By Antonio Weiss

January 26, 2022

New Hampshire Broadband Providers Push Senate Panel to Reject Expansion of Municipal Bonding Ability.

Committee OKs use of funds to tackle 'cellular deserts'

It was pretty much of a no-brainer on Wednesday for the NH Senate Election Law and Municipal Affairs Committee to pass a bill that would allow broadband funds to upgrade cell service in under-served areas of the state. But for let municipalities issue bonds to improve broadband service? Not so much.

Senate Bill395 that would address the problem of "cellular deserts," as sponsor Sen. Jay Kahn, D-Keene, called them when testifying for the bill on Wednesday.

"It's not just about convenience," he said, citing one police chief complaining he couldn't call back disconnected 911 calls because of poor service. “That’s not acceptable. That’s not living up to any kind of standard.”

Under Kahn’s bill, the money would be used to lift the standard of “adequate cell phone service,” meaning it “meets federal standards for speed, latency, reliability, and consistency in quality of service.” There was additional language in the bill for the money to be used to improve service to meet “evolving connectivity needs,” but Kahn agreed to omit it to ensure the bill’s passage.

Rep. Andrew Maneval, D-Harrisville, comes from that town where the police chief sometimes couldn’t return emergency calls, but he didn’t so much emphasize public safety.

“The quality of cell service is part of attracting young families and small business,” he said.

The committee quickly and unanimously recommended passage of the bill, in stark contrast to an earlier hearing on SB 247, which would allow counties or municipalities to issue bonds to finance broadband financing.

Unserved areas are already allowed to do this this, and some have done so with great success, said Sen. Denise Ricciardi, R-Bedford, but she wanted to enable all municipalities to do so, particularly the under-served.

But she ran into the opposition from the broadband providers, who fear government-subsidized competition, a concern echoed by the committee’s chair, Sen. James Gray, R-Rochester.

“What is wrong with competition?” shot back Ricciardi.

Ricciardi was backed up by the NH Municipal Association, the Southwest Region Planning Commission and Bill Duschatko, a Bedford town councilor. Bedford has broadband that meets minimum federal standards, but those standards are not enough these days, he said.

“We are very dissatisfied with the service, the lack of speed and unreliability,” Duschatko said.

Those standards “don’t consider the needs of small business,” added Henry Underwood, a planner with the Southwest Region Planning Commission, who said that only 18 out of 34 communities in that region are eligible to issue bonds, while the remainder left are “left behind.”

All of the supporters said the bill could help even communities without minimal service, because proving that they don’t need that service requires mapping, which require access to information from broadband providers.

The providers, however, pointed to a bill passed last year that would improve such communications and considered the matter resolved. More important, they did not take into consideration the needs of its business model, said Chris Rand, vice president of Granite State Communications, which has invested millions to build up its network. The bill “undermines basic market incentives. It would allow towns to bypass the providers or pay someone to do just that.”

“This bill is entirely about government being a competitor to the private sector or choosing a provider who gets the benefit of a public subsidy. It’s the government putting its thumb on the competition,” said Christopher Hodgdon, a lobbyist representing Comcast.

Hodgdon went on to outline all the company was doing to improve service, not only by upgrading bandwidth and speed fourfold, but also by installing Wi-Fi in people’s home that would match those speeds, arguing that often people’s complaints about reliability and speed come from their Wi-Fi network.

New Hampshire Business Review

by Bob Sanders

January 27, 2022

Fitch: Texas and Arizona Recover Pandemic Employment Losses

Fitch Ratings-New York-21 January 2022: As of November 2021, Texas and Arizona became only the third and fourth states to achieve pre-pandemic employment levels, according to Fitch Ratings.

“November saw solid state employment growth with the state median jobs recovery hitting 77 percent, a 2-percentage-points increase from the prior month,” said Olu Sonola, Head of U.S. Regional Economics. “But these recovery trends, boosted by in-person education and greater return to in-person work, may be threatened by the still uncertain economic implications of the omicron variant.”

California’s recovery rate increased to 70 percent, a 2-percentage-points (pps) increase from the prior month. New York’s recovery rate increased to 60 percent, a 1pps increase from the prior month. As of November 2021, 48 states have recovered over 50 percent of the jobs lost since the start of the pandemic. Utah and Idaho also hit pre-pandemic employment levels in February 2021 and December 2020, respectively.

The median Fitch-adjusted unemployment rate, which reclassifies people who have left the labor force as unemployed, marginally declined to 5.8 percent from 5.9 percent in October; however, the rate remains above the 4.2 percent median state official unemployment rate.

Notable increases in the Fitch-adjusted unemployment rate between June 2021 and November 2021 include New Hampshire at 6.0 percent from 5.2 percent, New York at 8.9 percent from 8.5 percent, and Nevada at 9.8 percent from 9.5 percent.

Leisure and hospitality, education and health services, and local government combined have been responsible for 50 percent or more of job losses nationally since February 2020.

For more information, a special report titled “U.S. States Labor Markets Tracker” is available at www.fitchratings.com.

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Puerto Rico Released From Bankruptcy as Economic Problems Persist.

A federal judge approved the largest-ever restructuring of U.S. municipal bonds, easing the island's re-entry to capital markets

Puerto Rico received court approval to leave bankruptcy through the largest restructuring of U.S. municipal debt ever, ending years of conflict with creditors as the U.S. territory confronts other stubborn economic problems.

Tuesday's court ruling approved a write-down of $30.5 billion in public debts built up during an economic decline marked by high joblessness, outward migration and unsustainable borrowing that tipped Puerto Rico into bankruptcy in 2017. The restructuring plan calms tension between Puerto Rico and its Wall Street creditors dating to its debt default, the largest ever on bonds backed by the full faith and credit of a U.S. municipality.

In approving the bankruptcy plan, Judge Laura Taylor Swain overruled objections to the financial restructuring and said it enjoys "broad but not universal support" among affected creditors and will preserve Puerto Rico as a "viable public entity."

The restructuring marks a win for the oversight board steering Puerto Rico's finances, an unelected body that shares power with elected officials and has faced opposition from many of the island's three million residents, who have referred to it as the "junta." Judge Swain's ruling doesn't remove the board, which under federal law can only disband after four consecutive years of balanced budgets.

But slashing debt does free up cash for spending that would otherwise go to bondholders. Puerto Rico's debt-servicing costs will fall to roughly $666 million for the next 10 years, from $2.1 billion before its default. Creditors will receive $7.4 billion in new debt and $7 billion in cash, as well as tradable securities known as contingent value instruments that pay out if the economy improves.

Big investors including BlackRock Financial Management Inc. and Silver Point Capital LP backed the negotiated plan, which has pushed the value of some core government bonds to four times what they were worth after Hurricane Maria hit Puerto Rico in 2017. The benchmark general obligation bond has rallied to more than 90 cents on the dollar, compared with lows in 2017 of 21 cents on the dollar.

Puerto Rico joins Detroit; Jefferson County, Ala.; Orange County, Calif.; and the California cities of Stockton, San Bernardino and Vallejo as municipal borrowers that have shed debts through a court-supervised bankruptcy. The end of the bankruptcy case will slow the professional fees for lawyers, bankers and consultants who advised Puerto Rico on its restructuring and have racked up roughly $1 billion in bills so far, at taxpayers' expense.

The territory entered bankruptcy with $74 billion in bond debt and a $55 billion gap between the pension benefits promised to employees and retirees and the funding set aside to pay for them. Public agencies were racked with cronyism and failed for years to draw up accurate budgets or account for expenses, according to a 2018 investigation commissioned by the board.

Sprawling bureaucracy and a high cost of doing business discouraged investment, especially after the expiration of some corporate tax breaks in 2006 pushed some pharmaceutical and other manufacturers to depart. To make up for a shrinking tax base, officials borrowed to paper over deficits and skimped on pension contributions, losing Puerto Rico its investment-grade credit rating in 2014.

Many residents of Puerto Rico, political leaders, and some investors have called for an independent audit of how the huge debt was built up and the prosecution of individuals who might have misspent public funds, according to Judge Swain’s decision.

She said her ruling “does not foreclose further investigation, whether through regulatory, law enforcement, or civil litigation channels, into the origins of Puerto Rico’s debt crisis.”

Despite the board’s sweeping powers over fiscal matters, many of its proposed overhauls of business rules and economic policy in Puerto Rico have languished. Lawmakers resisted the board’s proposed cuts to pension benefits and quashed attempts to relax labor laws and tighten welfare requirements, reflecting popular anxiety that cutbacks to the safety net would push more into poverty.

The board’s executive director, Natalie Jaresko, disputed on Tuesday that it had implemented harsh austerity measures, as its critics allege.

“There were no layoffs. There was not a single major agency of any size shut down. There were reductions in budget, but it wasn’t austerity,” said Ms. Jaresko. She said the plan of adjustment protects pensions and ensures that lawmakers don’t go back to making promises that aren’t paid for.

“This period of financial crisis is coming to an end,” she said. “The uncertainty that every person, every business in Puerto Rico felt is coming to an end.”

Many of the fiscal problems that drove Puerto Rico’s decline haven’t been fixed. Government audits remain years overdue. The economy relies heavily on tax breaks to spur development, issuing $21.4 billion in incentives to businesses and individuals in 2018, the most recent data available. The labor participation rate in Puerto Rico was 43.4% in November, well below the lowest rate among U.S. states, West Virginia’s 55.1%.

Electricity service is dogged by outages, including after the business of delivering power was privatized last year at the board’s urging. In November, a local court issued an arrest warrant for the chief executive whose company now runs the power grid after he allegedly failed to turn over information to lawmakers. The warrant was quickly rescinded. Power service remains costly and prone to outages after years of inadequate maintenance.

Jose Villamil, CEO of economic consulting firm Estudios Tecnicos, said there has been “relatively little private-sector investment in Puerto Rico in the past six to seven years,” except for real estate. He doesn’t expect that to change soon.

Puerto Rico has a big cash balance because the government hasn’t been making debt payments during its bankruptcy, but could run up deficits once debt servicing resumes, Mr. Villamil said. The board also predicts that government deficits will reappear by 2035 unless lawmakers adopt labor, business and tax overhauls that so far have failed to gain traction.

As the restructuring plan gained momentum, the board backed off demands to cut pensions for retired teachers, judges and bureaucrats, bowing to Gov. Pedro Pierluisi and legislative leaders whose help it needed to close the debt deal with bondholders.

That concession left accrued retirement benefits fully intact, a potential source of fiscal stress in coming years. The pension funds at issue cover 167,000 retired workers, or 5% of the island's population, making them the largest creditor group in the bankruptcy.

At the same time, teachers' and judges' unions opposed the restructuring plan because it stops current employees from accumulating any more defined pension benefits while switching them to less generous 401(k)-style programs. Judge Swain agreed with the board that without the benefit freeze for active workers, the restructuring plan might not be feasible.

Puerto Rico in its journey through bankruptcy was confronted with catastrophic hurricanes in 2017, street protests that caused a governor's resignation and succession crisis in 2018, coastal earthquakes in 2019 and the arrival of Covid-19 in 2020. Its relationship with Washington, strained for years, deteriorated under former President Donald Trump, who criticized elected leaders on the island and restricted its access to federal disaster aid.

The territory forged a path out of bankruptcy despite the pandemic, buoyed by an influx of federal assistance and a broad rally in municipal bonds that eased investor concerns about the territory's return to capital markets after a long exile. The municipal-bond market has largely shrugged off Puerto Rico's troubles, viewing the default as an isolated incident and not an indicator of broader weakness among state and local governments.

Ignacio Alvarez, CEO of San Juan-based bank operator Popular Inc., said Tuesday that Puerto Rico has bounced back better than expected from the pandemic but still faces an uncertain economic future. The expected influx in federal funds won't last forever, he said.

The board "has tried to drive a fine line between those two extremes, where some people would say we should try to wipe out the debt, and the bondholders saying we should get 100%," he said.

The board hopes the aftermath of the restructuring will include "material new investments that turbocharge the economy" following a historic decline in population, board lawyer Martin Bienenstock said in court in November. By 2026, the island's population is projected to fall to 2.76 million, 10% less than in 2019, Mr. Bienenstock also said in court hearings over the restructuring plan. The population was close to 3.7 million in 2010, according to census data.

The board has worked to put safeguards in place to prevent Puerto Rico from again taking on too much debt, such as only allowing for long-term bond sales for capital investments, rather than for financing deficits, court filings show.

Board chairman David Skeel said Tuesday that critics of the adjustment plan are incorrect in arguing that it leaves Puerto Rico to face an unsustainable debt obligation. Under the plan, Puerto Rico will pay roughly 7.2 cents of every dollar collected in taxes and fees to bondholders, compared with 25 cents before the bankruptcy.

"This is absolutely sustainable," Mr. Skeel said. "It's not going to lead to more cuts."

The Wall Street Journal

By Andrew Scurria and Soma Biswas

Jan. 18, 2022

[‘In a Muni Bankruptcy, the Same Entity Emerges’: Puerto Rico Exits Bankruptcy with Questions Remaining]

Is statehood the answer?

Puerto Rico on Tuesday received court approval to exit its municipal bankruptcy, restructuring over $30 billion of debt, but leaving plenty of questions about the sustainability of its finances.

The island entered bankruptcy in 2017 after years of excessive borrowing, abetted by Wall Street. Its municipal bonds were exempt from federal, state and local taxes in any U.S. jurisdiction, making them attractive to fund managers in a market long starved for supply. Puerto Rico’s financial position was worsened by a weak economy, out-migration to the mainland, and its location in the Caribbean, making it vulnerable to costly storms like Hurricane Maria.

Critics of the approved plan of adjustment say it leaves in place conditions that aren’t sustainable, such as generous retirement benefits, even as it slashes the island’s overall debt load. But for the municipal bond market HYD, -0.24%, especially those hunting yield, the big question is whether Puerto Rico will return to the position it held for years before Gov. Alejandro García Padilla declared it could not pay its debts.

Continue reading.

MarketWatch

By Andrea Riquier

Jan. 20, 2022

Puerto Rico Bankruptcy is Ending. Next Step: Grow Its Economy

- **Governor sees hope in reconstruction funds, manufacturing base**
- **Federal oversight board warns deficits could reappear by 2035**

After more than four years, Puerto Rico’s record municipal bankruptcy is coming to an end. For the U.S. commonwealth, the timing seems auspicious.

The island, which has been in an economic slump for a decade and has been battered by hurricanes, earthquakes and political rifts, will have to grow its more than $100 billion economy or risk again running the kinds of deficits that pushed it to financial ruin.

Yet it’s coming out of bankruptcy just as federal reconstruction funds, pandemic relief and burgeoning bioscience and tourism industries are converging to give local officials confidence they can produce stronger balance sheets going forward.

“In terms of the fiscal challenges that Puerto Rico will be facing, we will have no problem whatsoever in maintaining the fiscal house in order,” Governor Pedro Pierluisi said in a phone interview.

The federal judge overseeing the bankruptcy case on Tuesday approved a debt restructuring plan that's seen as the last major hurdle in order to exit court protection. It shrinks $22 billion of bonds down to $7.4 billion and establishes a reserve trust to fund the island's broke pension system.

While the bankruptcy process cut Puerto Rico's annual bond payments down to $1.15 billion, it's not a panacea that resolves underlying issues, including a shrinking population and weak infrastructure. And the government still needs to come up with $3.4 billion a year to cover all its debt and pension benefits costs.

"It is not a perfect debt restructuring plan, but it will considerably reduce the financial burden on the residents of the island and the local government," Representative Raul Grijalva, the chairman of the U.S. House Natural Resources Committee and an Arizona Democrat, said in a statement. "Moving forward, the focus must be on rebuilding the Puerto Rican economy so that even its most vulnerable residents are able to thrive."

Pierluisi said the debt deal, along with more than $40 billion in federal reconstruction funds set to flow into the economy in coming years, have set the stage for transformation.

Manufacturing, which represents about 48% of the island's gross domestic product, has been running strong amid a pandemic that shined a spotlight on the island's bioscience sector. Puerto Rico is home to almost 50 pharmaceutical factories, including for drugmakers such as Merck & Co., Pfizer Inc. and Eli Lilly & Co.

In addition, tourism saw a record-breaking year in 2021 as mainlanders who were locked out of international markets due to Covid-19 restrictions hopped on domestic flights to the Caribbean destination. And the island's generous tax breaks are attracting a new wave of service-export companies rising amid the work-from-anywhere movement.

"Those three sectors – manufacturing, tourism and professional services – should be driving a lot of our future growth," Pierluisi said.

Population Decline

Still, the island faces monumental hurdles.

Puerto Rico lost 12% of its population from 2010 to 2020 — more than any other U.S. jurisdiction — as years of economic decline and 2017's Hurricane Maria chased away talent.

Growing an economy with a shrinking population "is very difficult," said Sergio Marxuach, the policy director at Center for a New Economy, a Puerto Rico-based think tank.

"That's the real problem for Puerto Rico," he said. "We can always get people to move back if things get better, but increasing the number of live births is more complicated."

There are also questions about the island's reliance on federal money. Since 2012, the economy has only grown during two years — 2019 and 2021 — and in both cases it was directly tied to an influx of federal funds.

Still, local officials are betting more federal funds can improve infrastructure enough to stimulate private industries.

If the government can fulfill its pledge to improve the island's battered electrical grid and rebuild roads "this could be an ideal place to do business," said Yandia Perez, the executive director of the Puerto Rico Manufacturers Association. The island's strategic location and unique status — a Caribbean outpost under U.S. laws — makes it attractive to global firms trying to break into the Latin American and U.S. markets.

"Coming out of bankruptcy also removes a huge stigma for us, which was making it a challenge to attract industry and investment to Puerto Rico," she said.

Looming Tax Threat

Much of Puerto Rico's past success has been tied to generous tax breaks it offers global companies. But a proposal by the G7 nations and supported by Washington would impose a global minimum tax of 15% — striking at the heart of Puerto Rico's appeal.

In addition, U.S. Internal Revenue Service rules that allow companies to deduct a 4% excise tax from their federal contribution sunsets at the end of this year.

"We can still compete based on our productivity and the skills of our labor force in the manufacturing field as long as we are not discriminated against," Pierluisi said. "To the extent that the conditions we are getting are comparable to the ones that foreign countries will be getting, I'm not concerned about it."

As for the excise tax, the administration is in the process of overhauling its tax code to make up for the shortfall.

Puerto Rico's Secretary of Economic Development and Commerce Manuel Cidre said the island can't rely on its existing manufacturing base — or government funding — for future growth. Puerto Rico needs to lure more U.S. midsize companies, boost local agriculture, reinforce its bioscience sector and become more attractive to entrepreneurs, he said.

"Everyone needs to play their part in this transformation," Cidre said, "because the government can't do this alone."

Bloomberg Markets

ByJim Wyss

January 20, 2022

— With assistance by Michelle Kaske

[Puerto Rico's Looming Bankruptcy Exit Set to Soothe Island's Turbulent Muni Debt.]

- **G.O. bond trades at 90 cents after falling to 21 cents in 2017**
- **Judge may rule as soon as this month on Puerto Rico debt plan**

Puerto Rico's anticipated exit from bankruptcy is pushing up prices on one of the most actively-traded securities in the $4 trillion municipal-bond market — a commonwealth 8% coupon general obligation bond — with the momentum poised to continue after a debt restructuring.

The commonwealth is inching closer to resolving its more than four-year bankruptcy, which will slash $22 billion of bonds down to $7.4 billion through a debt exchange and enable the commonwealth to begin repaying bondholders again as soon as this year.

While longtime investors who bought Puerto Rico securities at full value will experience losses on their holdings, other buyers who scooped up the debt at distressed levels are poised to see gains. Post-restructuring, investors would benefit from the island's improved balance sheet.

Continue reading.

Bloomberg Markets

ByMichelle Kaske

January 18, 2022, 8:07 AM PST

Puerto Rico Approved to Exit Bankruptcy, Ending Record Saga.

- **Court approval allows Puerto Rico to begin exiting bankruptcy**
- **Plan reduces $22 billion of municipal bonds to $7.4 billion**

The judge overseeing Puerto Rico's bankruptcy approved its debt-cutting plan, a decision that leaves the island poised to exit bankruptcy after hurricanes, political turmoil and the pandemic prolonged the more than four-year process.

U.S. District Court Judge Laura Taylor Swain released the ruling Tuesday, saying "the provisions of the plan constitute a good faith, reasonable, fair, and equitable compromise and settlement of all claims and controversies resolved pursuant to the plan."

Puerto Rico's bankruptcy, the largest in the $4 trillion municipal-bond market, will reduce $33 billion of debt, including $22 billion of bonds. The restructuring plan is the result of years of negotiations between the commonwealth and its financial oversight board, hedge funds, bond insurers, mutual funds and labor groups. The lengthy process has ballooned the cost of Puerto Rico's bankruptcy to more than $1 billion.

Exiting bankruptcy will allow Puerto Rico to move beyond default, begin repaying bondholders and creditors, focus on growing its economy and rehabilitate a weak electrical grid that suffers from chronic outages.

"The bankruptcy of the commonwealth has been like a dark cloud on top of Puerto Rico for too long," Governor Pedro Pierluisi said in a telephone interview ahead of the approval. "It is a new day for the government and the economy of Puerto Rico."

Prices on some commonwealth securities already increased this month as investors were anticipating Swain's ruling. A Puerto Rico general obligation with an 8% coupon and maturing in 2035 traded Tuesday at an average price of 90.3 cents on the dollar, up from 87.5 cents at the start of the year, according to data compiled by Bloomberg.

Debt Forgiveness

The island's financial oversight board anticipates swapping out the legacy debt with new restructured bonds by March 15, as Puerto Rico and the board must take a series of administrative steps to implement the reorganization plan.

“We started out with what seemed like unbridgeable differences of views and projections about what the future was going to look like,” David Skeel, chairman of the oversight board, told reporters Tuesday following Swain’s ruling about the negotiations with creditors. “We were able to bridge those differences of opinion through some remarkable innovations in this plan of adjustment.”

The debt plan will forgive $3 billion of pension bonds and slash $18.8 billion of general-obligation bonds and commonwealth-backed securities to $7.4 billion. Along with new bonds, investors will receive a $7 billion upfront cash payment and a security, called a contingent value instrument, that pays if sales-tax revenue surpasses projections.

Those cuts mean bondholders will receive as little as 67.7 cents on the dollar to as much as 80.3 cents, depending on the type of security they hold and when it was first sold.

Post-restructuring, Puerto Rico will only have to pay an average of $666 million annually for debt service on new general obligation bonds for the first 10 years, down from an average $1.6 billion.

The workout also establishes a reserve trust to begin rebuilding the commonwealth’s broke pension system, which owes current and future public employees an estimated $55 billion.

Still, Puerto Rico’s fixed costs will remain high, even post-bankruptcy. The commonwealth spends about $2.3 billion each year to cover retirement benefits for public workers because its pension system is depleted. Medicaid costs may increase if the federal government fails to boost its Medicaid allocations to the island.

Puerto Rico may struggle again in future years to pay debt service. The commonwealth is estimated to face deficits in fiscal 2036 with a $119 million shortfall, even if island lawmakers implement changes such as making it easier to do business there and installing programs to expand workforce participation, according to the commonwealth’s current multi-year fiscal plan.

Puerto Rico has been in bankruptcy since May 2017, after years of borrowing to cover budget deficits, population decline and economic contraction.

Bloomberg Markets

By Michelle Kaske

January 18, 2022

— With assistance by Jim Wyss, and Steven Church

Puerto Rico’s Bankruptcy Exit Isn’t the Finish Line.

The U.S. commonwealth is still saddled with heavy debts relative to its economy.

When I first saw the news on Tuesday that Puerto Rico’s bankruptcy judge had approved its debt-restructuring plan, allowing the commonwealth to begin to exit this painful, almost five-year chapter of its history, I had to stop and think. After all, the island’s drawn-out struggle with its creditors has been in the background during most of my professional career, dating back to when I helped chronicle its financial collapse as part of Bloomberg News's municipal-bond team in the mid-2010s.

I want to say what Governor Pedro Pierluisi told my colleague Michelle Kaske ahead of the approval. "The bankruptcy of the commonwealth has been like a dark cloud on top of Puerto Rico for too long," he said. "It is a new day for the government and the economy of Puerto Rico."

Of course, exiting a bankruptcy that began in May 2017 and that was prolonged by hurricanes and a global pandemic should be framed as reason for optimism for all Puerto Ricans. However, it's just as important to have a clear understanding that this restructuring plan, even if it lops off tens of billions of dollars of debt, is not a cure-all for what snared the commonwealth in an economic tailspin in the first place. A lot of hard work still remains to put the island on a sustainable fiscal path.

For one thing, it sure looks as if Puerto Rico, after more than $1 billion in costs, still couldn't do much through bankruptcy to impair the holders of its general obligation bonds and commonwealth-backed securities. While those bonds will total only $7.4 billion now instead of $18.8 billion, investors will also get about $7 billion in cash upfront and billions of dollars worth of "contingent" debt that will pay if sales-tax collections exceed projections. It always seemed impossible that bondholders would be made whole — but this agreement isn't all that far off. The legacy debt should be swapped out for the new obligations by March 15.

Puerto Rico will still be on the hook for an average of $666 million a year over the next decade on debt service for the new general obligation bonds alone. For some context, the commonwealth's general fund collections totaled $11.7 billion in the 2021 fiscal year, bolstered by federal disaster funds and pandemic relief aid. Debt service will remain a large slice of the government's expenses.

Meanwhile, the viability of the commonwealth's pension system remains tenuous. The restructuring plan lays out specifics for creating a reserve trust. Still, it owes some $55 billion to current and future retirees because any accrued benefits weren't impaired by the approved restructuring plan. Puerto Rico has been spending about $2.3 billion each year to cover such retirement payouts because its assets are depleted. In an acknowledgment that rebuilding a defined-benefit fund from scratch would be nearly impossible, current workers will move to a 401(k)-type plan.

Perhaps most strikingly, the commonwealth's own multiyear fiscal plan projects budget deficits will flare up again in fiscal 2036, even after factoring in reforms to promote business development and expand workforce participation. That's not exactly a clean bill of health.

Detroit, the largest U.S. city to ever file for bankruptcy, is a useful case study several years removed from its 2014 exit from court protection. Its general obligation bonds are rated BB- by S&P Global Ratings and Ba3 by Moody's Investors Service, both three steps below investment grade. The rating "balances the city's robust reserves and strong financial planning practices with its weak property tax base, significant debt and pension leverage, and substantial resource demands, including the need for further capital investments," Moody's analysts wrote last year. The problems that plagued the Motor City didn't disappear with some of its debt.

Puerto Rico, too, looks poised to have strong financial planning for years to come because its oversight board isn't going anywhere. According to the Puerto Rico Oversight, Management, and Economic Stability Act, the board must remain in place until the island achieves balanced budgets for four consecutive years and can access the bond market at reasonable interest rates. That could take a while — after Detroit's bankruptcy, it needed the state to implement additional safeguards to win over investors. Puerto Rico doesn't have that option.

To be clear, I hope that Puerto Rico will stage a comeback and become an attractive place to work and live. But it's going to take more than just a smattering of hedge fund tax dodgers or a community of crypto advocates building their own paradise on a sliver of the island. It's going to take sensible policies to prevent the "brain drain" of the commonwealth's best and brightest to the U.S. mainland. It's going to take government officials that are technocrats first and foremost, rather than susceptible to scandal and cronyism. And, most likely, it's going to take a good deal of luck to avoid the kind of devastation brought by Hurricanes Irma and Maria in 2017 that could set back any recovery efforts.

Exiting bankruptcy alone won't bring Puerto Rico prosperity and vitality. But it's a crucial first step. Pierluisi is correct that it is a new day for the commonwealth. It's also going to be a workday.

Bloomberg Politics

By Brian Chappatta

January 19, 2022, 8:00 AM PST

Puerto Rico Bonds Rise as Judge Set to Accept Modified Debt Plan.

- **Swain orders revisions and will approve 'promptly' once filed**
- **Board will review judge's changes and intends to refile**

Prices on some Puerto Rico bonds increased after the judge overseeing the island's bankruptcy signaled she may confirm a debt-restructuring plan soon, a ruling that would allow the commonwealth to exit from more than four years of court oversight.

U.S. District Court Judge Laura Taylor Swain late Monday directed the island's financial oversight board to revise its debt-restructuring deal by Friday and said she plans to confirm that workout plan soon after.

The judge's changes aren't expected to alter the debt plan dramatically. Many of her revisions involve paying eminent domain claims, which the board was already preparing to budget for, according to a court document the panel submitted on Dec. 21.

"It seems like it's minor changes and it can be done quickly and she seems confident that she can move it ahead," said Daniel Solender, head of municipals at Lord Abbett & Co., which manages $36 billion of state and local debt, including Puerto Rico securities.

If Swain were to approve the debt-restructuring plan, it would mean Puerto Rico's bankruptcy, the largest ever in the $4 trillion municipal-bond market, would finally wind down after hurricanes, earthquakes, political turmoil and the pandemic delayed the process.

Friday Deadline

General obligations with an 8% coupon and maturing in 2035 traded Tuesday at an average 90.1 cents on the dollar, up from 89.3 cents on Monday, according to data compiled by Bloomberg.

Swain detailed changes she wants the board to make to the debt adjustment plan and submit the revised version by Friday, 11:59 p.m. Atlantic Standard Time, which is 10:59 p.m. Eastern Standard Time, according to an order filed late Monday.

Once the board files the revised plan on Friday, Swain would then “promptly” submit her confirmation order approving the debt restructuring plan, according to the judge’s order.

The oversight board is reviewing Swain’s order and intends to file the revised debt plan by Friday, Matthias Rieker, spokesperson for the board, said in a statement Monday following Swain’s order.

“The oversight board welcomes this latest progress towards confirmation of the plan, which would significantly reduce the Puerto Rico government’s total liabilities,” Rieker said in the statement.

Eased Payments

The restructuring deal would reduce $33 billion of debt and other obligations, including cutting $22 billion of bonds to $7.4 billion. It would ease Puerto Rico’s annual debt service payments and establish a reserve trust for its broke pension system, which owes current and future retirees an estimated $55 billion.

Swain’s revisions include treating allowed eminent domain claims as secured, rather than unsecured, and that Puerto Rico must pay the full amount of what a court determines is the value of those claims, according to the order.

Swain’s order included a 149-page findings of fact and conclusions of law and a 93-page confirmation order for the plan of adjustment that the court is prepared to file “promptly” once the board submits its revised debt plan.

Bloomberg Markets

By Michelle Kaske

January 10, 2022

[Flush California Can Forgo Wall Street and Tap Cash for Projects.]

California, girded with billions of dollars in surplus, can afford to pay for construction costs without asking for help from bond investors.

Governor Gavin Newsom’s budget for the next fiscal year calls for paying $500 million to complete four capital projects, instead of selling taxable municipal bonds, according to the state’s finance department. That would save the state $350 million in financing costs.

“We’re swapping lease revenue bonds for cash,” Newsom told reporters in a Sacramento briefing on the budget Monday. “It’s an example of some of the work we’re doing to yes, make government more efficient.”

Of the projects, which are nearing completion, three are in state corrections facilities and the other is the headquarters of the military department, according to the finance department. Because of construction delays, the ventures don’t qualify for tax-exempt financing under federal rules. The state is awash with a $45.7 billion surplus, including $21 billion of funds that lawmakers can tap for any use.

Legislators must approve Newsom’s budget, which will be updated in May.

Bloomberg Politics

By Romy Varghese

January 11, 2022, 12:49 PM PST

Eagle Senior Living Files for Bankruptcy, Citing Labor Costs

Eagle Senior Living filed for Chapter 11 bankruptcy on Friday, citing “exponential” increases in labor costs.

The pre-arranged filing will allow the chain to operate without interruption and make needed capital improvements, Eagle said in a Friday press release. The company listed both assets and liabilities in the range of $10 million to $50 million. It also holds $215 million in municipal debt.

Plunging occupancy during the pandemic and higher wage and supply costs have pummeled the sector, resulting in $1.67 billion in municipal bond defaults for senior living facilities last year. Not only did Eagle’s occupancy decline, Eagle President Todd Topliff said in a court filing, but the pandemic “placed unprecedented stress on the sales and marketing efforts of the Facilities.”

Even with fewer residents, the company wasn’t able to reduce staff because of health and safety protocols, all the while contending with higher costs for supplies and meals, according to Topliff.

Eagle was formed only in 2018 with the purchase of facilities from Brookdale Senior Living Inc. It now operates 15 facilities in seven states including Florida and Ohio with about 1,000 residents. It plans to sell its Vista Lake facility as part of the bankruptcy process.

The company is working with law firm Polsinelli and FTI Consulting.

The case is American Eagle Delaware Holding Company LLC, 22-10028, U.S. Bankruptcy Court for the District of Delaware.

Bloomberg Markets

By Lauren Coleman-Lochner and Martin Z Braun

January 14, 2022, 12:31 PM PST

Berkeley’s Decision to Incorporate Blockchain into Microbond Financing Program Sparks Controversy.

Berkeley residents expressed their concerns and frustrations following an announcement by Berkeley Mayor Jesse Arreguín on Twitter sharing the city’s plans to incorporate blockchain into the municipal bond system.

The concerns raised by the residents include the environmental impact of blockchain and the security of the technology.

“Crypto and blockchain applications have—so far—taken a path that I believe is directly opposed to the city’s stated goals around mitigating climate change,” said Berkeley resident Marc Hedlund in an email.

According to City Councilmember Ben Bartlett, who is credited with introducing the idea to the city, the mining operations of earlier blockchain applications were environmentally caustic, but newer applications of blockchain are not.

However, Hedlund alleged in an email that only 4.2% of transactions use the more environmentally friendly blockchain technology, which requires far less electricity.

“If our intention is to make bonds available to people with lower net worth so they can invest more easily, should we be relying on systems that are the vast minority of an already just-emerging technology—the cutting edge of the cutting edge, so to speak?” Hedlund said in the email.

Berkeley resident Peter Seibel said in a Twitter direct message that he sees the value of microbonds but cites similar concerns and believes incorporating blockchain technology does not necessarily make it less risky for the city or the people who invest in them.

However, Bartlett refuted security concerns, stating the decentralized nature of blockchain makes it less hackable and less penetrable.

“Blockchains provide a real-time audit. You cannot erase what happened on it. It is immutable as they say,” Bartlett said. “They are more secure and they allow programmability, so you can have the instruments do whatever you imagine they should be doing for the community.”

The idea to introduce blockchain technology into the municipal bond market came after the federal tax cuts imposed during the Trump administration, according to Bartlett. He added that incorporating blockchain technology as a new tool for community finance creates a system that has the ability to withstand changes to federal policy.

Bartlett affirmed his faith in the consultants working to develop this project, citing their experience and “technological prowess” and believes criticism of the initiative is premature, asserting that the project is merely a pilot and participation is optional.

The council member further highlighted that the city has prior financing successes, such as the invention of Property Assessed Clean Energy, or PACE, financing, and that blockchain continues this legacy.

“This is our tradition of financial innovation for the people,” Bartlett said.

THE DAILY CALIFORNIAN

BY ANNA ARMSTRONG

JANUARY 4, 2022

U.S. to Back Puerto Rico Law, Slowing Plan to Restructure Debt.

- **Federal intervention may delay island’s exit from bankruptcy**
- **DOJ has until Feb. 7 to submit its brief on the case**

The U.S. Department of Justice said on Friday that it will intervene in Puerto Rico's four-year bankruptcy case to defend a federal law that gave the island the ability to cut its obligations through the courts.

The move, intended to stave off challenges that the bankruptcy is unconstitutional, may actually prolong the commonwealth's efforts to restructure its $33 billion of debt and exit court oversight. The bankruptcy is the largest ever in the $4 trillion municipal-bond market.

While a majority of Puerto Rico's creditors have endorsed the restructuring plan, an individual bondholder and two real estate companies allege that Promesa, as the federal bankruptcy law is known, violates the U.S. Constitution.

Their legal action is likely to amount to a technical hurdle that will merely delay the bankruptcy's resolution, unless U.S. District Court Judge Laura Taylor Swain agrees with the holdouts. That would upend Puerto Rico's bankruptcy, which has already been delayed by hurricanes, earthquakes and the coronavirus pandemic.

Puerto Rico's debt plan is the result of years of negotiations between various and sometimes conflicting bondholder classes, insurance companies and labor groups. Those creditors have agreed to the debt plan and haven't questioned Promesa's legality. Congress passed Promesa in 2016 to help resolve the island's financial crisis.

Defending Promesa

"The U.S. respectfully notifies the court and the parties that the U.S. will participate in the above-captioned proceeding for the purpose of defending the constitutionality of Promesa as it applies to the proposed approval of the plan of adjustment," Brian Boynton, acting assistant attorney general, wrote in the notice of participation filed to the court Friday.

DOJ's decision to intervene is expected to delay Swain's ruling on a restructuring plan that would include cutting $22 billion of bonds down to $7.4 billion. Confirmation hearings on that debt plan ended Nov. 23. Swain that month gave the federal government a Feb. 7 deadline to file a brief, if the DOJ chose to defend Promesa.

Puerto Rico has been in bankruptcy since May 2017 after years of borrowing to paper over budget deficits, economic decline and population loss.

Bondholders who support the plan may have the right to pull out of their deal if the reorganization plan is not consummated by Jan. 31, according to court records. This means bondholders will have to decide whether to terminate their agreement and possibly demand a termination fee.

Bloomberg Politics

By Michelle Kaske and Steven Church

January 7, 2022, 6:32 AM PST Updated on January 7, 2022, 8:50 AM PST

Puerto Rico's Economy Is Poised for a Double Boost in 2022.

An exit from bankruptcy, plus new funding in the Build Back Better package, would set the

stage for growth on the island.

After more than four years, Puerto Rico is set to emerge from its record bankruptcy in the early part of 2022. While it slashes tens of billions of dollars in debt and shakes off the stigma of default, the U.S. territory could get a further boost: The "Build Back Better" spending package could increase its federal Medicaid funding permanently and, for the first time, extend Supplemental Security Income for the elderly and disabled to U.S. territories.

Antonio Weiss, a senior fellow at the Harvard Kennedy School who led the U.S. Treasury Department's work on Promesa, the 2016 federal law that allowed Puerto Rico to reduce debt through bankruptcy, says there's now reason for optimism and "to think more about investment and the future economy of Puerto Rico in a way that hasn't been possible for decades."

Continue reading.

Bloomberg Politics

By Michelle Kaske and Alexander Ruoff

January 6, 2022

State of Illinois Expands Lobbyist Registration Requirements: Clients Lobbying Local Government Now Required to Register.

The turn of the new year brought sweeping new changes to the State of Illinois's lobbyist registration requirements. Effective January 1, 2022, the State of Illinois now requires lobbyists *and their clients* lobbying at the local level to register with the Illinois Secretary of State. (The changes exempt lobbying the City of Chicago, which is covered by its own local lobbying registration and reporting program.)

Clients who engage with local officials – including elected and appointed municipal, county and township officials and commissioners, whether directly or through hired consultants – are required to register under the changes. The registration deadline is January 31.

The changes also expand the definition of lobbying to include soliciting others to lobby and require registered entities to identify "consultants" who provide advice regarding lobbying strategies, even if they are not themselves engaging in lobbying activity. The new law additionally extends the prohibition on contingency fees to consultants, even if consultants are not directly lobbying.

DLA Piper – Mariah F. DiGrino

January 10 2022

Only State That Tapped Emergency Fed Program Pays Off $2B Loan.

The program was set up in the early days of the pandemic to help steady the then-rattled world of municipal finance. Now, just one government agency still has debt from it outstanding.

Illinois has paid off the remaining balance on a $2 billion loan it took under an emergency lending program for state and local governments set up by the Federal Reserve in the early days of the coronavirus pandemic, the state's comptroller said Wednesday.

Illinois Comptroller Susana Mendoza said the final payment totaled $302 million. The state was initially scheduled to pay the loan off by December 2023 in three installments, but Mendoza said doing so ahead of time saved Illinois an estimated $82 million in interest costs. The interest rate on the debt was 3.42%.

Continue reading.

ROUTE FIFTY

by BILL LUCIA

JANUARY 5, 2022

Puerto Rico's Retirement-Plan Woes Persist as Bankruptcy Nears End.

A proposed restructuring would end defined-benefit retirement programs for active teachers and judges

Puerto Rico's long history of failing to pay its pension obligations is expected to haunt the U.S. territory even after its bankruptcy ends.

A proposed bankruptcy restructuring under consideration by a federal judge would end defined-benefit retirement programs covering tens of thousands of active teachers and judges in Puerto Rico. The pension benefits public employees have already earned would be honored when they retire, although current workers can't accrue anything more.

Those measures would help close a roughly $55 billion gap between the retirement benefits owed to public servants in Puerto Rico and the funding set aside to pay them. Active teachers and judges are being shifted under the bankruptcy plan into defined-contribution retirement products akin to 401(k)s, ending the defined-benefit formulas in place when many of their careers began. Retirement ages would be increased, delaying when pensions can be tapped.

Continue reading.

The Wall Street Journal

By Andrew Scurria, Sebastian Pellejero and Soma Biswas

Jan. 1, 2022 9:00 am ET

Buckhead City Opponent Criticizes Reporting of Atlanta Bond Sale by SaportaReport.

A founder of an organization opposed to Buckhead cityhood has criticized a story that appeared in

SaportaReport concerning Atlanta's sale of bonds this month with terms that contain a poison pill for the cityhood movement.

Michael Handelman, executive director of Neighbors for a United Atlanta, Inc. indicates in a column the Dec. 20 story errs by comparing interest rates levied on bonds sold by Atlanta and by Bexar County, Texas, home of San Antonio.

"This comparison, however, is absurd. Comparing two bond sales in different states (with correspondingly dissimilar statutes governing municipal debt) is like comparing the quality of a single apple at Publix with a randomly selected banana at Kroger," Handelman wrote. "Not only are the technical details of bonds between the two governments different, cherry-picking a single data point of another bond issuance within a $4 trillion US bond market is meaningless."

Neighbors for a United Atlanta was incorporated on Dec. 3 as a non-profit corporation. It provides a Roswell address and names as incorporators Caren Solomon Bharwani, Handelman and William Haney, according to records of Georgia's Secretary of State.

The SaportaReport story Handelman cites appeared under the headline, "Buckhead cityhood effort doesn't seem to cause hike in Atlanta's borrowing costs." The report included this observation:

"A side-by-side comparison of the bond issuances isn't appropriate. No issuers and no deals are alike. However, the two governments share similarities," the story reads. "Both are at the top-tier of credit ratings issued by Moody's Investors Service. Bexar County is at the very top of the scale for its planned sale, while Atlanta is one step lower in the credit ratings for its package. In addition, both governments are the center of burgeoning metroplexes in the South. Both are competing for high-tech jobs."

This Atlanta bond sale illuminates one argument raised for months by cityhood opponents.

The contention is that Buckhead's deannexation likely would result in higher borrowing costs for taxpayers in Atlanta and all cities in Georgia. Investors would recognize the potential for deannexations statewide and with them a reduction in cities' ability to repay loans as their property tax revenues shrink. Investors would offset the risk of non-payment by raising interest rates, according to this argument.

The story reported that this scenario does not appear to be the case in this bond issuance. Terms of Atlanta's bonds include a poison pill: If Buckhead deannexes, it must pay its entire share of the debt, in one lump sum, within a year of the vote to deannex. The measure provides some assurance to investors that they will be repaid regardless of the outcome of the Buckhead cityhood movement.

For a real-time comparison to another city bond issuance, the story reported interest rates investors will pay Atlanta with the rates investors will pay Bexar County.

Both are Sunbelt governments and both have top-tier credit ratings from Moody's Investors Service, with Bexar County one notch higher on Moody's scale. Atlanta sold about $188 million and Bexar County about $411 million.

Rates for Atlanta's bonds range from 0.509 percent to 2.388 percent. Rates for Bexar's bonds range from 0.651 percent to 2.621 percent, according to information provided by an affiliate of the Municipal Securities Rulemaking Board. The Atlanta deal closed on Dec. 23 and Bexar County's closed on Dec. 30.

Handelman's letter cites issues including various aspects of credit ratings, Atlanta's debt and

Atlanta's spending before ending with comments that include this look to the future:

> What happens when the current low-interest-rate environment, high investor demand for municipal debt, and a well-performing and stable property tax base flips? For Atlanta, as the cost of new debt increases from higher credit risk, it means that the finely tuned balance of property taxes funding debt service and essential services starts to unravel. This situation inevitably leads to tough decisions to decrease essential services or increase property taxes… The consequences for Atlanta, a hypothetical Buckhead City, and other municipalities in Georgia, may not be immediately apparent in market data, but when clouds, wind and rain appear on the economic horizon, all of us in Georgia will be shivering.

Note to readers: To read Michael Handelman's column, click here. To read the SaportaReport piece that triggered Handelman's column, click here.

SaportaReport

David Pendered

December 31, 2021 4:22 pm

Jefferies Emerges as Winner as Texas Gun Law Rattles the Muni Market.

- **Firm leads Texas underwriting ranks since law took effect**
- **Standing since Sept. 1 compares with 12th place a year earlier**

Jefferies Financial Group is emerging as a clear winner of a faltering effort by Texas Republicans to punish Wall Street banks for their restrictive gun policies.

The lucrative Texas municipal-bond market, second only to California in terms of issuance, has been turned on its head since a law took effect Sept. 1 that bars state entities and local governments from working with firms if they "discriminate" against firearms companies.

With some of Wall Street's largest banks having halted public-finance transactions in Texas because of the legislation, Jefferies is leading firms that have seen their business surge. It was the top municipal underwriter in the fast-growing state for the past four months, whereas in the same period last year it was 12th, data compiled by Bloomberg show.

Continue reading.

Bloomberg Markets

By Amanda Albright and Danielle Moran

December 22, 2021, 7:40 AM PST

[Which Bank Will Dare to Finance Alabama's Prisons?]

After Barclays dropped out, the state wants assurances that its next bond underwriter won't do the same. That leaves few options.

Alabama just won't give up on selling bonds to finance prison projects.

In April, Barclays Plc backed out as lead underwriter of a large municipal-bond deal for two Alabama prisons owned by CoreCivic Inc., a giant in the private-prison industry. It really had no excuse for the drama: The bank had previously pledged to no longer provide new financing to such companies and seemed to try to use the state's role as a workaround. Soon afterward, Stifel Financial Corp. said it was no longer involved. By September, the state's corrections department terminated its 30-year lease with CoreCivic, and lawmakers advanced a plan to use federal aid to build the new facilities.

The state and the Alabama Corrections Institution Finance Authority are still hoping to sell up to $785 million in bonds as well. The only snag: They need to find an underwriter that won't cave to potential pressure from activists. So Alabama is asking for unusual assurances from banks' senior management.

Continue reading.

Bloomberg Opinion

By Brian Chappatta

December 22, 2021, 3:00 AM PST

California Community Economic Resilience Fund Update On Final Region Maps, Planning Guidelines Public Comment Period.

The Community Economic Resilience Fund (CERF) program continues to move forward, with three CERF updates recently released.

First, the final map of 13 regions that will receive up to $5 million planning grants under phase I of the program was published. This map is based on the public comment period that closed in mid-November. Included along with the region map are FAQs that arose during the public comment process. To view the final 13 regions and FAQs, click here.

Continue reading.

CALIFORNIA FORWARD

by SARAH WALSH

DECEMBER 20, 2021

Ohio Department of Development Issues Brownfield Remediation and Building Demolition Funding Guidelines - Local Governments Need to Act Fast

View the Vorys brief.

Vorys Sater Seymour and Pease LLP

by Ryan D.Elliott, Christopher J. Knezevic and David M. Edelstein

December 22 2021

Puerto Rico Bankruptcy-Exit Plan Offers Island a Fresh Start.

- **Workout cuts $33 billion of debt, creates pension reserve fund**
- **Exit 'removes a huge cloud' over the economy: Marxuach**

Puerto Rico is inching closer to ending its more than four-year bankruptcy as the judge overseeing the workout is reviewing a restructuring plan that cuts billions in debt, fixes a broke pension system and potentially returns the commonwealth to balanced budgets.

U.S. District Court Judge Laura Taylor Swain may rule as soon as next month on the debt adjustment deal. If she approves it, Puerto Rico will be able to move past its bankruptcy and focus on boosting its economy and modernizing the island's electrical grid to end chronic outages.

"It removes a huge cloud that's been hanging over the economy for four years now," said Sergio Marxuach, policy director at the Center for a New Economy, a San Juan-based research institute that analyzes the commonwealth's finances. "We can start to change the narrative from 'Puerto Rico is in bankruptcy' to 'Puerto Rico is recovering,' which is positive in terms of attracting investment."

Puerto Rico's been in bankruptcy since May 2017 after years of borrowing to cover operating expenses, economic contraction and population decline as residents left to find work on the mainland. Since then, natural disasters like Hurricane Maria — which left many Puerto Ricans in the dark for a year — as well as political turmoil and the pandemic delayed efforts to emerge from the largest debt restructuring ever in the $4 trillion municipal-bond market.

The lengthy process has pushed Puerto Rico's bankruptcy costs to more than $1 billion.

Debt Service

The debt plan would slash $33 billion of debt and other obligations, including cutting $22 billion of bonds, to $7.4 billion. Investors would exchange their holdings for a lesser amount of new bonds, reducing what the government owes. Bondholders would also receive $7 billion in cash and a so-called contingent value instrument that would pay out if Puerto Rico's sales-tax collections surpass estimates.

The overall reduction means Puerto Rico would only have to pay an average of $666 million for debt service on commonwealth-guaranteed bonds annually for the first 10 years, down from an average $1.6 billion.

The workout plan also is intended to help fix the commonwealth's broke pension system — which owes current and future retirees an estimated $55 billion — by establishing a reserve fund that Puerto Rico would contribute to annually.

Still, Puerto Rico lawmakers likely will struggle to balance budgets as the commonwealth must allocate about $2.3 billion each year in pension payments to retired public workers and as Medicaid costs may increase.

Retirement costs could rise as island lawmakers passed legislation to boost pension benefits for public workers. A federally appointed financial oversight board is asking the court to pre-empt those laws. The judge late Tuesday asked the board for more details to justify nullifying the legislation.

That stress could again make it difficult for the island to pay debt service. Puerto Rico is estimated to face deficits again in fiscal 2036 with a $119 million shortfall, even if island lawmakers implement changes such as making it easier to do business there and programs to expand workforce participation, according to the commonwealth's current multi-year fiscal plan.

'Grow the Economy'

The commonwealth's ability to pay debt service once out of bankruptcy also depends on its economy growing after federal disaster aid and pandemic funds dry up.

"We need to come up with a medium to longer-term plan to grow the economy," Marxuach said.

Investors are watching to see if Puerto Rico leaders stick to sound fiscal policies once the oversight board is disbanded. The panel is set to expire after four consecutive years of balanced budgets and when the commonwealth regains access credit markets.

"There's a lot of uncertainty about where Puerto Rico policies will go," said Matt Fabian, a partner at research firm Municipal Market Analytics. "Will we return to the early 2000s of how Puerto Rico ran itself in or will Puerto Rico actually run itself similar to how other states run themselves?"

Prices on some commonwealth general obligations bonds are trading higher than what bondholders will receive in the exchange as investors factor in the upfront cash payment and potential sales-tax revenue. General obligation bonds with an 8% coupon and maturing in 2035 traded Tuesday at 89 cents on the dollar, above the 67.7 cents that bondholders will receive for that security, according to data compiled by Bloomberg.

The oversight board that manages Puerto Rico's bankruptcy negotiated the debt adjustment deal rather than the commonwealth's elected officials. That has created animosity on the island against the oversight board, especially as the panel has sought to cut spending on colleges and aid to municipalities while lawmakers have balked at cuts to public employee pensions. Governor Pedro Pierluisi supports the debt restructuring plan.

"The last thing you want is the people nominally in charge working against the plan," said Steven Rhodes, a retired federal judge who oversaw Detroit's 2013 bankruptcy. In Puerto Rico, "the people and their leaders feel cut out of the process."

Bloomberg Markets

By Michelle Kaske

December 15, 2021, 4:00 AM PST Updated on December 15, 2021, 6:04 AM PST

— With assistance by Steven Church

[Muni Bankers See Texas Fee Bonanza With Schools Racing to Build.]

- **Population boom in Texas has schools borrowing to expand**
- **GOP battle with Wall Street threatens lucrative business**

A population boom in Texas is fueling a surge in borrowing by schools that need to expand. On Wall Street, bankers are eager to get their share of more than a quarter of a billion dollars in underwriting fees from bonds financing all that construction.

Texas voters have approved $53 billion of school bonds since 2017, a 50% increase over the previous five years, according to data compiled by the Texas Bond Review Board. Since the sales are typically spread out over time it means years worth of lucrative business. Schools in Texas this year paid banks a fee of about $5.13 for every $1,000 of bonds, meaning there was roughly $272 million at stake.

"The K through 12 market is perhaps the most important segment of the muni market in Texas," said Ajay Thomas, head of public finance at FHN Financial in Austin.

The borrowing comes as the state's population grew by about 4 million over the past decade, with roughly 1,000 people moving in every day, lured by low taxes, affordable homes and plentiful jobs. But the borrowing binge comes as Republicans who control the Texas statehouse have clashed with Wall Street over issues such as guns and climate change and threatened to curb municipal-bond underwriting for some of the biggest banks.

Data reported to the Texas Bond Review Board indicates school districts have sold less than half of the bonds approved by voters since 2017, a report published in August shows. That data though is compiled through various sources and likely doesn't capture all authorized bond sales.

School bonds accounted for more than a quarter of all sales in Texas this year, the largest sector in the state, data compiled by Bloomberg shows. And districts are consistently in the market, often with decently sized deals. While the average sale throughout the municipal market is roughly $50 million, there were more than three-dozen Texas school bond sales of more than $100 million each this year and more than 10 that were larger than $200 million, the data shows.

Large-ticket borrowers like big cities, major airports or the state's department of transportation, on the other hand, come to market once or twice a year and often rotate their underwriters. That leaves banks a shot at managing just one of those big deals every couple of years.

"That's not that many bites at the apple," said Keith Richard, head of the Texas region at Siebert Williams Shank & Co. "Two hundred million is a large deal; everyone wants to do a deal like that and there are way more of those deals in K-12 than there are anywhere else."

The explosive population boom has forced districts, particularly those in the suburbs of the major metro-areas of Austin, Dallas, Houston and San Antonio, to expand and build new schools. Public school enrollment in Texas has grown by about 11% in the last decade, according to the National Center for Education Statistics projection data. In New York, that number fell by about 1%, the data shows.

The Texas school bond industry is very much a handshake business where long-standing relationships are imperative. That has Wall Street shops in Texas recruiting school officials to help open doors. The Texas public finance groups at Robert W. Baird & Co Inc, Raymond James Financial Inc, and Piper Sandler, among others, all have former school financial officers or superintendents on their payrolls.

“When I was on the other side of the table, I didn’t do business with people I didn’t have complete trust in,” said Steve Fortenberry, a vice president at RBC Capital Markets, who spent the first three decades of his career working in school administration as the chief financial officer for districts in Plano, McKinney and Fort Worth.

The Fort Worth Independent School District asked voters to approve a $1.2 billion ballot measure in November, the largest proposition anywhere on election day. The measure, which will finance a new elementary school to ease overcrowding and pay for major renovations to existing facilities, passed by 57 votes.

There were 223 school bond measures on the ballot in Texas in May and November, 145 of which passed, totaling about $11.7 billion. Still, in November just over half of propositions failed — signaling that voters weren’t universally willing to open up their wallets. That has district officials worrying about missing out on borrowing rates hovering near record lows.

“Any future bond market may not be as advantageous,” said Elaine Cogburn, chief financial officer of the Leander Independent School District outside of Austin, which saw voters in November reject two of three bond measures worth nearly $740 million.

Meanwhile, muni bankers across Texas are working their connections with district officials to get a shot at the billions worth of bonds that voters have authorized but haven’t yet been issued.

“I’ll just keep knitting the blanket, calling on people and forging those relationships,” said RBC’s Fortenberry. “The market-share and the growth are going to follow.”

Bloomberg Markets

Danielle Moran

December 17, 2021

— With assistance by Nic Querolo

Connecticut Pension-Debt Paydown Boosts Bonds, CreditSights Says.

- **State may plow $6.3 billion surplus into pensions through 2026**
- **CreditSights anticipates tax revenue will continue to grow**

Connecticut’s general obligation bonds are poised to outperform the broader municipal-debt market as surging tax revenue allows the state to chip away at its $41 billion public pension debt, CreditSights Inc. said.

The firm revised its rating on the state’s general obligations to market outperform from market perform before the state’s $800 million bond issue set to price Tuesday.

Connecticut has transferred almost $1.7 billion in surplus cash into its underfunded state employee and teachers' pension funds in the last two years and it may plow an extra $6.3 billion into the retirement system over the next five years, according to bond offering documents.

"The credit concern people have had with Connecticut is the pension and the size of the liability, and that's kept their rating low," said John Ceffalio, senior municipal credit analyst at CreditSights. "To make that extra contribution over and above what the actuaries are requiring is meaningful."

Connecticut's rainy-day fund is projected to grow to about $5 billion at the end of the fiscal year in June, enough to cover almost a quarter of general-fund spending, and the state received $2.8 billion under the American Rescue Plan.

Surging stocks and Wall Street profits have boosted capital-gains-tax revenue, while sales-tax collections are also rising. Connecticut is also reaping the reward of booming real estate as New York City residents move to the suburbs amid the pandemic.

Revenue Growth

Overall, state tax revenue grew 12% in fiscal 2021 and is projected to rise 5% this fiscal year, according to CreditSights. The state projects a $900 million budget surplus this year and a $530 million surplus in fiscal 2023.

Growing reserves will help ease the fiscal stress caused by the state's high debt load and retirement costs. In 2017, lawmakers passed a bill requiring the state, which is heavily reliant on Wall Street for income-tax revenue, to stock its rainy-day fund with any capital-gains and bonus taxes that exceed a certain threshold.

State law caps the budget reserve at 15% of spending, with any excess transferred to pensions.

Connecticut's State Employees' Retirement System has a funding ratio of 38.5%, while the teachers' pension is 51% funded. In comparison, the median public-pension funding level was about 73% in fiscal 2020, according to the National Association of State Retirement Administrators.

Governor Ned Lamont, a Democrat, has put Connecticut on a "debt diet" that's slowly paying off. The state's general obligation debt declined to $18.2 billion in 2021 from $18.8 billion in 2020, according to the offering document.

Spread Squeeze

To be sure, there's not much room for its bonds to outperform. The extra yield investors demand for the risk of holding Connecticut debt maturing in 10 years has plummeted to 0.18 percentage point from 1.1 percentage point in May 2020, data compiled by Bloomberg show.

Only Illinois and New Jersey have wider spreads, at 0.58 percentage point and 0.32 percentage point, respectively.

"We could see over the next year, potentially, some upward movement in the ratings or outlook and that should drive spreads a little tighter," Ceffalio said.

Fitch Ratings assigns a AA- rating to Connecticut's general obligation bonds, its fourth-highest investment grade. Moody's Investors Service gives it a comparable Aa3 rating. S&P Global Ratings ranks it one level lower at A+. The companies all have a stable outlook on the bonds.

Bloomberg Markets

ByMartin Z Braun

December 13, 2021, 3:32 PM EST

Texas Biomed's Inaugural Bond Sale Named "Deal of the Year"

SAN ANTONIO, Dec. 20, 2021 /PRNewswire/ — Texas Biomedical Research Institute's inaugural bond sale has been named the 2021 Deal of the Year by Smith's Research and Gradings, an investment research and analysis company. Smith's annual Municipal All-Star Awards recognizes outstanding municipal bond analysts and investments, based on votes by 1,000 institutional investors.

Texas Biomed's inaugural bond sale has been named the 2021 Deal of the Year by Smith's Research and Gradings.
"Out of all the municipal bond transactions in a given year, the analysts picked our inaugural bond offering as the deal of the year — that's incredible recognition from the Wall Street community and further validation we are on the right track with our strategic plan," says Bruce Edwards, Executive Vice President and Chief Financial Officer of Texas Biomed.

The municipal bond sale in September 2021 raised a total of $65 million, which helped retire $43 million in short-term bank loans that funded new laboratories and upgrades. It also raised $22 million in new capital, which will support ongoing efforts to expand Texas Biomed's infectious disease research capabilities as part of its 10-year strategic plan.

"I'm really proud of Smith's 2021 Deal of the Year as an example of how municipal bonds are helping build a better future," says Terence Smith, Chairman and CEO of Smith's Research and Gradings, who presented the award in New York City on Dec. 8. "The purpose of municipal bonds is to support our world and our one future together. The transaction is in many ways a perfect use of municipal bonds. The Texas Biomedical Research Institute, funded with muni bonds, specializes in battling infectious diseases like COVID."

Edwards worked with Bank of America and Siebert Williams Shank & Co., LLC on underwriting the bonds, with support from many critical partners. He stressed it was a true team effort to prepare, market and sell the bonds during the COVID-19 pandemic.

Ted O. Matozzo, Director in the Public Finance Investment Banking group at BofA Securities, Inc. was the lead banker on the transaction. "My work allows me to assist many great non-profit organizations to achieve their essential missions through funding in the capital markets," Matozzo says. "The chance to work with Texas Biomed on their inaugural public debt issuance was truly a remarkable opportunity given the tremendous work that they do to improve global health and protect the world from infectious disease."

As part of the process, Texas Biomed had its credit worthiness evaluated for the first time in its 80-year history. The Institute received an investment grade credit rating of Baa1 from Moody's. Still, Edwards was not sure how interested investors would be in Texas Biomed.

"Ultimately, we had more buyers than bonds available," Edwards says.

The bond sale helped Texas Biomed ensure steady financial footing into the future. Rather than having a bank loan with variable interest rates, Texas Biomed can now repay the municipal bonds at a fixed interest rate over 30 years. The bonds also removed collateral obligations that limited the type of investments Texas Biomed could make with endowment funds.

Past winners of Smith's Deal of the Year include the New York Transportation Development Corporation, which issued more than $1.38 billion in special facilities revenue bonds for Delta Airlines to redevelop terminals at LaGuardia Airport.

"This is a fantastic honor for our brilliant financial team and underscores how the broader community believes in our role and ability to eradicate the threat of infectious diseases here at home and around the world," says Texas Biomed President/CEO Larry Schlesinger, MD. "They are investing in us and the future of human health."

By Texas Biomedical Research Institute

Dec 20, 2021

Atlanta Marketed Bonds with Poison Pill for Buckhead Prior to Council Approval.

Atlanta went to market with about $188 million in bonds with terms of a poison pill for the Buckhead City effort the day before the Atlanta City Council met Wednesday to consider the defensive maneuver.

The bonds were presented to investors Tuesday. On Wednesday afternoon, hours after the council met to consider the poison pill, Atlanta sold about $145 million in bonds, according to records provided by an affiliate of the Municipal Securities Rulemaking Board. The remainder was sold Thursday. Bonds were sold in various denominations

Atlanta Mayor Keisha Lance Bottoms' administration approved the presentation of the bonds to investors on Tuesday. The council's meeting Wednesday was for the express purpose of considering changes to the terms of the bonds that authorized a poison pill. It is intended to establish financial consequences, likely in the tens of millions of dollars, for parts of Atlanta that deannex, according to the legislation. The council voted around noon Wednesday to include the poison pill.

Mayor-elect and current Councilmember Andre Dickens did not attend the virtual City Council meeting, according to a record of attendance. Bottoms supported Dickens in his mayoral campaign.

The poison pill, according to the legislation, "is in the best financial interests of the City… in the event that the General Assembly of the State enacts a Deannexation Act…" The deannexation refers to the Buckhead cityhood effort.

If enacted, the provision would require Buckhead City to pay Atlanta its share of a debt — up to $198 million — in a lump sum a year after the new city is formed, according to terms outlined in the legislation. The amount of payment is to be determined if and when Buckhead City is established. The City Council would have to vote to call the debt, under the terms of the "extraordinary optional redemption" provision.

Council Finance Committee Chair Jennifer Ide said during the meeting she had been unaware of the poison pill. Ide said several councilmembers were unaware of the poison pill language prior to reading about it in a story posted Tuesday in SaportaReport. Ide did not seek reelection to serve a second term on council.

Ide had initiated the move for the paper to be considered Wednesday, rather than as scheduled at the council's Dec. 6 meeting. Ide made the motion Dec. 6 to hold the paper for the special-call meeting Wednesday. The council voted unanimously in favor. The paper had been portrayed as a routine modification of legislation passed in October to refinance up to $198 million in debt.

Trades were being processed even as the council met to consider the terms of the sale.

One example is a sale of bonds for a total of $23.1 million sold Wednesday, in full, between 4:31 p.m. and 4:40 p.m., records show. The settlement date is Dec. 23, an important date because buyers have until then to terminate the deal if the City Council changes the terms of the bond by eliminating the poison pill.

Atlanta CFO Mohamed Balla told the council during its meeting Wednesday that buyers have the option to terminate their purchases if terms were changed. Doug Selby, a veteran bond and underwriters' counsel with Hunton Andrews Kurth, LLP, concurred.

The council approved the poison pill by a vote of 11-1. Buckhead-area Councilmember Howard Shook cast the dissenting vote. Shook made a motion to remove the poison pill provision. It failed.

The poison pill vanishes if Buckhead voters reject the deannexation proposal, according to the legislation. Following a description of steps by which Atlanta can provide for the money to be collected, the terms empower voters to make it all go away.

"Notwithstanding the foregoing, in the event that the referendum question in favor of deannexation shall fail such fees, taxes, or assessments shall automatically and without further legislative action be reduced to 0.00 mills," the provision reads.

A mill is a $1 tax on every $1,000 of assessed property value. The general obligation bonds to be refinanced are exempt from federal taxes and serviced with property taxes collected in the city, according to the legislation.

Saporta Report

By David Pendered

December 16, 2021

Citi Muni Deal Wins Preliminary Approval From Texas Officials.

Citigroup Inc. is poised to officially re-enter the Texas municipal-bond market after winning preliminary approval for its first bond sale since a new GOP law caused the bank to stop underwriting state and local debt transactions there.

The Texas attorney general's office provided preliminary approval on a school district debt sale that Citigroup underwrote last month, according to a person familiar with the matter. It's an encouraging sign for the bank, which had to halt its Texas municipal-bond underwriting as it worked to comply with the law seeking to punish Wall Street banks for their gun policies.

Citigroup paused its Texas municipal business after the law went into effect on Sept. 1. The measure barred governments in the state from working with companies that "discriminate" against firearm businesses or trade groups. In 2018, the bank said it would forbid retailers that are its customers from offering bump stocks or selling guns to anyone who hasn't passed a background check or is younger than 21.

But the bank has repeatedly said it can comply with the legislation. In November, Citigroup won an auction for a $26 million bond offering sold by the Alamo Heights Independent School District, which stands to be the firm's first muni deal in Texas since late August.

The attorney general's office, which reviews proceedings for bond deals in Texas, typically provides a so-called preliminary approval letter to issuers five business days before the bonds are supposed to close, according to its website. Final approval is expected two business days before the close of the deal, the website says.

The office of Texas Attorney General Ken Paxton, a Republican, did not respond to a phone call and email seeking comment on Wednesday. A representative for Citigroup declined to comment.

The public finance division in Paxton's office sent the preliminary approval letter for the school district's bonds on Tuesday, according to the person, who asked not to be named because the letter isn't public yet.

The bond documents for the Alamo Heights Independent School District deal show the closing date is expected to be on or about Dec. 14.

Mike Hagar, the district's assistant superintendent of business and finance, said in an email in November that they felt "confident" with Citigroup and that the attorney general's office would approve the sale. Hagar did not immediately respond to a request for comment on Wednesday.

Bloomberg Markets

By Amanda Albright and Danielle Moran

December 8, 2021, 10:58 AM PST

[The South's Casino Capital Is Selling Bonds in a Bet on Wholesome Fare.]

- **Water park, hotels would replace casino in Mississippi county**
- **County to sell about $148 million of munis for project funding**

One of the U.S.'s top gambling destinations is issuing bonds next week in order to diminish its reliance on casinos.

Tunica County, Mississippi, is selling about $148 million in urban renewal revenue bonds to convert the former Harrah's resort into a complex featuring a convention center, two hotels, a water theme park and a youth sports complex.

"This project is intended to create a family-oriented venue as a complement to the existing gaming and tourism industry in the region," according to offering documents for the deal, which is unrated and will be sold to qualified investors in minimum denominations of $100,000.

The move by the county of almost 10,000 residents to expand its offerings underscores the peril of tying one's economy to gambling. As it says in preliminary offering documents, "In the early days of Mississippi gambling, there was little competition, with patrons trekking from Oklahoma, Missouri, Tennessee and elsewhere." But those days are over, the documents say, because those "and many other states" have their own casinos.

This deal has a lot of moving parts. The basic framework is as follows: The issuer of the bonds is Tunica County. Proceeds of the sale will be loaned to Tunica Hospitality & Entertainment LLC to acquire and redevelop the 2,220-acre property. The issuer will then lease the property from Tunica Hospitality & Entertainment for as long as 30 years, with lease payments covering debt service. The county is going to pay the developer annual fees, while also selling the developer the asset concurrently with the bond transaction.

The county says the resort will open in stages. CBRE Hotels, author of the feasibility study contained in the offering documents, projects revenue at $35 million in 2022, $104 million in 2025 and almost $124 million in 2031. Annual debt service, meanwhile, is projected at $11.2 million, with annual debt-service coverage at around three times.

Buyer's Risk
And if the money doesn't pour in, in adequate amounts? That's the bond buyer's risk. The issuer doesn't have any obligation to levy special taxes to support the debt. As it says right on the cover of the memorandum, purchase of these bonds "involves a significant degree of investment risk."

The county, which is located on the Mississippi River in the northern part of the state, less than an hour by car southwest of Memphis, Tennessee, "is one of the top six destinations in the United States in terms of gambling revenues," according to offering documents.

But even that ranking may not be enough. Back in 2014, when Caesars Entertainment Corp. shuttered the Harrah's casino in Tunica, the largest of 10 in the area at the time, a Caesars executive told Bloomberg News, "There's just too much supply in that market."

This was just seven years after the Federal Reserve Bank of St. Louis published an article headlined, "Tunica, Mississippi, Lays Big Bet on the Casino Industry," and referred to the "Tunica miracle."

The feasibility study describes the rise and fall of the casino market in the county.

In 1990, state lawmakers made gambling legal along the Gulf Coast and on major waterways, and in 1992, the first casino in the county opened. Nine others followed, and Tunica became "The South's Casino Capital."

Economic Improvement
The local economy does appear to have reaped some benefits. In 1989, it "ranked fourth in the United States in terms of the number of families below the poverty level," according to the CBRE study. It's currently 269th, out of more than 3100 counties, according to U.S. Census data.

But even with that improvement, the feasibility report is a study in dejection: "The Northern Mississippi casino market continues to decline, a trend that began in 2007 due to increased competition" and that accelerated with the 2007-2009 recession. Since 2010, the study says, gaming revenue has dropped at a 6.4% average annual rate in the county.

And yet, casinos still form the basis of the bond issuer's pitch to investors. The executive summary points out that “as of 2020, Tunica County has the highest level of tourism spending of any Mississippi county, and this property will benefit from its location and proximity to casinos.”

Gamblers are by nature an optimistic bunch. Perhaps more wholesome fare and the convention business will succeed where casinos have not. That’s the big bet the buyers of these bonds are making.

Bloomberg Markets

By Joseph Mysak Jr

December 9, 2021, 7:11 AM PST

— With assistance by Alexandre Tanzi, and Sam Hall

(Joe Mysak is a municipal market columnist who writes for Bloomberg. His opinions do not necessarily reflect those of Bloomberg LP and its owner, and his observations are not intended as investment advice.)

S&P Pension Spotlight: Arizona

Key Takeaways

- 2021 actuarial assumptions have reduced risk and, along with $1 billion in state contributions, were conducive to a more favorable outlook on state pension plans compared to the fiscal 2020 position.
- Arizona’s largest statewide pension plans are relatively underfunded as of fiscal year-end 2020 based on relatively aggressive market return assumptions, which could lead to cost volatility.
- Pension costs are expected to rise for issuers across the state due in part to growing legacy costs, which could stress some local government budgets.
- Pension obligation bond (POB) issuance increased over the last two years, which we expect will continue for municipalities, counties, and now fire districts.

Continue reading.

New Jersey, Illinois Get an Accidental Economic Reset.

Among the many ripples that came out of the 2008 financial crisis, one was the financial damage to older, slower-growing, heavily-indebted states like Illinois and New Jersey. Investments in infrastructure and public employees had to be put on hold as the governments spent years grappling with budget deficits and high levels of debt. Now, thanks to the surge in tax revenues being delivered by the current economic rebound, these states have an opportunity they haven’t had in 15 years: the ability to invest rather than figuring out how to cut the budget.

It’s a reminder of how federal dollars and a robust recovery can have a dramatic impact on what were previously perceived as structural problems.

Illinois and New Jersey have the lowest credit ratings of all the states, hovering not far from junk status. They've had multiple downgrades from the major ratings agencies since the 2008 recession driven by ever-growing long-term liabilities like pension obligations, aging populations, slow population growth, and a rising tax burden that has led to the loss of businesses and residents who move to states with lower costs of living. There have been no easy solutions to this predicament, which is why the problems have persisted and grown worse for more than a decade.

But the past 18 months has shown there was an easy solution, however improbable its origin (and with uncertainty about how long it will last): explosive economic growth that leads to a surge in tax revenues. The recovery in tax revenues has actually been faster than the recovery in economic activity has been; since the fourth quarter of 2019, the nominal level of gross domestic product has increased by 6.9% while the level of state and local government tax receipts has risen 12.0%.

Continue reading.

Bloomberg Tax

Dec. 10, 2021, 3:00 AM

Illinois's Cost of Debt Falls as Chicago Preps New Bond Sales.

- **State's credit ratings rise with federal aid, higher revenue**
- **Drop in Treasuries helping muni deals this week: Lord Abbett**

Illinois's $400 million municipal bond sale Wednesday is the first in a string of sales from issuers in the Land of Lincoln this month as the state's cost to tap the $4 trillion market has shrunk following an improved outlook on increased revenue and billions in federal aid.

"Illinois was able to get much improved spreads in rates compared to where they were a year ago based upon their more positive outlook and the strong demand for incremental yield in the market right now," said Dan Solender, director of tax free fixed income investments for Lord, Abbett & Co., which holds $36 billion in muni assets including Illinois debt. Deals this week also are benefiting from a drop in Treasuries, he said.

The state sold $400 million in tax-exempt bonds through a competitive deal and saw the penalties over benchmark municipal securities drop sharply from a year ago, according to data compiled by Bloomberg. Morgan Stanley purchased one $200 million series with spreads ranging from 17 basis points for debt maturing next year to 52 basis points for bonds due in 2031 with 5% coupons. Barclays bought the remaining bonds with spreads ranging from 54 basis points for debt with a 5% coupon maturing in 2032 to 116 basis points for bond due in 2041 with a 3% coupon.

Around this time last year Illinois paid much more to borrow from the muni market. In October 202O, a competitive tax-exempt sale by the state drew spreads ranging from 97 to 294 basis points. At that time, Illinois was feeling pressures from the pandemic layered on top of years of self-inflicted financial woes.

Illinois was the only state to borrow from the Federal Reserve's Municipal Liquidity Facility last year and did so twice as its costs in the muni market surged. It was facing the threat of its credit rating falling to junk after voters rejected a shift from its flat income tax rate to a graduated levy. Long-term problems included almost no money in its rainy day fund, a roughly $140 billion unfunded pension liability and billions more in unpaid bills.

Illinois has seen a vast improvement in its financial outlook over the last year. The state expects a bigger surplus this fiscal year and smaller gaps in the next four annual budgets thanks to a quicker than expected recovery in revenues and billions in federal aid. In mid 2021, Illinois also received upgrades from S&P Global Ratings and Moody's Investors Service, the first in more than 20 years, while Fitch Ratings boosted its outlook to positive from negative. The state also has paid off $2.3 billion of the total $3.2 billion it borrowed from the Fed.

"The results of today's sale really reflect the improving credit story for the state as well as the supply demand mismatch as we round out the year," said Dora Lee, director of research for Belle Haven Investments, which holds $15.7 billion in muni assets. "We expect the Chicago deals next week to benefit from the credit improvements at the state level since the two are so interconnected."

Amid strong demand from investors, other issuers from Illinois are also expected to come to market this month. The planned sales include a $600 million deal Thursday from the Illinois State Toll Highway Authority and $270 million from the city of Chicago next week, according to bond documents. Chicago's Sales Tax Securitization Corp. also is slated to sell about $981.5 million in second lien bonds as well, according to filings.

Bloomberg Markets

By Shruti Singh

December 1, 2021, 12:43 PM PST

— With assistance by Danielle Moran

New York Is Set to Refinance One World Trade Center.

- **Agency approves bonds to redeem debt on NYC's tallest building**
- **Silverstein also plans 7 World Trade Center refinancing**

A state agency approved $700 million in bonds to refinance debt used for One World Trade Center, the tallest building in New York City, located on the site of the towers destroyed on Sept. 11, 2001.

New York Liberty Development Corp., created in 2002 to help rebuild lower Manhattan after the terrorist attacks, plans to issue the bonds this month on behalf of the Port Authority of New York & New Jersey. Proceeds will redeem securities sold in 2011 to help finance the 1,776-foot structure. Siebert Williams Shank & Co. and Goldman Sachs Group Inc. will manage the deal.

Separately, the agency approved developer Larry Silverstein's selection of Goldman to manage a $525 million refinancing for nearby 7 World Trade Center. The building opened in May 2006, the first in the new complex. Silverstein last refinanced the municipal bonds for the 52-story building in 2012. The date of the bond sale wasn't immediately available.

Market prices for trophy office buildings in lower Manhattan have suffered more than those in midtown during the coronavirus pandemic. The valuation of the World Trade Center complex and Goldman's headquarters at 200 West Street fell by about 23%, compared with a 14% median decline for landmark buildings in midtown for the fiscal year beginning July 1, according to the city's Department of Finance.

One World Trade had leased about 90% of its 3 million square feet of commercial office space as of March 31, according to an April Port Authority bond offering document. 7 World Trade Center was 95% occupied as of Sept. 30, according to a quarterly management report from Silverstein Properties.

Bloomberg Markets

By Martin Z Braun

December 2, 2021

[Illinois Effort to Fix Ailing Local Pensions Faces Legal Hurdle.]

- **State law mandates merging of assets for 650 funds by mid 2022**
- **No police funds have shifted assets amid pending court ruling**

A court ruling as soon as this month will help determine the fate of one of Illinois Governor J.B. Pritzker's key plans to ease the massive shortfall in local pension funds across the state.

A 2019 law championed by Pritzker would merge about 650 local police and firefighter pensions with assets topping $16 billion into two funds to cut costs and improve returns. Fixing the underfunded plans, which weigh on budgets and credit ratings of many communities statewide, is critical for Illinois's economic rebound.

The law set a June 30 deadline for the consolidation of the funds, but many of the local pensions are hesitating or even refusing to merge until they learn the outcome of litigation to block the combining. Three dozen current employees and retirees, along with 18 local retirement plans, filed a lawsuit in February in Illinois circuit court saying the consolidation violates the state constitution. A key ruling is expected as early as December, said Daniel Konicek, an attorney representing plaintiffs.

The 2019 state law was "a positive step forward for Illinois pensions," said Geoffrey Buswick, an analyst for S&P Global Ratings, noting that many smaller pension funds are chronically underfunded, which weighs on municipalities' credit quality.

"Will it work? There's no guarantee," he added.

The stakes are high for Illinois. The Land of Lincoln is the lowest-rated U.S. state even after recent upgrades, and fixing pensions is critical as it recovers from the pandemic. The state isn't obliged to bail out local retirement plans, but if municipal governments are struggling, Illinois will lag as well.

A spokesperson for Illinois Attorney General Kwame Raoul declined to comment, citing pending litigation, while spokespeople for Pritzker did not respond to emails and calls seeking comment.

Funds Wait

Five statewide systems have a total unfunded liability of about $144 billion. And the collective unfunded liability of local downstate public safety pension plans through the end of fiscal 2020 topped $13 billion, according to Illinois Department of Insurance data.

The upcoming ruling may slow or even halt consolidation. The 2019 law set up one bigger fund for police officers and another for firefighters to take over the management and investment of the combined assets, but left control over benefits and contributions with the local boards.

So far, however, the new Illinois Police Officers' Pension Investment Fund hasn't received any assets and expects to begin getting funds around March, said executive director Richard White. About 44% of the 357 downstate and suburban police funds that were supposed to be merged into the bigger pension plan haven't even responded to requests for information, White said.

The Firefighters' Pension Investment Fund has received about $2.2 billion in assets but about a quarter of would-be participants in the early tranches are not complying, said executive director William Atwood. The transfers are complicated and take time, Atwood said.

The Illinois Municipal League, which advocated for the consolidation for a decade before the law was enacted, "is confident in the legality and validity of the act, and we see no reason why the suit will render any ultimate decision from the courts otherwise," executive director Brad Cole said in an email. The two consolidated funds should be able to meet the June deadline, said Cole, who serves on the board of both but is commenting on behalf of the league.

"We are already showing savings and increased earning ability, proving the benefit that was predicted and is needed by this consolidation," Cole said.

A Relief?

Some local governments are relieved to see their plans consolidated.

Police and fire pension costs for DeKalb, Illinois, use up about 20% of general fund revenue, up from 10% in 2014, city manager Bill Nicklas said in an interview. The entire property tax levy for the city's proposed 2022 budget will go toward the two pension funds and some more revenue from sales taxes may be tapped for the retirement system payments, he said.

"Of the options that are out there, consolidation seems to be a good place to begin," Nicklas said.

But underscoring how difficult this shift is, the DeKalb Police Pension Fund doesn't agree with city officials and is listed as one of the plaintiffs in the lawsuit.

"I don't think many of us trust the government of Illinois to handle our money given their history," said Jim Kayes, president of the DeKalb Police Pension Fund board, in an interview.

Constitutional Rights

The lawsuit claims that the law takes away the plaintiffs' local authority and "diminishes and impairs the pension benefits" to which they are entitled. Illinois' constitution bans any reduction in worker retirement benefits.

In passing the law, "the Governor and General Assembly have acted in dereliction of their duties to uphold the Illinois Constitution," according to the complaint. "Plaintiffs must therefore turn to this Court to protect their rights and pensions they have earned, invested, and managed."

The state said in a filing in reply that Illinois's constitution protects the payments that retirees are entitled to, but that doesn't extend to areas like choosing the entity that manages the retirement plan.

Even amid the uncertainty that's resulting in a slowing of the process, the consolidated funds are continuing to move forward to meet the statutory requirement, according to their executive directors. The Illinois Police Officers' Pension Investment Fund is increasing its outreach to improve compliance and will respond as needed once the court rules, Executive Director White said.

"We will be in very good shape. There will be certain outliers that didn't quite make it," said Atwood from the consolidated fire fund. "It's not going to be for a lack of trying on our part."

Bloomberg Politics

By Shruti Singh

December 2, 2021, 9:26 AM PST Updated on December 2, 2021, 12:25 PM PST

California Scheming.

Luxury apartment or essential housing? How America's most notorious junk municipal bond peddlers are getting rich off California's affordability crisis.

Among California real estate developers, Jordan Moss has an exceptionally big heart. His Marin County firm, Catalyst, is dedicated to developing affordable housing—no small challenge in a state in which small one-bedroom apartments routinely lease for more than $3,000 a month and rents can climb at double-digit rates annually.

"I quickly came to the conclusion that I don't have the temperament for that business, when you're waiting years and years to find out if you're going to get an allocation of [low-income housing tax] credits and bonds, and all the other things needed to make that sausage," says Moss, a former UC Davis basketball player.

But in 2019, he partnered with a group of municipal-bond wizards and has since acquired 14 fully occupied luxury apartment buildings in some of California's most expensive Zip codes—places like Sausalito, Larkspur and Huntington Beach. Even better, because he promises to turn these buildings into so-called "essential" or "workforce" housing, his deals were 100% financed by $2.5 billion in tax-exempt municipal bonds, mostly courtesy of a little-known governmental entity he helped create: the California Community Housing Agency (CalCHA).

Continue reading.

Forbes

by Matt Schifrin with Isabel Contreras and Rachel Sandler

Dec 2, 2021

CCCFA Issues California's First Municipal Clean Energy Project Revenue Bonds Worth over $2 Billion

The bonds will support community clean energy goals across the counties of Alameda, Contra Costa, Marin, Napa, San Joaquin, Santa Clara, and Solano

OAKLAND, Calif. and SAN RAFAEL, Calif. and SUNNYVALE, Calif., Dec. 6, 2021 /PRNewswire/ — Three Community Choice Aggregators (CCAs) – East Bay Community Energy, MCE, and Silicon Valley Clean Energy – have issued California's first ever municipal non-recourse Clean Energy Project Revenue Bonds through the California Community Choice Financing Authority (CCCFA). Two separate bond issuances, valued at over $2 billion for thirty-year terms, support the purchase of clean electricity to serve over 2.5 million residents and businesses across the Bay Area and Central Valley.

The two Clean Energy Project Revenue Bonds prepay for the purchase of over 450 megawatts of clean electricity – enough to power 163,000 homes and reduce 765,000 metric tons of greenhouse gas emissions annually. These transactions will reduce renewable power costs by almost $7 million annually for the first 5-10 years. For decades, municipal utilities have used the prepayment structure as an industry standard practice to reduce costs for the purchase of natural gas. For the first time, these Revenue Bonds apply this structure to the purchase of clean electricity.

"CCAs are known for being innovative and nimble in our efforts to provide our community with electricity from cost-effective, clean sources," said Girish Balachandran, CEO of Silicon Valley Clean Energy. "For SV Clean Energy, we are working to advance innovative decarbonization solutions across sectors, and in this case, we have applied a new approach to how we finance our clean power projects, furthering the financial savings enjoyed by our customers."

A Clean Energy Project Revenue Bond is a form of wholesale electricity prepayment that requires three key parties: a tax-exempt public electricity supplier (the CCA), a taxable energy supplier, and a municipal bond issuer. The three parties enter into long-term power supply agreements for zero-emission clean electricity sources like solar, wind, geothermal, and hydropower. The municipal bond issuer – in this case, CCCFA – issues tax-exempt bonds to fund a prepayment of energy that is to be delivered over thirty years. The energy supplier utilizes the bond funds and provides a discount to the CCA on the power purchases based on the difference between the taxable and tax-exempt rates. This discount is historically in the range of 8-12%, and minimum discounts are negotiated for each transaction.

The first of these bonds, which was issued by CCCFA to the benefit of East Bay Community Energy and Silicon Valley Clean Energy, was underwritten by Morgan Stanley. It successfully generated nearly $1.5 billion in proceeds, after having received an investment grade "A1" rating from Moody's and a "Green Climate Bond" designation from Kestrel Verifiers, making it the largest ever issuance of prepayment bonds for clean electricity.

"These two prepay transactions are a fantastic representation of CCAs' position at the leading edge of the clean energy transition," said Nick Chaset, CEO of East Bay Community Energy and Chair of CCCFA. "While it took a lot of time and attention to apply the structure to electricity, issuing these green bonds exemplifies the commitment and competitive edge we bring as an industry. By leveraging a decades-old process available for natural gas procurement savings and making it work for clean electricity, we're picking it up and repurposing it to meet the needs of today."

The second transaction, issued by CCCFA to the benefit of MCE, was underwritten by Goldman Sachs. The very successful bond sale produced approximately $700 million in bond proceeds and generated significant investor demand. The issue received an investment grade "A2" rating from Moody's Investors and a "Green Climate Bond" designation from Kestrel Verifiers.

"MCE began exploring prepayment bonds three years ago as a pathway to reduce the cost of our renewable energy portfolio," said Dawn Weisz, CEO of MCE. "This transaction will help us deliver on our promise of cleaner power, community reinvestment and competitive rates. We are pleased to pass these cost savings on to our customers."

About CCCFA: The California Community Choice Financing Authority (CCCFA) was established in 2021 with the goal to reduce the cost of power purchases for member community choice aggregators (CCAs) through pre-payment structures. The founding members of CCCFA include Central Coast Community Energy, East Bay Community Energy, MCE, and Silicon Valley Clean Energy. CCCFA is a Joint Powers Authority which can help member CCAs save up to 10% or more on power purchase agreements, helping reduce costs for ratepayers and increase available funding for local programs. Learn more at CCCFA.org.

About EBCE: EBCE is a not-for-profit public agency that operates a Community Choice Energy program for Alameda County and fourteen incorporated cities, serving more than 1.7 million residential and commercial customers. EBCE initiated service in June 2018 and expanded to the cities of Pleasanton, Newark, and Tracy in San Joaquin County in April 2021. As one of 19 community choice aggregation (CCA) programs operating in California, EBCE is part of the movement to expedite the climate action goals of their communities and those of California. EBCE is committed to providing clean power at competitive rates while reinvesting in its local communities. For more information about East Bay Community Energy, visit ebce.org.

About MCE: As California's first Community Choice Aggregation Program, MCE is a groundbreaking, not-for-profit, public agency that has been setting the standard for energy innovation in our communities since 2010. MCE offers renewable power at stable rates, significantly reducing energy-related greenhouse emissions and enabling millions of dollars of reinvestment in local energy programs. MCE is a load-serving entity supporting a 1,200 MW peak load. MCE provides electricity service and innovative programs to more than 540,000 customer accounts and more than one million residents and businesses in 37 member communities across four Bay Area counties: Contra Costa, Marin, Napa, and Solano. For more information about MCE, visit mceCleanEnergy.org.

About SV Clean Energy: Silicon Valley Clean Energy is a not-for-profit, community-owned agency providing clean electricity from renewable and carbon-free sources to more than 270,000 residential and commercial customers in 13 Santa Clara County jurisdictions. As a public agency, net revenues are returned to the community to keep rates competitive and promote clean energy programs. Silicon Valley Clean Energy is advancing innovative solutions to fight climate change by decarbonizing the grid, transportation, and buildings. For more information about Silicon Valley Clean Energy visit svcleanenergy.org.

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Puerto Rico's Bankruptcy Exit Likely Pushed Out to 2022.

- **Judge Swain gives U.S. DOJ until Jan. 7 to defend Promesa law**

- **Commonwealth at risk of increases in retirement expenses**

Puerto Rico creditors hoping the commonwealth exits its more than four-year bankruptcy in 2021 will need to wait a bit longer as the U.S. Department of Justice may weigh in on the process.

U.S. District Court Judge Laura Taylor Swain is reviewing Puerto Rico's plan to restructure $33 billion of debt, including $22 billion of bonds, after finishing closing arguments Tuesday on the debt adjustment plan. The hearings ended after hurricanes, earthquakes, political upheaval and the coronavirus pandemic postponed the bankruptcy process for years.

Swain is likely to wait until next year to issue her ruling because on Monday she gave U.S. government lawyers until Jan. 7 to decide whether to get involved in defending the constitutionality of the federal law, called Promesa, that allows Puerto Rico to reduce its obligations through bankruptcy.

"It is a little frustrating it's been pushed out," Daniel Solender, head of municipals at Lord Abbett & Co., said about the delay. "It's already been a pretty long wait. You want this to get completed. It's been going on for so long and everyone's just ready for it to be over."

Even with the potential delay, prices on some Puerto Rico general obligations remained in line with recent trading levels. A G.O. with an 8% coupon and maturing in 2035 changed hands Tuesday in a $2 million-size trade at 88 cents on the dollar, up from 87.75 cents on Nov. 15, the last time there was a trade of at least $1 million, according to data compiled by Bloomberg.

Puerto Rico's bankruptcy began in May 2017. It's the largest municipal workout, surpassing Detroit's 2013 bankruptcy. Bondholders haven't been paid since 2016 and as long as the island remains in bankruptcy, its residents live under a cloud of default.

Swain mentioned the people of Puerto Rico in her final statements before ending Tuesday's hearing, saying thousands of residents have shared to the court how the bankruptcy has affected their lives.

"As I make my legal decisions, I will always be mindful of the reality of your lives and the future of your homeland," Swain said.

That homeland has a financial monitor, however. A federally-appointed oversight board weighs in on Puerto Rico's budgets in addition to managing its bankruptcy. Even if Swain approves the debt plan, the oversight board will continue to oversee the island's finances until the commonwealth has implemented balanced budgets in four consecutive years.

To help control spending, the board wants to freeze the pensions of teachers and judges, move them to a defined contribution plan and end cost of living adjustments, which Swain said she will rule on. Additionally, the board is seeking court approval to prohibit island lawmakers from increasing retirement benefits for public workers.

Yet, even if the court sides with the board on these issues, Puerto Rico lawmakers will almost surely pass additional future pension laws anyway, Matt Fabian, a partner at research firm Municipal Market Analytics, wrote in a report Monday.

Investors will need to consider added pension costs as long-term payouts may be slower and more volatile than what the debt restructuring plan offers, according to Fabian.

"Once the board has left the island, there will be few actors left with a funded interest in stopping the government from doing as it chooses," Fabian wrote.

Bloomberg Markets

By Michelle Kaske

November 23, 2021

— With assistance by Steven Church

S&P State Brief: Iowa

View the Brief.

16 Nov, 2021

JPMorgan Removed from Louisiana Muni Deal After Gun Scrutiny.

- **State bond panel votes to replace bank on $700 million issue**
- **Commission names Wells Fargo as senior manager on bond offer**

JPMorgan Chase & Co. was removed on Thursday from a $700 million Louisiana municipal-bond deal after the bank's stance on guns drew criticism from state Republican officials.

After a fiery meeting, the state bond commission voted to have Wells Fargo & Co. replace JPMorgan, the largest U.S. bank, as senior manager on the deal.

The decision came after state Treasurer John Schroder, a Republican, said his team was scrutinizing JPMorgan's gun policies following Chief Executive Officer Jamie Dimon's comments to a Congressional committee earlier this year that his firm won't finance companies that make military-style weapons for consumers.

"I'm not selling our Second Amendment rights to corporate America," Schroder, the panel's chair, said at the meeting in Baton Rouge.

In 2019, Louisiana began asking banks whether they have policies that infringe on citizens' rights to bear arms as part of the firms' application to underwrite bond deals. At the time, JPMorgan said it didn't.

But in advance of this bond sale, Schroder said his office asked banks in the underwriting pool whether they finance the manufacture of certain weapons for civilian use.

JPMorgan didn't submit an answer to that query, and that lack of response led to their disqualification from underwriting the sale, Schroder said. A JPMorgan spokesperson didn't have an immediate comment after the vote Thursday. Allison Chin-Leong, a spokesperson for Wells Fargo, declined to comment.

Originally, JPMorgan was chosen to underwrite the bonds after offering a lower fee than other banks, but now Wells Fargo will match that fee, Lela Folse, director of the bond commission, said during the meeting Thursday.

Matthew Block, executive counsel for Governor John Bel Edwards, a Democrat, questioned the process around disqualifying the bank.

“This is a road, and it leads us to someplace that none of us know where we’re going,” he said during the meeting, noting the state has already stopped hiring Bank of America Corp. and Citigroup Inc. to underwrite bond sales over gun issues. Block said other banks would offer less competitive borrowing terms as a result.

‘Telling the World’

“We are telling the world — not just Louisiana, not just New York — the world, that three of the biggest banks to loan us money at a good rate of interest, we don’t want to do business with them,” he said.

In addition to Wells Fargo’s involvement in the sale of the gas and fuel-tax bonds, Morgan Stanley, UBS Group AG, Loop Capital Markets and Blaylock Van are co-managers. Proceeds will go to refinancing existing debt.

JPMorgan is also facing a hit to its public-finance business in neighboring Texas because of a GOP law that seeks to punish Wall Street banks for wading into social issues. In September, a law went into effect there that bars state and local governments from hiring banks that moved to curtail ties to the firearms industry in the wake of mass shootings.

Bank of America, Citigroup and Goldman Sachs Group Inc. also saw their muni business halted in Texas because of the law.

Louisiana lawmakers passed similar legislation this year that would have barred the state and local governments from engaging in public contracts with firms that have “discriminatory practices” with firearm associations, retailers and manufacturers. But Governor John Bel Edwards, a Democrat, vetoed the bill, saying it would cost taxpayers money.

Schroder said he was considering the intent of the legislature when it came to the decision to remove JPMorgan.

Louisiana is a much smaller market for muni deals than Texas. The state sold about $881 million of bonds last year, while Texas issuers including local governments and state agencies sold about $58 billion, data compiled by Bloomberg show.

The Texas law covers a wide swath of municipal borrowers. Still, Citigroup has moved to restart its underwriting there, raising questions about the measure’s effectiveness. On Wednesday, the bank won a Texas bond deal sold through an auction, its first deal since the state legislation went into effect Sept. 1.

Bloomberg Markets

By Amanda Albright and Danielle Moran

November 18, 2021, 9:41 AM PST Updated on November 18, 2021, 12:34 PM PST

Citigroup Wins First Texas Muni-Bond Deal Since Gun Law Spat.

- **Bank wins auction for a $27 million sale by a school district**
- **Company hasn't participated in Texas muni market since August**

Citigroup Inc. won a municipal-bond deal in Texas on Wednesday, marking its potential re-entry into a booming corner of the municipal-debt market after a new Republican state law sought to punish Wall Street banks for their gun policies.

The bank won an auction for a $27 million bond offering sold by the Alamo Heights Independent School District, data compiled by Bloomberg show. It stands to be the firm's first muni deal in Texas since late August. The pause in underwriting there came after the law went into effect on Sept. 1, barring governments in the state from working with companies that "discriminate" against firearm businesses or trade groups.

Before the deal becomes final, Citigroup needs the office of the state's attorney general, Republican Ken Paxton, to sign off on the transaction, a step required on public debt sales in Texas. The office didn't respond to an email and phone call requesting comment.

Citigroup bid a net interest cost of 0.68%, according to a list of bidders provided by the district. The next lowest bidder was BOK Financial Securities, which offered 0.73%. Mike Hagar, assistant superintendent of business and finance for the district, confirmed that Citigroup won the deal. A spokesperson for the bank declined to comment.

"We feel confident with Citigroup and that the AG office will approve the sale," Hagar said in an email.

After being ranked the biggest underwriter of Texas munis from 2018 to 2020, New York-based Citigroup has dropped to eighth place this year, data compiled by Bloomberg show. Bank of America Corp., JPMorgan Chase & Co. and Goldman Sachs Group Inc. also haven't underwritten muni bonds sold by the state and its cities, schools, and transit agencies since the legislation took effect.

Citigroup has said repeatedly that it could comply with the law, known as Senate Bill 19, and that it was temporarily pulling back as it worked through the certification process now required under the legislation.

The law targeted banks like Citigroup, which in 2018 said it would forbid retailers that are its customers from offering bump stocks or selling guns to anyone who hasn't passed a background check or is younger than 21.

The state's surging population has driven debt sales for infrastructure, making it a key market for municipal underwriters. In 2020, Texas borrowers sold about $58 billion of debt, trailing only those in California.

In October, Citigroup sent a letter to the state attorney general's office that confirmed it does not have a "practice, policy, guidance, or directive" that discriminates against a firearm entity or trade association. Then, on Nov. 9, the firm said in a statement it was ready to restart underwriting in Texas.

Bloomberg Markets

By Danielle Moran and Amanda Albright

November 17, 2021, 8:59 AM PST Updated on November 17, 2021, 9:41 AM PST

Citi's Texas Strategy Hinges on Rainmaker Who Made Bank No. 1 Underwriter.

- **Bank to lean on Mario Carrasco, lead muni banker for southwest**
- **Top Texas muni underwriter from 2018-2020, Citi is now eighth**

A key Citigroup Inc. rainmaker in Texas is faced with reviving the bank's public-finance business there after GOP officials sought to punish the firm for its gun policies, triggering an unprecedented pullback from underwriting in a fast-growing state.

Mario Carrasco, head of public finance for Citigroup in the Southwest, helped make the bank the biggest municipal underwriter in Texas the past three years. Now, with the company saying it's ready to resume the operations after a two-month halt, he's tasked with recapturing market share in one of the hottest corners of the nation's $4 trillion muni-bond market.

It was Carrasco, a Citigroup veteran of more than a decade, who expressed concern back in April to at least one big issuer, San Antonio, about an early version of Senate Bill 19 that was working its way through the Republican-led legislature, public records obtained by Bloomberg show.

The measure, which evolved and became law in June and took effect Sept. 1, bars governmental entities in the state from working with companies that "discriminate" against the firearms industry. It upended the operations of Citigroup and some of its biggest Wall Street rivals, which had introduced new gun policies in the wake of U.S. mass shootings.

"We do appreciate your understanding and patience as Citi Texas navigates our current legislative issues," Carrasco told issuers via email on Sept. 27.

Now it looks like Carrasco and his Texas colleagues — a squad of roughly nine bankers and analysts — can get back to work in the state.

Citigroup said Nov. 9 that it's prepared to restart its Texas public-finance business after working through a certification process under the new law.

The bank has had conversations with state officials as part of that process and is confident it's able to resume deals soon, according to a person familiar with the matter who asked not to be named as the conversations aren't public.

Citigroup, the second-largest underwriter of munis nationwide, has made no substantive changes to its gun policy in response to the Texas law. The bank has said for months that it can comply with the legislation.

The bank has some ground to make up. After being ranked the biggest underwriter of Texas munis from 2018-2020, New York-based Citigroup has dropped to eighth place this year, data compiled by Bloomberg show. Bank of America Corp., JPMorgan Chase & Co. and Goldman Sachs Group Inc. also haven't underwritten munis sold by the state and its cities, schools, and transit agencies since the legislation took effect.

Citigroup's latest step may mark the beginning of the end of a months-long saga where the normally placid muni market became the latest battleground for the nation's culture wars. This year's standoff came after the bank said in 2018 that it would forbid retailers that are its customers from offering bump stocks or selling guns to anyone who hasn't passed a background check or is younger than 21.

Banking Relationships

For Citigroup to regain its foothold, Carrasco and his colleagues will have to lean on the relationships they've spent their careers building.

A lifelong resident of San Antonio, Carrasco graduated from St. Mary's University in the city in 1998. He joined Citigroup in 2010 after working at firms including Stifel Financial Corp., and has been head of public finance in the Southwest since 2015.

Citigroup declined to make Carrasco available for an interview or to comment further.

At an industry conference in San Antonio last month, several bankers described Carrasco as a central figure in Texas's muni-finance community. In 2019, he led the board of trustees for the Municipal Advisory Council of Texas, which tracks market data and hosts events.

Despite the fallout from the new law, he and his colleagues still attended the San Antonio conference and mingled at the event, for which Citigroup was a sponsor.

Losing access to the Texas market would be a blow for any muni banker. The state's surging population has driven debt sales for infrastructure. In 2020, Texas borrowers sold about $58 billion of debt, trailing only those in California.

Final Approval

Of course, nothing is certain until the Texas attorney general, Republican Ken Paxton, makes it clear he won't block Citigroup's deals. The office hasn't responded to multiple requests for comment.

Paxton's office reviews and signs off on public debt sales in Texas. That presents a potential scenario where, if the office rejects a deal, debt that has already been priced wouldn't close, investors wouldn't receive their bonds and the issuer would have to re-offer the debt. The bank could test the waters by bidding on deals sold via auction, rather than having an issuer hire it before the sale.

Several issuers say they welcome Citigroup's return, signaling they expect it to be able to resume underwriting.

Texas Comptroller Glenn Hegar, a Republican who oversees the state's finances and is a member of its bond review board, said he was glad to see the bank had made the proper certifications.

"I am pleased that Citigroup has certified that they are able to comply with Texas law and will resume underwriting bonds in one of the fastest growing and dynamic markets in the nation," he said in an emailed statement.

Reaching Out

Last week, Citigroup bankers in Texas were already reaching out to clients.

Elizabeth Reich, Dallas's chief financial officer, said she was "pleased" by the news from the bank.

"It is in the taxpayers' and residents' best interests that we have as many potential partners as possible when we are financing needed infrastructure for the City of Dallas," she said via email.

And Bill Bilyeu, administrator for Collin County, part of the Dallas metropolitan area, said the county would be willing to work with Citigroup again and that he heard from Carrasco last week.

"We very much appreciate your patience with this important matter and look forward to continuing to serve the clients of Texas, as we have in the past," Carrasco said via email.

Bloomberg Markets

By Amanda Albright and Danielle Moran

November 15, 2021, 8:30 AM PST

Illinois Local Governments Offer Steady Stream of Pension Bonds.

The wave of local Illinois governments turning to pension obligation bonds shows no signs of abating and could accelerate amid concern that the window is closing on record low interest rates.

Wheaton sold $46 million last month. Berwyn is eyeing an issue and Moline plans to follow its neighbor East Moline into the market.

They continue a trend that made Illinois the third largest source of POB issuance, behind California and Arizona, among local governments rated by S&P Global Ratings from the start of 2020 through September 2021.

"Pension and other postemployment benefit obligation bond issuance is accelerating in the U.S." spurred by a favorable interest-rate environment and local government efforts to control rising contributions, S&P said in an October report.

"We expect continued issuance accelerations as issuers compare peers' seemingly successful transactions with their own large and growing unfunded liabilities, and some issuers might anticipate the end of record low interest rates" as the Federal Reserve considers tapering asset purchases and raising the federal funds rate, S&P said.

Factors unique to Illinois contribute to the allure of pension borrowing there. The state and many of its local governments fell behind on pension funding over years of contributions built into state law based on schedules tied to factors like employee contributions that fell short of an actuarial level.

One anti-POB argument – that it creates a hard debt service liability from a softer pension obligation with some payment flexibility – is less persuasive in Illinois where the state constitution protects promised retiree benefits against impairment or diminishment and the state's high court has ruled against Chicago and Illinois' efforts to cut benefits.

"Many here have come to believe that pensions are a hard liability because of the constitutional mandate and so that can offer a better argument to borrow if the pension cost is already considered a hard liability," said Richard Ciccarone, president of Merritt Research Services.

State law also now allows for most pension funds to intercept tax revenues or grants that flow through the state if local governments fall short of actuarially-based contributions. Ciccarone cautions that a hard default on bond payment can carry more serious consequences for a borrower than falling short on pension contributions.

POBs draw varying opinions from market participants.

The Government Finance Officers Associations recommends against their use because of the risks that the play on arbitrage between debt service on the bonds and investment earnings on the proceeds will pay off.

Ciccarone is among those that believe POBs can play a role in managing a balance sheet but only in the presence of some type of reform, whether it's on the benefit or payment side, and even then cautions that risks remain.

"I don't take that hard core line against them if they are done for the right reasons and they serve as a mechanism for reform that helps the long term health of the borrower," Ciccarone said. "The key question is whether they can afford and stomach the debt service because there is still risk," especially for governments with a limited economic base that lacks growth.

Pension burdens weigh heavily on the ratings of Chicago, the state government and some other struggling local governments due to a flawed funding system and legislative action to date has made little headway in solving the quagmire, S&P Global Ratings warned in an August report.

Downstate and suburban public safety funds carried $11 billion of unfunded liabilities in 2017 – up from $10 billion a year earlier – with an average funded ratio of just 55%, according to a 2019 report from the Illinois Department of Insurance.

The state government's unfunded liabilities rose to a peak $141 billion last year for a 40.4% funded ratio and Chicago carries a $33 billion tab with its firefighters fund 18.97% funded, its police fund 22.21%, the municipal fund at 22.96% and laborers at 44.42%.

The par of pension-related borrowing issued this year has reached around $11.2 billion, said Lisa Washburn, chief credit officer at Municipal Market Analytics. Illinois ranks 4th in terms of par issued and 3rd in number of issuers.

Washburn, who believes municipal governments should avoid POB risks, cautioned that the data from Bloomberg includes a broader range of pension financings, such as Illinois? $850 million issue which earmarked just a portion for a pension buyout program.

Most Illinois-based POB borrowers are paying down their public safety pension plans to meet a state mandate for public safety funds to reach a 90% funded ratio by 2040. If local governments outside Chicago don't make an actuarial payment, pension funds for the last several years have enjoyed the ability to file claims to intercept various tax or grant revenues that flow through the state.

Actuarial contributions have long been required for the Illinois Municipal Retirement Fund which covers general employees outside Chicago and Cook County, and it is 91% funded.

The Illinois Public Pension Fund Association, which represents public safety funds, last year encouraged local government leaders and fund managers to explore the POB option. It lays out the benefits and risks last year in an "informational bulletin."

Many of the Illinois-based local governments issuing POBs are near or fully funding their public safety obligations or setting aside proceeds into a special account to manage the strain of rising contributions on their budgets.

The impact of ratings varies depending on a POB deal’s structure, the overall impact on a borrower?s balance sheet and whether the added debt service limits budget flexibility, and its underlying fiscal health.

“Key credit risks, while unique to each U.S. public finance issuer, primarily include market returns falling short of expectations and pension contribution increases pressuring budgets,” S&P analyst Todd Kanaster said in the agency’s October report.

S&P rated 64 new POB issuances totaling nearly $6.3 billion between January and September 15. That more than doubles rated POB issuance over the $3 billion issued in all of last year.

S&P has observed some changes with the fresh run of borrowing. Some are veering from tradition in using non-GO pledges and more school and park districts are using the tool. Some borrowers also are setting aside some proceeds to mitigate future budget stress.

All of those factors been seen among Illinois-based POB issuance. So far this year, S&P has rated at least six Illinois POBs.

The Addison Fire Protection District, the Bensenville Fire Protection District No. 2, DuQuoin, Elmwood Park and Wheaton all paid down police and firefighter obligations and Geneseo paid down police obligations.

Wheaton held on to its AAA rating and stable outlook from S&P when it sold $46 million of taxable GOs to fully fund its police and firefighter pension plans in a deal underwritten by Stifel and Piper Sandler (PIPR). Baird was advisor.

“The rating reflects our view of such factors as the city’s very strong economy, management, budgetary flexibility, and liquidity, and its strong budgetary performance,” said analyst Katelyn Kerley.

The Chicago suburb used the proceeds to pay down public safety liabilities with plans to make 12 equal monthly installments to mitigate market timing investment risks and proceeds also established a budget reserve that can be used to pay down liabilities.

Berwyn and Moline are teeing up deals.

S&P put Berwyn’s BBB GO rating and A-minus securitization corporation ratings on CreditWatch Developing as it assesses the proposed borrowing’s impact. Berwyn would also include a debt restructuring in the deal. The placement indicates there’s at least a one-in-two likelihood of a rating change within 90 days, S&P analyst Blake Yocom said in the Sept. 30 report. The review continues, Yocom said this week. COVID-19 pandemic related pressures prompted S&P to revise the Chicago suburb?s outlook to negative in June 2020.

Moody’s Investors Service affirmed at A1 the city of Moline which plans a $90 million taxable GO issue.

Moline’s borrowing to pay down its public safety tab along with a $3.2 million series for its aquatic center will bring its debt to $120 million.

“The city intends to limit the required increase in future pension contributions with the issuance of pension obligation bonds, though this strategy detracts from the city’s overall credit quality by heightening its exposure to potential investment losses,” Moody’s said.

East Moline suffered a two-notch downgrade from Moody?s in September that left its rating at Baa2 as it prepped a $41 million POB issue. Moody's (MCO) raised concerns over the risky strategy but said the borrowing itself didn't drive the downgrade. Moody's attributed its action to the sum of the city's bonded, pension, and other post-employment benefits burdens.

Baird was underwriter and Speer Financial advised the city. In addition to a GO pledge, the bonds were secured by tax receipts levied for police and fire pensions and corporate purposes, distributions of personal property replacement taxes and sales taxes collections distributed by the state.

Bradley in Kankakee County earlier this year sold $11.9 million to cover its police unfunded liabilities and raise the funded ratio of 61% and fund a budget stabilization fund. The village used higher-than-expected revenues to fully fund its firefighters' fund.

Freeport in 2020 sold $52.7 million of taxable GOs to fully fund its police and firefighter funds that combined were less than 45% funded. The bonds carried insurance from Build America Mutual.

Baird according to its website served as the sole underwriter on Freeport's deal along with the city McHenry's $24.3 million POB deal in 2020. So far this year it has been senior manager on Addison Fire Protection District?s $33.8 million deal and sole manager on East Moline's deal.

By Yvette Shields

BY SOURCEMEDIA | MUNICIPAL | 11/16/21 01:44 PM EST

Nuveen Says Fortress-Backed Luxury Rail Has Path to High-Grade Rating.

- **Speculative venture seeks another $1 billion of tax-free bonds**
- **County fees may give Brightline access to larger buyer base**

A planned bond sale financing a speculative luxury train line in Florida can probably win investment-grade credit ratings, according to Nuveen Asset Management, the biggest holder of the project's debt.

Brightline Holdings, the train company backed by Fortress Investment Group, hopes to sell another $1 billion of tax-free bonds in the coming weeks to help pay for additions that can help the company profit from pandemic-linked migration to Florida. Brightline has previously sold $2.7 billion of tax-free securities that were unrated.

Florida counties would hand over fees to Brightline to add commuter service to its system, payments that would back the bonds. That revenue pledge should help the securities gain investment-grade ratings, said Ryan Rosberg, senior research analyst at Nuveen.

High-grade ratings can draw in a much broader array of investors than unrated securities attract. Muni-bond holders, often retirees looking for tax-free income, tend to crave safety, and the majority of the $4 trillion municipal-bond universe is ranked investment grade.

"An investment-grade rating clearly improves the liquidity and broadens the buyer base for these bonds," said Terry Goode, a senior portfolio manager at Allspring Global Investments, which doesn't hold any of the existing debt.

Asked about the rating potential, Brightline spokesperson Ben Porritt said, “it’s our position not to speak publicly about financing plans as we formulate the details.” Spokespeople for Moody’s Investors Service, S&P Global Ratings, Fitch Ratings and Kroll Bond Rating Agency didn’t answer queries on whether Brightline had approached them for grades.

The country’s first new privately financed intercity passenger rail line in a century was launched in 2018 along Florida’s east coast. Service resumed on Monday between Miami and West Palm Beach after stopping in March 2020 for the pandemic. A train hit a car carrying a woman and her grandchild on the first day, according to the Associated Press. The woman suffered broken bones while the boy didn’t appear to be seriously injured, the report said.

When fully built, the system will cost $6 billion. For round trips on Tuesday, Brightline was charging $15 for seating in standard railcars and $37 for service that includes free drinks and lounge access.

The system’s ridership and revenue fell short of estimates even before the onset of the Covid-19 outbreak. The company expects 2.89 million total passengers in 2022, and 9.5 million in 2023, which is due to be the first full year with service to Orlando.

On Thursday, Brightline Chief Executive Officer Michael Reininger said proceeds from the new bond sale would primarily go toward work on its existing line between Miami and West Palm Beach, and the expansion already underway of service to Orlando. Fees that Miami-Dade and Broward counties would pay to establish new commuter rail service along the Brightline corridor “have tremendous value,” he said.

In documents posted for bond holders, the company said that for helping offer commuter service, it expects to receive as much as $50 million upfront, and then annual payments starting at $12 million from Miami-Dade County. It hasn’t revealed estimates of the financial benefits from a Broward partnership.

The alliance with both counties is a positive, Nuveen’s Rosberg said, adding that his firm’s interest in the new debt will depend on relative value at the time of issuance.

A Brightline bond due in 2049 traded Nov. 5 at an average yield of 6.1%, unchanged from trading the previous week and lower than a high of 7.75% in January, according to data compiled by Bloomberg.

Bloomberg Markets

By Romy Varghese

November 9, 2021, 8:15 AM PST

Citi Says Ready to Resume Texas Muni Business After Gun Spat.

- **Halted deals after law sought to bar banks for gun policies**
- **Bank is ‘prepared to resume serving issuer clients in Texas’**

Citigroup Inc. says it’s prepared to restart its public-finance business in Texas after halting the operations in the wake of a new Republican law in the state that sought to bar it and other banks from such work as punishment for restrictive gun policies.

The lender says it’s ready to once again underwrite new municipal-bond deals sold by Texas issuers, potentially marking a major win after it had to stop doing so in September. After being ranked as the biggest underwriter of Texas municipal debt in 2020, New York-based Citigroup has tumbled to eighth place this year.

The halt to its Texas public-finance business came after a state law went into effect that bars government entities from working with companies that “discriminate” against firearm entities or trade associations. The bank has made no substantive changes to its gun policy in response to the new law.

“We elected not to engage in primary market underwriting activity with public sector clients in Texas temporarily while we were working through the certification process, which included submitting a standing letter to the Office of the Attorney General,” the bank said in a statement Tuesday through a spokesperson.

“Having made the certifications required by the new law, we are now prepared to resume serving issuer clients in Texas,” the statement said.

The bank has had conversations with state officials as part of the certification process and is confident that it’s able to resume muni deals, according to a person familiar with the discussions who asked not to be named as the conversations aren’t public.

Resumption Seen Soon

The bank expects that it will be able to resume underwriting in Texas soon, the person said.

The Texas Attorney General’s office didn’t respond on Tuesday to email and phone messages seeking comment on Citi’s announcement.

The state’s law targeted Wall Street banks for wading into the debate over guns in the U.S. Bank of America Corp., JPMorgan Chase & Co. and Goldman Sachs Group Inc. also haven’t underwritten munis sold by the state and its cities, schools, and transit agencies since the legislation took effect. Bank of America and Citigroup are the top two underwriters in the $4 trillion U.S. municipal market.

Citigroup has repeatedly said it can comply with the legislation and that it doesn’t discriminate against firearm entities. In June, the bank said in a blog post that its policy “simply requires our clients to use best practices when selling firearms.”

The Lone Star State is a crucial market for muni business thanks to a growing population that drives infrastructure needs. Texas-based borrowers sold more than $58 billion of municipal debt in 2020, the most of any state after California, according to data compiled by Bloomberg.

In the wake of mass shootings in the U.S., Citigroup in 2018 said it would prohibit retailers that are customers of the bank from offering bump stocks or selling guns to people who haven’t passed a background check or are younger than 21.

The sponsor of the Texas law, Republican state Representative Giovanni Capriglione, has said that policies taken on by Citigroup were an example of the type of company policy that his legislation was targeting.

Citigroup took a key step to restart its public-finance operations in Texas by submitting a letter last month verifying its compliance with the new law.

The bank sent a so-called standing letter to the Texas Attorney General's office, a requirement for banks if they want to do business with Texas and its local governments after the legislation took effect.

Bloomberg Markets

By Amanda Albright

November 9, 2021, 10:03 AM PST Updated on November 9, 2021, 1:25 PM PST

— With assistance by Danielle Moran

[Illinois Projects Surplus But Gaps Come Back Next Four Years.]

- **Fiscal 2022 surplus at $418 million: governor's budget office**
- **Holes in next four years to be smaller than previous forecasts**

Illinois, which has seen a vast improvement in its financial outlook over the last year, expects a bigger surplus this fiscal year and smaller gaps in the next four annual budgets thanks to a quicker than expected recovery in revenues and billions in federal aid.

The state's fiscal 2022 budget surplus will be $418 million, up from an earlier estimate of $88 million, as revenue from sales and income taxes increased more than previously anticipated and after the state taps about $2 billion of its more than $8.3 billion in American Rescue Plan Act funding, according to a report Tuesday from the Governor's Office of Management and Budget. Deficits will return from fiscal 2023 through 2027 but will be smaller than previously expected, according to the report.

"I am committed to building on this significant progress while tackling our remaining fiscal challenges," Governor J.B. Pritzker said in a statement Tuesday. He added that he's focused on working with the Illinois General Assembly to build "long-term fiscal stability for Illinois while ensuring economic opportunity in all of our communities."

Pritzker's budget office is projecting a 2023 shortfall of $406 million, down from $2.9 billion estimated in 2019, and the 2024 deficit was cut to $820 million from $3.2 billion, according to the statement. The state's unpaid bills will drop below $2.75 billion by the end of fiscal year 2022 after topping $16 billion during the state's budget impasse a few years ago.

"It stands on its own how remarkably improved Illinois's budget situation is from all of 12 months ago," Ty Schoback, a senior municipal research analyst for Columbia Threadneedle Investments, which owns Illinois debt as part of $17 billion in muni assets, said in an interview.

Big Turnaround

In November 2020, Illinois was facing the threat of its debt being downgraded to junk after voters rejected a shift to a graduated income tax from a flat rate. Pritzker had championed the move as a way to increase revenue and address the state's structural deficits. At the time, Illinois was headed toward borrowing from the Federal Reserve's Municipal Liquidity Facility for a second time because its penalty for selling debt in the $4 trillion muni bond market surged during the pandemic.

Since then, the state's outlook has dramatically improved. In mid 2021, Illinois received upgrades from S&P Global Ratings and Moody's Investors Service, the first in more than 20 years, while Fitch Ratings boosted its outlook to positive from negative. The state has paid off at least $2.2 billion of the total $3.2 billion it borrowed from the Fed. The extra yield it pays on on its debt compared to 10-year benchmark AAA muni securities has fallen to about 70 basis points from around 300 a year ago.

Schoback gives the state credit for taking prudent steps to improve its credit profile, including reducing its backlog of unpaid bills and interfund borrowing for liquidity. The key for Illinois will be to address longer-term financial pressures, such as its pensions, and building up its rainy day fund in meaningful ways, he said. The state's unfunded pension liability has grown to around $144 billion.

In the report Tuesday, Illinois officials acknowledge that even with "a major sign of critical progress on state finances, and a significant improvement over previous projections for fiscal year 2022," the state has much work to do.

"They have the ability to continue to improve their credit profile and secure further upgrades, but they can't take their foot off the gas," Schoback said. "The market will be receptive to slow and steady, but that trajectory needs to continue."

Fitch Ratings is monitoring the state's progress to "unwind" steps taken during the pandemic such as the Fed loan and inter-fund borrowing, and "real progress" on such items would support an upgrade, said analyst Eric Kim.

The firm has assigned the state's debt a BBB- rating, one step above junk, but sees a positive trajectory given plans to pay down those liabilities and the continuation of "normal decision-making," he said.

An impasse between then Governor Bruce Rauner and state legislators left Illinois without a full budget for more than two years between 2015 and 2017.

"That tone has shifted and if we continue to see that progress where things work in a more normal way, that's a positive rating factor," Kim said in an interview.

Bloomberg Markets

By Shruti Singh

November 9, 2021, 3:09 PM PST Updated on November 10, 2021, 9:59 AM PST

Citi Takes Key Step to Restart Texas Muni Business.

- **Bank said to verify its compliance with new GOP gun law**
- **Citi is said to have sent letter to attorney general's office**

Citigroup Inc. is said to have taken a key step to restart its public finance business in Texas by submitting a letter verifying its compliance with a new state law seeking to punish banks that have taken on restrictive gun policies.

The bank sent a so-called standing letter to the Texas Attorney General's office in October, according to a person familiar with the matter. It is still in conversations with state officials and is not imminently reviving underwriting there, said the person, who declined to be identified because the exchanges are not public.

Such a letter is a requirement for banks if they want to do business with Texas and its local governments after the GOP legislation went into effect Sept. 1.

In order for bond underwriters to work on deals, Assistant Attorney General Leslie Brock said in a Sept. 22 letter to bond counsels that it would require companies to submit a letter verifying that they do not have a practice or policy that "discriminates" against a firearm entity or trade association.

Since the law went into effect, Citigroup hasn't underwritten any Texas municipal-bond sales. The bank has previously said it believes it can comply with the law but has temporarily pulled back as it works through the certification process. Bank of America Corp. and JPMorgan Chase & Co. have also seen their Texas muni business halt after the law.

Law firm Greenberg Traurig, which represents Citigroup, sent a Sept. 3 letter to Attorney General Ken Paxton, a Republican, and Brock, chief of the office's public finance division, to detail the bank's gun policies and explain why it complied with the law. It also warned that the law may violate the First Amendment.

"We are also concerned that Senate Bill 19 may impair First Amendment rights of freedom of speech, assembly, and association," Dale Wainwright, co-chair of Greenberg Traurig's national appeals and legal issues group and chair of the Texas appellate practice, wrote in the letter. "Barring engagements or refusing to approve a bond issuance when a company's contract verification is compliant with the statute may raise such concern."

The letter also touted the bank's history in Texas and its work on municipal-bond deals. Wainwright said the law's "potential repercussions are imminent and substantial." Bloomberg News received the letter on Thursday through a public records request.

The Texas Attorney General's office did not have an immediate comment.

'Unqualified Verification'

The law targeted banks like Citigroup, which in 2018 said it would prohibit retailers that are customers of the bank from offering bump stocks or selling guns to people who haven't passed a background check or are younger than 21.

As part of SB19, companies have to provide written verification that they comply with the terms of the law. In its Sept. 3 letter, Citigroup proposed language that it could include in contracts verifying its compliance. The bank said its policy doesn't discriminate based on a business's status as a firearm entity, and instead discourages certain transactions based on "traditional business reasons."

However in her Sept. 22 letter to all bond counsel, Brock of the attorney general's office said banks should provide a letter making an "unqualified verification" that they comply and that they can't use language detailing what the company understands the law to require.

Citigroup noted in its September correspondence to the AG's office that it has been the leading bond underwriter in the state for the past three years and led the financing of $16.5 billion of bonds funding critical infrastructure from 2018 to 2020.

An appendix included with Wainwright's letter entitled "Citi's Positive Impact In Texas" noted the bank has 8,500 employees in Texas and that it made nearly $4 million in charitable and foundation gifts in the state in 2020.

"The many governmental entities with whom Citigroup is pleased to engage in municipal finance and bond business should not be precluded or otherwise discouraged from continuing or initiating a mutually-beneficial relationship," the September letter says.

Bloomberg Markets

By Amanda Albright

November 4, 2021, 1:44 PM PDT

Citi Tells Texas It Doesn't Discriminate Against Gun Companies.

Citigroup Inc.'s public finance heads told the Texas Attorney General's office in mid-October that they believe the bank could comply with a new Republican-backed law seeking to punish Wall Street banks that have enacted restrictive gun policies.

The bank sent a letter to the office confirming it does not have a "practice, policy, guidance, or directive" that discriminates against a firearm entity or trade association, according to the letter obtained by Bloomberg through a public records request. Such a letter is a requirement for banks if they want to underwrite bonds sold by Texas and its local governments after the legislation went into effect Sept. 1.

The letter was signed by Daniel Tomson and Paul Creedon, co-heads of Citigroup's public finance department. A spokesperson for the bank declined to comment.

"The Office of the Attorney General of Texas may rely on this letter in its review and approval of public securities under Texas law," the letter says. "Should a change occur that renders this letter ineffective, Citigroup, Inc. will notify the Public Finance Division promptly."

Bloomberg Markets

By Amanda Albright

November 5, 2021, 10:10 AM PDT

S&P: Texas Winter Storm Brought Downgrades And Spurred Response Among Public Power And Electric Cooperative Utilities

Key Takeaways

- Last February's storm disruptions of the Texas electricity and gas markets resulted in a significant number of negative rating actions for electric cooperatives and public power utilities.
- Credit deterioration largely stemmed from utilities' having to procure electricity or natural gas in significantly higher-than-usual quantities at extremely elevated prices for almost a week, which led to financial challenges.
- Despite legislative approval allowing securitization of "extraordinary costs" for wholesale purchases, and new Public Utility Commission rules requiring weatherization, uncertainty remains as to additional market reforms that will shield utilities and their customers from recurrences.

- Utilities and the regulator have yet to demonstrate the effectiveness of market reforms, including winterization measures.

[Continue reading.](#)

[Fitch: Hurricane Ida Further Stalls Tepid Job Recovery in Louisiana](#)

Fitch Ratings-New York-02 November 2021: Louisiana's tepid job recovery took another step back last month amid a stagnant September for broader national employment recovery, according to Fitch Ratings in its latest State Employment Tracker.

Its recovery numbers already well behind most other states, Louisiana's job recovery numbers fell by 10.4% month over month due to Hurricane Ida, a Category 4 storm that made landfall in late-August. 'Louisiana's recovery prior to Ida was already a slow 49% of pre-pandemic jobs prior to Ida with roughly 80% of job losses emanating from New Orleans, which bore the brunt of the storm and exacerbated an already bleak picture for the state,' said Senior Director Olu Sonola. However, Louisiana's September declines are largely temporary. High frequency Google mobility data suggests that New Orleans' recovery from Ida improved rapidly in subsequent weeks

Louisiana's performance belied a broader decline nationwide with national employment gains coming in at roughly 197,000 jobs added, a decrease from 366,000 in August and the lowest monthly employment gain since January 2021. Other states that saw declines, albeit more modest ones, were Idaho (5.5%) and Delaware (4.6%).

September had its bright spots with Oklahoma, Florida and Texas leading recoveries on a month-over-month basis increasing by 8%, 6.7% and 6.6% respectively. Texas and Florida are states to watch as they approach 100% recovery. As of September, Texas has recovered 92% of pandemic declines and Florida 84%.

Fitch's latest 'U.S. States Labor Markets Tracker' is available at www.fitchratings.com.

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Puerto Rico Oversight Board Files New Debt Plan.

The revised plan eliminates cuts to public-sector retiree benefits, but changes benefits for working teachers and judges

A federal board overseeing Puerto Rico's bankruptcy this week filed a new plan for restructuring the U.S. territory's debt that preserves pension benefits for retired public-sector employees, a point of contention that had threatened to derail the debt-restructuring deal.

Hearings on the revised plan are scheduled to start Monday in U.S. Bankruptcy Court in San Juan. Puerto Rico's debt adjustment would reduce the island's $33 billion in bonds and other debt to $7 billion in the largest-ever U.S. municipal bankruptcy case.

The oversight board and Puerto Rico's government had been at odds until last week on provisions in the restructuring plan.

The latest version of the plan is in line with a law enacted by the island's government last week. The oversight board and the island's government had been negotiating for weeks over the law, which authorizes the territory to raise new debt on the condition that it makes no cuts to retired government employees' pension benefits.

The new plan takes out cuts to retired workers' benefits that had been in a previous version of Puerto Rico's plan of adjustment.

At the same time, the amended plan keeps language from a previous version that freezes defined-benefit pension plans for working teachers and judges. Under the plan, these employees would get the defined-benefit pensions they have already earned from the government, but their subsequent pension benefits will be defined-contribution plans, meaning the employees will be setting aside money from their paychecks, according to a spokesman for the oversight board.

The amended plan also specifies that there will be no cost-of-living adjustments for judges starting Jan. 1, according to a Wednesday court filing by Natalie Jaresko, executive director of the oversight board.

Republicans Oppose Bill Aimed at Banning Certain Corporate Bankruptcy Strategies November 3, 2021
The bill signed into law last week by Gov. Pedro Pierluisi allows the island to raise new debt needed to complete its restructuring.

Days before the legislation was enacted, the oversight board had asked the bankruptcy judge overseeing the case to delay the start of confirmation hearings, because it was at loggerheads with the legislature over the bill.

The oversight board had agreed to drop the cuts to retiree pension plans in September, but had other objections to the legislation. Last week, Judge Laura Taylor Swain, who is presiding over Puerto Rico's bankruptcy case, ordered the government and the board to enter into negotiations along with a court-appointed mediator. Last week, the oversight board announced that it had reached agreement with Puerto Rico's government over the new legislation.

The Wall Street Journal

By Soma Biswas

Updated Nov. 5, 2021

Puerto Rico Bankruptcy Tab Nears $1 Billion As Case Nears End.

- **Judge Swain begins confirmation hearings on debt plan**
- **Island seeking to cut $22 billion of bonds to $7.4 billion**

Puerto Rico is making its case in bankruptcy court for a plan to slash billions of dollars in debt, an expensive process that has so far racked up nearly $1 billion in legal and professional fees that island residents will pay.

Hurricanes, earthquakes, ousting a governor from office and the coronavirus pandemic have prolonged the commonwealth's bankruptcy to more than four years, adding to its costs and keeping the island under a cloud of default.

Continue reading.

Bloomberg Markets

By Michelle Kaske and Steven Church

November 8, 2021, 4:00 AM PST Updated on November 8, 2021, 8:29 AM PST

Chicago Police Pension Costs Seen Swelling With Proposed Law.

- **Measure could add $3 billion to cost through 2055: Chicago CFO**
- **Legislation would boost cost-of-living hikes for younger cops**

Chicago's police pension obligations could increase by another $3 billion total through 2055 if the state of Illinois passes a proposed law designed to force the city to acknowledge its probable liabilities for annual pay increases to retirees.

Illinois State Senator Robert Martwick is preparing to push legislation in 2022 to change eligibility restrictions for cost of living adjustments for police retirees, saying current law understates the impact of those costs. The new law would bring rules for police in line with firefighters, and make the city's future costs more transparent, he said.

"It's making the unfunded liability reflect what the actual numbers are," Martwick said in an interview regarding the bill he's pressing for. "That will require the city to put in the necessary payment."

Chicago officials oppose the measure, calling it a burden. The extra liabilities added would be "unaffordable," said city Chief Financial Officer Jennie Huang Bennett.

"It is something that we are very concerned about and monitoring very closely," Bennett said in an interview regarding the legislation. The police cost of living adjustment "would be very expensive for the city."

The legislation would remove a requirement that police retirees be born before 1966 to be eligible for a 3% automatic annual increase in payments. Martwick says the state legislature repeatedly has made the required birth date later to include more retirees, meaning the actual costs for Chicago end up being higher than expected.

‘Sizable’ Shortfall

Underfunded pensions are a problem for city and state governments nationwide. But the shortfall is particularly acute in Chicago.

Overall, the city has about $33 billion of unfunded liabilities across four pension funds for police, firefighter and other municipal workers, after years of inadequate contributions. That’s an amount nearly twice as large as the $16.7 billion fiscal 2022 budget that the Chicago City Council passed last month.

Moody’s Investors Service rates the city’s debt as junk largely because of what it calls an “extremely sizable unfunded pension liability.” Chicago is trying to fix the problem by boosting contributions and finding new sources of revenue. It’s also getting large amounts of federal aid.

S&P Global Ratings and Fitch Ratings, which give the city investment-grade ratings, have both recently changed their medium-term outlooks for the city’s grades to “stable” from “negative” after Moody’s took a similar step in July. They have all cited the easing of pandemic-related pressure.

Firefighters’ Version

Earlier this year, Martwick successfully supported a similar measure for the city’s firefighter pension plan, which was passed by the state legislature and then signed into law by Governor J.B. Pritzker in April.

In April Pritzker said he signed the legislation because it “gives all firefighters certainty and fair treatment.” The pending sale of the James R. Thompson Center, which houses Illinois government offices, should return the state building to property tax rolls and generate $45 million annually that would be partly shunted toward added pension costs, he said in April.

Chicago Mayor Lori Lightfoot staunchly opposed the measure, saying the change would increase the city’s liability by more than $800 million through 2055. In January 2021, Lightfoot called it an “irresponsible piece of legislation” that would “pass on a massive, unfunded mandate to the taxpayers of Chicago at a time when there are no extra funds to cover this new obligation.”

The city’s total retirement contributions for fiscal 2022 will increase to $2.3 billion across its four funds, a jump of about $460 million from 2021. To help pay for retirement costs, the city is currently reviewing bids for a casino in Chicago, and plans to use tax revenue from the gambling for police and fire pensions. The deadline for bids was last week, and Lightfoot’s administration would like to recommend a finalist to the Illinois Gaming Board in the first quarter, the mayor said Friday in response to questions from a reporter.

Martwick said in early 2022 he will request a committee assignment for the proposed legislation that he originally introduced in February, as a first step before it potentially heads for a floor vote. If the Illinois General Assembly approves the legislation, it would head to the governor’s desk for his signature.

The legislature is adjourned until January and would review assignments of committees for proposed bills closer to the return of session, John Patterson, a spokesman for Illinois Senate President Don

Harmon, said in an email.

"We don't do analysis on bills that don't move, so we don't have a stance on this one," Jordan Abudayyeh, a spokeswoman for Pritzker, said in an email noting the bill does not have co-sponsors or a committee assignment.

The Illinois Municipal League, which represents towns all over the state, opposes the proposed bill because it would be a mandate that results in less money for other Chicago city services and operations, Brad Cole, the group's executive director, said in an email.

The city's pension burdens weren't created by Lightfoot and took decades to mount, Martwick said. Mayors historically have wanted to provide the benefits without putting the money in, he said.

"That's a bad equation," Martwick said.

Bloomberg Markets

By Shruti Singh

November 5, 2021, 8:47 AM PDT Updated on November 5, 2021, 1:47 PM PDT

Fortress Firm Plans to Sell $1 Billion of Debt for Florida Train.

- **Brightline has already sold $2.7 billion of tax-free bonds**
- **Service suspended because of pandemic set to resume Nov. 8**

Brightline Holdings, the Florida luxury rail company backed by Fortress Investment Group, wants to sell an additional $1 billion of tax-exempt private activity bonds primarily to finance its Miami to Orlando line.

The company, which has already sold $2.7 billion of debt for the $6 billion project, plans to seek formal authorization from a Florida agency needed to access the financing within a "couple weeks" and market the bonds shortly afterward, said Chief Executive Officer Michael Reininger by phone Thursday.

The issuance will be the last such financing for the line, he said.

The country's first new privately financed intercity passenger rail in a century, launched in 2018 along Florida's east coast, missed passenger and revenue forecasts even before the onset of the Covid-19 outbreak. But over recent months, the company has notched several wins to boost ridership, such as reaching an agreement with Walt Disney World Resort to develop a station on its property. Brightline is also working on commuter rail initiatives with Miami-Dade and Broward counties.

Fees from those commuter partnerships would be collateral for the new debt, Reininger said. The company also plans to allocate about $100 million from the sale's proceeds to cover the interest to bond holders through January 2023.

"We think it's going to be attractive for the bond market," Reininger said.

The train, which was suspended in March 2020 because of the pandemic, is set to resume service between Miami and West Palm Beach on Nov. 8. Construction on its Orlando expansion is expected to wrap up by the end of next year.

Municipal-bond investors have welcomed the developments. A bond due in 2049 traded Oct. 28 at an average yield of 6.1%, compared with a high of 7.75% in January, according to data compiled by Bloomberg.

Of the $1 billion in proceeds, $740 million would go to costs for the Miami to Orlando line and $20 million to preliminary work on extending the train to Tampa, Reininger said.

Bloomberg Markets

By Romy Varghese

November 4, 2021, 2:54 PM PDT

How the Failed Arena Bond Measure Shows Denver's True Priorities, According to Activists.

As the results started trickling in Tuesday night, election night in Denver, one ballot measure's numbers weren't looking good to Mayor Michael Hancock and his supporters.

It started to look like, for just the second time since 1982, Denver voters were going to reject issuing municipal bonds to pay for a city project the mayor had personally supported.

Early returns showed voters rejecting Referred Question 2E, which would have allowed the city to borrow $190 million in municipal bonds to build a new arena at the National Western Center in Elyria-Swansea and make renovations to another building on the site. It was one of five measures comprising a $450 million bond package dubbed RISE Denver.

Continue reading.

denverite.com

by Esteban L. Hernandez

Nov. 4, 2021

S&P: How The Western States Plan Is Critical To Ratings As Colorado River Flows Slow To A Trickle

Key Takeaways

- Drought, aridification, and climate change are expected to reduce Colorado River water allocations to record lows for the foreseeable future, necessitating significant changes to how the western states use, store, and conserve water.
- Drought and water scarcity could pressure issuer financial margins, supply adequacy, rate affordability, and growth prospects if not properly managed.

- Stress testing suggests the sector is well positioned to weather the growing environmental risks related to drought cycles.
- We predict that issuers who are not already planning for severe water scarcity will face greater rating pressure.

Continue reading.

18 Oct, 2021

S&P U.S. Local Governments Credit Brief: California Counties And Municipalities

Overview

California counties and municipalities (or local governments [LGs]) have demonstrated stable credit quality through the pandemic, and S&P Global Ratings expects credit quality for California LGs to remain stable in the near term. The stability is supported by growing property tax bases, strong budgetary performance, and very strong financial flexibility.

S&P Global Ratings maintains ratings on 252 LGs within the state. Overall, LG credit quality remained stable, with 6.7% experiencing rating movement since January 2020. During this period, California LGs had 12 positive rating movements and five negative rating movements on general obligation or general fund-secured bonds. Additionally, at 96%, the majority of the ratings have a stable outlook, while 1% have positive and 3% have negative outlooks.

Continue reading.

Fitch: Environmental Costs Increase for California Public Power Utilities

Fitch Ratings-New York/Austin/San Francisco-26 October 2021: California public power utilities face increased costs as a result of extreme drought conditions that have reduced hydroelectric generation and increased wildfire risk, Fitch Ratings says. Public power utilities have taken actions to shore up their financial resilience in light of recurring droughts, including fortifying cash reserves and adopting automatic rate adjustors. Our report Drought and Wildfires Increase Costs for California Public Power Utilities notes credit quality is not expected to be affected, but utilities with already high operating cost burdens may see negative credit pressures.

Hydroelectric generation is expected to be 49% lower this year than last year according to the US Energy Information Administration, forcing utilities to purchase natural gas to meet power demands. Gas prices recently reached a seven-year high. Northern California utilities rely heavily on hydroelectric generation sources and are the most affected by higher purchased power costs. These utilities may implement higher retail electric rates and/or see reduced financial margins.

The drought exacerbated this year's wildfire season, which is set to exceed last year's record-setting season. A utility can be held financially liable for wildfire damage if its equipment is determined to have sparked a wildfire, even if lines were maintained in accordance with industry best practices and the utility is not found to have acted negligently, according to California's application of inverse condemnation. Utilities are spending increased amounts annually on wildfire prevention efforts and mitigation plan development and compliance.

The pace of clean energy regulation is more rapid in California than most other states, and investments in transmission and other new technologies to comply are also contributing to utilities' increased operating costs. California utilities have a higher operating cost burden,15.1 cents/kWh in 2020, than the average of 10.32 cents/kWh across Fitch's national portfolio of public retail electric utilities.

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The above article originally appeared as a post on the Fitch Wire credit market commentary page. The original article can be accessed at www.fitchratings.com. All opinions expressed are those of Fitch Ratings.

Los Angeles Turns Supply-Chain Mess Into Biggest Covid Rebound.

The area's employment growth and performance in the stock market has topped its U.S. peers.

America's shortage of labor, products and services — provoked by Covid-19's disruption of the global economy — has a platinum lining in Los Angeles.

Obscured by unprecedented supply-chain bottlenecks, California's largest city and No. 2 in the U.S. after New York, has no peers unloading, processing and transporting the nation's imports from its two busiest ports. Being the supreme gateway for U.S. trade helps make the Southern California area of about 630 square miles (Los Angeles, Long Beach and Anaheim) the fastest-growing labor market among the five largest American metropolises during the past year and perennially No. 1 for factory workers, according to data compiled by Bloomberg.

Continue reading.

Bloomberg Opinion

By Matthew A. Winkler

October 20, 2021, 2:00 AM PDT

Puerto Rico Bankruptcy Judge Orders Monday Call on Debt Plan.

- **Judge Swain seeks status of debt plan after bond bill stalls**
- **Legislation is needed to restructure debt and leave bankruptcy**

The judge overseeing Puerto Rico's record bankruptcy ordered Governor Pedro Pierluisi, the island's political leaders and its financial oversight board to participate in a conference call Monday after lawmakers failed to enact legislation to restructure the commonwealth's debt.

Confirmation hearings set for November on the oversight board's debt restructuring plan will remain in place pending completion of the call, U.S. District Court Judge Laura Taylor Swain said in her order Friday.

The purpose of the conference is for the parties to explain the status of the debt restructuring plan "and any alternative measures in light of the absence of the contemplated legislation," Swain wrote.

The oversight board on Thursday said it would ask the court to delay the planned November hearings if island lawmakers failed to enact a bond bill by 2 p.m. ET on Friday that authorizes the commonwealth to sell new restructuring bonds. The legislation is a key step in getting Puerto Rico closer to exiting its more than four-year bankruptcy.

The commonwealth's debt adjustment plan seeks to resolve $33 billion of bonds and other debt. It's the largest bankruptcy in the municipal bond market and already has been delayed by natural disasters and the coronavirus pandemic.

Puerto Rico's Senate on Thursday failed to round up the necessary 14 votes to pass the bond bill after the House of Representatives approved the measure on Tuesday. Pierluisi supports the legislation.

Swain's order included the participation of Senate President Jose Dalmau and Rafael 'Tatito' Hernandez, Speaker of the House of Representatives.

The Senate's lack of votes for the bond bill prompted a comment on the issue Friday from Popular Inc., the island's biggest bank by both assets and deposits.

"Failure to approve legislation to enable the debt adjustment plan could jeopardize the ongoing economic recovery of Puerto Rico," Ignacio Alvarez, Popular's president and chief executive officer, said in a statement Friday. "While not perfect, we believe approving the plan is in the best interest of Puerto Rico."

Bloomberg Markets

By Michelle Kaske and Jim Wyss

October 22, 2021, 4:00 AM PDT Updated on October 22, 2021, 11:32 AM PDT

Texas Showdown Shows Limits of Seeking Gun Control through Banks.

We now have the first measurable results of the campaign to use major banks' market power to curb the US gun trade. When faced with a legal counter-attack from the Republican-controlled state of Texas, the anti-gun movement appears to have been unsuccessful.

Back in early 2018, public outrage following a series of mass shooting incidents in the US, including one at a Parkland high school, led to activist demands for the financial industry to cut off support for the gun trade.

At the time, the National Rifle Association, the largest US gun lobbying group, was facing accusations of financial mismanagement that ultimately led to an investigation by New York State authorities and a bankruptcy proceeding. Anti-gun activists had reason to believe it was a good moment to strike.

At first, the activists made progress. By March 2018, Citigroup had announced that it would require retailers who were clients of the bank not to sell firearms to customers under the age of 21, and to cease the sale of devices "that increase the firing rate of semi-automatic firearms". Shortly after, Bank of America said it would halt lending to manufacturers of "military-style" weapons.

JPMorgan Chase was a bit slower to react to the mass-shooting revulsion, but this year chief executive Jamie Dimon told Congress that the bank would also no longer finance the makers of military-style weapons. Goldman Sachs made a similar commitment. Others, such as Morgan Stanley, made more equivocal pledges to step back from the gun trade.

There were, however, banks who have held back on restricting support for the firearms and ammunition trade. Among the largest are Wells Fargo and Barclays' US bank.

As I have noted in the past, the consumer end of the gun making industry in America is a highly fragmented, low-tech metal bending trade. On past form it is more likely to be a source of bankruptcy attorneys' fees than profit growth for its lenders.

But more than a third of Americans say they own guns. When gun owners are asked why they own a firearm, they most frequently cite personal safety or defence. Less than half say they bought a gun for hunting.

Gun buying does track political identification. According to a Pew Research public opinion survey, 44 per cent of Republicans and Republican-leaning independent voters say they own a gun, in contrast to only 20 per cent of Democrats or Democrat-leaning independents.

Politicians paid attention. Democrats in Republican-leaning states, such as Joe Manchin in West Virginia, and populist Republicans such as Marjorie Taylor Greene of Georgia have made campaign videos showing them shooting guns at copies of locally unpopular legislation or exploding targets.

Texas Republicans, whose control of the state government has become shakier in recent years, have fastened on the anti-mass shooting movement as a useful foil.

In June, the Texas legislature passed into law Senate Bill 19, which prohibits state contracts with companies that "discriminate against the firearms or ammunition industries". This included the major banks' limitations on doing business with the gun trade, and "state contracts" included the underwriting of municipal bonds.

Texas is the third-largest municipal bond issuer (after California) in the US, with over $408bn in total outstanding public debt. This was a major test for the anti-gun campaigns.

Yet Bill 19's language is ambiguous and an underwriter might find hairsplitting ways to get around its stated purpose. Nevertheless, JPMorgan, Bank of America, Citigroup, Goldman and others pulled back from underwriting Texas muni bonds after the law went into effect on September 1.

What happened when Texas re-entered the bond market after the return from the summer holidays? Hardly anything. By the third week of October, the state had issued $730m of new bonds, which were underwritten by lower-tier banks and dealers.

While October was a difficult month generally for the municipal market, according to CreditSights, an independent analytics firm, the yield on the state's AAA bonds hovered around 1.41 per cent, just 0.17 percentage points higher than the benchmark ICE BAML Municipal Bond Index.

As one municipal dealer says: "The smaller dealers got excited for a hot second, but that was it. The state government made a move that seemed congruent with its population's sentiments."

The thin results of the anti-gun campaign in the banking industry show the limits of creative fixes for divisive issues marked by deep social fears and political tribalism.

PublicWire

October 30, 2021

Puerto Rico Board Ends Spat That Threatened Restructuring.

- **Oversight board says bond law allows for debt restructuring**
- **Board decision ends need for mediation with lawmakers**

Puerto Rico's debt restructuring plan can move forward as a new law that allows the island to sell bonds was cleared by the commonwealth's financial oversight board, resolving an impasse that threatened to derail the largest bankruptcy case in the municipal-market's history.

The board announced in a statement Thursday morning that the bond bill was acceptable for the debt restructuring. The decision allows both sides to skip mediation talks planned for this week to try and hash out a compromise on disagreements over changes to public worker pensions.

Puerto Rico's bankruptcy case was at risk of being tossed out. U.S. District Court Judge Laura Taylor Swain warned the parties during a hearing Monday that she may be forced to consider dismissing the bankruptcy if the commonwealth didn't have a debt restructuring plan that she could confirm promptly.

"I am relieved and pleased that we are back on track and can move forward with the plan of adjustment to end Puerto Rico's painful bankruptcy," David Skeel, the board's chairman, said in a statement Thursday. "This plan reduces Puerto Rico's debt to sustainable levels and its confirmation will provide a foundation for sustainable economic growth."

Bondholders, creditors and bond insurance companies have negotiated with the board for years to reach agreements on how to reduce Puerto Rico's obligations. The debt restructuring plan would help resolve $33 billion of bonds and other debt, including cutting $22 billion of bonds tied to the central government down to $7.4 billion.

Trades Up

Prices on some Puerto Rico securities jumped following the board's decision. General obligation bonds maturing in 2035 with an 8% coupon changed hands Thursday at an average 87.5 cents on the dollar, up from 86.1 cents the day before, according to data compiled by Bloomberg.

The board late Wednesday told the court in a filing it supports the confirmation of the debt adjustment plan, which also addresses more than $55 billion of unfunded pension liabilities. Swain is set to begin confirmation hearings on that debt cutting proposal on Nov. 8.

"Let there be no illusions," the board said in the court filing late Wednesday. "The people and the creditors have each suffered serious losses. The plan does not restore everything lost. But, the plan and the fiscal plan measures preceding it and following it, can enable the commonwealth to provide much brighter futures."

Governor Pedro Pierluisi signed the bond bill into law late Tuesday after both legislative chambers approved the measure earlier that day.

"Puerto Rico is on the way to recovery," Pierluisi said in a statement Thursday. "The wise decision to go ahead with the confirmation of the debt adjustment plan to make the debt restructuring of the government of Puerto Rico viable is a great step towards the promising future of Puerto Rico."

The board and lawmakers had clashed over potential changes to pensions for public workers. The board has proposed freezing the pension benefits that current teachers and judges would receive once they retire, a change that lawmakers oppose.

A dismissal of Puerto Rico's bankruptcy would be an expensive failure for the commonwealth. Since the island's bankruptcy started in May 2017, lawyers, accountants and other financial professionals working on the case have billed commonwealth taxpayers more than $960 million for their work.

Bloomberg Politics

By Michelle Kaske

October 28, 2021, 7:18 AM PDT Updated on October 28, 2021, 10:07 AM PDT

— With assistance by Steven Church

Minnesota Charter School Loses $4.3 Million on Hedge-Fund Bet.

- **Founder of Hmong College Prep Academy resigned Monday**

- **St. Paul, Minnesota, school has $70 million in muni debt**

The founder and superintendent of a St. Paul, Minnesota, charter school with about $70 million in municipal debt resigned a week after the state auditor found the school lost $4.3 million in an improper hedge-fund investment.

Christianna Hang, superintendent of the Hmong College Prep Academy, resigned Monday at a special board meeting.

The departure came after the K-12 charter school drew attention for losing almost all of the $5 million it invested with Woodstock Capital LLC, a New Jersey-based hedge fund, in 2019. The investment wasn't permissible under state law and conflicted with the school's policy, according to a Oct. 18 report by state auditor Julie Blaha.

Hang didn't respond to a message left with the school. Clark Reiner, managing partner of Woodstock Capital, didn't immediately return a call seeking comment.

Charter school bonds are among the riskiest in the municipal market because of the chance that they will shut down if enrollment or academic performance falters. Charter schools receive public funding based on how many students enroll but are operated independently.

About $200 million of $26.3 billion of municipal debt issued for charter schools is currently in default, according to data compiled by Bloomberg.

Hmong College Prep Academy issued $43.3 million of bonds in 2016 and another $26.1 million in 2020 to finance the renovation and expansion of the school, which educates about 2,400 students. The debt is rated BB+ by S&P Global Ratings Inc., one step into junk. Hmong College Prep Academy operates under a charter contract with Bethel University, which oversees the school.

Nuveen LLC was the largest holder of the school's debt as of Sept. 30, with about $33 million, according to data compiled by Bloomberg. Jessica Greaney, a Nuveen spokeswoman, didn't immediately respond to an email requesting comment.

Woodstock, the hedge fund, provided a letter to the school indicating the money would be invested in safer, more liquid instruments such as U.S. Treasuries, according to the school's 2020 financial statement. But when the the school sought to withdraw its funds at the end of 2020, it discovered the value of the investment had plummeted. Minnesota law prohibits the investment of public funds in private equity partnerships or hedge funds.

Hmong College Prep Academy has sued Woodstock and Reiner, the managing partner, alleging they fraudulently induced the school to invest.

Hmong College Prep Academy had about $14 million in cash and investments as of June 30, 2020, according to its financial statement. The school was able to recover $684,762 of its $5 million investment. Woodstock hasn't provided an accounting of its investment activity, according to the financial statement.

In an Aug. 30 letter to the academy, Bethel University said it had "great concern" related to the management of the school's finances, governance and legal compliance. Bethel called on the school to fire the superintendent, hire an outside financial consultant and create a a chief financial officer position to remove financial responsibilities from the superintendent. Bethel also recommended that the school be led by someone without any ties to it.

Bloomberg Markets

By Martin Z Braun

October 26, 2021, 11:11 AM PDT

Virginia Beach Confronts Inescapable Costs of Rising Seas.

VIRGINIA BEACH, Va. (AP) — Voters in the sprawling coastal city of Virginia Beach will decide whether to approve one of the larger municipal bonds in the U.S. that would be used to protect against rising seas and intensifying hurricanes.

If it passes Tuesday, the $568 million would fund anything from elevating roads to closing a 100-acre city golf course to collect stormwater.

If it fails, economists said the city could lose billions of dollars in the next half-century as recurrent flooding inundates roads, businesses and homes.

The referendum underscores the mounting costs of adapting to climate change for U.S. cities. However, it will also be a measure of Americans' willingness to approve such bonds as more communities seek funding.

"I'm not confident that it will pass," said Virginia Wasserberg, whose Virginia Beach home was among 1,400 houses and businesses flooded by heavy rains from the remnants of Hurricane Matthew in 2016.

Wasserberg, 41, is a conservative Republican who home-schools her children and supports the bond. She's campaigned for more flood protections ever since her neighborhood's drainage systems were overwhelmed by weeks of rain that culminated with Matthew.

Homes that are miles from the city's beaches on the Atlantic Ocean and Chesapeake Bay were inundated for the first time. Wasserberg said she and her family fled to the second floor and called 911 — only to be told that responders couldn't reach them.

"I like to say it took a disaster to wake me up," Wasserberg said.

Voter approval is far from guaranteed in this city of nearly half a million people, which some political observers said can lean libertarian. If the bond passes, property taxes would rise by $115 to $171 a year for a home of median assessed value, city officials said.

The need for money to protect communities against climate change is growing across the globe, particularly in the world's poorest countries. It will be an area of discussion at an upcoming UN Climate Change Conference, which starts Sunday in Glasgow.

In the U.S., 26 percent of ZIP codes are "highly exposed to floods," according to Moody's ESG Solutions, which tracks climate risks and sustainable finance.

"As climate change becomes a greater threat, more governments will focus on climate adaptation and resilience projects," said Matt Kuchtyak, the group's vice president of outreach and research.

Several cities have already approved significant bonds. For instance, Miami residents voted in 2017 to fund a $400 million bond, nearly half of which would pay for such things as storm drain upgrades and sea walls.

San Francisco voters passed a $425 million bond to pay for the first phase of strengthening a sea wall that protects against earthquakes and rising oceans. The same year, Houston-area voters supported $2.5 billion in bonds for flood-control projects in the wake of Hurricane Harvey.

Bonds could emerge as the principal vehicle for funding, said Richard Wiles, executive director of the Center for Climate Integrity, which argues that oil companies should cover such costs because of fossil fuels' link to climate change.

"None of these cities has hundreds of millions of dollars hanging around," Wiles said, adding Virginia Beach has proposed one of the biggest bonds.

The city could prove to be an interesting testing ground.

A 2021 telephone survey of 400 residents found just more than half were willing to pay more in taxes for flood-protection projects, according to a report by Old Dominion University. However, half also agreed people who do not experience flooding on their properties should not have to pay for such projects.

And yet, the land in Virginia Beach is sinking and the seas are rising at an alarming rate. Since 1960, sea levels have risen by nearly a foot. And they're likely to rise by 1.5 feet to 3 feet over the next half-century.

Much of Virginia Beach sits on low coastal plains. Water can drain slowly into tidal rivers and tributaries, sometimes with nowhere to go during heavy rains and high tides.

The bond-funded projects could help the city avoid up to $8 billion in losses to flooding as well as associated economic impacts in the coming decades, according to the Old Dominion University report. The losses are equivalent to about a quarter of Virginia Beach's gross domestic product — or its total output of goods and services.

"As flooding becomes more prevalent, insurers will raise premiums, refuse coverage and at some point exit Virginia Beach entirely," economics professor Robert McNab said. "Businesses will have more difficulty in moving goods to market and, of course, residents will have more problems moving around the region."

John Moss, a city councilman who's been a large force behind the referendum, said Virginia Beach could still complete the flood-protection projects if the referendum fails. However, he said it would take 25 years instead of about a decade.

And even if the bond passes, the projects will make up about a third of what's needed overall protect to against 1.5 feet of sea-level rise, Moss said.

"It's a big ask," Moss said of the bond. "But the threat is real."

News Tribune

Oct. 29 2021

Puerto Rico House Passes Bond Bill to Restructure Debt.

- **Senate has yet to vote on the measure, set to meet on Thursday**
- **Legislation needed to help get Puerto Rico out of bankruptcy**

Puerto Rico's House of Representatives approved a bill late Tuesday that allows the commonwealth to issue new bonds to replace existing debt and cut its obligations, a key step that moves the island closer to resolving its record bankruptcy.

The Senate failed to take up the measure on its floor, as that chamber works to garner sufficient votes to pass the legislation, Rafael "Tatito" Hernandez, Puerto Rico's speaker of the house, said in a telephone interview.

"It's always an issue of votes in every deal in the House and Senate because we don't have a supermajority," Hernandez said. "So we have to make deals. That's the way to do things."

The legislation is needed so the commonwealth can execute a debt restructuring that will slash $33 billion of debt, including $22 billion of bonds, to $7 billion. The bill, which has Governor Pedro Pierluisi's support, stipulates that Puerto Rico's financial oversight board must remove a proposed 8.5% cut to some public-worker pensions from its debt restructuring plan, a major concession the panel agreed to last week to get island lawmakers to vote for the restructuring bonds.

The island's legislature is under deadline to approve the bond bill as U.S. District Court Judge Laura Taylor Swain is set to hold confirmation hearings next month on the board's debt adjustment plan.

The Senate is set to reconvene on Thursday and could take up the bond bill then. Senate President Jose Dalmau will need to round up the necessary votes.

"Let him do his magic," Hernandez said about Dalmau's vote hunt. "Let him do his stuff."

Still, the more lawmakers tinker with the legislation, the greater the risk that the oversight board could determine that the bill fails to comply with Puerto Rico's multi-year fiscal plan, which aims to keep spending in line with revenue collections.

The board has contemplated asking the court to authorize new bonds if Puerto Rico lawmakers fail to approve the new securities, a rare move in the $4 trillion municipal-bond market. State legislatures and local elected officials tend to authorize borrowings.

While the board has agreed to remove pension cuts from the debt plan, Swain may still require reductions to retirement benefits, according to the oversight board.

Pierluisi expressed his support for the bond bill during a press conference in San Juan on Tuesday.

"We will be able to leave the bankruptcy behind, which is a dark cloud over Puerto Rico," Pierluisi told reporters.

Puerto Rico has been in bankruptcy since May 2017 after years of borrowing to cover budget gaps and population decline.

Bloomberg Markets

By Michelle Kaske

October 19, 2021, 8:37 PM PDT

[S&P U.S. Local Governments Credit Brief: Minnesota Cities, Counties, And Schools]

Overview

As the COVID-19 pandemic continues, the ratings on Minnesota local governments rated by S&P Global Ratings have mostly remained resilient, driven by largely stable property tax bases, balanced budgets, and very strong reserves and liquidity.

S&P Global Ratings maintains ratings on 326 cities, 64 counties, and 122 school districts in Minnesota as of Sept. 30, 2021. Overall, local government credit quality in the state remained stable despite the COVID-19 pandemic, as most entities do not have outsized reliance on economically sensitive revenue, and most responded preemptively by managing their revenue expectations and expenditures.

Only 10% of the rated issuers experienced rating changes as of January 2020 through Sept. 30, 2021. During this time, 2% of Minnesota local governments had positive rating actions and 8% had negative rating actions on their issuer credit ratings or general obligation bonds. Most of the ratings, 96%, have a stable outlook.

Most downgrades resulted from weakened economic measures and concentration, deteriorating budget performance, and weakened budgetary flexibility. In some cases, financial deterioration was exacerbated by weakened management controls. Weak to very weak debt burdens also contributed to diminished flexibility and credit deterioration. While upgrades were not common, they were mainly attributed to sustained economic and financial improvement.

Continue reading.

21 Oct, 2021

A Pioneering Environmental Impact Bond for DC Water (Updated)

In September, the DC Water utility repaid an Environmental Impact Bond in full with no penalty. When we first covered it in 2017, the bond was a novel approach that priced and sold the risk of green infrastructure performance to investors. If the utility's new green-infrastructure pilot project didn't reduce sewage in public waterways by a critical threshold, investors would send roughly $3 million back to DC Water. And if it beat that threshold resoundingly, investors would earn a premium.

Abby Martin, who wrote the article heralding the bond, now works in fundraising consulting and has watched its success from afar. Catching up with CFN last week by Zoom, she reflected that the project became a "transferable" example for cities with risk-averse financial managers who wanted to support experimental conservation approaches. Indeed, Quantified Ventures, which helped structure the bond, now reports oversubscribed environmental-impact bond offerings in Buffalo, Atlanta, and elsewhere.

We also caught up with Quantified Ventures' president Eric Letsinger, who spoke of the project's promise in the article we're reposting here. Looking back, Letsinger sees "the number one overlooked benefit" of the bond's structure in its power to control the project's total cost of ownership. Bondholders paid for measurement and monitoring, he stressed, which freed engineers to observe and adjust to reach the systematic improvements they sought. "In municipal government, we pay for everything up front, don't invest in rigorous prediction and don't report out, and then when a project is over it becomes an advocacy effort for some to say hey, that was a wild success and somebody else to say it was not."

As more cities face annual weather catastrophes and changing climates, green infrastructure must prove effective to compete alongside gray infrastructure investments. DC Water's repayment of the Environmental Impact Bond is a proof point in predicting and pricing performance risk and measurement, and an important signal for utility engineers and investors alike.

This article first ran on January 2, 2017.

District of Columbia Water and Sewer Authority (DC Water) has created an innovative municipal bond that covers the downside risk of using green infrastructure to control stormwater runoff. Compared with conventional gray infrastructure, green options have a shorter performance record and are more difficult to model. However, they are often cheaper and offer visible community benefits.

If this bond package is successful, it could change the perception of green infrastructure as a risky, unproven option for managing stormwater. This might encourage water and sewer agencies to adopt green infrastructure techniques more widely.

Facing pressure from a federal consent decree to clean up its waterways, the city is looking for innovative ways to control urban runoff. But, like many government agencies, DC Water hopes to avoid bearing the full cost of any failed experiments.

DC Water's solution is the nation's first Environmental Impact Bond (EIB), which links financial payouts with environmental performance. The $25 million tax-exempt EIB, which was sold privately to Goldman Sachs and the Calvert Foundation in September 2016, will fund a pilot green infrastructure project within DC Water's Clean Rivers Project. The $2.6 billion, 25 year-old project is the city's effort to improve water quality to comply with its consent decree.

Why Is Infrastructure Being Created?

Like around 770 other communities in the United States, Washington, DC relies on a combined sewer system that mixes stormwater and sewage into the same pipes. Wet weather can overwhelm DC Water's one treatment plant, forcing discharges of raw sewage into local rivers. The Clean Rivers Project works to reduce these combined sewer overflows with massive underground tanks that will hold effluent until the plant has treatment capacity.

More recently, the city has also explored adding green infrastructure like rain gardens and permeable pavement as a first line of defense in preventing stormwater runoff from entering the system. Green infrastructure offers more visible community benefits at a lower cost than the concrete-intensive gray infrastructure of DC's planned holding tanks. However, green infrastructure is less proven compared to the gray alternative, said DC Water's CFO, Mark Kim.

In early 2016 the Environmental Protection Agency signed off on DC Water's modification of its original stormwater control plan, which relied solely on gray infrastructure. The change included more green infrastructure. The modification package allows DC Water to eliminate one of three massive tunnels and redesign another, Kim said, replacing gray infrastructure capacity with approximately 300 acres and over $90 million of green infrastructure. The modification represents significant potential savings, as well as substantial risk.

How Is the Risk Being Quantified?

Although the performance of traditional gray infrastructure is straightforward to model and measure, green infrastructure is less predictable and measurable.

Performance of a green infrastructure installation depends on that site's particular climate, soils, vegetation, and a host of other factors, said Eric Letsinger, president of Quantified Ventures, the firm that helped analyze the risk of the EIB. And measuring water absorbed into soils across a city is much more challenging than gauging flow through sewer mains.

Successes in other cities, or even elsewhere in DC, would not guarantee that DC Water's large-scale green infrastructure will meet EPA-mandated performance goals, Kim said.

To help address these issues, the agency is building a pilot green infrastructure installation that channels all water from its site into a single, gauged outflow pipe to enable accurate performance measurement. The agency has conducted 12 months of baseline stormwater runoff measurements at the site. These will be compared with 12 months of runoff measurements after the green infrastructure is installed.

The EIB effectively insures DC Water against extreme underperformance. Kim said the operational risk of these natural systems is problematic. "The agency's performance depends on our green infrastructure success. We are planning to spend north of $100 million on green infrastructure – and we can't afford to make a $100-million mistake."

The innovation within the EIB, Letsinger and Kim said, is DC Water's packaging and selling of the performance risk for its green infrastructure program.

Using water-modeling software, DC Water calculated that its green infrastructure installation would reduce stormwater runoff by about 30 percent. A Monte Carlo simulation, a modeling technique that calculates a range of possible outcomes and the probability that each outcome will occur, helped Quantified Ventures calculate the risks inherent in the project's performance.

Three tiers of performance help DC Water finance the most extreme project outcomes. The agency has conducted 12 months of baseline stormwater runoff measurements at the site. These will be compared with 12 months of runoff measurements after the green infrastructure is installed.

If the green infrastructure reduces runoff as expected in 95 out of 100 iterations, the EIB will function like a conventional 30-year municipal bond. Investors will receive the stated 3.43-percent coupon rate and the principal at maturity. This rate is comparable to the historic rate for DC Water's 30-year bonds, Kim said.

Any performance-based payments will occur at the five-year mark, when the project has been installed and post-construction performance has been measured. At that point, the bond will be refinanced into a conventional 25-year bond.

The Tier 1 and Tier 3 payments will cover the most extreme five percent of outcomes. Models suggest a 2.5-percent chance that the green infrastructure installations will reduce storm-water runoff by less than 18.6 percent, and a 2.5-percent chance that reductions will be greater than 41.3 percent. These numbers reflect a 95-percent confidence interval for the project's performance.

A Tier 1 underperformance, or runoff reductions of less than 18.6 percent from baseline, would trigger a contingency payment of $3.3 million from investors to DC Water. This "Shared Risk Payment" covers almost the entire cost of DC Water's interest payments over the first five years, Kim said, insuring the agency against failure. In this scenario, DC Water would go back to the drawing board on its green infrastructure plan, likely replacing much of it with gray infrastructure.

Conversely, a Tier 3 overperformance, or runoff reductions of more than 41.3 percent from baseline, would trigger a $3.3 million payment from DC Water to investors. This "Outcome Payment" would be in addition to the stated coupon and principal payments.

But this outcome would still represent significant savings for DC Water, Kim said, because the pilot green infrastructure would have proven to be extraordinarily efficient. The proven high performance would enable DC Water to handle the same volume of water with less green infrastructure – and possibly replace additional gray infrastructure with cheaper green alternatives.

"The EIB allows us to ask and answer the question 'does it work?' for these specific technologies for DC's climate," Kim said. Green infrastructure projects provide significant societal and environmental benefits beyond stormwater runoff reductions that are not valued in this offering. Kim said. "Green infrastructure has to work for managing stormwater to be worthwhile to DC Water. If it doesn't work for what we need, we shouldn't be doing it."

DC Water's goal has been to concentrate the performance risk for its entire green infrastructure plan into a single bond offering. With the success of this pilot project, Kim said, the agency will have satisfied itself that green infrastructure works. Then, it will be comfortable using conventional bond offerings to fund additional green infrastructure investments.

How Is the Project Scaling up?

The Environmental Impact Bond was sold in a private offering to Goldman Sachs and the Calvert Foundation. Eric Letsinger described the deal as a model for a wide variety of investors. "We wanted to demonstrate the attractiveness of this vehicle across a broad range of the investment field. We've created a financial structure that attracted institutional investors like Goldman alongside Calvert, a pure-play impact investor."

"The Calvert Foundation is greatly interested in green jobs and other co-benefits of green infrastructure," Kim said. "But they have not made a charitable investment with possibility of return; they have invested on the same terms as other investors."

DC Water and its partners believe the EIB will be more easily replicated than previously issued social impact pay-for-performance bonds. In the past, these bonds have typically been issued as one-off private contracts between financiers and governments, often using philanthropic support to cover the risk of project failure.

As Kim said, "There is no philanthropic capital to take a write-off to get this deal done." It is the first true social impact bond, a debt instrument with a risk-adjusted market rate of return.

Other communities could replicate this performance-based payoff structure, adjusting to the needs of specific projects. Performance payouts (the Tier 1 and Tier 3 of the EIB) could cover different proportions of the bond's coupons. The thresholds triggering performance payouts (the 95 percent of outcomes covered in Tier 2 of the EIB) would be tied to local data. The range could be tightened for a project with higher confidence in a specific performance.

Future bond offerings might need higher returns to attract non-institutional investors, said Jacob Galardi, a senior analyst at investment firm Emerging Energy and Environment Investment Group, who studies the green bond market.

With a contingency payment of only 13 percent of the bond's $25 million par value, this investment attracts conservative institutional investors, Galardi said. More sophisticated later offerings might test a wider range of performance values, narrower than the 95-percent confidence interval of the DC Water EIB.

From an environmental investment standpoint, "this is a very conservative offering because it is protecting against only five percent of outcomes," Galardi said. Future projects might use this risk-sharing model to protect against less extreme underperformance, or to fund more than a small pilot section of a project. "It is a tiny part of the overall capital issuance [of the $2.6 billion Clean Rivers Project], but a good first step."

At that point, performance measurement might need to be more nuanced. Narrowing the range to a 50-60 percent confidence interval might require longer-term monitoring plans to control for seasonal extreme weather, Galardi said.

For example, 12-month flow data used for DC Water's EIB could be thrown off by a single unusually wet or dry season, but that the 95-percent confidence interval is wide enough that measurements are likely to fall within the Tier 2 range expected performance outcomes. As green infrastructure modeling and monitoring technology evolve, water authorities should be able to dial in a more precise performance range.

This vehicle was designed to be replicable for green infrastructure projects and beyond, despite different risk profiles across projects. DC Water was confident enough in its design and implementation capabilities to manage that risk internally, Kim said, but other communities with less technical expertise might want to control risk elsewhere in the design process.

Meanwhile, Quantified Ventures is exploring the EIB's applications for protecting against performance risk in other new infrastructure investments like renewable energy, or the performance risk of water quality controls for agricultural runoff.

"We're a long way from cookie-cutter, but with more Environmental Impact Bonds, we'll get better, faster, cheaper, and more creative," Letsinger said, "I think the sky is the limit."

Conservation Finance Network

by Abby Martin, Alec Appelbaum

September 27, 2021

Sixth Circuit: City's Placement of a Park Entrance was not a Taking Under the Fifth Amendment.

The U.S. Supreme Court issued several important decisions altering and clarifying available procedures and arguments for landowners under the Fifth Amendment's Takings Clause in recent years. Most notably, in *Knick v. Township of Scott*, Pennsylvania, 139 S.Ct. 2162 (2019), the Supreme Court overturned a 30-year-old precedent that required landowners to exhaust all state law remedies before bringing a federal Takings Clause claim. This decision requires local governments to be more cognizant of their land use, planning, and zoning decisions because those decisions can be subject to immediate constitutional claims in federal court.

More recently, in *Cedar Point Nursery v. Hassid*, 141 S.Ct. 2063 (2021), the Supreme Court held that an access regulation requiring employers to permit labor organizations a right of access onto the employer's property to solicit support for unionization was a taking under the Fifth Amendment. The Court reasoned that a physical appropriation is a clear taking that can occur by whatever means, including taking the property owner's right to exclude from its property.

In September, in *Golf Village N., LLC v. City of Powell, Ohio*, the Sixth Circuit relied upon both *Knick* and *Cedar Point* in upholding a decision to dismiss a developer's claim that the city of Powell's placement of a municipal park entrance that actually connected to a private street system, and the increased traffic resulting from that placement, was a taking under the Fifth Amendment.

Golf Village alleged that the city appropriated Golf Village's right to exclude the public from its private property but failed to plead any factual content demonstrating such a taking. Per the Court, Golf Village needed to allege that the city authorized and licensed the public's use of the private streets and then deprived Golf Village of its right to exclude to establish a taking.

The city had appropriated one of the private streets in connection with the placement of the park entrance, and the city maintained that this was the intended public entryway to the park. Golf Village was specifically alleging that the remaining private streets could be used as an alternate access route to the park. Golf Village, however, did not allege that it was barred from excluding the public from the remaining private streets – the alleged alternate access route; indeed, the city conceded that Golf Village had the right to block access to the remaining private streets so that traffic could not use them to access the public park. Because the city did not require Golf Village to permit public traffic on its property, the Court found no government-authorized physical invasion of Golf Village's property requiring compensation.

The Court also rebuffed Golf Village's contention that the right to exclude is appropriated even if the property owner can take a specific action, like building a gate, to stop the taking. In short, there is no taking if the private property owner maintains its right to exclude. Because it was undisputed that Golf Village had that ability, there was no taking.

The same reasoning applied to Golf Village's argument that increased traffic along the remaining private roads would result in higher maintenance costs and violate Golf Village's right to use and enjoy property. The city never appropriated a right of access for members of the public to the remaining private streets and admitted that Golf Village has the right to exclude public traffic through any lawful means. Further, Golf Village retained the same ability to use and enjoy the private streets that it had before the challenged city actions.

Frost Brown Todd LLC – Jesse J. Shamp, Yazan S. Ashrawi and Jeremy M. Grayem

October 14 2021

[Puerto Rico Board Agrees to Remove Pension Cuts in Debt Plan.]()

- **Board backs away from pension cuts if lawmakers approve bonds**
- **Oversight panel sought an 8.5% reduction to some pensions**

Puerto Rico’s financial oversight board agreed to remove proposed public employee pension cuts from a plan to slash the island’s debt, a major concession aimed at securing lawmakers’ approval for a bond restructuring that will put an end to its more than four-year bankruptcy.

The board included a 8.5% reduction to some pension benefits in the debt adjustment plan that it filed to the bankruptcy court in March. Governor Pedro Pierluisi and island legislators have balked at any pension cuts.

The board’s concession was made to end a clash with lawmakers over legislation authorizing new bonds to replace existing debt, an exchange that will allow the government to cut what it owes to investors. Still, the panel maintains Puerto Rico must freeze the teacher and judges pension systems, a move the island’s Senate is trying to block.

“When the legislature and governor enact acceptable legislation, the oversight board will amend the plan to eliminate cuts to the accrued pensions of retired public employees and current employees of the commonwealth,” David Skeel, the board’s chairman, wrote in a letter dated Thursday to Pierluisi and the island’s legislative leaders.

The board last week warned that it may be forced to withdraw its debt restructuring plan from the court if lawmakers pass legislation that includes Senate amendments that would increase the island’s expenses by tens of billions of dollars. Such a step would put court confirmation of the plan at risk and prolong a bankruptcy that began in May 2017.

“While the oversight board continues to have reservations about the impact on the plan, it is prepared to accept the wishes of the elected representatives of the residents of Puerto Rico to the extent it can do so prudently and without failing to carry out its duties under Promesa,” Skeel wrote.

The board’s announcement was welcomed by Pierluisi, who said he has consistently fought against pension cuts and is also seeking to protect funding for the island’s university and its municipalities. The board also agreed to such funding.

“We will continue fostering dialogue and working to get out of bankruptcy and respond to the needs of our people,” he said in a statement Thursday.

While the board has agreed to remove pension cuts from the debt plan, U.S. District Court Judge Laura Taylor Swain may still require reductions to retirement benefits, according to the letter.

Swain is set to hold confirmation hearings next month on the debt plan, which would restructure $33 billion of debt, including $22 billion of bonds. Island lawmakers are under deadline to pass the legislation authorizing the new restructuring bonds before those hearings.

The board’s willingness to remove the proposed retirement reduction from its debt plan could prompt island lawmakers to approve the necessary legislation.

The board also agreed to Senate amendments allocating $500 million annually for five years to the University of Puerto Rico, increasing municipal funding and spending $1 million for a study on the feasibility of extending medical coverage to uninsured residents, according to the letter.

Bloomberg Markets

By Michelle Kaske

October 14, 2021, 11:03 AM PDT Updated on October 14, 2021, 12:43 PM PDT

Chicago Seeks Approval for $4.4 Billion in Borrowing in 2022.

- **Request follows $4.6 billion of bonds already approved**
- **'Robust bond program' will go toward projects, refinancing**

Chicago is poised to be a frequent issuer in the $4 trillion municipal-bond market through the end of next year for projects and refinancing if the city council approves Mayor Lori Lightfoot's borrowing plans as part of her 2022 budget proposal.

Lightfoot's administration is seeking authorization from aldermen to issue as much as $4.41 billion of bonds, most of which would be sold next year, according to Chief Financial Officer Jennie Huang Bennett. That amount would include $2.06 billion in new money and $2.35 billion for refinancing old debt. That's in addition to the city's already authorized issuance of up to $4.66 billion, Bennett said.

"It's a robust bond program," Bennett said in an interview. "Interest rates are extraordinarily low. The city's credit spreads have come in significantly since we started the economic recovery from Covid."

While Chicago still has a junk rating from Moody's Investors Service, both S&P Global Ratings and Fitch Ratings consider the city's debt to be investment-grade at three notches and one level above junk respectively. The city has seen its financial strain ease amid the broader economic recovery and the influx of federal relief. Chicago is set to receive nearly $1.9 billion from the American Rescue Plan.

The trading in some Chicago debt reflects the improved outlook. A taxable refunding bond maturing in 2042, among the city's most-actively traded debt over the past month, saw its spread over benchmark debt at 219 basis points last week, compared to 447 basis points a year ago, according to data compiled by Bloomberg.

The city's bond ordinance proposal seeks authorization to sell $660 million in general obligation bonds that could be offered in several tranches starting in the second quarter of 2022. The ordinance also asks to issue $1.2 billion, split evenly between new debt and refinancing bonds, in the first half of next year for water and wastewater projects.

In the second half of next year, the administration wants to sell $1.55 billion of bonds for O'Hare International Airport, with $850 million for refunding and $700 million of new debt as well as $1 billion for Chicago Midway International Airport, with most of that for refinancing old debt.

The full city council is scheduled to hold a budget hearing on Thursday, and aldermen are expected to vote on the budget and related bond ordinances on Oct. 27.

The council has already approved the sale of as much as $1.2 billion in G.O. and sales-tax-backed bonds to refinance old loans by the end of this year. City officials expect the refinancing, pending some federal legislative action, to lower the interest rate on outstanding bonds to as low as 2% from 5%. Of the $254 million in interest savings projected from the deal, $232 million would go to police back-pay and $22 million would help close the $733 million deficit that the city faces in 2022.

The city also has approval for a tender exchange of up to $1.2 billion but may not tap the full amount, Bennett said. And $760 million of new debt for O'Hare and $1.5 billion for a multi-year public works program starting the middle of next year have also been approved.

"It's a great time for the city to be in the market," Bennett said

Bloomberg Markets

By Shruti Singh

October 14, 2021, 8:11 AM PDT Updated on October 14, 2021, 8:52 AM PDT

[New York City Is Advised to Tout Bonds in Broadway's Playbill.]

- **Program targets a 'captive and typically affluent demographic'**
- **Publication 'closely scrutinized' by city's theatergoers**

Like the show? Buy the bond!

New York City should advertise its bonds in Playbill, the program distributed at all theaters as well as venues such as Lincoln Center, Carnegie Hall and the Metropolitan Opera, one firm suggested in the city's latest Request for Proposal for Underwriting Services.

"This approach would directly target a captive and typically affluent demographic," underwriter Rice Financial Products Co. said in its response. "Playbill is closely scrutinized by theatergoers while awaiting the commencement of a performance and during intermission."

The average net worth of readers of Playbill "classic arts" programs distributed at venues that aren't Broadway theaters is $1.3 million, while the average household income is $217,000, Rice said. For those distributed at theaters, the income level of readers would be just below that.

Timing is everything, as they say in the theater. The Rice response was dated Feb. 3, 2020. Just over a month later, Broadway was ordered closed by then-Governor Andrew Cuomo, a shutdown which lasted almost 18 months as the pandemic raged.

Rice, which is based in New York City, was chosen last year as a co-manager to underwrite New York City and New York City Transitional Finance Authority and New York City Municipal Water Finance Authority bonds.

Ads Pondered
In its response, Rice said it didn't believe that advertising had a measurable impact on demand or pricing of the city's bonds "due to the very limited amount of 'Mom and Pop' retail investors. The vast majority of retail sales is through professional retail investor outlets, which get their information on upcoming bond sales through the same methods as institutional investors."

However, advertising have other "positive attributes," Rice added, "the primary one being that it promotes to the local population the City's efforts to invest in City infrastructure."

The company declined to comment on its proposal. A spokesperson for the comptroller said that office and the city haven't advertised city bond transactions since March 2020.

Bloomberg Markets

By Joseph Mysak Jr

October 15, 2021, 9:59 AM PDT

No, Lightfoot's Chicago Budget Does Not Make An 'Actuarial' Pension Contribution.

In late September, Chicago Mayor Lori Lightfoot delivered her 2022 budget address to the City Council. It was filled with a long list of new spending programs, including $400 million for community safety/violence reduction plans, $52 million for increased mental health services, $240 million for subsidized housing programs, $20 million for artists, and the list goes on. And among the achievements she lists is the following:

"In 2022, with the Budget we are proposing, we will climb our pension ramp, which means that for the first time in our city's history, and all four pension funds will be paid on an actuarially determined basis. This is huge."

Now, what she identifies as an "accomplishment," having finished the climb up the pension ramp, is actually a state law that left her no choice in the matter. But that's not the only incorrect part of her statement. Even having finally left the ramp behind, the plans are not funded on an "actuarially determined basis." They are funded based on the Illinois legislature's decision of a funding schedule which, for the police and fire plans, is sufficient to attain 90% funding in the year 2055, and for the Municipal and Laborers' plan, not until 2058. Yes, if you do the math, that's 34 and 37 years from now.

Continue reading.

Forbes

by Elizabeth Bauer

Oct 10, 2021

California Backed a Valley Rice Plant with Tax-Free 'Green Bonds.' What its Bankruptcy Means.

It looked like a promising clean-tech investment for California — a revolutionary Sacramento Valley plant that would turn rice straw into fiberboard.

State officials were so enthused, they helped finance the fledgling plant with more than $300 million in tax-exempt bonds, figuring the project would create jobs in the heart of California rice country while helping to reduce greenhouse gases emitted by rice straw. The bonds didn't put state taxpayers on the hook for the company's financial troubles.

Now the plant has filed for bankruptcy.

Continue reading.

THE SACRAMENTO BEE

BY DALE KASLER

OCTOBER 07, 2021 10:02 AM

Muni Bond-Backed Fiberboard Plant Seeks Bankruptcy Restructuring.

California company says the road to converting rice-farming waste into a wood substitute 'has not been smooth'

A Northern California plant for converting rice-farming waste into a wood substitute filed for bankruptcy protection after work stoppages and cost overruns triggered a roughly $344 million municipal-bond default.

CalPlant I LLC said the road to converting rice-farming waste into fiberboard from a new plant in Willows, Calif., "has not been smooth" and sought protection from creditors in the U.S. Bankruptcy Court in Wilmington, Del., on Tuesday to look for a potential buyer.

If no buyer emerges, CalPlant expects to hammer out a debt restructuring with senior bondholders, some of which have agreed to supply $30.1 million to finance the chapter 11 process through the purchase of new taxable bonds, according to court papers.

CalPlant Executive Chairman Jeffrey Wagner said the company began bringing its facility online in March 2020, shortly before the Covid-19 pandemic erupted in the U.S. The usual challenges associated with a startup were compounded by rolling out new technology during a global pandemic, he said.

Construction problems also plagued the operation, located about 85 miles north of Sacramento, Mr. Wagner said. It is among the first to make fiberboard from rice straw, a waste product of rice farming. The Sacramento Valley produces roughly a fifth of the nation's rice, the company said.

The plant has been making the fiberboard since late 2020 but isn't yet fully operational. Most of CalPlant's debt was taken on to build and operate the plant and was issued by the California Pollution Control Financing Authority in the form of tax-exempt "green" bonds.

CalPlant has been in default on some of its debt, and forbearance agreements will expire Oct. 13.

Franklin Resources Inc.'s California High Yield Municipal Fund was among the original investors, and the asset manager still had CalPlant bonds in the portfolio as of May 31, according to a July regulatory filing.

Massachusetts Financial Services Co. also was holding the bonds at below par as of July 31, said a regulatory filing made last month.

After the plant opening was delayed by the pandemic, CalPlant defaulted on an interest payment in July 2020. Bondholders agreed to hold off on collecting debt payments.

Equity owners of the business include plywood maker Columbia Forest Products Inc., Teachers

Insurance and Annuity Association of America and machinery manufacturer Siempelkamp, which also provided the engineering and design of the plant's production process.

CalPlant and Siempelkamp are disputing amounts they believe they owe each other, court documents show. Siempelkamp employees had to leave the plant and return to Germany due to the pandemic last year and couldn't return to the U.S. for several months.

CalPlant is represented in the bankruptcy by law firms Morris James LLP and Morrison & Foerster LLP. Paladin Management Group will provide restructuring advice. The cases have been consolidated under number 21-11302 and assigned to Judge John Dorsey in the U.S. Bankruptcy Court in Wilmington, Del.

The Wall Street Journal

By Becky Yerak

Oct. 5, 2021 4:17 pm ET

Muni-Backed Rice Fiberboard Project Files for Bankruptcy.

- **CalPlant ranks among biggest recent muni high-yield defaults**
- **Senior bondholders commit to restructuring plan and fresh cash**

CalPlant I LLC, a muni-financed maker of rice-based fiberboard in California, filed for bankruptcy on Tuesday with plans to slash debt and sell itself.

The company cut a restructuring deal with senior bondholders and intends to pursue a sale in bankruptcy court, according to a statement from CalPlant. Certain senior bondholders have also committed to provide some $30 million of fresh financing. The company will keep operating without disruption to stakeholders, including vendors and employees, according to the statement.

CalPlant has faced years of setbacks and dealt municipal-bond investors one of the biggest high-yield defaults in recent memory. But it recently had given reasons for hope: in 2020, the company finished building a plant that makes a unique type of fiberboard from rice cultivation debris called rice straw. Earlier this year, it won the ability from a California state agency to sell even more municipal debt to fully scale up operations.

The Chapter 11 filing allows CalPlant to continue operating while it works out a plan to repay creditors. The company listed assets and liabilities of as much as $500 million each in its bankruptcy petition. It had issued $344 million of unrated tax-free debt since 2017.

"The road to fully commissioning our plant has not been smooth," Jeffrey Wagner, CalPlant's executive chairman, said in the statement. The Chapter 11 filing will allow CalPlant to strengthen its finances and keep manufacturing its sustainable fiberboard, he said. The consulting team includes Morrison & Foerster as restructuring counsel, and Paladin as financial adviser and investment banker.

Spokespeople for top bondholders Franklin Resources, Invesco Ltd., and Sun Life Financial declined to comment. Spokespeople for Teachers Insurance & Annuity Association of America, which provided equity backing to the company, didn't respond to a request for comment.

The office of California Treasurer Fiona Ma, who supported the project as a voting member of the agency granting the company access to tax-exempt financing, is reviewing the bankruptcy filing, said her chief of staff, Genevieve Jopanda.

The case is CalPlant I LLC, 21-11303, U.S. Bankruptcy Court District of Delaware.

Bloomberg Markets

By Jeremy Hill and Romy Varghese

October 5, 2021, 6:02 AM PDT Updated on October 5, 2021, 11:50 AM PDT

Fitch: Planning Key for Public Power Clean Energy Shift Under Illinois Law

Fitch Ratings-New York-28 September 2021: Illinois' new clean energy law does not have an immediate credit effect on public power utilities, says Fitch Ratings. Effectively managing the transition away from coal and natural gas will be key to mitigating cost pressures related to stranded resources. Illinois is the first midwestern state to pass sweeping clean energy legislation, which may provide a blueprint for other states to move away from fossil fuels.

The Climate and Equitable Jobs Act aims to achieve 100% clean energy generation by 2050 by phasing out coal and natural gas plants and investing in renewable energy sources. Renewable energy, which made up 11% of the state's energy in 2020, must comprise 40% by 2030 and 50% by 2040.

The two publicly-owned coal-fired stations in the state, the Prairie State Energy Campus (PSEC) and Springfield City Water, Light and Power's Dallman Station, must reduce carbon emissions 45% by 2035, plus a three-and-half-year grace period, and would be required to close by 2045 unless they completely eliminate carbon emissions. Emissions reduction at these levels involve closing one unit or deploying carbon capture technology, which is currently cost prohibitive.

Many bonds issued to finance the units mature well beyond 2035. However, the obligations of the nine PSEC owners, and the nearly 250 public power utilities supporting them, are unconditional and require payment of the PSEC project's total costs, including operating expenses and debt service for the life of the debt whether or not the project is operating or capacity was interrupted or suspended. If the PSEC units become stranded and the owners are precluded from realizing the long-term benefit of continuing plant operations and production, the long-term financial burden and higher operating costs could weigh on credit quality or limit financial upside at best.

The Act does not affect the credit quality of PSEC's owners and participating utilities in the near- to medium-term, as we expect plant operations and the cost burden to remain stable. The law provides a long lead time for participants to manage the transition but if production is limited they will need to plan for curtailed availability of the project and diversify power resources away from PSEC.

It is unclear to what extent the new law will affect utility customer rates but increases are likely over the long term. While the law provides for subsidies of about $47 million a year beginning in 2024 for converting coal-fired power plants into solar or energy storage facilities, it remains uncertain what, if any, benefits may accrue to the PSEC owners.

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The above article originally appeared as a post on the Fitch Wire credit market commentary page. The original article can be accessed at www.fitchratings.com. All opinions expressed are those of Fitch Ratings.

Fitch: California Drought May Pressure Water Utilities' Margins

Fitch Ratings-San Francisco/New York-29 September 2021: The current drought in California could cut into water utility revenues and pressure financial margins, Fitch Ratings says. Statewide water conservation mandates could be announced this fall, and some water agencies have already initiated cutbacks.

After two years of dry conditions, California is experiencing a moderate-to-exceptional drought, and an exceptional drought has been declared for over 88% of the state. The federal Central Valley Project (CVP) and California State Water Project (SWP) provide much of the state's water from the Sacramento and San Joaquin river basins. The largest of the SWP reservoirs, Lake Shasta and Oroville, are only at 25% and 22% capacity, respectively, or 40% and 35% of historical averages. As a result, the SWP water allocation is just 5% of the requested amount, the lowest since the prior drought that ended in 2016. The CVP, which provides water to seven of the state's top-10 agricultural counties, implemented a 0% allocation for agricultural contractors.

Continue reading.

Puerto Rico Lawmakers Present Debt-Restructuring Bill.

- **Bill allows the issuance of new general obligation bonds**
- **Legislation also resolves ongoing fight over pension cuts**

Puerto Rico's House of Representatives filed a debt-restructuring bill Monday that proponents say will allow the U.S. territory to make its way out of bankruptcy while protecting pensioners and municipalities.

House Speaker Rafael "Tatito" Hernandez introduced the bill, calling it key to ending a 15-year economic slump that started after federal manufacturing incentives on the island were phased out. The bill authorizes the restructuring of some $18.8 billion in debt through the issuance of new bonds. If approved, the law will cut annual debt payments from $3.3 billion to $1.3 billion, Hernandez said.

Getting Puerto Rico lawmakers' approval for a new bond sale to restructure some general obligations and commonwealth-guaranteed debt is a key step before U.S. District Court Judge Laura Taylor Swain begins conformation hearings in early November on Puerto Rico's debt adjustment plan.

Puerto Rico, a U.S. territory of 3.3 million people, has seen its economy hit by hurricanes, earthquakes and brain drain. On Monday, the Bureau of Economic Analysis said the island's gross domestic product had increased just 0.3% in 2019 after contracting the previous three years.

Less Pain

The bill also restores public pension cuts that are being required by the Federal Oversight and Management Board as part of Puerto Rico's bankruptcy process. As Hernandez was holding his press conference, the oversight board said it had agreed not to cut any public pensions less than $2,000 per month if officials approve the new issuance of new debt. Previously, it had set the limit at $1,500.

With that new threshold, it will cost Puerto Rico's government about $44 million per year to restore the cuts, Hernandez said. Even so, the bill stipulates that the pension restitution can only take place if Medicaid funding to the island is increased enough to cover the expense.

The bill also earmarks more money for municipalities. Additionally, the law creates a single fund for all government money, rather than doling it out to public corporations as has been done in the past. Hernandez said that move would help the government better manage funds.

"It's time for us to change the pertinent laws and, if it's necessary, our constitution to keep Puerto Rico from falling into bankruptcy again," Hernandez said.

Bloomberg Markets

By Jim Wyss

September 27, 2021, 10:18 AM PDT

Connecticut Waterfront Project Cleared in 2007 to Sell Munis.

- **Bridgeport's Steelpointe Harbor to issue almost $50 million**
- **Developer envisions adding three apartment buildings, hotel**

A district set up to transform part of Bridgeport, Connecticut's waterfront plans to sell about $50 million of unrated municipal debt as soon as this week, in what amounts to a bond-market bet on future development for which financing has yet to be secured.

A subsidiary of RCI Group has built a 220-slip marina, a 150,000-square-foot store for outdoor retailer Bass Pro Shops and a mixed-use lighthouse building since the project was approved in 2007. But the developers of the largely vacant Steelpointe Harbor on Long Island Sound are still betting they can create a neighborhood of apartments, shops and offices about 60 miles (97 kilometers) from New York City, on the site of a former steel works.

A limited group of as many as 35 sophisticated investors can join the wager by purchasing tax-exempt bonds backed by an increase in property taxes generated by new development in the district, according to the offering statement for the debt.

More than $30 million of bond proceeds will reimburse Bridgeport Landing Development LLC for the construction of a bulkhead and $5 million will go to the city for street work. The RCI subsidiary has spent an additional $18.2 million in public infrastructure and $51.5 million in private improvements, the offering document says.

Homework Required

"Projects like these can change the entire character of a city's waterfront," said Adam Weigold, head of municipal strategies at Manulife Investment Management, which toured the site last week. "These deals are not without risk, and I think you really need to do your homework if you are going to get involved."

He said he plans to buy the debt.

"We've been involved in waterfront development project financings in the past, and it's great to see previously underutilized spaces turned into an attraction," he said.

Tax-increment-financing bonds were among the riskiest types of securities in the $4 trillion municipal market even before the pandemic, which only added to the financial strains on districts relying on sales- and hotel-tax revenue. This month, bonds sold for a conference center in North Kansas City, Missouri, and secured by hotel-related taxes, defaulted.

High-yield munis have returned 6.6% this year, beating the 4.5% earned by their U.S. corporate counterparts, according to Bloomberg Indices. The riskiest munis have benefited from a reopening economy, federal stimulus and demand for junk offerings amid near-record low yields.

Apartments, Hotel

Bridgeport Landing Development plans three apartment buildings with a total of 370 units and a 120-room hotel at an estimated cost of $135 million, but it hasn't obtained financing, according to the bond-offering document. Hotels, in particular, face a long recovery from the pandemic, which devastated business and leisure travel.

And while some New Yorkers have sought out homes in suburban Connecticut because of the pandemic, it's unclear whether there's enough demand for apartments in Bridgeport, a former manufacturing center where 22% of residents live in poverty.

However, location is also among one of Steelpointe's strengths. The planned neighborhood is an 8-minute walk to the Metro-North and Amtrak rail station and is bounded by Interstate 95. The commuter train to Manhattan on weekday mornings can take as little as 90 minutes.

Bridgeport, a city of about 145,000, is in Fairfield County, one of the wealthiest in the U.S. As the county's western part becomes pricier and denser, more people may move to cities such as Bridgeport, according to the offering statement.

Given the lack of available housing and changing location preferences amid the pandemic, the development has a strong possibility to tap into demand for larger apartments with easy access to major urban employment centers, said Jay Lybik, national director of multifamily analytics for Apartments.com.

Buyers leaving New York have boosted house prices across Connecticut, putting ownership out of reach for many households, he said. The Bridgeport submarket apartment vacancy rate is 2.2%, showing there's solid demand for renting in the area. There's also been limited development over the past decade, with only 850 new units delivered and less than 100 under construction.

Risk Outlined

The tax-increment payments depend on the project's timely completion by April 2025. If there's a revenue shortfall, property owners in the district will have to make assessment payments. The developer is currently the district's only property owner.

"This limited diversity in the obligation to pay real property taxes, including the tax-increment payments, and special assessments presents a significant risk to holders of the bonds," according to the offering document. "Failure of the master developer to pay real property taxes and special assessments when due could result in the rapid, total depletion of the debt-service reserve funds."

RCI, which is based in Miami Beach, didn't respond to an interview request about the bond sale.

Tax-increment-financing bonds that depend on economically sensitive taxes and those that rely on developing an area tend to be riskier, said Lisa Washburn, a managing director at Municipal Market Analytics.

The sector has a default rate of 1.34%, similar to the aggregate default rates for riskier market sectors, she said. However, default rates among those sectors vary: It's 0.8% for local housing and as high as 9.13% for retirement communities, Washburn said.

Bloomberg Markets

By Martin Z Braun and Nic Querolo

September 29, 2021, 4:00 AM PDT Updated on September 29, 2021, 11:10 AM PDT

[Public Finance: Election Do's and Don'ts for Michigan School Districts]()

THE ACT

School district board members, administrators and employees are required to abide by the Michigan Campaign Finance Act. The Act prohibits the contribution of public funds or resources to a campaign for a candidate or ballot proposal while permitting the dissemination of objective factual information and permitting employees to volunteer services or express their views on their own time. Board members and policy-making administrators (at least the superintendent) may engage in advocacy at any time as long as no district resources are used to disseminate those views.

Section 57 of the Campaign Finance Act, in relevant part, states as follows:

(1) A public body or a person acting for a public body shall not use or authorize the use of funds, personnel, office space, computer hardware or software, property, stationery, postage, vehicles,

equipment, supplies, or other public resources to make a contribution or expenditure or provide volunteer personal services that are excluded from the definition of contribution under section 4(3)(a)…This subsection does not apply to any of the following:

1. The expression of views by an elected or appointed public official who has policy making responsibilities.
2. Subject to subsection (3)*, the production or dissemination of factual information concerning issues relevant to the function of the public body.
3. The production or dissemination of debates, interviews, commentary, or information by a broadcasting station, newspaper, magazine, or other periodical or publication in the regular course of broadcasting or publication.
4. The use of a public facility owned or leased by, or on behalf of, a public body if any candidate or committee has an equal opportunity to use the public facility.
5. The use of a public facility owned or leased by, or on behalf of, a public body if that facility is primarily used as a family dwelling and is not used to conduct a fund-raising event.
6. An elected or appointed public official or an employee of a public body who, when not acting for a public body but is on his or her own personal time, is expressing his or her own personal views, is expending his or her own personal funds, or is providing his or her own personal volunteer services. The basic rule is that school district resources may not be used to advocate for a candidate or ballot proposal.

The basic rule is that school district resources may not be used to advocate for a candidate or ballot proposal.

The following “Do’s and Don’ts” cover commonly asked questions regarding compliance with the Act.

DO’S

- School district employees may engage in campaign activities that support candidates and ballot proposals on their own time (not when acting on behalf of the district as part of employment) and as long as school district funds, facilities and other resources, including district emails and social media accounts, are not used.
- Anyone may recommend individuals for appointment to a campaign committee, but the school district should not make any appointments.
- Campaign committee members and volunteers may attend school district meetings regarding the election and make public comments as members of the audience at those meetings to advocate and pass out literature.
- Information disseminated by the school district must be factual and objective. Factual and objective information may be displayed in school district buildings other than on election day where a building serves as a precinct location.
- The school district may allow a campaign committee to use its facilities, but only on the same terms as it would allow any other nonprofit or other citizens or community group to use school district facilities, and the campaign committee must reimburse the school district for any costs incurred by the school district which would not otherwise have been incurred.
- The school district may produce or disseminate debates, interviews or commentary regarding an election if it’s done in the regular course of broadcasting or publications (e.g., the normal, routine publication schedule of the broadcast or publication). n The Board of Education may adopt resolutions stating a position on ballot proposals relating to school district purposes or funding.
- Members of the Board of Education and superintendent are public officials and may engage in advocacy on ballot proposals that relate to school district purposes or funding, provided that, except as described above, school district resources are not used to disseminate those views.

- The school district must maintain objectivity. Steer clear of subjective words and phrasing in informational materials including “needs,” modifiers such as “essential” or “critical,” or projections of consequences of passage or failure or impact of projects.

DON’TS

- The school district may not give or loan paper, pencils, computers, duplicating equipment, printing supplies, postage and sundry items to a campaign committee or candidate.
- The use of any school district facilities, including emails, phones, or social media accounts, by a campaign committee for the purpose of contacting voters or promoting a yes vote is prohibited.
- Faculty offices, lounges, school district bulletin boards, and other areas within the school district building may not be used to disseminate literature supporting a candidate even if printed by an outside organization, and a campaign committee may not send campaign literature home with students.
- The school district’s website and social media pages and accounts may not provide Internet links to campaign sites, organizations, commentary or editorials.
- District officials and employees should not add taglines relating to the proposal or the election to their district emails. n Campaign literature may not be displayed in school district buildings.
- A school district official is prohibited from using school district resources or social media accounts to send a mass email, mass mailing or other communication that expressly advocates for a candidate or ballot proposal.
- Unions and associations may not use school district resources (including mailboxes) to communicate with their members about election campaign matters.
- Do not suggest that the debt millage rate will be a fixed number. It will not. The rate will fluctuate with changes in the tax base.

IDENTIFYING INFORMATION REQUIREMENT

Information disseminated by a school district within 60 days before the general election or within 30 days before the primary election where a ballot question appears must contain certain identifying information if the communication is targeted to the relevant electorate. The identifying information included on the communication should generally be in the following form: “Paid for by ABC School District, 123 Anytown Avenue, Anytown, Michigan.” The identifying information included on printed material must be in a place and in a print clearly visible and readable by an observer. Prerecorded telephone messages (robocalls) should also include the school district’s telephone number.

Wednesday, September 22, 2021

S&P ESG U.S. Public Finance Report Card: Texas Governments And Not-Fo--Profit Enterprises

Key Takeaways

E (Elevated): With a large geographic area and vast Gulf coastline, Texas is susceptible to various acute and chronic physical risks, which elevates its environmental exposure when compared to many U.S. states. Furthermore, some areas are at risk for prolonged periods of drought that can pose unique operating challenges, particularly for utilities in the state. Compounding the physical risks are federal policy recommendations for energy transition to renewable from carbon-based generation sources. The oil and gas industry has, for generations, served as a hallmark of Texas' economic development and supports core economic activity for many regions of the state. That said, the state is one the country's leaders in renewable energy, which, in our view, provides a pathway for future economic and employment opportunities in a green economy.

S (neutral): The state's significant population expansion over the last decade–the highest nominal growth in the country–-positions it to maintain robust economic productivity and activity compared to its peers. Its relatively younger demographic is also unlike most other U.S. states with large dependent populations, particularly with one of the highest percentages of uninsured residents resulting in higher costs for uncompensated care and Medicaid payer mix.

G (neutral): Texas has a well-established history of developing policies and executing on plans to address emerging material risks. However, our neutral view of governance reflects previous credit pressures from the state's two largest pension systems–Teachers Retirement of Texas and Employees Retirement System of Texas–which have historically exhibited poor funding discipline, but with reform efforts and benefit changes long-term stability may improve. In addition, the severe winter event in February 2021 underscored risk management gaps related to Electricity Reliability Council of Texas' (ERCOT) oversight of the state's electric grid that may only be partially mitigated by recent legislative changes.

Continue reading.

23 Sep, 2021

Audit Warns CA Could Lose Over $330M in Rental Aid.

The way California defines whether or not emergency rental assistance has been "obligated" could put it at risk of forfeiting funds, a state watchdog says.

State and local governments administering emergency rental assistance programs may have to forfeit unspent funding if they do not get the money to renters by the end of the month.

While some programs have done better distributing the money than others, a recent audit of California rental assistance funds highlights a discrepancy between how the state and federal government classify the money as "obligated." As a result of this issue, California could be at risk of losing $337 million in emergency rental aid, according to the report by California State Auditor Elaine Howle.

The U.S. Department of Treasury awarded jurisdictions in California $2.6 billion in emergency rental assistance in the first round of funding. Of that, California's Department of Housing and Community Development is managing $1.8 billion.

Continue reading.

Route Fifty

By Andrea Noble

SEP 24, 2021

[New Statutory Requirements if Local CA Agencies Want to Continue Teleconferenced Public Meetings with Social Distance Modifications.]

During the COVID-19 pandemic, Governor Newsom authorized local agencies to conduct teleconference meetings without complying with certain Brown Act requirements to allow for social distancing during COVID-19, i.e., the following "Social Distance Modifications":

- Agenda not required to be posted at each teleconference location
- Each teleconference location not required to be listed on the agenda
- Each teleconference location not required to be open and accessible to the public
- Quorum of the legislative body not required to participate within the jurisdiction's boundaries
- Legislative body not required to provide opportunity for the public to comment at each teleconference location

The Governor's authorization expires September 30, 2021. On October 1, 2021, urgency legislation AB 361 takes effect with new statutory protocols for local agencies to hold teleconference meetings with Social Distance Modifications.

Under AB 361, during a proclaimed state of emergency, a local legislative body can continue to utilize the Social Distance Modifications for teleconference meetings if, at least every 30 days, it makes findings that 1) it has reconsidered the circumstances of the state of emergency, and 2) the state of emergency continues to directly impact the ability of members to safely meet in person **and/or** state or local officials continue to impose or recommend social distancing measures. Alternatively, if the local agency is not utilizing the Social Distance Modifications, it can opt to meet in person and not provide a call-in or internet-based service option at all.

AB 361 imposes the following requirements to agencies who opt to continue to hold teleconference meetings utilizing the Social Distance Modifications:

- The agenda and any other notice of the time of the meeting must include notice of how the public may access the meeting and provide comment via a call-in option or an internet-based service option.
- Agencies cannot require public comments to be submitted in advance and must provide an opportunity for the public to offer comment in real time.
- Agencies that provide timed public comment cannot close the public comment period until the time period has elapsed.
- Agencies must allow a reasonable amount of time per agenda item to allow the public to offer comment or otherwise be recognized for the purpose of providing comment.
- Agencies cannot require a member of the public to register or provide information to attend a public meeting. However, AB 361 acknowledges that a third-party internet website or online platform not under the agency's control may require registration to participate or provide public comment.
- If the broadcast of the meeting is disrupted or a disruption within the agency's control prevents public comment using the call-in or internet-based service options, the legislative body cannot take any further action on any agenda item until the disruption is resolved.

Monchamp Meldrum LLP – Carlyn Drivdahl

September 21 2021

Puerto Rico House to Unveil Bond-Cutting Bill Next Week: Speaker

- **Legislature aims to approve new bonds by Oct. 4, Speaker says**
- **Bill would allow the island to restructure $22 billion of debt**

Puerto Rico lawmakers plan to file legislation next week that allows the commonwealth to sell new bonds to replace existing debt, a necessary step to help finalize the island's record bankruptcy.

The commonwealth's House of Representatives is set to file the bill as soon as Monday, Rafael "Tatito" Hernandez, speaker of the House, said in a telephone interview. The legislature plans to pass a debt-restructuring bill by Oct. 4 for Governor Pedro Pierluisi to consider, Hernandez said.

"We need to fix this and then focus on economic development and job growth," Hernandez said. "This is a great step in the right direction for the future of Puerto Rico."

Getting Puerto Rico lawmakers' approval for a new bond sale to restructure $22 billion of general obligations and commonwealth-guaranteed debt is a key step before U.S. District Court Judge Laura Taylor Swain begins conformation hearings in early November on Puerto Rico's debt adjustment plan.

To get enough votes to pass the House, the legislation will include issues beyond cutting Puerto Rico's obligations, including programs for municipalities and retirees, Hernandez said. Lawmakers will be working on the legislation as bondholders wrap up voting on the debt adjustment plan that Puerto Rico's financial oversight board submitted to the court earlier this year.

Island lawmakers are the final group to weigh in on restructuring the commonwealth's debt after competing bondholder pools, insurance companies and unsecured creditors approved the debt adjustment plan earlier this year. Without legislative approval, the financial oversight board, which is overseeing the bankruptcy, may need to ask the court to authorize new bonds. That's an unusual move in the $4 trillion municipal-bond market where state legislatures and local governments typically approve debt sales.

"Our takeaway from our recent conversations with the governor and the legislative leadership is that all parties involved are determined to get Puerto Rico out of bankruptcy as soon as reasonably possible," said Matthias Rieker, spokesperson for the financial oversight board.

The legislation also involves how to repair Puerto Rico's broke pension system, which owes current and future retirees an estimated $55 billion. The oversight board has proposed cutting some pensions by 8.5% and guaranteeing that no monthly pension falls below $1,500. The House bill would boost that threshold to $2,000, and also help restore any pension cuts with any future surplus revenue, Hernandez said.

"We will be disciplined," Hernandez said. "We will do our work, but if there's a surplus we will restore our pensions and invest in retirees."

While the board is seeking the retirement changes, island lawmakers are reluctant to cut pensions. The governor has said he wouldn't support legislation that reduces any retirement benefits.

Bloomberg Markets

By Michelle Kaske

September 21, 2021, 1:16 PM MDT

[Lawsuit Over Harrisburg's $360M Debt Debacle Can Proceed.]

A Commonwealth Court panel refused Thursday to kill a lawsuit over the $360 million incinerator debt debacle that plunged Harrisburg into state receivership, but it did reduce the number of players involved in that fight.

In a 95-page opinion by Judge Michael H. Wojcik, the court removed Gov. Tom Wolf, the state and the Department of Community and Economic Development as plaintiffs in the suit.

That leaves the city, its state-appointed coordinator Marita Kelley and Capital Area Water, the successor to the Harrisburg Authority, to keep pursuing claims that financial and legal advisors and engineers misled city officials and others down a fiscal rabbit hole on a project that had no hope of paying its debts.

Wojcik's court also removed Foreman & Foreman, the law firm that was solicitor to the Harrisburg Authority, the operator of the problem-plagued incinerator, as a defendant in the case. Wojcik found that firm did not commit any breaches of propriety in its representation of the Authority as that body sought funding and debt guarantees for the failed incinerator project.

Commonwealth Court directed the remaining defendants – RBC Capital Markets Corp.; Obermayer, Rebmann, Maxwell & Hippel, LLP; Buchanan Ingersoll & Rooney, P.C.; Eckert, Seamans, Cherin & Mellot, LLC; Public Financial Management, Inc.; and Buchart Horn, Inc., to answer the plaintiffs' claims that the city is due unspecified financial damages for what they contend was bad and misleading advice given during the failed attempt to finance the incinerator project into becoming something other than an overly-expensive white elephant.

The city and authority plaintiffs contend the defendants, who were part of a working group advising officials on the incinerator project and its financing, should have told city officials and others that there was no hope the incinerator would be able to generate enough income to pay off the enormous debt it was amassing. City officials relied on the working group's assurance that the incinerator debt would be self-liquidating when they agreed to use the city's taxing power to guarantee the borrowing for the project, the suit which was filed in 2018 states.

Wojcik agreed with the defendants that Wolf, the state and DCED lacked legal standing to pursue the suit. He rejected the defendants' arguments that city officials and the other plaintiffs failed to properly argue specifics of their allegations of impropriety, along with contentions that the city missed the statute of limitations deadline for filing suit over matters that occurred in the early to mid 2000s.

The city's ultimate inability to pay for the incinerator debt pushed Harrisburg to the edge of bankruptcy. The situation was so bad that in 2012 then-Gov. Tom Corbett placed the city under state receivership to find a way out of the financial mess.

Harrisburg exited the receivership in 2014 but remained classified as a financially distressed municipality by the state. It still feels the after-shocks of the debt crisis.

pennlive.com

By Matt Miller

Sep. 09, 2021

S&P ESG U.S. Public Finance Report Card: Florida Governments And Not-Fo--Profit Enterprises

Key Takeaways

E (elevated): Florida’s vast coastline, low elevation, and susceptibility to severe weather events increase its environmental risks when compared with those of most U.S. states. The chronic long-term effects of climate change and sea-level rise also elevate credit quality risk for Florida issuers, particularly absent comprehensive adaptation and resiliency planning.

S (neutral): We view the sustained population growth–generally outpacing that of the nation–as a social opportunity for Florida, driving economic and job growth. However, the state’s relatively high age-dependent population and potentially outsized exposure to disruptive macroeconomic health and safety events, given its large leisure and hospitality sector, are viewed as offsetting factors resulting in our overall neutral assessment.

G (neutral): While we view risk management, culture, and oversight positively due to the presence of state-level programs designed to help mitigate elevated environmental risks, we view the state’s governance structure that provides consistency and transparency as neutral, as it’s generally comparable with that of highly rated U.S. states.

Continue reading.

9 Sep, 2021

S&P State Brief: Montana

Read the brief.

14 Sep, 2021

Fitch: Utah and Idaho Stand Out as U.S. States’ Job Growth Strengthens in July; August Growth Slows

Fitch Ratings-New York-10 September 2021: State employment recovery notably strengthened in July with two states now seeing job growth significantly exceeding pandemic related job losses, according to Fitch Ratings in its latest U.S. States Labor Markets Tracker. State gains slowed considerably in August based on the most recent national report.

The median jobs recovery for states increased in July to 73% from 69% in June. As of July, 45 states have recovered over 50% of the jobs lost at the peak of the pandemic. Hawaii, New Mexico, Wyoming, Louisiana, and Alaska remain below 50% jobs recovered, despite some improvement over recent months.

Job growth in Idaho and Utah is far outpacing all other states. “Utah job growth is up 130% since February 2020 while Idaho job growth has outpaced pre-pandemic levels by over 120%, making them the only two states to have exceeded the pre-pandemic employment levels of last February,” said Senior Director Olu Sonola.

Conversely, Alaska, Wyoming and Kentucky remain notable job growth laggards. “Employment recovery in Alaska, Wyoming and Kentucky has declined between 1% and 3% from March of this year, a rather stark contrast to employment recovery rate for U.S. states as a whole, which is up by 10%,” said Sonola. Job growth also fell in Oklahoma and Tennessee.

More recent national data for August shows employment growth slowed, largely due to the impact of the delta variant on pandemic-sensitive sectors such as leisure and hospitality (L&H). “The flat growth in national L&H employment in August does signal more downside risk for this sector,” said Sonola. In July, gains in L&H had been the largest contributor to the employment recovery.

Fitch’s latest “U.S. States Labor Markets Tracker” is available at www.fitchratings.com.

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Kansas Cities Unlikely to Find Shortcut to Fast Growth Through STAR Bonds.

Kansas’s urban areas are the only part of the state that is growing in population; the results from the 2020 Census make that clear. Despite its own self-conception as part of the heartland of America, the Sunflower State is, increasingly, a pretty “citified” place.

This dynamic — a slowly growing and diversifying urban population within a state whose political elites still mostly embrace the values of rural conservatism — can explain a lot. It helps explain the persistence of an inferiority complex in many Kansas cities, with the people of Wichita or Kansas City, Kan., looking south or east, comparing themselves to cities in other states that aren’t as defined by the counties of red that surround them.

It may also help explain the push by these cities and their elected representatives to make use of whatever financing they can to change, innovate and most of all expand. And this is what leads us to STAR bonds.

Sales Tax and Revenue (STAR) bonds are a strange financial instrument. Only two other states — Illinois and Nevada — have allowed their creation, and even they haven't made use of this fiscal slight of hand for over a decade.

In Kansas, however, urban governments have regularly sought permission to sacrifice the sales tax revenue that ought to go to Kansas's state and municipal programs in order to raise funds for construction which they imagine will bring major corporate attractions to Kansas.

The Prairie Fire Entertainment District in Overland Park, the Sports Forum in Wichita, the Heartland Park Racetrack in Topeka — STAR bonds made them all.

But did it make them actually successful? A recent accounting of STAR bond programs concluded that only 3 of the 16 projects which the state has approved, at a cost of nearly $900 million in tax revenue, actually meet the economic requirements of the instrument. The auditors found little evidence of these projects drawing new tourism dollars to Kansas, and even less evidence that using these bonds to finance construction has led to economic development in areas that weren't good candidates for ordinary capital investment anyway.

Defenders of the STAR program point to, among other things, the increased property tax values of the developed areas (though the unfunded maintenance liabilities these developments have brought with them usually goes unmentioned).

Often, though, the defenders fall back on a plaintive cry unfortunately common in the urban parts of Kansas: Business expansion is essential to the "general economic welfare" of the state. If we're not willing to sacrifice the sales tax revenue normally used to fund voter-approved (and universal, rather than city-centric) government programs for the sake of attracting a new Topgolf franchise to Wichita or building a new speedway in Kansas City, then aren't we showing a lack of confidence in our future?

These are complicated decisions, to be sure.

But still I wonder if urban Kansans sometimes exhibit a "build it and they will come" mentality, in the somewhat desperate hope that they can suddenly change into something other than slow-growth cities on the Great Plains.

If that is so, I would simply say: The work of making Kansas's culture and economy reflect its increasing urban reality will be a long and necessarily local one. Using needed future tax revenue to build a new waterpark may has its merits, but such top-down decisions are unlikely to provide a shortcut.

The Topeka Capital-Journal

by Russell Arben Fox

Sept 12, 2021

[Banks Vying to Hold City of Chicago Deposits Must Provide More Data on Mortgages, Home Equity Loans.]

The City Council's Finance Committee approved an ordinance that would require banks

seeking to hold up to $400 million of the city's money to post even more detailed information on the city's open data portal.

Banks holding Chicago tax dollars or vying to becoming municipal depositories would be required to come more clean than ever about lending practices, under a stronger disclosure ordinance intended to reverse longstanding lending inequities.

The City Council's Finance Committee on Monday approved an ordinance championed by Housing Committee Chairman Harry Osterman (48th) that would require banks seeking to hold up to $400 million in city money to post even more detailed information on the city's open data portal.

Chicago's "Responsible Banking Ordinance" would be revised to include:

• The amount of each home equity loan made in Chicago, by census tract.

• Denial reasons for home mortgages, by race, sex and census tract.

• The number and location of banks in Chicago.

• Employee demographics by job category from all banks with more than 500 employees.

Before voting to designate the city's 13 municipal depositories, the ordinance would also require the Finance Committee to hold an annual hearing to discuss home lending trends.

Osterman said his goal is to "empower" aldermen with the information they need before they decide where to deposit Chicago's tax dollars.

"This is not something that's gonna solve the lending inequities overnight. But it's a piece of a united front on the city, state, county and federal level to really make sure that we're changing things and lifting people up," Osterman said.

"The lenders have an ability every single day to help do that. We're gonna be seeing how this goes with the information on where the loans are going. It's all about an equitable recovery as we come out of COVID. … We are not in the business to regulate banks. But it is our business to ensure that we are stewards of the interests of the residents that we represent."

City Comptroller Reshma Soni said the 500-employee benchmark for detailed personnel information was included for good reason.

The city is trying to reverse longstanding lending inequities by making it easier for smaller, local banks to become municipal depositories.

"We want to be able to balance the smaller banks. Encourage them to come in and do business with us. So we're trying to ensure this is not unduly burdensome for them," Soni said.

Soni said she hopes to implement the new disclosure requirements in time for the upcoming request for proposals on municipal depositories. But after talks with the Illinois Banking Association, she acknowledged: "There are gonna be some growing pains and some implementation delays. … They're gonna do their best to get us as much as we can for this round with full implementation happening next year."

Banks designated as "municipal depositories" have long been accused of investing far more money in majority-white neighborhoods than in communities of color.

Those discriminatory practices have made it more difficult for African Americans and Hispanics to secure home mortgages, business loans or loans for home improvements. That has perpetuated a wealth gap and the historic disinvestment in South and West Side neighborhoods.

The most recent study documenting those inequities was conducted by WBEZ-FM (91.5). It showed banks lend 12 cents in Black neighborhoods and 13 cents in Hispanic neighborhoods for every $1 loaned in white neighborhoods.

To promote “diversity, inclusion and equity” in lending, Chicago’s “Responsible Banking Ordinance” already requires banks receiving city deposits to submit detailed information about lending practices.

In a scathing audit released earlier this month, retiring Inspector General Joe Ferguson concluded the city continues to deposit millions of tax dollars in banks that engage in discriminatory lending practices.

Despite “rigorous collection” of information on lending practices, the audit concluded the Department of Finance conducted “no substantive evaluation” of that data.

Chicago Sun-Times

By Fran Spielman

Sep 13, 2021

California Sells $2.1 Billion of Munis Amid Newsom Recall.

- **Ten-year California GO bonds trading at above average yields**
- **Spread widening after vote may create buying opportunity**

California sold $2.1 billion of tax-exempt general-obligation bonds Tuesday, just as its citizens cast their ballots to decide the fate of Governor Gavin Newsom in a recall vote.

Despite the political tumult, the sale came on the heels of an outlook boost to positive from stable. Credit ratings for the state, which is the largest issuer of muni bonds, are at the highest levels in decades as demand for muni-bonds soars.

Ultimately, the vote may amount to little more than a blip for investors facing high taxes and the prospect of changes to the cap on federal state and local deductions on the horizon.

“It has definitely added a different facet to the deal, but when you’re looking at deals that are 10, 20, 30 years in maturity, investors should look long term and be prepared to hold a credit through multiple election cycles,” said Dora Lee, director of research at Belle Haven Investments.

The state sold bonds to investors at a yield of 0.06% for debt that matures in 2022 with a 5% coupon, 1 basis point less than top-rated benchmark securities, according to repricing data collected by Bloomberg. Longest dated securities priced with a 2.48% yield and a 2.4% coupon. Yields on most maturities dropped slightly from those offered to investors in preliminary pricing, indicating strong demand for the deal, the data shows.

Ten-year California general obligation bonds are trading at yields about 6.8 basis points more than benchmark securities, according to Bloomberg data. That's slightly higher than the average spread of 5.6 basis points over the last three months, the data show.

The state's credit is in "excellent shape, and absent the recall, we think worthy of tight spreads," wrote John Ceffalio and Patrick Luby, municipal analysts at CreditSights in a report evaluating the bond sale published earlier this month. The state is flush with cash, reporting higher than expected revenue collections and receiving $27 billion from the American Rescue Plan.

Ceffalio and Luby said that a successful recall could push spreads "modestly" wider as investors fear that the state's strong governance could slip. They said that some replacement candidates seem "ill-suited and lightly qualified" to manage the state's budget.

Still, any spread widening could create an opportunity. "In our view, if California credit spreads widen in the aftermath of the election outcome, investors should consider it as a buying opportunity," wrote Barclays Plc strategists Mikhail Foux, Clare Pickering and Mayur Patel in a Sept. 3 research note.

Bloomberg Markets

By Nic Querolo and Danielle Moran

September 14, 2021, 9:32 AM MDT Updated on September 14, 2021, 1:03 PM MDT

— With assistance by Natalia Lenkiewicz

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5 Things Wrong with Illinois Holding 30% of U.S. Pension Bond Debt.

Pension obligation bonds, like payday loans, are a sign of mismanaged finances. Illinois not only leads the nation for using that risky debt, it owes the bulk of it.

It is bad Illinois has the nation's worst pension crisis, but state politicians have made it worse by using risky debt to delay the day of reckoning, and done so to the point that Illinois now owes 30% of the nation's pension obligation bonds.

Pension obligation bonds are a form of debt used by state or local governments to fund their pension deficits. Illinois holds $21.6 billion of the nation's $72 billion pension obligation bond debt.

Continue reading.

Illinois Policy

by Adam Schuster & Aneesh Bafna

September 10, 2021

Chicago to Unveil Bank-Loan Data in Bid to Boost Home Ownership.

- **Council approves ordinance to increase visibility of loan data**

- **Measure to ‘hopefully break down some barriers’: finance chair**

The Chicago City Council approved a measure on Tuesday to boost transparency around the lending practices of the city’s banks and help address home-ownership disparities in the nation’s third most-populous city.

The “Lending Equity Ordinance” will publicly share lending data and require an annual hearing on the information with the committee on finance, Alderman Harry Osterman, a chief sponsor, said on Twitter. The measure also collects data on home equity loans and reasons for denial of loans by the banks serving as municipal depositories for the city. Such banks held about $725.3 million of the city’s cash and certificates of deposit as of Dec. 31, according to Chicago’s annual comprehensive financial report.

“Transparency is needed to inform Chicagoans about the institutions where their public funds are being deposited,” according to the ordinance.

The measure publicizes data by Census tract such as home-loan amounts and interest rates that banks provide when they bid annually for the city’s business. Disclosures about consumer and commercial loans in the city are also required. In the past, the city’s finance department didn’t evaluate whether banks provided “inclusive and equitable financial services throughout Chicago” even though it collected data, according to an August report by the city’s inspector general.

Now that will change and banks’ lending practices may influence where the city deposits its funds, according to the ordinance.

The ordinance is “going to give us a better understanding of lending activity,” Alderman Scott Waguespack, head of the finance committee, said during the City Council meeting Tuesday. It will “hopefully break down some barriers,” he said.

Chicago is following cities with similar oversight like Pittsburgh and Cleveland. The move comes after recent reports showed lending practices have contributed to the city’s racial homeownership gap. Last year, local NPR affiliate WBEZ and the nonprofit newsroom City Bureau revealed that for every $1 banks loaned in Chicago’s White neighborhoods, 12 cents went into the city’s Black neighborhoods and 13 cents in Latino areas.

The gap in Chicago exemplifies the disparities across the country, which were only exacerbated during the pandemic. While U.S. White homeownership reached 74.2% in the second quarter of 2021, up from almost 70% in 1994, Black homeownership increased to 44.6% and the Hispanic level to 47.5% from under 42% for both in the same period, according to Census data.

Illinois bankers, however, have concerns about the new rules. The industry aims to improve mortgage access and address inequality in Chicago, particularly among Black and Latinx mortgage applicants, according to an emailed statement from the Illinois Bankers Association.

But “this ordinance creates more hurdles within an already daunting application process, which could further discourage small, community banks and minority-owned banks from applying and working with the city,” the statement said.

Bloomberg

By Shruti Singh

September 14, 2021, 2:57 PM MDT

— With assistance by Alexandre Tanzi

[Chicago Finally Getting Serious About Where It Deposits City Cash.]

The city government of Chicago moves hundreds of millions of dollars in and out of the bank every few months. Taxes, fees, fines and bond sale proceeds come in; paychecks, contractor payments and other spending or investments go out.

Community Advocates Break Down Proposed Changes to Community Reinvestment Act Regs
As of December 31, 2020, Chicago had $725 million in the bank — multiple banks, actually, as the city typically designates more than a dozen banks every year as municipal depositories.

The City of Chicago requires banks seeking designation as municipal depositories to have an authorized representative sign a pledge every year that the bank will avoid discrimination in lending on the basis of neighborhood, race, national origin, sex, source of income, sexual orientation and other factors. The pledge notes that failure to comply can result in losing designation as a municipal depository. It's been this way since 1974, when Chicago passed its Responsible Banking Ordinance, the first such ordinance of its kind. Many cities across the country have since passed their own responsible banking ordinances — some more stringent, some less so.

Continue reading.

NEXT CITY

by OSCAR PERRY ABELLO

SEPTEMBER 14, 2021

Javits Center Debt Downgraded as NYC Tourism Struggles to Revive.

- **Moody's lowers credit ratings on about $1 billion of bonds**
- **Javits senior bonds lowered to A2, subordinate to Baa2**

New York's Jacob K. Javits Convention Center, which was turned into an emergency hospital during the first wave of Covid-19, had about $1 billion of municipal bonds downgraded by Moody's Investors Service as tourism struggles to recover from the pandemic.

Moody's lowered ratings on $770 million of senior debt issued by the New York Convention Center Development Corporation one level to A2 from A1. The rating on $220 million of subordinate debt was lowered two levels to Baa2, the second-lowest investment grade, from A3. The outlook on the bonds is negative.

"The continuing impact of the coronavirus pandemic has created severe and ongoing disruptions in the New York City travel and tourism market and therefore pledged revenue receipts," Moody's said in a news release. "As the world continues to grapple with new virus variants, an uncertain recovery path faces travel and tourism as well as New York City's office occupancy and business travel."

Debt issued for the Javits Center is payable from a $1.50 per-night fee on occupied hotel rooms in

New York City and the senior bonds also get backing from a state agency that finances mortgages. The city's convention and visitors bureau projects tourism won't return to pre-pandemic heights of 66.6 million visitors until 2025 In late July almost 100 were closed to tourism, according to Costar.

The New York International Automobile Show, normally held at Javits, was canceled this month for the second year in a row because of concerns about the Covid-19 delta variant.

Bloomberg Markets

By Martin Z Braun

September 1, 2021

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

Overview

Despite the effects of the COVID-19 pandemic, California school districts demonstrated generally stable credit quality in fiscal years 2020 and 2021, and S&P Global Ratings expects this will continue in fiscal 2022. State revenue significantly outperformed budget during fiscal 2021, and the enacted budget for fiscal 2022 provides the highest funding per pupil in the state's history. Nevertheless, if school districts that are more reliant on state funding and have experienced enrollment declines do not prepare accordingly, they could face budgetary challenges in fiscal 2023 with the expiration of provisions that have held them harmless against enrollment declines during the pandemic.

S&P Global Ratings maintains general obligation (GO) ratings on 662 school districts in California. Fifty-seven percent of California school districts are in the 'A' category, 42% are in the 'AA' category or above, and fewer than 1% are in the 'BBB' category or lower. In addition, 97% of the ratings have a stable outlook, while approximately 2% have a negative outlook. One school district has a positive outlook.

Continue reading.

30 Aug, 202

Muni-Bond Buyers Shrug Off California Governor's Recall Peril.

- **Newsom faces gubernatorial recall, state's second, on Sept. 14**
- **Bond sale set same day underscores lack of investor concern**

Municipal-bond investors are seemingly unfazed by the prospect that voters this month may toss out the governor of California, the most prolific issuer of such debt, and replace him with a popular conservative talk-radio host.

In fact, California's 10-year general-obligation bonds are yielding about 0.06 percentage point over benchmark munis, a smaller premium than the 0.11 percentage point seen at the beginning of the year. California's credit ratings are at the highest in about 20 years and demand for munis is soaring, especially for the state's debt as wealthy residents seek tax-exempt bonds.

Gavin Newsom, a first-term Democrat, is facing a rare recall election Sept. 14. While polls shows he's got a good chance of keeping his seat, Democrats worry that he could lose and a political neophyte like Larry Elder, a Republican who's opposed to mask and vaccine mandates, could end up in the governor's office.

Though Elder or any of the other 45 candidates on the ballot could upend state policies through executive orders and political appointments, Democrats would still control both chambers of the legislature. And Newsom's replacement would be up for election next year in a state where Democrats outnumber Republicans nearly two to one.

"We just don't think it's going to be a large impact on credit, even if the recall is successful," said Jennifer Johnston, director of research for Franklin Templeton Fixed Income's municipal bond team. "I don't think there's much damage, so to speak, that a new governor could do in this time frame."

Propping up Wall Street's confidence in the world's fifth-largest economy are California's booming technology industry and other lucrative sectors and its progressive tax system that have led it to notch a record $75.7 billion surplus. Revenue collections are again running ahead of projections this fiscal year. Not only has California weathered a gubernatorial recall election before, but its finances are even better than in 2003, when voters expelled Democrat Gray Davis and tapped Republican Arnold Schwarzenegger as his successor.

"The state's credit is very strong. Revenue receipts this summer have exceeded expectations," said Parker Colvin, a managing director at underwriter Raymond James. "The market is in need of large, liquid, benchmark transactions."

In a testament to how little the political furor has impacted bonds, the California treasurer's office has scheduled a sale of $2.1 billion of tax-exempt general-obligation bonds the day of the recall election.

Bloomberg Markets

By Romy Varghese

September 2, 2021

Visualizing Data for Residents of Los Angeles: GFOA

The Office of the Controller for the City of Los Angeles, California manages vast amounts of data—particularly open data and financial data. The team's work is based on three Ts: Transparency, Trust and Transformation, with the goal of making Los Angeles the most transparent city in the United States. Years ago, organizations that rank the transparency of governments placed Los Angeles at the bottom of the list. Today, the city is ranked at the top. Greater transparency, which creates greater accountability, can help build the public's trust, which is vital to continuing democracy. And then, of course, there's transformation.

Thanks to technology, the daily activities of city departments have changed and are changing radically, increasing efficiency in operations and in the delivery of vital services. We must continue to be innovative and bring technology to city government, along with different ways of thinking about it.

Publication date: August 2021
Author: Ron Galperin

DOWNLOAD

Michigan Supreme Court Rules Against Revenue Sharing Suit.

METRO DETROIT — On July 28, the Michigan Supreme Court ruled largely in favor of the state in a case that addressed Michigan's Headlee Amendment, which, in part, requires that roughly half of the state's spending from state revenue sources each year be paid as aid to local governments.

The minimum percentage required to satisfy Section 30 of the Headlee Amendment has been set at 48.97%. Plaintiffs, consisting primarily of municipal leaders from around the state, known as Taxpayers for Michigan Constitutional Government, argued the state of Michigan is shortchanging local governments because it counts payments directed to school districts, including charter schools, pursuant to Proposal A of 1994, as well as spending for state-mandated local services, as part of that 48.97%.

"We were obviously disappointed," remarked Christopher Johnson, general counsel to the Michigan Municipal League, which was a plaintiff in the suit. "I think it really boils down to the interpretation between the interplay between Proposal A and the Headlee Amendment and how much money has been siphoned off from local communities to the state."

Both Eastpointe and Roseville were parties in the suit. Roseville City Manager Scott Adkins said that municipalities like his have lost millions of dollars in the last two decades due to the 2008 recession slashing cities' income while the Headlee Amendment and Proposal A severely limited how much they could then take in after the financial situation improved. He said that both measures also have reduced the amount of money coming into municipal governments from the state, which has amounted to a "one-two punch" that has left many cities struggling.

"We were party to the suit, along with many municipalities," said Adkins. "When it comes to municipal finance, the state hasn't always been consistent. There are two types of revenue sharing: constitutional revenue sharing, which is written in the Michigan Constitution. The other is statutory, which is determined by the Legislature and can be changed. They can both be difficult for communities, depending on how they are implemented."

"You start to explain this thing to John Q. Citizen out there, and their eyes roll back in their head and they lose interest," Johnson added. "They think it doesn't make sense and no one would ever adopt something that crazy."

The Supreme Court decision dictated that state payments from Proposal A revenues paid to public schools count under Headlee Section 30 as state aid to local governments; state payments to charter schools are not necessarily payments to local units of government, although some charter schools may still qualify as local units of government; and state payments to local units of government to cover state mandates required by Headlee Section 29 also must be counted under Headlee Section 30.

"This ruling is a win for the people of this state," Michigan Attorney General Dana Nessel stated in a press release. "Public school funding is about 25% of the state's annual budget, representing approximately 12-13 billion of state dollars each year. A significant portion of that annual funding was in question in this case — and could have resulted in higher taxes and/or fewer state-level services for Michigan's residents if the court had determined the state was not providing enough money to local governments. This decision affirmed that the state's decades-long treatment of these public school funds was proper under our Constitution. This was a complicated issue that demanded the best advocates on behalf of Michigan, and I am proud of the work done by my staff."

However, those who brought the case forward said the goal is not to decrease the money going to schools but to increase the money going to municipal governments.

"What it really boils down to is the municipal finance system the state has is broken. The state needs to fix it. The decline in government spending at a local level has been devastating for communities all over Michigan. It's not a system that can be fixed by throwing a few dollars at it here and there; it needs a more long-lasting and permanent solution," said Johnson. "The Headlee Amendment was originally sold to voters as a way to make sure they wouldn't be taxed out of their house, but it actually was a revenue cap on local taxes. Proposal A accomplished what the Headlee Amendment sold, which was limiting a tax increase for an individual."

Adkins said this wasn't a complete victory.

"Municipalities have consistently lost ground in past cases when changes were made, so we will take whatever victories we can get," Adkins added. "What we were trying to do with this suit was a more fair and equitable manner of state finance. We were able to get an acknowledgment that the state hasn't been fair in the distribution of revenue at least in certain components, but this isn't a complete fix. We need them to look at the whole pie, not just one or two pieces."

Adkins said that Headlee and Proposal A may have been good ideas when they were approved, but that the situation in Michigan has changed since then, citing the existence of charter schools as a key example.

"I think you have to look at both Headlee and Prop A," he said. "Headlee is the constitutional amendment. When it was passed in 1978, you had a different economic platform. The same can be said for Prop A, which was passed in 1994. In both cases, you have a certain sort of economy in the 1970s and a certain sort in the mid '90s. Neither has been adapted for 2021. While they might have been a good fit for the time they were passed, they weren't built to be adapted as the situation changed. You weren't paying the same price for a gallon of milk in 1978 (as) you are now. Now, municipalities have been losing ground while inflation kept going up."

Adkins said that, until the state takes a full and comprehensive look at how revenue is being shared with local municipalities and how those municipalities are struggling, those communities will continue to struggle.

"We're frustrated that many of the major issues still haven't been fixed in the state's finance system. We're glad there's more awareness and some small victories have been achieved, but municipalities are still struggling, so these issues have to be addressed and we still haven't seen that happen."

candgnews.com

by Brendan Losinski

[Chicago Gambled on Federal Stimulus and Will Now Use $500 million to Pay Off Short-Term Borrowing.]

'This fits the spirit of the American Rescue Plan,' one analyst says, even as she finds the opacity troubling

Savvy cash management, or creative bookkeeping?

The city of Chicago recently announced plans to use funds from the federal American Rescue Plan stimulus to pay down about $500 million in short-term debt it took out in December. The step received scant attention until a public-finance expert published a blog post on the subject in August.

As Amanda Kass, associate director for the Chicago-based Government Finance Research Center, makes clear, the move isn't improper — but she thinks it isn't a prudent selection among possible steps, either. At best, Kass sees it as a financial Hail Mary that will probably work out for the city at the expense of transparency and public engagement.

Here's what happened. Last November, facing a near $800 million fiscal 2020 budget deficit, due mostly to the pandemic, city managers decided to take on $450 million in short-term debt, plus interest. City managers reached out to several banks and found JPMorgan Chase & Co. offered the best rate. The deal was finalized in December.

Continue reading.

MarketWatch

By Andrea Riquier

Aug. 27, 2021

Michigan's Overlapping Property Tax Limitations Create an Unsustainable Municipal Finance System.

- States generally limit growth of property tax burdens in one of three ways – rate limit, assessment limit, or levy limit. Michigan uses all three, making it among the strictest property tax limitations of the states. Statutory tax rate limits, the Headlee Amendment's assessment limit, and the taxable value system created by Proposal A all work to limit the growth of tax burdens and constrain year-to-year changes.
- The Great Recession and its impact on property values led to the overlapping tax limits having a mitigating affect, keeping the tax base from declining further than it could have. Since the Great Recession, which was a unique event, tax bases have been growing at relatively slow rates.
- The property tax system is not sustainable. Local government tax revenues are constrained in their growth unless they add new development to their tax bases or increase tax rates. Land is finite and cannot continue to be developed. Tax rates are statutorily limited. Local governments need revenue that can grow with their economies.

Download Report.

AUGUST 10, 2021

Illinois to Sell Bonds After First Ratings Increase in Decades.

- **State plans to offer $500 million in debt over next two months**
- **First batch, $130 million in tax-exempt bonds, slated Aug. 24**

Illinois is returning to the $4 trillion municipal bond market after winning credit rating upgrades for the first time in more than two decades.

Why It's Noteworthy

The state, which still has the lowest credit designation in the nation, plans to sell $130 million in junior obligation tax-exempt securities through a competitive auction for its Build Illinois program on Aug. 24. The bonds will help fund construction projects and are backed by Illinois sales tax revenue. The state's share of sales tax increased 13% to $10.4 billion in fiscal 2021, according to bond documents.

The offering scheduled for next week is the first of three issues slated for over the next two months. The state plans to sell $210 million taxable debt and $160 million tax-exempt refunding bonds through negotiated sales in mid-September, according to a statement.

Illinois last came to market in March. That was before the economy began reopening from the Covid pandemic shutdown and when investors were still grasping the impact of President Joe Biden's American Rescue Plan Act, which funnels $350 billion to state and local governments. Illinois is getting about $8.1 billion from the latest stimulus package.

Outlook

While S&P Global Ratings and Fitch Ratings have assigned BBB+ ratings to the $130 million sales tax bonds to be sold next week, Illinois's overall credit picture has brightened noticeably in the last six months. That's largely given higher-than-projected revenue, billions more in federal aid and some fiscal discipline shown by the state government.

After raising their outlooks on the state in March to stable from negative, both S&P and Moody's Investors Service lifted their ratings. Moody's raised its designation to Baa2 from Baa3 on June 29 and S&P boosted to BBB from BBB- on July 8. Both increases were the first for the state in more than 20 years.

Fitch raised its outlook to positive from negative on June 23, but maintained its BBB- rating, which is still one notch above non-investment grade. The state remains the lowest rated, largely because of its heavy unpaid pension liability — which currently stands at about $144 billion, lack of a meaningful rainy day fund and ongoing structural deficits.

It had faced a string of outlook and rating cuts resulting from the budget impasse from 2015 through 2017 between the Democrat-controlled Illinois General Assembly and then Governor Bruce Rauner, a Republican. Plunging revenue in 2020 due to pandemic-spurred business closures had added to the pressure and put the state on the brink of a junk rating.

Now, S&P's stable outlook for the Build Illinois bonds reflects sales tax resilience, liquidity strength and continued economic recovery, Geoff Buswick, an analyst for S&P, said in a report Aug. 13.

Market's View

"For the first time in a long time the state is coming to market with the momentum of positive rating actions," said Dora Lee, director of research for Belle Haven Investments, which holds $15 billion in muni assets including Illinois debt. "It really shows what the state is capable of with a bit of financial discipline and a supportive federal aid environment."

The state's yield spreads are still wider than other states but are historically low, said Dennis Derby, a portfolio manager for Wells Fargo Asset Management, which holds Illinois as part of $35 billion muni assets. The sales tax bonds are also "one of the strongest financing mechanisms for Illinois" and using them for capital projects makes sense, he said.

Illinois pays 70.8 basis points more to borrow than 10-year AAA benchmark securities, according to data compiled by Bloomberg. While that is slightly more than earlier this summer, it's far less than the 4.4% in May 2020 at the height of investors' anxiety about financial repercussion from the pandemic.

"Illinois continues to ride positive market momentum and improved ratings outlooks," Derby said.

Bloomberg Markets

By Shruti Singh

August 20, 2021, 6:33 AM MDT

[New Jersey's American Dream Megamall Is Once Again Sinking in Debt.]

- **Developers hired restructuring lawyers and financial advisers**
- **Ghermezians sacrifice pieces of empire to keep project afloat**

Since its groundbreaking nearly two decades ago, the megamall built in New Jersey's Meadowlands has done little except hemorrhage cash. Now, less than two years after its much-delayed opening, the complex known as American Dream is threatening to dash the lofty ambitions of yet another developer.

The Ghermezian family, which runs some of the biggest and most successful malls in North America, can't keep up with the bills on the shopping and entertainment megaplex, which helped drive its original developer to the brink of bankruptcy and later was seized by lenders from the team that came next.

Revenue from the stores has been so scarce amid the surging pandemic that the Ghermezians have hired legal and financial advisers to help them ease the crushing $3 billion debt load, and perhaps retain some role in running the project, according to people with knowledge of the matter.

Continue reading.

Bloomberg

By Eliza Ronalds-Hannon, John Gittelsohn, Lauren Coleman-Lochner, and Martin Z Braun

August 19, 2021, 5:00 AM MDT

[HilltopSecurities Strengthens Footprint, Adds Key Professionals to Public Finance Division.]

DALLAS, August 18, 2021–(BUSINESS WIRE)–Hilltop Securities Inc. (HilltopSecurities) recently welcomed a pair of key financial services leaders to its Public Finance division in Florida and Minnesota. John Pellicci will serve as senior managing director, head of municipal high yield underwriting and sales, while Yaffa Rattner will serve as senior managing director, head of municipal credit in the firm's Public Finance division.

The two bring a combined 67 years of financial services experience to HilltopSecurities' team of financial professionals and will report to Todd Bleakney, senior managing director, co-head of Debt Capital Markets.

"John and Yaffa will be wonderful additions to our Public Finance division," said Bleakney. "They are both seasoned professionals and will only enhance our ability to serve our clients. I look forward to working with them."

"With the addition of Yaffa and John, we continue to strengthen our capital markets effort across our platform," said Mike Bartollota, Executive Managing Director, Co-Head of Public Finance/Debt Capital Markets at HilltopSecurities. "We are delighted to have such talented and experienced professionals join our team."

[Florida's Brightline Train to Resume Service in November.]

- **Brightline suspended operations in March 2020 due to pandemic**
- **Train hopes to boost ridership with new stations, Disney plans**

Brightline Holdings, the Florida luxury rail company backed by Fortress Investment Group, will resume running trains in November after suspending service in March 2020 because of the coronavirus pandemic.

In a briefing Tuesday, Brightline President Patrick Goddard said schedules and fares would be similar to those before the suspension. Among new features, riders, who must wear masks on board, will have the option of booking a car, shuttle or electric golf cart to get to the stations. The company will also require Covid vaccines for its employees. The state is reporting a three-day average of 18,795 new Covid cases, according to the Florida Department of Health, ranking it among the highest rates in the country.

With Florida drawing tourists and new residents, vehicle traffic has increased and the company anticipates demand for its service between Miami and West Palm Beach, Goddard said.

"As long as Florida continues to grow, we feel very resolute in our optimism for the future of the business," Goddard said.

The country's first new privately financed intercity passenger rail in a century, launched in 2018 along Florida's east coast, missed passenger and revenue forecasts even before the onset of the Covid-19 outbreak. But over recent months, the company has notched several wins to boost ridership, such as reaching an agreement with Walt Disney World Resort to develop a station on its property. Brightline is also working on commuter rail initiatives with Miami-Dade and Broward counties.

New stations in Boca Raton and Aventura will come online next year, while the expansion to Orlando will wrap up construction at the end of 2022, Goodard said.

Municipal-bond investors have welcomed the developments. A bond due in 2049 traded Wednesday at an average yield of 5.3%, compared with a high of 7.75% in January, according to data compiled by Bloomberg.

Meanwhile, Brightline is pressing ahead with a plan to lay train tracks to Las Vegas from southern California. In July, it said it purchased a site in the gambling hub for its station.

Bloomberg Business

By Romy Varghese

August 10, 2021, 9:22 AM MDT Updated on August 10, 2021, 10:02 AM MDT

— With assistance by Nic Querolo

Defaulted California Plant Gets OK to Borrow More.

- **CalPlant wins bid to sell $18 million of new debt securities**
- **Company says it's making fiberboard from rice straw, a first**

A defaulted California company trying to produce a unique kind of sustainable fiberboard won approval from the state to issue as much as $18 million of new debt.

California's Debt Limit Allocation Committee, which provides access to the low-cost financing intended for private ventures serving the public interest, on Wednesday approved the request by CalPlant I LLC. The company has already borrowed $344 million since 2017 through sales of unrated tax-free debt, most of which is in default.

After years of delay and setbacks including the pandemic and a fire, CalPlant finally finished building a facility last year that it says is producing the world's first medium-density fiberboard made from a rice-cultivation byproduct called rice straw. The company has equity backing from entities including a subsidiary of the Teachers Insurance & Annuity Association of America.

The plant, which began making panels in November, needs more money to fully scale up to commercial operations. Despite the dubious distinction of having the third-largest high-yield muni default of the past decade, according to Municipal Market Analytics, the company is likely to sell most of the new securities to existing bondholders.

"This allocation is the final piece of the puzzle for this plant," said Nancee Robles, interim executive director of the debt committee, before the board approved the request.

Bloomberg Markets

By Romy Varghese

August 11, 2021

Treasurer Fiona Ma Announces First Sale of Revenue Bonds for Community College Housing.

California State Treasurer Fiona Ma and Chair, California School Finance Authority (CSFA), announced the successful completion of a $68.31 million College Housing Revenue Bond sale through the CSFA to finance first-ever student housing on the campus of Santa Rosa Junior College (SRJC). The Bonds priced on Thursday, July 15, 2021, and closed on July 29, 2021. This financing marks the inaugural issuance of community college student housing bonds by CSFA. This reflects Treasurer Ma's commitment to bringing affordable housing to community college students and to bridge California's resource and equity gaps.

"There is an urgent need for housing community college students," said Treasurer Ma. "I am so pleased that the California School Finance Authority could find an innovative way to help by providing low-cost financing for this much-needed housing project at Santa Rosa Junior College. We see this sale as a model that could help other community colleges throughout the state."

Santa Rosa Junior College serves over 20,000 students in nearly 300 degree and certificate programs on 80 acres on their Santa Rosa and Petaluma campuses. The housing project on the Santa Rosa campus will be SRJC's first on-campus student housing, and it will provide safe, affordable, and accessible housing to the culturally and economically diverse SRJC student population. This 95,281-square-foot project will offer 352 total beds and will include living room and common areas; common kitchens with grab and go options; public restrooms; activity lounges; game rooms; study areas; quiet study areas; co-ed restrooms; 24-hour security; and a 92-space parking lot – all conveniently located on campus.

"Our service area suffered devastation from wildfires that destroyed thousands of homes and impacted many of our students and their families. Currently, one out of five Santa Rosa Junior College students are experiencing housing insecurity and homelessness. We are delighted to have access to this financing solution that will allow us to provide affordable on-campus housing for our students", Dr. Pedro Avila, Assistant Superintendent at Santa Rosa Junior College District.

The bonds are rated 'BB' by S&P. Stifel, Nicolaus & Company served as the underwriter for this limited offering to Qualified Institutional Buyers and Institutional Accredited Investors. The bonds sold at an all-in true interest cost of 3.16%. The tax-exempt Series 2021A bonds consisted of 4 percent term bonds maturing in 2031, 2036, 2041, 2051, and 2055 yielding 2.01 percent, 2.18 percent, 2.32 percent, 2.45 percent, and 2.52 percent, respectively. A final term bond was added in 2060 that incorporated an extraordinary call provision and sold at a discount with a 2.75 percent coupon, yielding 2.9 percent. The extraordinary call will enable SRJC to prepay the bonds without penalty should it receive an external grant or charitable funding to offset the cost of the new student housing project. The taxable Series 2021B bonds consisted of a 3.50 percent term bond maturing in 2026, priced at par. The National Campus and Community Development Corporation, a non-profit corporation, serves as the borrower on behalf of the SRJC.

Conduit revenue bonds issued by CSFA are special, limited obligations payable solely from payments made by the underlying borrower pursuant to the transaction documents and from funds and accounts established under the transaction documents, and CSFA shall not be directly or indirectly or contingently or morally obligated to use any moneys or assets of CSFA for all or any portion of payment to be made pursuant to the bonds.

For more information about CSFA's conduit financing program for student housing, please visit CSFA's webpage at: https://www.treasurer.ca.gov/csfa/financings/index.asp.

August 10, 2021

Las Vegas Train Bonds Will Go To California Housing.

- **California had set aside $200 million for rail that's delayed**
- **Company plans to request debt for tourist train next year**

California reallocated $200 million of tax-exempt private activity bonds formerly reserved for Fortress Investment Group's Las Vegas tourist train to be used instead by affordable housing projects.

In January, the state's Debt Limit Allocation Committee set aside that portion of California's limited financing resource in anticipation that the firm's Brightline Holdings would request it later in the year. Instead, the venture said in June it will seek an undisclosed amount of debt next year. The committee's three-member board on Wednesday unanimously approved moving the bonds to housing.

This is the second time California had expected the train to use the bonds, only to give the resource to housing, with demands from housing developers far outstripping what's available. Last year, California had given Fortress the ability to sell $600 million of private activity bonds, which are meant for ventures for the public interest that are capped annually in each state by the federal government.

But Fortress was unable to get enough investors on board for an unrated bond deal that would have financed construction for a 169-mile (272-kilometer) line connecting Las Vegas to the desert town of Apple Valley, 90 miles away from downtown Los Angeles. After the firm pulled the deal in October, California reallocated Fortress's award to affordable housing needs.

In the latest iteration of the project, the line would move closer to Los Angeles by extending to Rancho Cucamonga, which is located along an existing commuter rail called Metrolink. In July, Brightline said it purchased a site in Las Vegas for its station.

Bloomberg Markets

By Romy Varghese

August 11, 2021, 2:11 PM MDT

Fitch: Midwest Metros Drive Job Growth While Other Regions Lag

Fitch Ratings-New York-12 August 2021: Metros in the Midwest drove employment growth during a flat month for the country overall, according to the latest U.S. Metro Labor Markets Tracker from Fitch Ratings.

The Midwest's median recovery rate for major metros rose to 71% in June from 66% in May, with eight of nine major metros in the Midwest seeing employment recovery rates above 50%.

"Cleveland and Chicago were the only Midwestern major metros where recovery rates declined month-over-month from May to June," said Senior Director Olu Sonola.

Additionally, Cleveland again saw the largest month-over-month decline among Midwestern major metros at 0.5%. While the Midwest's median Fitch-adjusted unemployment rate fell to 7.8% in June from 8.8% in May, the same figure rose in three Midwestern metros in June: Indianapolis, Milwaukee, and Minneapolis.

Elsewhere throughout the country, the median share of jobs recovered by major metros in the West was 62% in June, the lowest regional median. Salt Lake City is the first major metro to have reached 100% of pre-pandemic employment since February 2020, having now regained 104% of pre-pandemic payroll figures by June.

The median jobs recovery rate for major Metropolitan statistical areas (MSAs) in the Northeast rose to 64% in June from 63% in May. A closer look at the region shows that New York City finally reached a recovery rate of 50% of jobs lost at the start of the pandemic. Hartford and Rochester are the only two major Northeastern MSAs to see a decline in recovery rates in June.

Fitch's latest "U.S. Metro Labor Markets Tracker" is available at www.fitchratings.com.

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Port of Miami to Sell $1.4 Billion in Muni Bonds.

Miami-Dade County will sell debt backed by revenue from Port of Miami, a pandemic high and a sign of investors' demand for local-government debt

Florida officials announced the largest pandemic-era municipal-bond sale backed by port revenue, hoping to tap into investor demand for local-government debt tied to recovering sectors of the U.S. economy.

Miami-Dade County said Monday it is selling around $1.4 billion of bonds due 2050 and backed by revenue from the Port of Miami, or PortMiami—the county's largest municipal bond sale ever. That is also the largest sale tied to a port since last March, beating a $1.1 billion bond issued by the Port Authority of New York and New Jersey during July 2020.

Miami is home to the largest port in Florida. It processed more than $45 billion worth of cargo during the fiscal year ending September 2020 and in normal times is home to over a fifth of the world's cruise traffic.

The offering's size is a sign of the strength of the overall municipal market. A stimulus- and vaccine-fueled recovery has sparked a rally in bond prices, dropped yields toward record lows and left many state and local governments flush with cash. Those improvements, plus increased prospects of a federal tax increase, have prompted more investors to buy municipal bonds, analysts say, after coronavirus fears sparked a sharp selloff last spring.

Investors, meanwhile, have been receptive to assets that benefit from a global shipping crunch, leading municipal bonds tied to ports to outperform other local debt. The S&P municipal-bond port index has returned over 2.4% to investors this year through Aug. 4, including price changes and interest payments. That compares with a 1.9% return on municipal bonds broadly and 0.2% on U.S. investment-grade corporate bonds.

Still, the Miami sale, which is being led by Wells Fargo, WFC -1.52% will occur against a backdrop of growing fears related to rising Delta variant infections. Questions remain about the cruise industry's recovery following canceled cruise voyages over the past year. PortMiami officials are forecasting around 3.8 million cruise passengers during the next fiscal year starting in September, below pre-pandemic totals above six million.

So far, between fiscal years 2019 and 2020, cruise revenue at PortMiami has fallen more than 35% to $34 million, based on the port's most recent audit. Other passenger fees such as parking revenue have declined by nearly half to around $6 million.

Recent support from the federal government has helped PortMiami make up lost revenue. The port received over $66 million through the American Rescue Plan, the second-largest recipient among ports in Florida, behind Port Canaveral.

Increased demand for shipping goods globally has also helped soften the blow from stranded cruises. Cargo volume at PortMiami this fiscal year is running at an annualized pace of 1.25 million 20-foot-equivalent units, or TEUs, port officials say. That is on pace to beat the port's previous volume record from 2019 by 11%. Cargo revenue during the fiscal year ending September 2020 rose over 20% to $28.7 million.

Despite the challenges, analysts are optimistic about the offering's prospects. While PortMiami relies more on cruise revenue than other U.S. ports, investors in search of yield have been willing to lend to shipping and travel-related municipal borrowers looking to refinance debt, said Howard Cure, director of municipal bond research at Evercore Wealth Management. "The market is pretty receptive to giving some relief as long as there's a faith things will return to normal," he said.

Cruise operators and port officials are expecting passenger volumes at PortMiami to recover as the world reopens. Construction of new boat-berthing spaces and ship terminals is expected to increase yearly passenger capacity to around 8.5 million people, officials say.

Moody's Investors Service recently raised the credit outlook for PortMiami to stable from negative. It expects cruise operations will increase over the next year and that the port has sufficient liquidity to manage that transition.

The new bond will refinance most of PortMiami's $1.6 billion in outstanding debt, some of which will be used for new construction. The deal will also extend the maturity of about $600 million in short-term debt, helping lower yearly interest costs.

Demand for municipal bonds has made such refinancings attractive to local officials. “Now is the right time to take advantage of historically low interest rates,” said Juan Kuryla, chief executive of PortMiami.

Daniella Levine Cara, mayor of Miami-Dade County, said the bond sale could have an added benefit: increasing confidence among county officials about the government’s ability to tap debt markets for future financing needs.

“We can take this to the bank,” she said.

The Wall Street Journal

By Sebastian Pellejero

Aug. 10, 2021 7:00 am ET

PSE Confirms Plans for Public-Private Partnership to Finance New Buffalo Bills Stadium.

Pegula Sports and Entertainment told Mayor Byron W. Brown this week that it will seek a “public-private partnership” with state and local government to build a new stadium for the Buffalo Bills in Orchard Park.

A PSE executive late Friday confirmed Brown’s account of his conversations over the past few days with officials “at the highest levels” of the company that indicated Bills ownership will not seek a deal totally financed with public money.

Ron Raccuia, executive vice president of PSE, offered his first public comments on the stadium proposal late Friday. He said “the Pegulas purchased the Bills with a commitment to build a championship caliber organization.”

“They want to win, and they have continued to provide the resources necessary to do so,” Raccuia said. “When it comes to the future new home of the Bills, they have always known that, like virtually all NFL stadiums, this will ultimately be some form of a public/private partnership.”

The mayor said he periodically speaks with the team about their plans, even though any public financing for a new facility would stem from state and county sources.

“They made it clear to me they are willing to be a financial partner in a new stadium and expect to be,” Brown said. “I’m sure they expect a public partnership as well. They see it as a public-private partnership.”

Multiple sources told The Buffalo News for an Aug. 1 story that the proposal centered around 100% public financing. The sources spoke on condition of anonymity due to the high sensitivity of the early stages of negotiations, noting that the Bills were seeking at least $1.1 billion in taxpayer assistance – grants, tax breaks and other possible funding streams. Sources later confirmed to The News that the actual amount the team offered in its first proposal was $1.4 billion.

The idea of total financing of a new stadium produced concern among Albany lawmakers, with several labeling the idea a "non-starter." Assembly Majority Leader Crystal D. Peoples-Stokes, D-Buffalo, was among those dismissing the original plan as outlined to her. Late Friday, she reiterated that she always understood the PSE proposal involved total public financing, adding she was encouraged by the mayor's comments.

"The way it was intimated to me by the governor's people is that they wanted to build a new stadium, but there was no reference to a public-private partnership," she said, adding that Brown's version of the team's position "was not the way it was given to me originally."

The mayor, meanwhile, said he believes that the public-private relationship was "their position all along." Brown said he spoke to PSE representatives because he was "concerned" about the situation.

"So we have the Pegulas and their representatives clarifying that they certainly will be a financial partner in this," he said, "and that definitely made me feel good about this prospect."

Representatives of New York State and Erie County, the main public entities expected to finance a new stadium, were not available for comment.

The News reported earlier this month that PSE had floated to the state and county officials an initial ask that the public pay for a new facility to be built in Orchard Park adjacent to the team's existing facility. The proposal would negate any need to temporarily relocate to another city during a multi-year construction effort.

The team's current lease for the county-owned Highmark Stadium expires in 2023. As a result, sources told The News that negotiations between PSE, the state and Erie County are taking on a more serious tone in recent weeks.

The concept also carries broad implications for the entire state beyond just financing. Other areas of New York could be expected to make their own proposals for Albany dollars to pay for new minor league baseball stadiums or downtown hockey arenas, as has occurred in the past whenever major league projects have been proposed for New York City or Buffalo.

All of this also occurs as Gov. Andrew Cuomo prepares to leave office following his announced resignation stemming from sexual harassment allegations. He will be succeeded by Lt. Gov. Kathy Hochul, who said this week that keeping the Bills in Buffalo is a "high priority."

The Buffalo News

by Robert J. McCarthy

Aug 14, 2021

American Dream Mall Draws on Reserves to Make Bond Payment.

- **Complex drew $9.3 million from reserve fund to service debt**
- **Coronavirus outbreak delayed American Dream's opening**

American Dream, a $5 billion super mall in New Jersey's Meadowlands, had to tap into a reserve fund to make a bond payment as it copes with a cash flow crisis exacerbated by the coronavirus.

The 3.3 million-square-foot behemoth, which features an indoor ski slope, amusement park and water park, used the reserves to make a $9.3 million Aug. 2 payment on about $290 million of debt, according to a securities filing. American Dream has about $9.3 million left in the fund, enough to make its next debt payment on Feb. 1.

American Dream issued the municipal bonds, supported by a 75% pledge of sales tax receipts from purchases at the mall, in 2017. Developer Triple Five Group also sold $800 million of debt backed by payments the developers agreed to make to bondholders instead of paying property taxes, known as PILOTs.

Lisa Washburn, managing director at Municipal Market Analytics, said it “seemed inevitable” that American Dream would need to tap reserves on debt tied to mall sales.

“The economic shut-down and travel disruptions related to the pandemic could not have come at a worse time for the project, which had only partially opened and was already contending with a shifting retail landscape,” Washburn said in an email. “Now it needs to overcome concerns about congregating indoors with strangers.”

American Dream sales tax bonds due in 2024 last traded June 9 at 105 cents on the dollar, indicating that the cash crunch hasn’t fazed investors.

Nuveen LLC, the biggest holder of American Dream’s muni debt, wrote in a July note to investors that it expected reserves to fund a majority of the interest payment on the sales tax bonds. Triple Five Group is challenging its tax assessments for 2019, 2020 and 2021.

“Given space completion and tenant occupancy delays (18 to 24 months behind initial developer projections), sales tax receipts are anticipated to miss projections for the near term,” the Nuveen note said.

American Dream, located across the Hudson River from New York City, opened the doors of its entertainment complex in October 2019, almost two decades after a mall on the site was first proposed. Five months later, Covid-19 tore through New York and New Jersey, spurring lockdowns to contain the public health emergency and postponing the opening of the mall’s retail stores until October 2020.

American Dream also borrowed more than $1 billion in construction loans. As cash flow problems hit American Dream, senior construction loan holders seized minority stakes in Triple Five’s Mall of America and West Edmonton Mall, which were used as collateral for the American Dream loan.

This month American Dream reported $78.1 million in second quarter gross sales, a 27.4% increase compared with the first quarter, according to a securities filing. The mall was 76% leased for the three months ending June 30.

Bloomberg Markets

By Martin Z Braun

August 4, 2021, 3:26 PM PDT Updated on August 5, 2021, 5:24 AM PDT

[Boarding School Attended by Tucker Carlson Joins in Muni Market Sales Boom.]

- **St. George’s School selling tax-exempt debt to refinance bonds**
- **Exclusive schools are among issuers seizing on low rates**

Elite boarding schools are getting in on the boom of debt sales in the $4 trillion municipal-bond market.

Rhode Island’s St. George’s School, with a campus that overlooks the Atlantic Ocean and $66,950 annual price tag for boarding students, is planning to sell about $43.4 million of tax-exempt bonds to refinance higher interest-rate debt and fund new projects at the alma mater of Howard Dean, Billy Bush and Tucker Carlson. The offering with preliminary maturities ranging from 2026 to 2051 comes shortly after New Jersey’s Lawrenceville School sold bonds in July for a field house complex complete with a hockey rink and pool.

The boarding schools are among a plethora of borrowers that are seizing on ultra-low yields in the muni market, with the one-year AAA benchmark hovering at 0.04%, the lowest since at least 2015, according to Bloomberg BVAL. Long-term debt issuance has climbed nearly 9% year-over-year, according to data compiled by Bloomberg. Debt sales by private and religious schools are up 73% year-over-year, the data show.

Other K-12 schools are also tapping the market with sales to seize on low interest rates for capital projects or refinancing. Charter school bond issuance has also surged, with about $2.7 billion of debt sold, the data show.

St. George’s and other elite boarding schools typically have high credit ratings, which helps them easily raise money in the muni market. St. George’s School is selling bonds rated AA- by S&P Global Ratings, a credit ranking that’s in line with schools like George School in Pennsylvania and the Taft School in Connecticut.

St. George’s, founded in 1896, “ranks with the best private schools in the country,” bond documents say. Enrollment totaled about 380 students in the 2020-21 academic year, and has met or exceeded its budgeted target for the last decade. The school’s endowment had a market value of $209.3 million as of June 30.

St. George’s is known for its weeks-long sailing program on a 70-foot vessel, Geronimo, where students learn seamanship skills while taking a marine science course. That program helps in the school’s marketing to would-be students, bond documents note.

And the Lawrenceville School gave St. George’s some idea of what to expect in the bond market given the school had a similarly-high credit rating that was rated two steps below AAA by Moody’s Investors Service. It sold tax-exempt bonds that priced to yield 1.83% in 2051, about 48 basis points above AAA rated borrowers, according to data compiled by Bloomberg. The sale received about $325 million in orders from 17 different institutions, helping lower yields on the sale, according to Ben Hammond, the school’s chief financial officer.

St. George’s bond sale will be used in part to refinance debt sold in 2014, some of which has an effective interest rate of 3.11%, bond documents say.

Independent schools, which includes day schools, rated by S&P Global Ratings were able to reopen either fully in person or with hybrid learning in fall 2020, which helped them keep enrollments fairly stable and weather the pandemic, said Bobbi Gajwani, a director at S&P.

St. George’s received a record amount of applications for the upcoming school year and it expects the year to be its most selective in at least 20 years, with a selectivity rate of 21%. The school recorded a surplus in fiscal 2020 and another one expected in 2021.

Gajwani said St. George’s financial performance during the pandemic contrasts with initial expectations.

“We did expect most schools to see declines in operating margins given expected revenue impacts, particularly from boarding and international enrollment, and increased Covid-related expenses, but St. George’s is expecting surpluses — particularly impressive given its high percentage of boarding and some international enrollment,” she said.

Bloomberg Markets

By Amanda Albright

August 2, 2021, 10:30 AM PDT Updated on August 2, 2021, 10:56 AM PDT

— With assistance by Matthew Begley

Major League Baseball Visits Iowa’s Field of Dreams.

- **White Sox play Yankees at 1989 movie’s filming site on Aug. 12**
- **Venue’s popularity raises prospect of muni issuance to come**

Next week, life imitates art when a bunch of big-league ballplayers walk through a cornfield to get to a characteristically beautiful if comparatively secluded diamond to play baseball.

On Aug. 12, the Chicago White Sox will be the “home” team, taking on the New York Yankees at the site of the 1989 movie, “Field of Dreams” in front of 8,000 fans in Dyersville, Iowa. It’ll be the first regular season Major League Baseball game in the state, and maybe not the last.

This is the kind of exposure public officials dream about when they’re bitten by the economic-development bug. But the municipal market hasn’t quite caught up. Not yet.

Dyersville, with a population of roughly 4,100, was incorporated in 1872. It sold $3.9 million in general-obligation bonds this week to pay for capital improvements and a new skid loader and fire truck. The unrated offering included tax-exempt bonds due in 2037 that priced 84 basis points above top-rated munis.

The only mention of the thing that draws thousands of tourists to the city each year is contained in a single sentence of the official statement to the bonds: “The City is home to the National Farm Toy Museum and the Field of Dreams Movie Site.”

Such modesty is likely to fade after MLB comes to town with a national broadcast, no doubt to be filled with excerpts from the movie and swelling musical accompaniment in addition to glimpses of the charms of Dyersville’s downtown. But this I only suspect. As the old banker’s saw suggests, Show me a revenue stream, and I’ll show you a bond issue.

`People Will Come’

The site has shown remarkable durability for the setting of a 32-year old movie. There’s not exactly a lot to do there. Visitors basically follow the script as laid out in the movie by James Earl Jones’s character, writer Terence Mann: “People will come, Ray. They’ll come to Iowa for reasons they can’t even fathom.” Right now, they come to soak up the atmosphere and maybe look to the surrounding cornfield in the hopes that Shoeless Joe Jackson and the other Black Sox will emerge, as they did in the film. And then maybe tour the farmhouse and buy a souvenir.

That’s it. And yet between 65,000 and 100,000 fans reportedly do this every year. That’s staying power, and a testament to the movie’s place in the culture.

A company called Go the Distance Baseball bought the parcel in 2011. A representative says it’s now waiting to acquire and confirm funding to start to build a complex of six fields for a youth sports center on the site. We have seen lots of municipal bond deals finance these projects. Sister company All-Star Ballpark Heaven now runs youth tournaments at city facilities.

The MLB game was originally scheduled for 2020, but the pandemic intervened, and the event was postponed to next week. The game isn’t being played on the actual field, but on a diamond constructed beside it, accessed by a pathway through the cornfield.

Mayor James Heavens of Dyersville has said the long-term goal is to make this an annual event, and I was curious about whether the city had tallied up the benefits of being home to the “Field of Dreams,” or assessed what the impact of the big game might be.

And the answer is no. Go the Distance referred inquiries on the economic impact to the Dyersville Area Chamber of Commerce. Karla Thompson, executive director of the Chamber, said no study has been done on the site’s economic impact — “would love to know that number!” she said in a Thursday email — or of the game’s financial ripple effect. She did say that the city has seen an increase in tourism traffic and retail sales. Mick Michel, the city administrator, said in a Thursday email, “Next week’s game being played in our community is priceless.”

But some fans apparently feel you can put a price on existential joy. On Friday, pairs of tickets — sold to Iowans by lottery for $375 apiece and also distributed to the two clubs — were being offered on StubHub, starting at $1,365 for each seat.

Bloomberg Markets

By Joseph Mysak Jr

August 6, 2021, 8:00 AM PDT

— With assistance by Philip Brian Tabuas

Citigroup to Take Over Atlantic City Water Park Bond Sale; Groundbreaking for Project This Fall.

ATLANTIC CITY — Citigroup Inc. will soon take over as the underwriter of the $95 million municipal bond sale that will finance the construction of a water park at the Showboat hotel, according to a report from Bloomberg.

The Atlantic County Improvement Authority, which voted 8-0 in March to authorize the issuance and sale of revenue bonds to finance the water park, will return to the issue at a meeting at 10 a.m. Thursday, according to an agenda on its website.

Jessica Prada, administrative assistant for the Improvement Authority, told Bloomberg it will hold a special session Thursday to vote on Citigroup's appointment. The previous underwriter, Janney Montgomery Scott, is being replaced after failing to sell the unrated bonds, according to the report.

Bart Blatstein, CEO of Tower investments, developer of the water park, said Tuesday the project will break ground "around this fall."

"We're super excited about it," Blatstein said. "The success of our arcade, The Lucky Snake, has shown there is a tremendous interest for nongaming and family activities in Atlantic City."

In a presentation to the Improvement Authority board in February, Blatstein said the water park would be "best in class" and the first year-round family entertainment resort in Atlantic City.

Based on the resolution passed by the authority, the authority would issue the bonds for the project; repayment of the debt service would come through revenue generated by the water park and entertainment complex.

Before voting for the bonds though, the authority asked about the possible risks and downside of issuing the bonds. Blatstein and Tower Investments attorney Jeffrey Winitsky assured the board that neither the authority nor taxpayers faced any risk, according to the minutes of the Feb. 25 meeting.

The money being sought would cover construction costs and would also fund a debt-service reserve should revenue on the project be short or delayed, Winitsky told the board.

The Casino Reinvestment Development Authority granted site plan approval for the park in early 2021. The authority also granted the project an Entertainment Retail District designation. As part of the designation, the project will receive $2.5 million per year for 20 years in sales tax rebates.

Winitsky said a new underwriter would "give the transaction a fresh perspective and marketing effort," the report said.

pressofatlanticcity.com

by Ahmad Austin

Jul 27, 2021

[S&P Pension Brief: Single-Employer Pension Plans Are Straining Illinois Municipalities' Credit Quality]

Key Takeaways

- Weak statutory funding requirements below actuarial recommendations postpone meaningful funding progress for many local governments' individual pension plans.
- Limited revenue-raising flexibility and weak demographic trends will likely compound pension pressures for poorly funded local plans.

- The consolidation of downstate and suburban public safety plans likely will provide some savings to these plans, but minimal help to address near-term cost pressures and could add contribution volatility risk.
- Although carve-outs in the statutory funding requirements have been made to provide Chicago with budgetary relief, the city faces budgetary pressure from its large unfunded liabilities, and costs are expected to escalate.

Continue reading.

27 Jul, 202

City of El Paso's Use of Non-Voter Approved Debt Raises Concerns, Public Finance Experts Say.

As the city of El Paso prepares to issue another multimillion dollar round of non-voter approved debt, experts say the practice raises red flags and will have long-term impacts for generations of taxpayers.

The El Paso City Council recently approved beginning the process of issuing $96 million in certificates of obligation, or debt that can be issued without voter approval if the amount does not exceed $100 million. A public hearing is scheduled for Aug. 24, when the City Council will vote on whether to approve the issuance of the debt.

The council also approved issuing about $93 million in certificates of obligation in April, and since 2019 has issued two separate $100 million rounds of the debt for a variety of city projects and included funding for emergency vehicles for the police and fire departments.

Continue reading.

El Paso Matters

by Elida S. Perez

July 28, 2021

Santa Rosa Mulls Bond Offering to Knock Down Pension Liabilities.

Santa Rosa City Council is considering selling more than $100 million of bonds to raise cash for its growing pension debt, a step that could ease budgeting in years to come but carries enough risk that some municipal financing experts warn against it.

The costs of expensive earlier pension plans and losses the California Public Employees' Retirement System accrued during the 2008 financial crisis will come to a head in the next 10 years, as annual payments Santa Rosa makes to the agency increase each year to peak at almost $43 million in 2031.

Paying off those debts affects daily life in the city. Every dollar dumped into pension debt is one less dollar city officials have for programs or for reacting to problems that range from crime to natural disasters.

To curb the payments, Santa Rosa's chief finance officer Jan Mazyck has proposed the city use an investment mechanism known as pension obligation bonds. The bonds could raise cash at low interest rates and dump that cash into pension funds — a move that both lowers pension debt and increases the funds' earning power by providing more money to invest.

At a July 20 city council study session, members expressed interest in the strategy and directed Mazyck to bring back a more specific proposal. The council will not need to go to voters with a ballot measure in order to issue the pension bond offering, which could go as high as $200 million and are likely to amount to at least $110 million, Mazyck said.

For success, the city will need the pension funds to outperform the interest rates paid to investors who buy the bonds. Given low interest rates that have persisted through the pandemic, Mazyck says chances of doing so are high. She has said the bonds could be issued at an average of 3.5% interest but well could be lower.

"It's not fail proof but it is a reasonably fail proof environment," she said in a Tuesday interview. While interest rates are low, financial markets have been performing well. CalPERS itself raked in a 21% return on its investment portfolio over the last fiscal year.

But issuing the bonds increases the city's vulnerability to a market crash. Sustained stock market losses — from a fresh recession, for example — would leave the city owing not just the pension payments but also the interest payments on its bonds.

Failure would mean even more money going to pay off investment losses, and less money for government services.

Because of such eventualities, the Government Finance Officers Association, a trade group made up of more than 20,000 federal, state and local government public finance officers, suggests local governments stay away from pension obligation bonds.

Pension obligation bonds "are complex instruments that carry considerable risk," the trade group's committee on retirement and benefits administration said in February.

The Federal Reserve keeping interest rates at near rock bottom levels has led to a flurry of government entities issuing the bonds, prompting a written statement from government finance officers' group. The risks "remain true regardless of economic cycles," according to the statement.

The city pays around $30 million each year toward the unfunded portions of its pension funds. It pays about another $20 million annually toward the pension funds of its current employees.

Pension payments are for the most part an untouchable cost for governments — city officials can't legally reduce the retirement benefits previous employees held.

Because of efforts by CalPERS to "smooth" out the repayment of losses accrued during the 2008 recession, city finance officials say that over the next 10 years Santa Rosa will pay another $110 million, above the $30 million in annual payments, to unfunded pension liabilities.

She would like to see the city sell bonds of at least that amount, she said. The city does not have to sell $110 million worth of bonds at once, however, Mazyck said, allowing it to be strategic with interest rates.

Selling the bonds in stages, and as part of a broader strategy to confront budget woes, reassured council members worried about too much risk through a complicated financial tool.

“There’s no magic solution, because if there were, other cities would be doing it,” council member Tom Schwedhelm said.

THE PRESS DEMOCRAT

by ANDREW GRAHAM

July 28, 2021

[Jeffrey Baker, Municipal Bond Analyst for 43 Years, Dies at 71.]

- **Started at Chase Manhattan, retired from JPMorgan in 2015**
- **Was former chairman of two municipal-market industry groups**

Jeffrey Baker, a municipal bond analyst for 43 years who spent his entire career with one firm and its successors, has died at the age of 71.

He died Monday of cancer at his home in River Edge, New Jersey, according to his wife of 46 years, Ann.

Baker joined Chase Manhattan Bank in 1972 and retired from JPMorgan Chase & Co. in 2015.

“It was his first job out of school,” said Ann Baker.

Baker was chairman of the Municipal Analysts Group of New York in 1993, and chairman of the National Federation of Municipal Analysts in 1997.

In 1994, he received the organization’s Industry Contribution Award, with Katherine Bateman and Bill Oliver, for their “active involvement as NFMA representatives with other industry groups and the SEC, as well as their development of the 15 recently released Secondary Market Disclosure Forms.”

Baker “gave freely of his time and expertise,” recalled Steve Schrager, a fellow municipal bond analyst and long-time friend. “He sought out and mentored younger analysts, contributing to their professional growth.”

Another friend, Mark Tenenhaus of RSW Investments, recalled Baker as a devoted fan of the New York Jets football team. “His tailgates were legendary.”

Baker majored in finance at New England College in Henniker, New Hampshire, and got his MBA from Fairleigh Dickinson University.

In addition to Ann, he is also survived by his daughter, Lynne, and son-in-law Matt Weber, and two grandchildren, Benjamin and Zoe. He was predeceased by a son, Scott, in 1996.

There will be a service for Baker on Thursday at 11 a.m. at Temple Avodat Shalom in River Edge.

Bloomberg Business

By Joseph Mysak Jr

July 28, 2021, 8:41 AM PDT

[Citigroup Set to Take Over N.J. Water Park Bond Sale.]

- **Janney removed after unrated muni deal failed to sell**
- **Developer seeks to draw families to East Coast gambling hub**

Citigroup Inc. is poised to take over as the underwriter of a $95 million municipal-bond sale that will finance the construction of an indoor water park in Atlantic City, New Jersey, replacing previous underwriter Janney Montgomery Scott.

The Atlantic County Improvement Authority, the agency that is issuing the debt on behalf of a private developer, is scheduled to meet in a special session on Thursday to vote on Citigroup's appointment, according to Jessica Parada, administrative assistant at the authority.

The decision to replace Janney was made after the Philadelphia-based underwriter was unable to sell the unrated bonds despite surging investor demand for high-yield debt.

It's rare for borrowers in the municipal-bond market to change underwriters just as a deal is set to price. At the time, developer Bart Blatstein's counsel, Jeffrey Winitsky, a lawyer at Parker McCay, said that a new underwriter would "give the transaction a fresh perspective and marketing effort."

Citigroup spokesperson Scott Helfman declined to comment. Blatstein said Janney is still going to be part of the transaction. A spokesperson for Janney declined to comment.

The planned 100,000-square-foot theme park, located adjacent to Blatstein's Showboat hotel, marks an effort to draw more families to Atlantic City, whose tourism industry has struggled for years after other East Coast states legalized gambling.

The park will include a looping "lazy river," multiple water slides, three pools and five bars, including a swim-up bar and a two-level treehouse bar. A feasibility study projected attendance at 626,523 in its first year of operation and 773,523 in year five. Admission would range from $99.99 for adults to $69.99 for children, with off-peak rates and hotel package discounts. The park was expected to be ready by May 31, 2022.

Bloomberg Markets

By Joseph Mysak Jr

July 26, 2021, 8:16 AM PDT Updated on July 26, 2021, 9:43 AM PDT

[Fitch: Job Growth for California Metros May Stumble Due to Delta Variant]

Fitch Ratings-New York-21 July 2021: Employment growth is positioned to spike for most metros throughout the country as vaccinations continue and social-distancing measures are rolled back, though Fitch Ratings latest U.S. Metro Labor Markets Tracker points to California as a potential hot spot in the coming weeks.

Monthly employment growth has been on a steady upward trajectory for California, where imposed lockdowns may have been more stringent. However, 'the growing spread of the delta variant has led to the return of mask mandates in Los Angeles and is one to watch as further restrictions could slow the pace of employment recovery in the affected metros,' said Senior Director Olu Sonola.

While most regions of the country showed notable growth in jobs, the Midwest's median recovery rate for major metros fell to 66% in May from 68% in April. Cleveland was the Midwestern major metro with the largest decline in May at five percentage points below April. Eight out of nine major metros in the Midwest had employment recovery rates above 50%, with the exception being Chicago. The Midwest's median Fitch-adjusted unemployment rate rose to 8.8% in May from 8% in April. All three Midwestern metros where Fitch-adjusted unemployment rates rose in May are in Ohio (Cincinnati, Cleveland, and Columbus).

Leisure and hospitality remain a lingering sore spot for job growth. Though cities like Miami and New Orleans are seeing relatively strong improvement from prior months, Miami has only recovered 62% of leisure and hospitality employment while New Orleans has recovered 42%. Interestingly, Las Vegas, which has the highest leisure and hospitality employment concentration among major metros, has seen job recovery stall lately compared to other cities.

Fitch's latest 'U.S. Metro Labor Markets Tracker' is available at www.fitchratings.com.

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New Jersey Private School With $67,850-a-Year Tuition to Tap Tax-Free Bond Market.

- **The Lawrenceville School to sell debt for campus complex**
- **Bond deal features big-name trustees, large endowment**

An elite New Jersey boarding school is hitting the $4 trillion municipal-bond market with a bond deal that comes with a bit of prestige.

The Lawrenceville School is selling $56 million of tax-free and taxable debt next week to help finance a complex that will include a pool, hockey rink, dining facility and fitness center. Located just down the road from Princeton University in Lawrenceville, New Jersey, the school founded in 1810 boasts a $632.9 million endowment and a who's who of trustees led by Jonathan Weiss, chief executive officer of corporate and investment banking at Wells Fargo & Co.

Lawrenceville, considered one of the best boarding schools in the U.S., is joining borrowers like a botanical garden in Pennsylvania and the territory of American Samoa by seizing on low interest rates and insatiable investor demand for muni bonds. The borrowing will help finance the $179 million complex dubbed the Tsai Field House, which was backed by donors like billionaire Joseph Tsai, executive vice chairman of Alibaba Group Holding Ltd., who is an alumnus of the school and trustee.

The complex on the 700-acre campus is “going to transform our school for decades and generations of students,” said Ben Hammond, the school’s chief financial officer. Other notable alumni include former Walt Disney Co. head Michael Eisner, late Salomon Brothers CEO John Gutfreund and musician Huey Lewis.

Elite boarding schools occasionally raise money in the muni market, which helps them finance projects on their picturesque campuses. They’re often armed with strong credit ratings thanks to strong demand from students, big endowments and alumni support. Lawrenceville, with just over 830 students during the 2020-21 school year, benefits from an “excellent brand” and exceptional donor support, according to a report by Moody’s Investors Service, which rated the bonds Aa2.

Roberto Roffo, a managing director and portfolio manager at SWBC Investment Company, said the school will do well in the muni market thanks to its strong credit and status as a “mini Harvard.”

“If I were looking for high-grade, this would be a beautiful bond to buy,” said Roffo, who said he’s looking to lower-rated credits instead.

The school is known for being an early adopter of the Harkness method in its classrooms, which emphasizes discussion among students. Bond documents note many of its students go on to attend top-tier colleges like Princeton, New York University and Georgetown University.

The majority of students board on campus at the school, which charged boarding tuition of $67,850 for the 2020-21 school year. In fall 2020, people of color comprised about 52% of the student body and about 30% of students received need-based financial aid.

Having such high-profile supporters helped the school during the pandemic. Bond documents note the school did not receive a loan through the Paycheck Protection Program, saying a benefactor “instead” offered a line of credit to avoid cutting staff.

While the school doesn’t name the donor, a financial statement included with bond documents says the Joe and Clara Tsai Foundation provided an $8 million line of credit to the school in November. A spokesperson for the school declined to comment.

Lawrenceville also launched a capital campaign in May with the goal of raising $425 million, and it’s already raised $367 million in cash and commitments as of June 30, bond documents note. As of June 2020, the school’s endowment per student was approximately $598,000, bond documents say.

The school is expecting to return to normal operations in the upcoming school year, and students and employees are required to be vaccinated against Covid-19. As of June 15, student applications are up 16% from the prior year.

The first phase of construction on the bond-financed field house is expected to be completed next year, according to the school. The next phase will renovate the existing one. Hammond said it helps to enter the bond market at a time when interest rates are low.

“We’re watching the markets like everyone else, feeling very fortunate about our timing, which feels lucky to us,” he said.

Bloomberg Markets

By Amanda Albright

July 22, 2021, 9:30 AM PDT

S&P Pension Spotlight: California

Key Takeaways

- CalPERS's recent modification of plan and methodologies assumptions for city, county, and state employees could result in faster funding of liabilities and higher funded ratios at the expense of higher contribution costs for municipalities in the near-term.
- Pension plans are moderately funded for most cities and counties that participate under CalPERS' statewide pension plans.
- While we expect pension costs will rise for almost all local governments, issuers' ability to absorb these costs varies across the state.
- Escalating pension costs in the medium term may spur demand for pension obligation bond issuances with a goal of reducing pension costs overall and smoothing pension cost payments over the long-term.

Continue reading.

13 Jul, 202

Alabama Weighs Covid Aid for Prisons After Wall Street's Rebuff.

- **Earlier state effort to borrow from Wall Street fell apart**
- **State was sued by Justice Dept. in 2020 over prison conditions**

Alabama asked the U.S. Treasury Department whether Covid-19 relief aid can be used to fund correctional system projects, months after the state was unable to tap Wall Street for financing to build two new prisons.

The Alabama Department of Corrections asked Treasury to allow certain prison infrastructure projects as an eligible use of federal aid, according to a July 15 dated letter to the Treasury. The letter sent by Commissioner Jefferson S. Dunn was sent as part of a comment period on federal rules guiding how to spend the $350 billion American Rescue Plan aid that states and municipalities are receiving.

The request to the Treasury department comes months after the state attempted to borrow from the capital markets to raise funds for two new prisons to be owned by CoreCivic Inc. and leased to the state corrections department. The financing drew sharp rebuke from investors and activists and ultimately fell apart after Barclays Plc, the original underwriter, backed out.

It's unclear whether the state wants to use its federal aid to fund those new prisons. Spokespeople at Governor Kay Ivey's office and the corrections department did not respond to requests for comment.

After a multi-year investigation, the Alabama Department of Corrections and the state were sued by the Department of Justice in December for failing to protect male prisoners from violence and unsanitary conditions. Ivey, the architect of the CoreCivic partnership, said the new facilities would help the state improve its prison system.

The state is receiving $2.1 billion of aid as part of the Treasury's Coronavirus State and Local Fiscal Recovery Funds, meant to help state and local governments fight the pandemic and foster economic recovery. The Treasury's guidelines on how the money can be used is broad, allowing governments to fund everything from stimulus checks to water and sewer infrastructure projects.

The federal guidelines also emphasize using the money to promote equity and targeting the aid to underserved populations. The Alabama Department of Corrections letter said its prison population was disproportionately impacted by the pandemic, saying that Covid-19 stalled things like educational programs.

The state said that allowing certain infrastructure projects to be funded through federal aid would help it respond to the disproportional impact of the pandemic on correctional systems and people who are incarcerated.

After the original financing fell apart, lawmakers floated other options including selling bonds for new facilities that would be owned by the state and using federal stimulus funds to help finance the project, according to AL.com.

"From ADOC's perspective, any ambiguity associated with the Interim Rule should be clarified and additional guidance provided for correctional systems and incarcerated populations to ensure ADOC realizes the benefit and full use of State Fiscal Recovery Funds," the state said in the letter.

Bloomberg Business

By Amanda Albright and Danielle Moran

July 16, 2021, 9:36 AM PDT

D.A. Davidson Closes Bonds on Second-Ever Limited Property Tax Public Infrastructure District.

Transit-Oriented Community to Support Sustainable and Balanced Growth in Payson City, Utah

SALT LAKE CITY–(BUSINESS WIRE)–D.A. Davidson is pleased to announce the company's Special District Group has priced $24 million of tax-exempt bonds in the second-ever limited property tax Public Infrastructure District (PID) financing in Utah.

Red Bridge PID No. 1 will use the bond proceeds to finance critical water, sewer and road infrastructure to serve the Red Bridge Station community as well as key growth areas on the west side of Payson City, Utah. The community is planned for more than 1,000 homes, consisting of primarily multifamily residences. The site is also planned for a number of retail and other general commercial projects, including the potential expansion of the Mountainland Technical College (MTECH) and is in the long term planning for a new Utah Transit Authority Frontrunner and Bus Rapid Transit station (BRT).

“We are proud to partner with the Red Bridge Station development team in conjunction with the City of Payson on this financing. This transit-oriented community is a significant collaborative effort between the developer and Payson to create new zoning, higher density and a PID to finance the critical infrastructure that will get Red Bridge Station off the ground,” said Brennen Brown, managing director at D.A. Davidson, Special District Group. “As we continue our expansion in Utah, this landmark community is a perfect example of how public financing through Utah PIDs is an effective tool to unlock sustainable and balanced growth for communities statewide.”

D.A. Davidson’s Special District Group has experienced significant growth this past year in Utah and Colorado, successfully completing more than 100 transactions, totaling more than $2 billion to fund public infrastructure to support development projects.

“D.A. Davidson’s Special District Group made infrastructure funding of Red Bridge Station happen through their unmatched expertise and financial tools,” said Joe Spencer, project manager and chairman of Red Bridge PID. “Together we developed a unique financing structure and closely collaborated every step of the way. We simply could not have done it without the D.A. Davidson team and are looking forward to our vision becoming a reality.”

A nationally recognized market leader, the D.A. Davidson Special District Group is a team of capital markets professionals principally focused on financing public infrastructure for land development through the issuance of municipal bonds. Powered by decades of industry experience, the team drives groundbreaking solutions with hands-on partnership from project inception to completion.

Construction within the community is anticipated to commence in fall of 2021 and full buildout of the community is anticipated in 2026. For more information, please contact sdgmd@dadco.com.

About D.A. Davidson Companies

D.A. Davidson Companies is an employee-owned financial services firm offering a range of financial services and advice to individuals, corporations, institutions and municipalities nationwide. Founded in 1935 and headquartered in Montana, with corporate offices in Denver, Los Angeles, Portland and Seattle, the company has approximately 1,400 employees and offices in 28 states.

Subsidiaries include: D.A. Davidson & Co., the largest full-service investment firm headquartered in the Northwest, providing wealth management, investment banking, equity and fixed income capital markets services, and advice; Davidson Investment Advisors, a professional asset management firm; D.A. Davidson Trust Company, a trust and wealth management company; and Davidson Fixed Income Management, a registered investment adviser providing fixed income portfolio and advisory services.

For more information, visit dadavidson.com.

July 13, 2021 11:54 AM Eastern Daylight Time

[Preston Hollow Capital Completes Bond Funding for Farms of New Kent Development in Virginia.]

DALLAS–(BUSINESS WIRE)–Preston Hollow Capital (“PHC”), an independent specialty municipal finance company based in Dallas, today announced the successful issuance of two new series of tax-exempt refunding bonds totaling $90 million, the proceeds of which cure the previously defaulted

Series 2006 Bonds and adds new liquidity intended to fuel and accelerate residential and commercial growth within the Farms of New Kent Development ("the Development"). The Development is a planned, mixed-use community comprised of four separate land tracts situated on 2,113 acres of land within New Kent County, approximately 20 miles east of Richmond, Virginia and 25 miles west of Williamsburg. When complete, the Development is expected to contain 2,525 diverse residential units, including approximately 1,550 age-restricted units, commercial and retail space. The community is complemented by amenities in the Development, including the Viniterra Winery, Talleysville Brewing Company, and the Club at Viniterra – an 18-hole championship golf course designed by Rees Jones.

Ramiro Albarran, Managing Director at Preston Hollow Capital, said, "We are deeply gratified that our work with both the County and project homebuilders, Ryan Homes and DR Horton, has revived what was a stalled effort and catalyzed an exciting and vibrant community in New Kent County. The refunding we have announced today is a key milestone in our long-term commitment to the community, and we are excited to see the future continue to unfold."

Additional development activity at The Development includes the following:

- **The Arbors**– This D.R. Horton-led development includes the construction of over 300 additional residential family homes in an existing neighborhood that has now grown to over 200 families.
- **The Groves**– Similarly, Ryan Homes has commenced home building on the first phase of The Groves, an active-adult, age-restricted community which is part of 1,164 lots under contract for sale to Ryan Homes. The Groves will augment the existing 155-home Four Seasons age-restricted neighborhood with additional amenities and connectivity. Ryan Homes started its marketing activities and recently closed on the lots for construction of the initial four model homes.
- **Clubhouse and Related Amenities** – Construction of an 8,000 square foot luxury clubhouse with resort-style pool, and an extensive walking and hiking path trail system is underway.

Patricia A. Page, who serves as a Member of the Board of Supervisors for District #3, which includes the Farms of New Kent, added, "I am extremely encouraged by the relationship with Preston Hollow and I'll continue to work closely as The Arbors and The Groves move from a rendering to a beautiful community reality."

In 2006, the original developers through Farms of New Kent Community Development Authority issued $85 million Series 2006 special assessment bonds to finance the construction of certain roads, water and sewer system extensions and other public improvements for the Development. The majority of this infrastructure was completed in 2009. Subsequently, some of the original developers defaulted on their payments of special assessments, ultimately leading to a default of the Series 2006 bonds in 2013 and eventual transfer of approximately 900 acres of the Development's land to the Series 2006 bond trust.

PHC acquired all the defaulted Series 2006 bonds in 2017 and 2018 and instituted its plan to restart residential and commercial development. Since that time, PHC has worked with the Series 2006 Trustee, the Farms of New Kent Community Development Authority, New Kent County, Ryan Homes and D.R. Horton, among others, to reestablish land development and commence homebuilding throughout the community.

About Preston Hollow Capital

Preston Hollow Capital provides specialized impact financing solutions for projects of significant social and economic importance to local communities in the United States. As a team, we bring a decades-long track record of helping communities achieve their financial, sustainability and community impact goals. We do so through a unique partnership model, rigorous and disciplined credit underwriting and creative investment structuring built around delivering speed, certainty, and flexibility to our borrowers.

Contacts
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July 14, 2021 10:25 AM Eastern Daylight Time

Eaton Vance's Trachtenberg to Retire After Decades Trading Munis.

- **Co-chair of Municipal Bond Women's Forum recalls career arc**
- **Love for trading started at United California Bank in the '70s**

When she was starting out in the 1970s, Debe Trachtenberg discovered she loved everything about working on bond-trading desks — but gaining a foothold in the male-dominated industry required a good bit of grunt work for young women at the time.

Now she's set to retire in September after more than four decades in fixed income, having founded the municipal trading desk at Eaton Vance Management and earned a reputation as an advocate for women in finance and a mentor for younger colleagues.

Trachtenberg, 67, got her start in municipal debt helping United California Bank participate in local governments' short-term note auctions. Back then, cities would advertise debt offerings in The Bond Buyer newspaper. But there was a catch: The sales took place in person, nationwide. So Trachtenberg's job was to call local banks in various states to recruit someone willing to go to the auction and submit a bid in person.

That bank was where Trachtenberg first gained an appreciation for the buzz and pace of the trading desk.

"I just loved the sound of everything," she said.

Trading appealed to Trachtenberg in part because of her aptitude with numbers and her memorization skills, something she honed playing Italian card games like Briscola with her family while growing up in Brooklyn, New York.

She found those talents came in handy in municipal trading given the need to remember figures like credit spreads and coupons, not to mention during volatile events like the 2020 pandemic-induced market chaos and the 2008 recession, she said.

Trachtenberg traded munis for dealers including Dean Witter Reynolds before moving to Fidelity Investments, and then Eaton Vance in 1997. She now oversees municipal trading for the firm, which manages $18 billion in municipal debt and about $176 billion overall.

Advocate for Women

The muni industry has changed dramatically from the days of in-person bond auctions, in terms of both process and culture.

At 22, Trachtenberg says she and other women at her bank were tasked with handing out lunch to coworkers. Then one day she decided she wouldn’t perform that chore anymore because she deemed other responsibilities to be more important.

“‘At some point,’ I said, ‘I have to put my foot down,’” she recalled.

She’s now known in the industry for being involved in groups like the Municipal Bond Women’s Forum. The group hosts an annual gathering that features networking events and panels at a time when women are still struggling to break into the top ranks in some areas of finance.

Trachtenberg was one of the forum’s early advocates while others expressed doubts that it would work, said Rachel Perlman, director of institutional sales at Boenning & Scattergood and chairwoman of the group.

“Debe kind of looked at me and said, ‘You just keep on moving. Tune them out,’” Perlman said. “She was a real cheerleader.”

Trachtenberg, the forum’s co-chairwoman, said she sees mentoring as key to helping diversify the industry. Over the years she says she’s mentored people like Kevin Dyer, a trader at MFS Investment Management, and Sara Chanda, a portfolio manager at Breckinridge Capital Advisors. Both previously worked at Eaton Vance.

She’s also passed her love of trading — and her affinity for numbers — down to her children: Her daughter trades municipals and her son trades cryptocurrency.

Looking Forward

After retirement, she’ll continue to be involved with the forum and work with organizations like the Matthew Larson Foundation for Pediatric Brain Tumors. She’s also looking forward to tending her garden at her home in Scituate, Massachusetts, and to a trip to Italy planned for soon after she leaves her job.

She’s confident that Eaton Vance’s state and local-debt group is in good hands with longstanding senior traders like Christopher Berry and Simone Santiago. The company this year also hired Alisa Fitzgerald and Don Schatz as senior traders on the municipals team. Cynthia Clemson and Craig Brandon are co-directors of municipal investments.

The team was excited about Fitzgerald’s hiring, because no woman had interviewed for a trading role that opened up previously.

“We were all over the moon,” Trachtenberg said. “Women have really come into their own in municipals.”

Bloomberg

By Amanda Albright

July 6, 2021, 10:15 AM PDT

[United States Municipal Bond Pricing Service 2021 - ResearchAndMarkets.com]

DUBLIN–(BUSINESS WIRE)–The "US Municipal Bond Pricing" database has been added to ResearchAndMarkets.com's offering.

The service provides daily end of day pricing for either select bonds or the entire database of 1.25 million US Municipal Bonds. Along with the daily data, the analyst supplies 8 years of historical data.

The method reduces risk by providing more market-driven evaluations than traditional methods (such as bootstrapping, interpolation, and matrix pricing).

Developed for the middle-market, regional dealer community and clients are provided with:offers transparency into the methods and data sourced to produce the valuations gives client and partners the ability to provide needed feedback during development phases is developed by experts specific to the market niche it serves is priced to fit the regional firms' budgetary framework

For more information about this database visit https://www.researchandmarkets.com/r/f8j3uf

July 02, 2021

New California Budget Proposal Provides Massive Funding Boost to Higher Education: Nossaman

On May 14, Gov. Newsom unveiled his record-breaking $267 billion budget proposal to tackle some of the greatest challenges facing the state of California, kicking off what's been described as the most ambitious era of government spending in the state since the mid-20th century. The new proposed budget comes exactly one year to the day after the governor announced spending cuts to schools, homeless services and health care in light of the state's $54 billion budget shortfall and the worsening COVID-19 pandemic. Thanks to a booming stock market and greater than expected tax …

Continue

By Frank Liu on 05.26.2021

Nossaman LLP

S&P Bulletin: New Jersey's Fiscal 2022 Budget Could Signal Improved Finances If Windfall Revenues Do Not Lead To Increased Deficits

NEW YORK (S&P Global Ratings) July 1, 2021–S&P Global Ratings said today that any improvement in New Jersey's (BBB+/Stable) overall creditworthiness will depend on the state's success in establishing structural budgetary balance following this year's $46.4 billion budget.

As the 2022 fiscal year begins, S&P Global Ratings will be monitoring the following credit factors:

- Given the sizable year-over-year increase in appropriations, largely funded by reserves, the state's ability to identify future funding sources or curtail out-year spending will be a credit focus.

- With a 57% year-over-year increase in pension funding, this could mark the start of improved funding discipline; however, it will take a demonstrated commitment to paying the actuarially determined contribution (ADC) from reoccurring revenues and sustained improvement to funded ratios in the state's pension plans to materially alter our view on the budget pressure caused by past actions.
- We believe New Jersey's debt burden is high, and to the extent overall liabilities materially improve, from the inclusion of $3.7 billion dedicated to debt reduction or other funding, this could have positive implications.

The enacted budget includes $1.5 billion of additional spending on top of increases in the governor's proposed budget, raising total year-over-year spending by 2.3% from the fiscal 2021 adjusted budget. Although the state forecasts both income and sales taxes will improve, much of this spending is funded by a one-time reserve spend down of $4.3 billion in reserves or 9.2% of appropriations, which we view as an operating deficit. These reserve balances are largely the result of $4.3 billion in deficit bond proceeds, which were expected to fund revenue losses that did not materialize. Now, officials plan to spend the resulting surplus on a combination of one-time items and increased support for pensions and debt reduction, which could support an improved financial position for the state if future budgets find the means to continue funding. We believe certain items added, including more money for education, health, human services, and tax rebates, might prove difficult to reduce in future years. The increased spending appropriated in the fiscal 2022 budget is largely in addition to the $6 billion of American Rescue Plan (ARP) funding the state received and will spend over the next three years. Important in a state saddled with high costs from long-term liabilities, these funds cannot be used to shore up pension plans or to pay down debt. Given this, we will be watching what the state spends them on, as use of federal funding to offset state costs in the short term could lead to increased budget gaps when the money runs out. If the state can find the money to maintain increased recurring obligations in future budgets, without continued reliance on reserve or federal funds, its financial position could improve, bringing it more in line with that of higher-rated peers. However, should additional spending be maintained without sufficient recurring revenues to support it, the state's structural deficit would persist, limiting upward rating potential. We will continue to monitor any potential effects funding decisions could have on our rating on the state as details emerge on ARP spending plans, pension funding, and debt defeasance.

One credit-favorable item to note in the enacted budget is additional pension funding, with the state not only fully funding its ADC for the first time in 25 years, but also adding about $500 million on top of the payment. This extra funding could lead to a modest reduction in long-term pension liabilities. To the extent future actuarial studies lead us to believe New Jersey will sustain a net pension ratio of more than 40%, this could have positive implications. However, the additional funding is intended to offset the increase in liabilities following a planned reduction in the plans' discount rate. Critical to maintaining the rating is the ability to fund long-term obligations. At 38.4% as of July 1, 2020, New Jersey's combined defined-benefit pension funded level is among the lowest in the country. Sustained improvement in funding discipline, as demonstrated by continued full payment of the ADC in future years from reoccurring resources, is necessary to reduce the risk that these obligations will pressure future budgets even more, forcing the state to cut services or dramatically increase revenues.

The other major funding included in the budget that we believe could improve New Jersey's financial position is the commitment to reducing the state's debt burden. New Jersey had the fourth-highest tax-supported debt burden in the U.S. at the end of fiscal 2020, which did not include the general obligation deficit bonds. The state is dedicating $3.7 billion to help reduce the financial impact of this debt burden through a debt-defeasance fund and pay-as-you go capital spending that would otherwise be funded by debt issuance. At this point, it is not clear what effect this will have on our view of the state's debt profile because details are not yet available. However, given where debt per capita stood at the end of fiscal 2020, it is unlikely these programs alone will be enough to materially improve New Jersey's debt profile, in our view.

1 Jul, 202

S&P Charter School Brief: New Jersey

As of June 28, 2021, S&P Global Ratings maintains seven public ratings on New Jersey charter schools. The state adopted charter school legislation in 1996, with the first school opening the following year. Based on the State of New Jersey Department of Education (DOE), more than 55,000 students (approximately 3.8% of the state's kindergarten through 12th-grade population) are enrolled in more than 87 charter schools across 40 cities with an additional waitlist of 36,000 students. Charter schools are concentrated in urban districts such as Newark, Jersey City, Paterson, Camden, Trenton, and Plainfield.

Continue reading.

28 Jun, 2021

Preston Hollow Capital Completes Financing for The Highlander in a Public Private Partnership With Radford University, Virginia.

DALLAS–(BUSINESS WIRE)–Preston Hollow Capital, an independent specialty municipal finance company that supports local communities through creative, flexible and dependable infrastructure financing, today announced the successful execution of a $34 million financing to fund construction of The Highlander, a 124-room upper-upscale hotel that helps further Radford University's academic mission with the advent of its Hospitality Program. The Highlander also provides much-needed amenity to the University and the surrounding community and features a rooftop restaurant and a 4,000-square-foot conference space, providing the University the ability to attract and host business conferences, expos, and University events.

Preston Hollow's investment consists of a $34 million Sustainability Bond – a designation which allows investors to invest directly in obligations that finance socially beneficial and sustainable projects. Sustainability Bonds were adopted based upon sustainability framework guidance from the International Capital Markets Association and the United Nations Sustainable Development Goals. Preston Hollow worked hand in hand with Radford University and the Radford University Foundation to execute the financing.

"The Highlander represents a bold step forward for this University and community," said Radford University President Brian Hemphill. "We identified a growing need for the University and began to think about solutions, which started with building a world class team to bring our vision for the hotel to reality. Preston Hollow Capital has been a true partner for the University, not only through its investment, but also through its expertise in assembling a team that ensures the long-term success of The Highlander."

Radford University Foundation CEO John Cox said, “Breaking ground for The Highlander is a thrilling day for the Radford University Foundation. The vision for the hotel has been a focus for the University and Foundation since 2019, and the support from Preston Hollow Capital has been an essential part of this project. The Foundation is excited for The Highlander and the positive impact it will bring locally, regionally and beyond.”

“As financing solution provider for The Highlander, Preston Hollow Capital was committed to advance the social and community benefits of the project, and we appreciate the opportunity to work with Radford University, its foundation, and the other valued partners involved with the project,” added Preston Hollow Capital Chairman and CEO Jim Thompson. “The Preston Hollow team takes pride in its ability to execute complex transactions and close with certainty. We’re confident the addition of The Highlander will benefit not only Radford University, but also the surrounding area’s businesses and residents,” he added.

Formal groundbreaking for the project occurred on June 15th of this year, with completion expected in time for family move-in for the start of the 2022 school year.

Provident Resources Group serves as the not-for-profit owner of The Highlander. SB Ballard, Inc. is the general contractor, with Blur Group serving as the architect. The Highlander will be managed by Aimbridge Hospitality.

July 02, 2021

Debate Reignites Over San Francisco’s First Public Bank.

Prior to the COVID-19 pandemic, momentum was building for San Francisco to create its own public bank where The City could be in charge of its own finances and free from Wall Street influence.

Advocates argued that The City would be able to invest in key local areas like affordable housing and small businesses while being accountable to taxpayers as a public entity — something that became more desirable after the Great Recession banking scandals.

The push to create a public bank, of course, became another point of competition with Los Angeles, with city officials jockeying for San Francisco to be the first to apply for a banking license under a 2019 state law.

Continue reading.

THE SAN FRANCISCO EXAMINER

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Jun. 21, 202

White Plains Warned about Looming $1.7M Default on City Center Garage Bonds.

The city of White Plains has been warned of a projected $1.7 million shortfall in revenues from the

City Center garage and a looming payment default on the municipal bonds that financed the garage.

If the bonds default when the next payment is due in October, the city's financial reputation would be damaged, according to a letter sent to Mayor Thomas Roach and obtained by the Westchester County Business Journal.

Ratings agencies and capital markets "will penalize the city if it is seen as not taking seriously the looming payment default on the City Center bonds," Steven J. Berkowitz, president and CEO of ACA Financial Guaranty Corp., states in the May 21 letter.

"The least onerous effect would be higher interest rates on future bond offerings. More severe consequences would be a … rating downgrade, to say nothing of a lack of buyers for the city's bonds and notes."

ACA Financial Guaranty, based in Rye, insured the bonds and is obligated to pay the bondholders if the bonds default.

A default could easily be averted, according to ACA spokeswoman Maria Cheng.

But White Plains does not accept responsibility.

It does not own the garage and is "not obligated on the bonds in any way," Karen M. Pasquale, senior adviser to Mayor Roach, said in an email. "The city cannot allow its taxpayers to take on a burden that does not belong to them."

ACA Financial Guaranty acknowledges that the bonds are not a general obligation of the city, but ultimately, according to the letter, the city must "pursue any and all revenue sources" to secure the bonds.

The garage is a part of the vast City Center urban renewal project, across the street from City Hall, at Main Street and Mamaroneck Avenue. In 2001, Cappelli Enterprises Inc. proposed a $42.37 million, 9-story 2,370-space garage as part of a $300 million retail and residential center.

In 2003, the Westchester County Industrial Development Agency issued nearly $27.25 million in bonds to finance the garage. White Plains issued a separate, $24 million bond to finance construction.

The city's bond issue is almost paid off, Pasquale said, and "the city of White Plains has met all of its obligations" to support the larger bond issue.

Bond documents paint a more complicated picture of a public-private partnership between the developer and city agencies:

• the city acting through the nonprofit White Plains Center Local Development Corp.;
• the city's Urban Renewal Agency, the White Plains Parking Authority;
• the Common Council; and
• LC White Plains, formerly controlled by Cappelli Enterprises and now owned primarily by Kite Realty Group of Indianapolis.

The city owned the site and deeded it to the urban renewal agency. The urban renewal agency leases 200 parking spaces to the city and the rest to LC White Plains.

The parking authority operates the garage, collects the parking fees and pays the operating expenses.

The city's commissioner of finance is the fiscal agent. The city's commissioner of public works is responsible for repairs. Common Council has sole authority to set parking rates.

LC White Plains is responsible for paying the bonds, but it is dependent on parking revenues collected by the city.

It all depends on parking revenues, Cheng said. But revenues have been declining as operational costs have increased.

In the past 5½ years, for instance, net income for the City Center garage has narrowed by 51%, according to documents filed with the Municipal Securities Rulemaking Board.

Several warnings also have been posted on the board's public database. In September 2018, Wilmington Trust, the bond trustee, warned that a reserve fund that is supposed to have enough money to cover the annual bond payments was short by $1.6 million.

Wilmington Trust posted another notice this past February, citing ACA's concerns about the depleted reserve fund.

Cheng said ACA has been trying to get the city's attention for years.

"We've been unable to even engage in a conversation with them," she said. "We've sent letter after letter since 2018. … Then the pandemic hit, and now it's worse. It's like hammering on a festering wound."

One way to fix the problem, according to Berkowitz's letter, is to raise parking rates, an action, according to the bond documents, that only the Common Council can take.

Pasquale said ACA had proposed a 75% parking fee hike, "which is unacceptable."

Another solution is refinancing. The original bonds were issued at 6% to 6.25%. Now municipal bond interest rates are much lower, and the City of White Plains has a strong credit rating.

Cheng said the city could borrow money at 1.5% to 2%, saving more than enough to cover the shortfall and not have to raise parking rates.

The City Center garage bonds are already in default, Cheng said, for breaking covenants in the bond agreements. But failure to make the next semiannual payment in October would be more serious.

"A payment default," she said, "is the Big D."

She said ACA ultimately will not lose in a default. It would have to pay the bondholders, but then it could demand that LC White Plains cover the shortfall.

But a payment default would have serious implications for White Plains' overall bond rating, the Berkowitz letter states, and "will ultimately hurt White Plains residents through increased borrowing costs that will have to be financed by taxpayers."

"This is a moral obligation on the city," Cheng said, and other municipalities that have walked away from moral obligations have seen their credit ratings worsen.

"The capital markets will say, 'How come? … You could have addressed the problem.'"

If the problem is not addressed, Cheng said, "the city will hit a wall in October."

westfaironline.com

By Bill Heltzel – June 24, 2021

S&P ESG U.S. Public Finance Report Card: California Governments And Not-For-Profit Enterprises

Key Takeaways

E (elevated): The state is broadly exposed to a wide range of environmental risks. Acute physical risks stemming from wildfires and droughts, as well as chronic issues resulting from hydrological volatility and sea level rise; energy transition risk; other hazards such as seismic events and mudslides; and natural capital stress related to water scarcity are heightened risks for some entities absent adaptation measures.

S (elevated): Housing affordability has resulted in demographic shifts and elevated social risks. In addition, the future cost of municipal services is expected to rise significantly given required infrastructure investment to meet demand and asset deficiencies including grid reliability associated with ambitious energy transition requirements.

G (neutral): The state has a long history of policy making aimed at preserving natural capital that mitigates or reduces climate risks, and improves socioeconomic inequities. While these policies advance ESG principles, there are also limitations on key revenue streams that have hindered infrastructure investment, creating meaningful challenges to adaptation efforts. Furthermore, the state provides limited oversight for distressed municipalities as represented in our local government institutional framework, while providing school districts with a high degree of state oversight and significant equalization funding, which we believe benefits the portfolio.

Continue reading.

16 Jun, 2021

Waking from Bankruptcy Shock, Stockton Comes Back to Life.

Stockton emerged from bankruptcy years ago, but a culture of caution lingered that wasn't conducive to growth. Harry Black, its new city manager, aims to speed resurgence and innovation through data-based plans and programs.

When Stockton filed for bankruptcy in 2012, it was the largest municipality in the U.S. to be forced into this corner. A judge approved the city's plan to exit bankruptcy in February 2015, and by 2016, Truth in Accounting had ranked Stockton second in its annual survey of fiscal solvency of the nation's most heavily populated cities.

The city is still in the top five in the 2021 survey, with a surplus equivalent to $3,000 per citizen after all its bills are paid. In 2013, Detroit replaced Stockton as the largest city to seek bankruptcy protection, emerging in 2014. But it has not managed a similar resurgence.

Motor City currently has a “taxpayer burden” of $6,100 — the sum each citizen would have to pay to bring its bills current. It is ranked among “Sinkhole Cities” by Truth in Accounting.

[Continue reading.]

governing.com

by Carl Smith

June 16, 2021

[Texas Targets Wall Street in Fight Over ESG Investing.]

- **New law bans investments in businesses shunning fossil fuels**
- **Major corporations growing more committed to cleaner investing**

Texas is drawing battle lines in a fight against investors and companies turning their backs on fossil fuels.

Governor Greg Abbott signed a bill into law on Monday banning state investments in businesses that cut ties with the oil and gas industry. The underlying message, according to one of the most powerful energy regulators in the state, is simple: Boycott Texas, and we’ll boycott you.

The new measure is Texas’ Republicans latest rebuke of ESG investing as the state clings to its status as America’s crude capital. Oil and gas companies, already under pressure to funnel more cash into dividends to please shareholders, are now having to reckon with major corporations from Wall Street banks to Silicon Valley tech giants deeming climate change as a top priority when determining investments.

[Continue reading.]

Bloomberg Finance

By Rachel Adams-Heard

June 14, 2021, 7:11 PM PDT Updated on June 15, 2021, 7:14 AM PDT

[Michigan to Sell $604 Million of Debt for Flint Water Settlement.]

Michigan is slated to sell $604 million of taxable bonds to help finance the state’s settlement payments to victims of the lead-contaminated water supply in the majority-Black city of Flint.

Why It’s Noteworthy

Flint’s water crisis began in 2014, when in an effort to cut costs, officials began sourcing the city’s drinking water from the Flint River. The river contained contaminants that leached lead from pipes, polluting the water for thousands of residents, including infants and children. Studies found the contamination may have been the cause of a Legionnaire's disease outbreak and several deaths in the area. As a result, former Governor Rick Snyder was charged with two misdemeanor counts for his role in the crisis and eight others face criminal charges. The charges are "wholly without merit," his lawyer has said.

The state has agreed to pay $600 million into a compensation fund, which will finance recovery awards for children and adults exposed to contaminated drinking water. The state made an initial payment of $5 million into the FWC Qualified Settlement Fund in February and will transfer the remaining $595 million of the bond proceeds. Michigan's state legislature will then appropriate approximately $35 million of annual payments to pay debt service on the bonds.

Payments made from the settlement fund to the plaintiffs will "essentially extinguish" the state's legal liability, according to a Fitch Ratings report. The bonds are being sold though the Michigan Strategic Fund, a state entity.

The deal is being underwritten by Citigroup and Siebert Williams Shank & Co. and is expected to price on June 22, according to investor roadshow documents.

'Highly Essential'

The bonds are rated Aa2 by Moody's Investors Service and AA- by Fitch, the third and fourth highest grades respectively. The debt service is payable from the state's legislative appropriation and is rated one notch below Michigan's general obligation rating by both companies.

"Although the transaction does not grant bondholders an interest in a physical asset, fulfillment of the state's obligation to make these payments constitutes a highly essential purpose for Michigan's government, given the pivotal role of various state agencies and officials in the catastrophic contamination of Flint's water supply starting in April 2014," wrote Moody's analyst Edward Hampton in a report.

"Completion of the settlement payment is crucial not only to containing future financial claims against the state, but also to restoring and maintaining the government's credibility with a large portion of its citizens," he said.

The fact that the proceeds will ultimately go to residents who were harmed by the water crisis is a "distinct positive," according to a report published in May by Activest, a racial justice investment research firm. Given the scale of the impact, the judgment "is a start, but it falls short of a fiscally-just investment," according to the report from Activest co-founder Ryan Bowers and his team.

Market View

Jason Appleson, a portfolio manager at PT Asset Management said that the bonds could come to market at higher yields than other appropriation debt because of the unusual nature of settlement bonds.

"The size mixed together with the non-standard format, the fact that it's a appropriation for a settlement, I think there will be some concession baked in there," he said, adding that any price drop is likely to be minimized by the ample demand for municipal bonds.

"It will probably get strong numbers but will likely be a little weaker than an essential project that is normally financed with appropriations," he said. "It is an ideal time to come to market."

Bloomberg Markets

By Danielle Moran

June 15, 2021, 9:05 AM PDT

— With assistance by Fola Akinnibi

Puerto Rico's Plan to Fix Its Power Grid Is Off to a Rocky Start.

Protests, a cyberattack, and a fire have marked the transition to a controversial public-private partnership.

Puerto Rico's attempts to overhaul its troubled public power utility are off to a rough start.

Luma Energy LLC, the private consortium that began managing the grid for the Puerto Rico Electric Power Authority, or Prepa, on June 1, has been besieged by protests, a cyberattack, and a major fire that briefly knocked out power to 900,000 customers on the island of 3.3 million.

Improving the electrical system is key to pulling the U.S. territory out of a deep economic slump and stopping rampant population decline. Blackouts and appliance-frying voltage spikes are common, even as customers pay rates that are higher than on the U.S. mainland. Hurricane Maria in 2017 decimated the already weak grid, and this year's Atlantic hurricane season began just as Luma took over.

Continue reading.

Bloomberg Businessweek

June 17, 2021,

Texas Student Housing Authority Files for Bankruptcy.

- **Filing listed between $10 million and $50 million liabilities**
- **Properties feature resort-style pools, fitness centers**

Texas Student Housing Authority filed for Chapter 9 bankruptcy protection, listing between $10 million and $50 million of liabilities.

The non-profit, state chartered corporation had assets of $1 million to $10 million, and as many as 199 creditors, according to a June 18 filing in U.S. Bankruptcy Court for the Northern District of Texas.

The Southlake, Texas-based organization was established in 1995 to purchase and manage student housing facilities located near the campuses of major colleges and universities, according to its website. It owns housing properties near the University of North Texas in Denton and Texas A&M University in College Station. Both projects offer premium facilities, equipped with resort-style swimming pools and fitness centers.

"Both schools have had troubled muni-financed private student housing projects for years," said

Matt Fabian, a partner at Municipal Market Analytics. "So while the pandemic has made student housing financial conditions more challenging generally, that's not the whole story when it comes to these schools."

Across the U.S., bondholders are betting on the resurrection of American campus life after a year of declining enrollment, online classes and vacant quads. Student housing bonds, which came under pressure during the pandemic, are now traded with "substantially more optimism," Fabian said. "The sector has lingering issues, but we shouldn't overstate the risks via this new bankruptcy."

In April, the board of the Texas Student Housing Authority met to consider Chapter 9 bankruptcy proceedings for "The Cambridge," its property in College Station. The organization didn't respond to a request for comment on Saturday.

The purpose of Chapter 9 is to provide protections for financially-distressed municipalities from their creditors so they can develop and negotiate a plan for adjusting debt, according to the U.S. Courts website.

Bloomberg Markets

By Yueqi Yang and James Ludden

June 19, 2021, 9:35 AM PDT Updated on June 19, 2021, 1:17 PM PDT

Somerville Urban Renewal Taking Survives Challenge: Pierce Atwood

In *Cobble Hill Center LLC v. Somerville Redevelopment Authority* (pdf), the Massachusetts Supreme Judicial Court (SJC) upheld the eminent domain taking by the Somerville Redevelopment Authority (SRA) of 3.99 acres of land located at 90 Washington Street in Somerville.

Cobble Hill, the owner of the parcel, argued that the taking was improper because there was no approved urban renewal plan that covered its property, and the SRA could only take by eminent domain property that is included within an approved urban renewal plan. The SRA countered that the provisions of M.G.L. c. 121B, § 46(f) (§ 46(f)) authorized the taking.

Takings by the Boston Redevelopment Authority (BRA) under § 46(f) were the subject of a 2019 SJC opinion in *Marchese v. Boston Redevelopment Authority*, in which the court upheld the BRA's taking of easement rights which rights were then transferred to the Boston Red Sox for use for Fenway Park. While *Marchese* was decided on standing grounds, *Cobble Hill* allowed the SJC to fully analyze and decide whether c. 121B authorizes eminent domain takings for projects undertaken pursuant to § 46(f). The court found only one 2002 Superior Court decision, Tremont on the *Common Condominium Trust v. Boston Redevelopment Authority* (pdf) (authored by then-Superior Court Justice Margot Botsford), that analyzed this issue. That decision determined that a BRA taking under § 46(f) was proper for the expansion of the Opera House in downtown Boston.

Urban renewal authorities are authorized by c. 121B § 46 (subsections b, c and d) to undertake urban renewal projects in accordance with urban renewal plans. Section 46(f) allows for urban renewal authorities to "carry out demonstrations for the prevention or elimination of slums and urban blight" and makes no mention of undertaking any such demonstration in accordance with an urban renewal plan. These projects are commonly known as "demonstration projects." Cobble Hill argued that eminent domain powers granted to urban renewal authorities under c. 121B, § 11(d) could not be used for demonstration projects.

The court started its analysis with the statute and focused on the language of § 46(f) and other sections of c. 121B, especially § 11(d) with respect to the eminent domain powers of urban renewal authorities. "[I]t is clear that § 11(d) grants the SRA eminent domain power to effect demonstrations for the purposes articulated in § 46(f) itself…" The court went on to analyze c. 121B § 45 with respect to the purposes of urban renewal projects and found that nothing in this section prohibits the use of eminent domain for demonstration projects.

Cobble Hill also argued that the demonstration project utilized by the SRA in this instance (for a mixed-use project involving the construction of a public safety building and other private development) was flawed and was not a true "demonstration," but instead was the type of project that should have been included in an urban renewal plan. The court analyzed the meaning of the word "demonstration," including by looking to legislative history at both the federal and state levels regarding urban renewal. The court found that § 46(f) "clearly contemplates the development and testing of new or different projects that may lead to future use and improvement, which is consistent with the common understanding of a demonstration." The court also reviewed the demonstration project plan put forth by the SRA and found that it is a valid demonstration project under § 46(f).

The court did note that future demonstration projects undertaken by urban renewal authorities "should identify with more specificity the unique or innovative nature of the demonstration, the difference in or improvement of the means used, and the manner in which reporting of the demonstration will be useful as a model for future plans." Lastly, the court found that the taking was constitutional, relying on *Kelo v. New London, Conn*., 545 U.S. 469 (2005) and other Massachusetts takings cases.

This new decision, coupled with the SJC's decision in Marchese, shows that urban renewal is alive and well for urban renewal authorities in the Commonwealth and remains an important tool to accomplish municipal planning goals.

Pierce Atwood LLP – Paula M. Devereaux

May 26 2021

S&P Credit FAQ: How Are California's Wildfire Risks Affecting Utility Credit Quality?

The 2020 California wildfire season was one of the more destructive wildfire seasons on record with more than 4 million acres burned and 10,000 structures damaged or destroyed. A relatively small percentage of the destruction was directly attributable to California's investor-owned utilities (IOU) or public power utilities (POU) as opposed to the previous few years, and we believe this is in part a reflection of the efficacy of the utilities' updated wildfire mitigation plans. While timing varies, we expect it will take upwards of three to five years for all utilities to fully implement their wildfire mitigation strategies. In the meantime, risks associated with catastrophic wildfires continue to weigh to varying degrees on our ratings on California's IOUs and POUs, which remain exposed to onerous liability claims under the state's inverse condemnation doctrine–whereby a California utility can be financially responsible for a wildfire if its facilities were a contributing cause of a wildfire, irrespective of negligence. While we view Assembly Bill (AB) 1054 that established an approximate $21 billion wildfire fund as supportive of the IOUs' credit quality and most POUs, which cannot access the wildfire fund, are not highly susceptible to wildfires due to their urban service territories, undergrounding of power lines, or having power lines that run through areas with scant vegetation, we view wind-driven events as a key contributor to utility-caused wildfires. High wind conditions can spark a wildfire if trees and limbs come into contact with power lines or cause electrical lines to fall onto combustible material (dry brush and trees). California's environment has been more prone to catastrophic wildfires as evidenced by 13 of the 20 most destructive wildfire having occurred since 2017, some of which were attributable to electric utility infrastructure.

In advance of this year's wildfire season, S&P Global Ratings reviewed the 2020 wildfire season empirical data with many industry stakeholders. This FAQ updates our wildfire assumptions and analysis, answering investors' frequently asked questions.

Continue reading.

June 3, 2021

California Lawmakers Pitch Early Debt Payment, a First For State.

California lawmakers are proposing paying $1 billion of debt service for general-obligation bonds early in what would be a first for the nation's largest municipal-debt issuer.

The plan is included in the agreement announced Tuesday between the Senate and Assembly for next year's budget. Paying a portion of the debt service that's due in fiscal 2023 will save money in future years, according to legislative documents.

In a news conference, Assembly budget chair Phil Ting and his Senate counterpart, Nancy Skinner, said the proposal shows the fiscally prudent approach of the Democratic-controlled legislature.

"Responsible budgeting was one of our top priorities," Skinner said. "Your cost pressures are reduced if you pay down debt."

California has never before paid down debt early, according to legislative budget staff. Details are still being worked out. The state has about $71 billion of general-obligation bonds outstanding, according to its latest report.

Spokespeople for the finance department and treasurer's office didn't have immediate comments. Governor Gavin Newsom, a Democrat, must approve the budget by June 30.

Bloomberg Markets

By Romy Varghese

June 1, 2021, 4:01 PM PDT

Municipal Electricity Provider in California Files Bankruptcy.

- **Western Community Energy serves six Inland Empire towns**
- **Agency blames governor's ban on disconnections during pandemic**

Western Community Energy, a local government agency that sells electricity to six small towns in Southern California, filed bankruptcy blaming its financial woes in part on an inability to shut off service to customers who quit paying during the pandemic.

Western Community owed creditors as much as $100 million, but had less than $50 million of available assets, according to court papers filed Monday in U.S. Bankruptcy Court in Riverside, California. The agency buys power wholesale and resells it to residents of Eastvale, Hemet, Jurupa Valley, Norco, Perris, and Wildomar, which are cities in Riverside County on the edge of the desert.

"The ongoing impacts of Covid-19 severely limited the organization's options moving forward and forced today's action," said Todd Rigby, chairperson of Western Community and a city council member for Eastvale, a former dairy farm turned suburb.

The agency said it has been unable to shut off customers for not paying their bills under an emergency order issued by California Gov. Gavin Newsom. Late bills have averaged ten-times higher than before the pandemic and have cost the agency millions of dollars, Western Community said in an emailed statement.

Higher than normal demand for air conditioning during a 2020 heat wave also forced the agency to incur $12 million in unexpected energy costs, the agency said.

A representative for Newsom did not immediately respond to a request for comment.

The Chapter 9 bankruptcy petition allows the agency to halt certain debt payments and reorganize itself and its finances.

Western Community was set up under state rules as a so-called community choice aggregator, which resells power using utility lines owned by traditional electric utilities. About two dozen aggregators have been set up in California, according to California Community Choice Association, an advocacy group for the power agencies.

The case is Western Community Energy, 6:21-bk-12821, U.S. Bankruptcy Court, Central District of California (Riverside)

Bloomberg Markets

By Steven Church

May 25, 2021, 12:02 PM PDT

— With assistance by Allison McNeely

S&P Pension Spotlight: Kentucky

Key Takeaways

- Funding reforms and conservative assumptions are a step in the right direction, but progress will take time to undo Kentucky's poor past funding discipline.
- Negative rating pressure is likely for local governments lacking the ability to make budgetary adjustments for increasing pension costs.
- Other postemployment benefits (OPEB) at the state level are better funded than most state plans;

however, risks remain due to the volatility of health care costs.

Continue reading.

25 May, 2021

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

S&P Global Ratings maintains 21 public ratings on Texas not-for-profit acute care providers. This includes health care systems, stand-alone hospitals, and hospital districts.

Given that the state and locality in which providers operate greatly influence health care delivery, from underlying demographic trends to the legislative and competitive environment, market-specific factors provide a critical backdrop for our analysis of an entity's overall credit profile. This report is intended to provide greater insight into a sample of credits in comparison to their peers across the country and to supplement our top-level and national credit views on the not-for-profit health care sector (see "Outlook For U.S. Not-For-Profit Acute Health Care: Navigating The Bumps While Getting Back On Track," published Jan. 12, 2021, on RatingsDirect).

Continue reading.

26 May, 2021

Rice-to-Fiberboard Plant in Default Seeks to Sell More Muni Debt.

- **CalPlant plans to seek California approval for $18 million**
- **Company has run into many problems constructing plant**

A company that defaulted on municipal bonds sold to build a novel recycling factory in California is seeking to sell as much as $18 million of additional debt.

CalPlant I LLC, constructing the world's first facility converting rice cultivation debris into fiberboard, has already made one preliminary application to sell the debt through the California Pollution Control Financing Authority and will make a final request by Friday, according to a company filing.

It would mark the company's second return to the market since the default. It sold $42 million of unrated tax-exempt debt in October after skipping payments earlier in the year on a $228 million issue sold in 2017 and a $74 million deal in 2019.

Elizabeth Whalen, a spokesperson for CalPlant, didn't return an email and phone call seeking comment. Bill Ainsworth, a spokesperson for the financing agency, confirmed it received the initial application but had no further comment.

The company may be able to take advantage of investors' demand for high-yielding bonds. Over the past 10 weeks, municipal-bond funds devoted to the riskiest of securities have raked in $5.8 billion, according to Refinitiv Lipper US Fund Flows data.

Especially for unrated deals, demand has been "intense," said Terry Goode, a senior portfolio manager at Wells Capital Management, which doesn't hold CalPlant debt.

"The persistent low yields in AAA and AA bonds have pushed investors down in credit quality to find incremental yield," he said. "Most high-yield deals are heavily oversubscribed, leading to yields being reduced."

CalPlant has fielded many problems during construction and trial production runs and has repeatedly pushed back its opening date. In the latest report to bond holders, it said "with the continued struggles getting to a quality fiber and longer consistent runs, we do not expect Plant Acceptance to occur until July at the earliest, pushing commercial operations back accordingly."

Bloomberg Markets

By Romy Varghese

May 18, 2021, 4:15 PM MDT

What To Expect When You're Expecting (To Vote On) CO Municipal Bonds.

The city wants you to decide this fall whether to borrow $400 million to pay for multiple projects, though those projects have not yet been picked.

It happens every few years. You, dear voter, get to decide whether to let the city borrow millions and millions of dollars to pay for stuff like roads, buildings, parks, and other stuff you will end up using during the course of any given day. It helps build and maintain things, too.

If city leaders get their way and Denver City Council votes in their favor, you will end up deciding this fall whether to let the city borrow about $400 million to pay for several projects. This money will be borrowed through what's called a general obligation bond, one of two types of municipal bonds used by cities and towns to pay for stuff (the other is called a municipal revenue bond).

Alex Fayman, assistant professor of finance at the Metropolitan State University of Denver, said general obligation bonds do not come with a tax increase.

Continue reading.

denverite.com

by Esteban L. Hernandez

May, 2021

Illinois Supreme Court Blocks Lawsuit Challenging State Bonds.

The Illinois Supreme Court on Thursday rejected a lawsuit that sought to challenge the constitutionality of $16 billion of the state's general obligation bonds and threatened a massive default.

The high court reversed an August state appeals court decision permitting the so-called taxpayer lawsuit to move forward because it was not “frivolous or malicious,” and affirmed a 2019 district court ruling that blocked its filing.

In 2019, John Tillman, chief executive of the conservative Illinois Policy Institute, petitioned to file a lawsuit aimed at ending payments on about $14 billion of debt remaining from bond issues sold in 2003 and 2017.

In a unanimous opinion, justices cited an unreasonable delay by the plaintiff before challenging the bonds and raised concerns about a default.

“Enjoining the state from meeting its obligation to make payments on general obligation bonds will, at the very least, have a detrimental effect on the state’s credit rating,” the opinion stated.

Illinois is already the lowest-rated state at a notch above junk and it pays the biggest yield penalty among states in the U.S. municipal bond market. That penalty has eased as Illinois’ revenue rebounds from the coronavirus pandemic and federal stimulus money flows into the state’s coffers.

The spread for Illinois 10-year bonds over Municipal Market Data’s benchmark triple-A yield scale, which ended 2020 at 198 basis points, was only 85 basis points on Wednesday.

Tillman had claimed the bonds, backed by Illinois’ full-faith and credit pledge, violated the state constitution because the proceeds were not used to fund specific purposes like capital improvements. Illinois used proceeds from 2003’s $10 billion bond sale for its underfunded retirement system, while money from $6 billion of bonds sold in 2017 was used to pay overdue bills.

Reuters

May 20, 2021

Intercontinental Exchange Makes Strategic Investment In BondLink.

Provides expanded data and analytics to the municipal bond issuer community

Intercontinental Exchange, Inc. (NYSE: ICE), a leading global provider of data, technology and market infrastructure, today announced it has made a strategic investment in BondLink, a financial technology company that provides cloud-based debt management software solutions to governments financing infrastructure in the $4 trillion municipal bond market. The Series B investment is designed to accelerate BondLink’s growth and product development, including providing a variety of ICE’s market-leading data sets to municipalities as they prepare to issue bonds.

With approximately 75% of all public infrastructure in the U.S. financed by local governments and public utilities, the municipal bond market is critical to the nation’s economic growth, quality of life and safety. It is also very broad with an estimated 60,000 unique issuers, making it challenging and opaque for bond investors of all sizes.

“With issuers spread out across the U.S., the municipal bond market remains very fragmented, and is in need of transparency. Better access to information, data and analytics are essential,” said Lynn Martin, President of Fixed Income and Data Services at ICE. “Our investment in BondLink and the distribution of ICE data directly to the issuer community will provide municipalities with new tools to help efficiently manage the full lifecycle of debt issuance.”

BondLink’s online network connects municipal issuers with bond investors, advisors and other essential market participants. Its issuer platform helps governments engage and attract investors more efficiently, using digital channels to share financial reports, bond financing data, and other information in one central location. BondLink tools also help issuers gauge both market conditions and investor demand as they prepare for a bond sale. These resources will be enhanced with the ICE investment, allowing it to provide its users with critical data such as interest rate yield curves, secondary market trading data, changes in bond evaluations, and other analytics to help inform their debt financing decisions.

“Technology is transforming the bond market, and it’s providing the biggest impact for governments who are under-resourced and need it the most,” said Colin MacNaught, CEO & Co-Founder of BondLink. “We’re moving the bond market forward by working with issuers to help drive their bonds sales, and our technology brings cost efficiencies and additional transparency to the market. We are thrilled to work with ICE and the ICE team. By providing critical market data to issuers, they can better manage their bond programs and be more prepared as they finance new roads and bridges and schools.”

The transaction will not be material to ICE’s earnings or have an impact on capital allocation plans.

About BondLink

Led by founders Colin MacNaught, CEO, and Carl Query, CTO, BondLink’s cloud-based debt management software is the $4 trillion municipal bond market’s first fully-integrated operating platform for public sector CFOs to raise capital from institutional and retail investors. BondLink clients issued nearly $50 billion in 2020, and its network of issuers expands across more than 30 states, as well as the District of Columbia, Puerto Rico and the U.S. Virgin Islands. Headquartered in Boston, BondLink is backed by top investors, including Franklin Templeton Investments, one of the largest municipal bond fund managers in the country. For more information, please visit www.bondlink.com.

About Intercontinental Exchange

Intercontinental Exchange, Inc. (NYSE: ICE) is a Fortune 500 company that designs, builds and operates digital networks to connect people to opportunity. We provide financial technology and data services across major asset classes that offer our customers access to mission-critical workflow tools that increase transparency and operational efficiencies. We operate exchanges, including the New York Stock Exchange, and clearing houses that help people invest, raise capital and manage risk across multiple asset classes. Our comprehensive fixed income data services and execution capabilities provide information, analytics and platforms that help our customers capitalize on opportunities and operate more efficiently. At ICE Mortgage Technology, we are transforming and digitizing the U.S. residential mortgage process, from consumer engagement through loan registration. Together, we transform, streamline and automate industries to connect our customers to opportunity.

Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995 — Statements in this press release regarding ICE's business that are not historical facts are "forward-looking statements" that involve risks and uncertainties. For a discussion of additional risks and uncertainties, which could cause actual results to differ from those contained in the forward-looking statements, see ICE's Securities and Exchange Commission (SEC) filings, including, but not limited to, the risk factors in ICE's Annual Report on Form 10-K for the year ended December 31, 2020, as filed with the SEC on February 4, 2021.

May 19, 2021

Illinois Bonds Gain as Court Rejects Case to Invalidate Debt.

- **Head of think tank had challenged state bonds from 2003, 2017**
- **State top court denied challenge on over $14 billion in debt**

The Illinois Supreme Court on Thursday upheld a decision that shot down a conservative think tank leader's effort to invalidate more than $14 billion of bonds sold by the state, promising to end a nearly two year legal saga.

John Tillman, the chief executive officer of the Illinois Policy Institute, a conservative think tank, filed a lawsuit in July 2019 claiming that pension bonds issued in 2003 and others sold in 2017 violated the state constitution because they weren't issued for "specific purposes" but general expenses. The state argued that laws authorizing the 2003 and 2017 bonds satisfied that requirement.

Illinois bonds rose in active trading after the ruling, driving the average yield on some sold in 2017 to 1.12% from 1.4% and the price jumped to more than $1.20 from about $1.19 a day earlier. The case has been closely watched by investors in the $3.9 trillion municipal bond-market, where it was seen as a potential harbinger of potential lawsuits elsewhere if it prevailed.

"Even though the probability was low that the challenge was going to be successful, it wasn't zero," said Dan Solender, director of tax-free fixed income for Lord, Abbett & Co., which holds $34 billion in muni assets. "The expectation was this was not going to be a problem but still the bonds are moving up because there is now some definite resolution to the situation."

In August 2019, a Sangamon County circuit associate judge denied Tillman's petition to file the suit. The Supreme Court upheld that court's decision, reversing a ruling from an appeals court.

"We hold that the circuit court did not abuse its discretion in denying the petition for leave to file a taxpayer action," according to an opinion of the court delivered by Chief Justice Anne Burke that was posted on its website. "Accordingly, we reverse the judgment of the appellate court and affirm the judgment of the circuit court."

A successful effort to invalidate the debt would have saddled investors with losses and potentially left the state facing higher interest rates to compensate for the risk of such challenges. The state already has $141 billion of unfunded pension liabilities, almost no money in its rainy day fund and expects deficits through at least 2026.

"I am of course disappointed in the Illinois Supreme Court's ruling," Tillman said in an emailed statement Thursday after the ruling. "We are evaluating our options as to how to proceed from here.

In the interim, I continue to be profoundly concerned about Illinois' reckless debt accumulation. All Illinoisans should care about this."

Tillman added that if the state doesn't push for pension reform now a fiscal crisis could pose a threat to taxpayers, people who depend on government services and retirees.

Illinois Governor J.B. Pritzker's "administration is pleased that the Supreme Court sided with hardworking taxpayers over a frivolous lawsuit designed to grab headlines," according to an emailed statement from spokesperson Emily Bittner. The court "rejected the plaintiff's belated attempt to create unnecessary havoc in Illinois' fiscal standing," Illinois Attorney General Kwame Raoul's office said in a statement.

The state's top court focused on how long Tillman waited to file his action rather than the constitutional question, and in the opinion said "we find that this delay is unreasonable."

With the outcome of the case now behind the state, it "can move forward in addressing the more pertinent fiscal issues," said Dennis Derby, a portfolio manager for Wells Fargo Asset Management, which owns Illinois debt that was challenged as well as other bonds issued by the state as part of a $40 billion municipal-bond portfolio.

Bloomberg Markets

By Shruti Singh

May 20, 2021, 10:41 AM MDT Updated on May 20, 2021, 1:30 PM MDT

Illinois Withstands Legal Challenge to $14 Billion Bond Deals.

Court says free-market advocate waited too long to challenge 2003 and 2017 bond sales as unconstitutional

The highest court in Illinois rejected litigation seeking to block the state from making further payments on $14.3 billion in municipal debt, saying a free-market advocate waited too long after the bonds were sold to challenge their legality.

John Tillman, chief executive of the right-leaning Illinois Policy Institute, had "no excuse" for his delay in filing litigation claiming that Illinois breached its constitutional limits on debt issuance with bond sales in 2003 and 2017, the Illinois Supreme Court said in a unanimous ruling Thursday.

Mr. Tillman challenged the bonds in 2019, when he sought a court order declaring their issuance unconstitutional and prohibiting the state from making further payments.

Mr. Tillman said Thursday he was disappointed in the court ruling and is "evaluating options as to how to proceed from here."

"In the interim, I continue to be profoundly concerned about Illinois's reckless debt accumulation," he said.

A foe of public-sector unions, Mr. Tillman in his lawsuit argued that the Illinois constitution bars the state from taking out long-term debt except for "specific purposes" or to refinance longer-term debt. He said the state went outside those limits when it borrowed in 2003 and 2017 to bridge deficits and fund pensions.

Illinois has the lowest credit rating of any U.S. state, largely due to its huge pension burden, and was the only state to tap the Federal Reserve's emergency pandemic lending facility.

Yet despite the state's financial woes, demand for municipal debt has been so intense that Illinois sold three-year bonds in mid-March at yields of near 1%.

Mr. Tillman was supported earlier in the litigation by an Illinois bondholder that had also purchased insurance that would pay out after a potential default. Other bondholders sided with the state, saying that letting activist investors challenge the validity of widely held bonds based on side bets would destabilize the municipal-bond market.

In Thursday's ruling, the justices said that granting Mr. Tillman's request "would amount to a de facto default on outstanding bonds that are backed by the full faith and credit of the state" or at least hurt its credit rating, the decision said.

Illinois Comptroller Susana A. Mendoza, a defendant in the litigation, praised the justices' ruling and said the lawsuit was aimed at "tanking Illinois's finances" so that "named or unnamed hedge funds" would profit.

"The taxpayers of Illinois should not have to suffer financial Armageddon just so rich people who bet against Illinois can profit," Ms. Mendoza said.

No state has failed to pay bondholders since Arkansas in 1933, although the island territory of Puerto Rico defaulted in 2016 and was placed under a court-supervised bankruptcy.

Bankruptcy isn't an option for states under current law. Illinois's finances have been strained for years, pushing its bond rating to the brink of junk territory as pension obligations ballooned and a budget stalemate from 2015 to 2017 resulted in billions of dollars in unpaid bills.

"All Illinoisans should care about this," Mr. Tillman said. "If the state doesn't tackle pension reform now, it will slide into a fiscal crisis beyond repair that will threaten not only taxpayers and the people who depend on government services, but also people who are counting on their public-sector pension in retirement."

The lawsuit had drawn fierce responses from state officials including Democratic Gov. J.B. Pritzker, who accused Mr. Tillman of a "pathological focus to drive Illinois into bankruptcy."

The 2003 bond sale that Mr. Tillman challenged raised money to prop up Illinois pensions, in the hope that investment returns would exceed the interest payments to bondholders. The 2017 issuance funded back payments to stretched government vendors.

A trial-court judge initially dismissed the complaint in 2019, saying it risked "an unjustified interference with the application of public funds" and would draw the courts into political questions best left to lawmakers. An appeals court reinstated Mr. Tillman's claim last year on the basis that it wasn't frivolous or malicious, before its final dismissal Thursday.

The Wall Street Journal

By Andrew Scurria

Updated May 20, 2021 6:02 pm ET

[As LA Emerges from Pandemic, City Council Backs Revisions to $11.2 billion 'Recovery' Budget.]

The council approved revisions to the mayor's spending plan that will restore parks programs, boost spending to address homelessness and come to the aid of those hardest hit by the novel coronavirus pandemic.

The Los Angeles City Council on Thursday approved an $11.2 billion budget for the fiscal year beginning July, that includes revisions made by the Budget and Finance Committee aimed at restoring parks services and spending on programs to help Angelenos recover from the effects of the novel coronavirus pandemic.

The revisions were made to a 2021-22 fiscal year budget that also includes just over $1 billion of spending to address homelessness, including funding for permanent supportive housing. The total spending plan also calls for funding for programs aimed at correcting racial inequities and coming to the aid of those hardest hit by the novel coronavirus pandemic.

Much of the spending put into the overall budget by council members and Mayor Eric Garcetti would not have been possible with out the infusion of $1.3 billion in federal aid that came in through the American Rescue Plan approved by Congress in January.

Only a few months ago, city officials were looking at a current-year revenue shortfall of around $700 million, and potentially more uncertainty in the coming fiscal year.

The first half of federal aid is expected to cover this year's shortfall, while the other half is anticipated to arrive next fiscal year.

The aid caps off a roller-coaster budgeting year that prompted city leaders to offer retirement buyouts, which led to a shrinking of the city workforce, and proposed layoffs and furloughs that were eventually headed off through renegotiated labor agreements.

"It's been quite a year," the council's budget chair, Paul Krekorian, said Thursday, during a special session of the City Council.

"We were facing furloughs layoffs and a potential disaster for the finances of the city," he said. "Thankfully, with the investment of the Cares Act funding, and then the American Rescue Plan funding that we got from Washington, and the very, very difficult decisions that this council and the mayor had to make throughout the fiscal year … we were able to get through this budget year … with minimal impacts compared to what we expected that might take place."

Under the council's revisions that were approved as part of the budget, the recreation and parks department would get $75 million in funding for improvements that had been deferred at 75 recreation centers, and to restore 140 positions that had recently been eliminated.

These parks allocations also would lead to the re-opening of early childcare centers and restoring swim programs.

The budget also includes funding for enforcement of the city's cannabis business regulations, civilian hiring in the police department, crossing guards and staffing needed to develop a wildlife corridor ordinance.

The spending plan also calls for enough funding to staff 26 sanitation teams, known as CARE and CARE+, that offer services at homeless encampments and enforce laws around when the storage of property in public areas and the setting up tents and makeshift shelters along sidewalks.

Funding being put toward an effort to phase out oil and gas extraction in the city, would pay for a study that could help speed up the shutdown wells, staff up a pilot compliance program and to hire more oil well inspectors.

The $1 billion in spending toward homelessness will include funding for:

- The construction of 89 permanent supportive housing sites;
- More then 1,500 Project Roomkey hotel and motel rooms; and
- Various services to help individuals experiencing homelessness.

Other programs funded by the budget include a pilot guaranteed basic-income program that will be rolled out to single parents, a homelessness crisis-response program, an unarmed 911 response team and an "al fresco" program to help restaurants set up outdoor dining.

The spending comes as community groups are calling for programs to invest toward helping families and vulnerable communities facing inequities to recover.

"We look forward to working with City leaders including the Mayor and Council President to ensure an equitable recovery for Los Angeles, especially in the most impacted communities," said Maria Brenes, the executive Director of InnerCity Struggle, one of the community groups that is part of a coalition called Make Los Angeles Whole.

Councilman Mark Ridley-Thomas noted the effect of the federal aid, saying that it has allowed the city to turn "municipal despair into civic opportunity."

"After a year that has left no family or sector unscathed, I am proud that the City's FY21-22 budget sets us on a just path to recovery — allowing us to invest in unprecedented ways, and in the areas where help is most needed," he said.

LA DAILY NEWS

By ELIZABETH CHOU | hchou@scng.com | Daily News

PUBLISHED: May 20, 2021 at 5:59 p.m. | UPDATED: May 20, 2021 at 6:02 p.m.

Is the Bank of Los Angeles Feasible?

LA WATCHDOG–The Economic Development and Jobs Committee of the Los Angeles City Council authorized the Chief Legislative Analyst to release a Request for Proposal ("RFP") seeking consulting services needed to conduct policy, fiscal, and economic analyses related to the formation of a public bank serving the City of Los Angeles.

Retaining an independent consultant who understands the banking industry is an excellent idea, but one that should have been implemented in 2018 before the Herb Wesson led City Council placed Charter Amendment B on the November 2018 ballot at great cost to the City.

[This ballot measure to allow the City to establish a bank, described by the Los Angeles Times as “one of the most ill-conceived, half-baked measures to come out of City Hall in years, and that’s saying something,” was rejected by 56% of the voters despite the endorsement of Mayor Garcetti and twelve members of the City Council.]

Importantly, the consultant’s report will provide Angelenos with objective information so that we can make an informed decision when we vote on whether accept or reject the charter changes required to establish the municipally owned Bank of Los Angeles.

However, the proponents of the Bank of Los Angeles are claiming that voter approval is not required based on a memorandum prepared by the Kaufman Legal Group, the consigliere for many of our local politicians. But this issue was not discussed at committee meeting even though the CLA and City Attorney have stated that a popular vote is required.

Because the timeframe to establish a bank will take several years because of all the regulatory hurdles, the proponents of the Bank of Los Angeles requested that the City form a Municipal Finance Corporation that would be eligible to receive $100 million this summer from the $1.35 billion infusion to the City’s coffers pursuant to the American Rescue Plan. After leveraging these funds through borrowings or guarantees, the proponents claim that the MRC would be able to provide financing to save 10,000 businesses and help in the creation of 50,000 affordable housing units that would end up costing around $25 billion.

While the thought of providing $100 million to the yet to be formed MRC outside of the budget process was quickly dismissed by Councilmember Blumenfield, you have to wonder what the proponents were smoking to propose such a hare-brained scheme with such outlandish outcomes.

In the past, feasibility studies for public banks in Massachusetts and San Francisco indicated that a public bank would require a significant upfront investment of cash as well as continuing infusions of capital for at least ten years until the bank reached breakeven.

Should Los Angeles be the guinea pig? Or should other cities pave the way? An independent analysis will help us to determine whether the Bank of Los Angeles is feasible and in the best interests of Angelenos

CITY WATCH LA

by JACK HUMPHREVILLE

20 MAY 2021

(Jack Humphreville writes LA Watchdog for CityWatch. He is the President of the DWP Advocacy Committee and is the Budget and DWP representative for the Greater Wilshire Neighborhood Council. He is a Neighborhood Council Budget Advocate. He can be reached at: lajack@gmail.com.)

How Kansas City Will Spend Its $195B Stimulus Windfall.

Kansas City is set to receive $195 million over two years from the American Rescue Plan.

The *Kansas City Star* has an instructive breakdown of how the city will spend the money:

> A detailed spending plan emerged at City Hall this week for how it may end up spending

that $195 million over the next two years. The plan illustrates how deeply the pandemic cut into City Hall's revenues and the extent to which the American Rescue Plan spared Kansas City from difficult cuts to services.

More than half of ARP funds — $111 million — goes to replacing tax and fee revenue that was lost from the last year, which forced the Kansas City Council to spend out of its fund balances to avoid debilitating service and personnel cuts.

That leaves $83.86 million. From there, they city plans to spend $12 million for the Kansas City Health Department's coronavirus response. Another $8.3 million is earmarked for housing and homelessness services.

Another sign of the pandemic's effect on city finances: Kansas City is setting aside about $23 million over the next two years in anticipation of people requesting refunds on their earnings taxes.

by CivMetrics Staff | May 5, 2021

Five States Advance Bills Regulating Pole Attachment Rates.

This legislative session we're witnessing similar types of bills that aim to level the playing field between pole attaching entities and pole owners—including cooperatives and municipalities—by capping rates and requiring equal treatment among attachers. We summarize five different states' pending bills and recent enactments below.

Arizona

In Arizona, the governor signed into law House Bill No. 2036, which amends Ariz. Rev. Stat. Ann. § 10-2085, governing electric cooperatives' provision of broadband service. Specifically, the bill aims to level the playing field by requiring that if a cooperative starts providing broadband, the same pole attachment fees charged to unaffiliated providers "be equal to" the fees charged to affiliates on the same pole.

Florida

The Florida Legislature recently passed two bills that are now awaiting the governor's signature, Senate Bill No. 1944 and House Bill No. 1239 (and companion Senate Bill No. 1592, which has passed in the Senate).

Senate Bill No. 1944 would give the Florida Public Service Commission (PSC) authority to regulate pole attachments and mediate disputes. Specifically, the proposed law would require the PSC to adopt rules, regulate and enforce rates, terms, and conditions for pole attachments when parties are unable to reach an agreement; and to regulate safety, vegetation management, repair, replacement, maintenance, relocation, emergency response, and storm restoration requirements for poles and pole attachments.

Further, the proposed law would direct the PSC to set cost-based rates, terms and conditions using Federal Communications Commission (FCC) formula orders "unless a pole owner or attaching entity establishes an alternative cost is appropriate and in the public interest." The PSC would be required to adopt procedural rules by January 1, 2022.

House Bill No. 1239, which supports the expansion of broadband internet service to consumers without access to high-speed internet service, would create a program to award grants to applicants seeking to install or deploy infrastructure that expands broadband service to unserved areas. The bill would require municipal electric utilities to offer broadband service providers at discounted rates for any new pole attachment necessary to make broadband service available to unserved or underserved consumers, through July 1, 2024. This bill would also prohibit municipal electric utilities from raising current pole attachment rates for broadband service providers until July 31, 2022.

Indiana

The governor of Indiana recently signed into law House Bill No. 1164, which is set to take effect on July 1, 2021. This new law establishes a formula for determining nondiscriminatory, just, and reasonable pole attachment rental rates that electric service cooperative and municipal pole owners can charge cable operators attached to their poles.

The new law also sets forth rights and duties of pole owners and attaching entities with respect to unauthorized pole attachments (including the fee pole owners can charge for such [$500] absent a contract between the parties), and pole attachment transfers and relocations. Finally, the bill also provides that a communications service provider may access public rights-of-way under the control of a county or municipality to the same extent as a public utility. The new law will not control if an existing contract provides differently, unless the parties otherwise agree.

Nebraska

Legislative Bill No. 455, the "Broadband Pole Attachment Act," would provide access to Nebraska municipalities' and cooperatives' electric utility poles on terms that are similar to and in some cases better than FCC regulations. The bill also adopts FCC rates, terms and conditions, includes a 90-day make-ready timeframe, and bans pole owners from imposing construction standards that exceed the National Electrical Safety Code (NESC). This bill is still pending in the Nebraska Legislature.

Oklahoma

In Oklahoma, there are three pending bills (House Bill Nos. 1122 and 1923, and Senate Bill No. 621, which are at various stages of bill progression) that would cap the rates that electric cooperatives may charge for pole attachments at $20 per pole per year, and prevent electric cooperatives from increasing such rate beyond what is permitted by the FCC rules and regulations adopted pursuant to 47 U.S.C. § 224(d). Further, these bills would require electric cooperative pole owners to pay for attachment relocations that they cause and would prohibit electric cooperatives from offering cable television or video services without first obtaining a franchise from the city or town. If passed and signed into law, these bills would take effect on November 1, 2021.

These are just a few of the bills flowing through a busy legislative session. We are seeing a clear trend of states capping municipality and cooperative pole attachment rates, tying rate increases to the FCC rules and regulations, as well as providing additional uniformity in treatment of communications providers and pole owners' affiliates providing competing communications services. We are continuing to monitor these bills and related bills this session and will update this post as necessary.

Davis Wright Tremaine LLP – Soraya Mohamed

May 11 2021

[Treasury Rescue Won't Bail Out Chicago, New Jersey From Debt.]

- **American Rescue Plan funds can't pay debt service: Treasury**
- **Illinois, Chicago and New Jersey pitched paying down debt**

The U.S. Treasury Department is sending a message to states and cities that the billions in aid from the American Rescue Plan should provide relief to residents, not their governments' debt burdens.

The department on Monday released guidance on how state and local governments can use $350 billion in funding from President Joe Biden's $1.9 trillion rescue package. The funds are intended to help states and local governments make up for lost revenue, curb the pandemic, bolster economic recoveries, and support industries hit by Covid-19 restrictions. In a surprise to some, these funds can't be used for debt payments, a potential complication for fiscally stressed governments that had already etched out plans to pay off loans.

"It does mean some state and local governments will have to rethink," Eric Kim, an analyst for Fitch Ratings, said in an interview on Tuesday. While "$350 billion is a lot of money," some of the restrictions "were maybe not anticipated."

Biden's rescue package seeks to shore up the finances of states and municipalities that have been on the front lines of the government response to the outbreak. While municipal tax collections initially plunged at the start of the pandemic, the majority of U.S. states have seen revenue recover to pre-pandemic levels. That's left governors and mayors grappling with how to best spend the aid. Several officials, including leaders in Illinois, Chicago and New Jersey, had considered using the funds to pay back loans, but this week's guidance muddles those plans.

"Expenses related to financing, including servicing or redeeming notes, would not address the needs of pandemic response or its negative economic impacts," according to a document from the Treasury. "Such expenses would also not be considered provision of government services, as these financing expenses do not directly provide services or aid to citizens."

Illinois Governor J.B. Pritzker had suggested using some of the state's $8.1 billion in aid to repay the outstanding $3.2 billion in debt from the Federal Reserve's emergency lending facility and to reduce unpaid bills. Illinois was the only state to borrow from the Fed last year, tapping it twice. On Tuesday, Jordan Abudayyeh, a Pritzker spokesperson, said the administration is "seeking clarification" from the Treasury on whether Illinois can use the aid to pay back the loan from the Fed.

"We need to act responsibly with these dollars," Pritzker said during a press conference Tuesday. "I believe this is an important step toward putting our state's fiscal house in order."

Before the release of the guidance, Chicago Chief Financial Officer Jennie Huang Bennett had proposed using some of the city's nearly $1.9 billion from the rescue package to pay off debt taken to close its 2020 deficit. The "guidance represents interim rules that have been put out for comment," and the city plans to seek clarification and offer comment, according to an emailed statement from the city's budget office.

"These regulations, if not a surprise, certainly make it more difficult for the state of Illinois and city of Chicago to pay down the borrowing," said Laurence Msall, president of the Civic Federation, a local watchdog group.

The rule could also affect New Jersey, which sold nearly $3.7 billion of bonds last year to cover its shortfall during the pandemic. Assembly Republican Leader Jon Bramnick, a Republican, in April had called for Governor Phil Murphy, a Democrat, to use some of the federal aid to pay down the state's debt.

"The guidance is interim and not yet final, and we will continue to evaluate the allowable uses of ARP funds in conjunction with State needs," said Melinda Caliendo, a spokesperson for the state treasury.

The Treasury rules also restrict using the aid to replenish reserves or rainy day funds. Industry groups are taking a close look and planning to give feedback to the Treasury on its guidance and the department is asking for comments on its 151-page document on the interim rules for the funds.

"It's a living, breathing document," said Irma Esparza Diggs, director of federal advocacy at the National League of Cities, who said the group is looking at those restrictions and will be talking to its members throughout the coming weeks.

For states such as Illinois that want to use the money for debt repayment, the large amount of federal aid still gives them "ample" opportunity to do what investors want to improve creditworthiness, said Ty Schoback, a senior municipal research analyst for Columbia Threadneedle Investments.

"We know that within state and local budgets, sources and uses are fairly fungible," Schoback said. Relieving budget pressure in one area with federal aid can open up resources for other items while remaining fully compliant for the intended use, he said. "I don't think they will have any trouble."

Bloomberg Markets

By Shruti Singh and Amanda Albright

May 11, 2021, 1:06 PM MDT Updated on May 11, 2021, 4:56 PM MDT

Can Puerto Rico Use New Hedge Fund Tax Dodgers?

The island's plan for luring wealthy investors has always been iffy, but bond traders like the renewed interest.

Puerto Rico might be the new Florida for hedge funds. But should the island want that?

Throughout the Covid-19 pandemic, titans of the investing world have made clear that they're not wedded to New York City, the financial capital of the world. By and large, they've targeted Florida, which boasts warm weather and, crucially, no state income tax. Goldman Sachs Group Inc. in December was considering a new hub in the Sunshine State to house its asset-management division; Steve Cohen's Point72 Asset Management said in January that it would open an office in West Palm Beach; Dan Sundheim, who runs the $20 billion D1 Capital Partners, decided in March to open an office in Miami; and just in the past month, Bloomberg News reported that both Apollo Global Management Inc. and Millennium Management would set up more offices in Florida.

However, some hedge funds are starting to realize the best tax haven might just be a four-hour plane ride southeast of Miami in Puerto Rico. Bloomberg's Miles Weiss and Jim Wyss reported that ExodusPoint Capital Management and Millennium have established subsidiaries on the island, aiming to take advantage of legislation from 2012 known as the "Act to Promote the Relocation of Individual Investors to Puerto Rico." As it stands, at least for the next 15 years, money managers can effectively dodge U.S. taxes on capital gains and even performance fees as long as they're considered by the Internal Revenue Service to be a "bona fide resident of Puerto Rico" and it's considered "Puerto Rican source income."

Continue reading.

Bloomberg Finance

By Brian Chappatta

May 11, 2021, 10:00 AM MDT

California Governor Proposes $100 Billion Recovery Package.

- **Plan to expand stimulus checks to total $11.9 billion**
- **May 14 is deadline for Newsom to present next year's budget**

California Governor Gavin Newsom said he plans to use a massive tax-collection windfall to help finance a $100 billion economic recovery package, with the centerpiece a proposal to give $11.9 billion of direct cash payments to most Californians.

The plan would build on a previous program distributing $600 checks to qualifying low-income residents by expanding eligibility to the middle class. Two out of three Californians would receive a check of at least $600, with families with children receiving an additional $500. It would create the biggest state tax rebate on record, Newsom said Monday at a press conference in Oakland.

"We believe people are better suited than we are to make determinations for themselves on how best to use these dollars," Newsom said.

The Democratic governor is seizing on an unprecedented $75 billion operating budget surplus, fueled by a surging economy and capital-gains taxes, to greatly expand the state's role in the recovery just as he is facing a potential recall election later this year. The windfall leaves Newsom and lawmakers with $38 billion extra to spend as they see fit, since some of the money is already earmarked.

The state will get an estimated $27 billion from President Joe Biden's stimulus plan, according to latest Treasury figures.

Newsom's plan would also spend $5.2 billion on what he said would be the largest renter assistance package in the country and would allow low-income residents to cover their back-rent and their rent for several months into the future. It also spends $2 billion to cover overdue water and utility bills.

Excess Revenue

Newsom will spend the week highlighting parts of a package he billed the "California Comeback Plan." He's required to present a revised budget for the next fiscal year by the May 14 deadline.

The announcement underscores the improved financial picture of the most-populous U.S. state, which last May girded for deficits because of the pandemic-spurred recession. But the state, with a progressive tax system that rakes in more revenue when the income of the highest earners rises, has collected more than it expected from its wealthiest residents. That group has reaped the benefits of rising stock prices and stable employment even as lower-income workers lost their jobs in the pandemic.

The checks may satisfy a requirement being triggered for the first time since 1986 that excess revenue be returned to taxpayers. The voter-approved state appropriations limit is meant to keep inflation-adjusted per-person government spending under the 1979 level. Lawmakers are required to split excess revenue between taxpayer rebates and education funding.

Newsom said the rebate mandate isn't driving his proposal, but the $11.9 billion in cash payments to taxpayers earning less than $75,000 a year is more than is required to fulfill it.

"The state is awash in cash," John Ceffalio, senior municipal research analyst at CreditSights Inc, said before the announcement. "California came into the pandemic in good fiscal shape and it's probably leaving it in even better fiscal shape.

Bloomberg Markets

By Romy Varghese

May 10, 2021, 7:00 AM MDT Updated on May 10, 2021, 12:50 PM MDT

— With assistance by Laura Mahoney

Kutak Rock Represents Smithsonian Institution in CREBA Sales Transaction of the Year.

Kutak Rock attorneys Seth Kirshenberg, Hans Ipson and Sisera Daniel represented the Smithsonian Institution (Smithsonian) in a complex air rights real estate transaction and separate bond financing.

On April 16, 2021, Commercial Real Estate Brokerage Association (CREBA) recognized the transaction, a $254M deal for Smithsonian to acquire space for its Capital Gallery headquarters from Boston Properties, at the CREBA Awards as the "Sales Transaction of the Year" in 2020.

The CREBA Awards ceremony is an annual event where Washington, D.C.'s commercial real estate industry comes together to celebrate the year's best performers. This year, CREBA gave seven awards to the best transactions closed in 2020.

Seth Kirshenberg is the lead attorney for large complex public private partnerships, energy, real estate, structured finance and development projects. He advises governments, developers, financiers, investors in acquiring, selling, exchanging, structuring, developing, and operating private and governmental projects.

Hans Ipson has experience representing a wide range of clients in complex commercial real estate transactions throughout the country, including the acquisition, development and disposition of commercial properties, leasing and financing transactions, and matters involving zoning and land use.

Sisera Daniel is Chair of the Public Finance Department in the Washington, D.C. office. She counsels governmental entities, financial institutions and non-profit organizations on housing and other public finance transactions.

April 20, 2021

S&P State Brief: Nebraska

View the Brief.

May 4, 2021

Georgia's HB 156, Requiring State Notice for Utility Cybersecurity Incidents, is Now In Effect.

Georgia's governor has signed into law House Bill 156, creating specific notice requirements for state agencies and utilities that experience cybersecurity attacks, data breaches or malware and requiring notice to the state director of emergency management in Georgia within two hours of notifying the federal emergency management agencies.

In addition, the law requires the Georgia state director of emergency management and homeland security to develop additional rules and regulations related to the notice requirements.

HB 156 was signed into law on March 25, 2021 and is already in effect.

Scope of the law

The law applies to utilities and agencies in the state of Georgia. Both terms are defined broadly:

- "**Utility**" encompasses "any publicly, privately, or cooperatively owned line, facility, or system for producing, transmitting, or distributing power, electricity, light, heat, or gas."
- **"Agency"** means Georgia "executive, judicial, or legislative branches and any department, agency, board, bureau, office, commission, public corporation, and authority; every county, municipal corporation, school district, or other political subdivision; and every department, agency, board, bureau, office, commissions, or authorities thereof; and every city, county, regional, or other authority established under Georgia law.The definition of agency specifically excludes "any county, municipal corporation, or public corporation or any authority of [the same when]…acting in the capacity of a provider of wholesale or retail electric or gas service or in the capacity of a conduit through which a municipal corporation furnishes electric or gas service."

Key provisions: when reports are required

The law requires utilities and agencies to make reports to the Georgia director of emergency management and homeland security in two instances:

1. Any agency must report any cyberattack incident, data breach, or identified use of malware on an agency or computer or network if the nature of the attack is determined to be of the type to "create a life-safety event, substantially impact the security of data and information systems, or

affect critical systems, equipment, or service delivery." The director must develop additional requirements specifying the reporting mechanism, required information and time frame for making a report.
2. When an agency or utility is required to report a cyberattack incident, data breach, or identified use of malware on a utility or agency computer or network to the United States government or federal agency, the agency or utility must provide substantially the same information to the Georgia director of emergency management and homeland security within two hours of making a report to the United States government.

Where federal laws, rules or regulations prohibit disclosure of information that would otherwise be reportable under the law, the law permits a utility to provide the information only after the prohibition is lifted or expires.

Reports and records made under the law are exempt from state public record and FOIA laws, which proponents of the law and proposed House Bill 134 – which would permit closed government meetings when discussing cybersecurity plans and procedures – support as necessary to protect security and the interests of Georgians.

Detractors are concerned that the law and the proposed bill may erode the principles of open government. It is worth noting that the law as passed provides no specific enforcement mechanism for failure to meet the stated reporting requirements.

The trend

Although the Georgia legislature did not offer much in the way of significant commentary on this particular law, it seems likely that it was driven in part by recent high-profile cyber and ransomware attacks aimed at utilities and government agencies, including local city and country government operations.

The law appears very much in line with a federal executive order being drafted by the Biden Administration which would require both federal agencies and private entities working with the United States government to meet certain cybersecurity standards and which would mandate that private entities report any cyberattacks, breaches, or hacks to their federal government customers.

DLA Piper – Lael Bellamy and Emily Maus

May 12 2021

California Governor Proposes $7 Billion Investment in Public Broadband.

California Governor Gavin Newsom has laid out his plans for what to do with the state's surplus and federal recovery funds, which includes $7 billion over three years to build out broadband infrastructure. If the state legislature approves the May revision budget proposal, California will get to work on one of the biggest public broadband fiber network projects in the US.

"[Universal] access to high-speed Internet is critical to the state's economy, education, and basic health and well-being, and will be a key component of the state's long-term recovery," the budget reads. "The pandemic has underscored the importance of making broadband accessible and affordable for educational, employment, and health purposes."

According to the budget, 83.4 percent of residents are using broadband but just over 52 percent are able to obtain speeds of 100 Mbps. It notes that 51.3 percent of rural households don't have access to 100 Mbps service and nor do 28.4 percent of homes on tribal lands. The problem persists even in urban areas. Around half of the households lacking access to 100 Mbps broadband are located in those parts of the state.

The budget lays out a plan to build a "middle-mile" network, effectively a highway and main road broadband infrastructure. Providers have said that it's cost prohibitive to connect some parts of the state to broadband networks, especially in rural areas. As such, California plans to create a $500 million Loan Loss Reserve Account to help non-profits, local governments and tribes to obtain private financing for municipal fiber networks (or the "local road" part of the infrastructure). Newsom also hopes to provide other incentives for providers to connect unserved or underserved households to the network.

Along with expanding the infrastructure, a key goal is to make high-speed broadband access more affordable for Californians. Newsom wrote on Twitter that the state "will be closing the digital divide."

It'll be several years before this network is fully up and running (assuming it's approved). Those who have been struggling with iffy connections while working at home or remote schooling during the pandemic won't benefit from this plan immediately. Still, upgraded public broadband infrastructure will improve internet access for millions of Californians in the long run and, according to the proposal, it will "create tens of thousands of quality jobs to help the state's economy recover from the pandemic."

Yahoo Finance

by Kris Holt – Contributing Writer

May 14, 2021

Detroit Showed What 'Build Back Better' Can Look Like.

The city's 2013 bankruptcy ushered in a new era of problem-solving that could be a model for a national infrastructure push, says one philanthropic leader.

American cities stand at a precipice. Burdened by an overwhelming public health crisis, drained of resources by economic stagnation and torn apart by racial injustice and unrest, cities are confronting the reality that conventional formulas of municipal finance and practices of working cannot sustain our urban places.

The significance of this moment was not lost on the Biden-Harris administration, which quickly advanced an ambitious mandate commensurate with the challenge: a domestic Marshall Plan called Build Back Better. Already, the first prong — the $1.9 trillion American Rescue Plan — has helped shore up city budgets, restore desperately needed funding for public transportation and keep businesses open and families in homes. The second leg, the $2 trillion American Jobs Plan, represents a bold shift from short-term recovery to long-term transformation.

Significantly, the plan defines "infrastructure" broadly, encompassing more than the rebuilding of bridges, tunnels and roads or the replacement of dangerous lead-based pipes. It includes the expansion of newer technologies such as broadband and electric car charging stations that make cities more resilient to climate change. And it proposes investments in "soft infrastructure," the reimagining of numerous forms of home, health and family care that, while every bit as essential to communities as hard infrastructure, is too often left out of the conversation.

Continue reading.

Bloomberg CityLab

by Rip Rapson

May 10, 2021, 8:02 AM PDT

Successful Sale of MA Green and Sustainability Bonds Takes Place.

The State Treasurer's Office officials announced that the Massachusetts Clean Water Trust (the Trust) has successfully completed the sale of approximately $351.4 million in two series of new money Green and Sustainability Bonds. The Sustainability Bonds were the first such issuance from the Trust and the first in the nation for a state revolving fund. Additionally, it was the Trust's sixth Green Bond issuance. The sale achieved a true interest cost of 2.099% with maturities ranging from 2022-2041.

The Series 23A Green Bonds and Series 23B Sustainability Bonds (AAA/Aaa/AAA) sold to retail investors on April 28 with an institutional investor order period on April 29. The sale saw strong participation, with $687 million in orders including five new investors and four ESG funds. Strong Massachusetts retail investor participation generated $93 million of orders.

"This sale illustrates the strong investor demand for municipal bonds with positive environmental and social impact," said State Treasurer Deborah B. Goldberg, Chair of the Trust. "The Clean Water Trust team is leading the nation in the state revolving fund municipal markets. First, with their groundbreaking green bonds, and now with this sustainability bond issuance. We will continue to stress the importance of utilizing these opportunities in support of our local communities and our environment."

The proceeds from the sale will finance projects that are selected based on criteria that identify the most relevant public health and environmental related projects while adhering to the standards of the federal Clean Water Act and the Safe Drinking Water Act. The Series 23A Bonds are designated by the Trust as "Green Bonds" and are expected to provide environmental benefits.

The Series 23B Bonds are designated by the Trust as "Sustainability Bonds" and are expected to provide both environmental and social benefits. The bond proceeds will finance projects in communities identified as the most disadvantaged, based upon affordability criteria developed by the Trust and support additional reductions in interest rates, mitigating the construction costs of these critical infrastructure projects. The criteria apply an Adjusted Per Capita Income ("APCI") formula based on per capita income, employment rate, and population change. The communities selected are those with an APCI metric lower than sixty percent of the Commonwealth's APCI.

The Trust's State Revolving Fund Bonds, Series 23A and Series 23B underwriting syndicate was led by Morgan Stanley as the book-running senior manager and Jefferies and RBC Capital Markets as the co-senior managing underwriters.

Revere Journal

by Journal Staff • May 5, 2021

Texas Sees Deficit Disappear as Tax Revenue Surges on Reopening.

- **State now sees $725 million surplus this year: Comptroller**
- **Joins states seeing taxes jump as nation emerges from pandemic**

Texas anticipates an unexpected budget surplus as tax-collections rebound along with the nation's economy, causing it to boost revenue forecasts for the next two years.

The state expects to end the current budget cycle in August with a $725 million surplus, a sharp reversal from the nearly $1 billion deficit it was expecting in January, according to estimates released Monday by Comptroller Glenn Hegar.

The state now projects it will have $115.7 billion of revenue available for general-purpose spending during the biennium that begins in September, about $3 billion more than estimated in January.

"The state's economy is in better shape today than it was back in January," Hegar told reporters, attributing the turnaround to the success of the vaccine roll-out and the decline of coronavirus cases. "It was a much more cautious outlook than it is today."

Texas is among states across the U.S. whose finances are rapidly mending as the economy emerges from the pandemic, with rising stock prices and unprecedented federal stimulus efforts boosting tax revenue. On top of that, states are set to receive a massive influx of aid under President Joe Biden's rescue plan.

Last week, Connecticut raised its revenue estimate for the next fiscal year by $593 million, while New York collected $3 billion more in revenue in the last fiscal year compared with earlier projections. California also saw a larger-than-expected windfall.

"The increase in Texas revenue estimates is consistent with what we've seen in other states and with the national economic improvement," said John Ceffalio, senior municipal research analyst at CreditSights Inc.

Texas's largest source of revenue is the sales tax because it doesn't have an income tax. Those sales taxes have been propped up by residents shopping and dining out since virus-related restrictions were lifted. The state brought in $3.4 billion of sales taxes in April, a record and 31.4% more than April 2020, according to Hegar's office.

Governor Greg Abbott lifted the state's mask mandate and other anti-pandemic restrictions in early March, allowing businesses to open at full capacity.

"Spending this March affecting April tax collections was supported by widespread business reopenings and the lifting of capacity restrictions, greater consumer confidence in going out as the vaccine rollout progressed, federal stimulus checks and spending delayed from February into March due to the winter storm and power outage," Hegar said in a statement Monday.

Bloomberg Economics

By Danielle Moran

May 3, 2021, 1:24 PM PDT

Citigroup, Nuveen Accused of Mishandling Evidence in Muni Brawl.

- **Smaller rival Preston Hollow sued Nuveen, claiming defamation**
- **Now it alleges Citi and bond giant weren't straight with judge**

Citigroup Inc. and Nuveen LLC were accused of mishandling evidence that the municipal bond giant tried to strong-arm banks into blackballing its smaller rival Preston Hollow Capital.

Citigroup failed to turn over tapes of phone calls about alleged demands by Nuveen's head of municipal investment, John Miller, that the bank cut off business with Preston Hollow, the smaller firm said in an April 27 court filing.

Preston Hollow is suing Nuveen in Delaware Superior Court for defamation over what it says was Nuveen's intimidation campaign. Nuveen oversees more than $140 billion of municipal bonds and generates millions of dollars in revenue for Wall Street trading desks.

Meanwhile, in a separate court, Preston Hollow wants Delaware Chancery Court Judge Sam Glasscock III — who concluded last year that Nuveen's campaign wrongfully interfered with Preston Hollow's business — to sanction Citigroup for failing to hand over the tapes and penalize Nuveen for allegedly offering false testimony about Miller's demands.

Latest Salvo in Long Battle

"The corruption of the judicial process perpetrated by Nuveen (with the active participation of Citi) threatens to undermine" the courts, according to the filing.

It's the latest salvo in a three-year battle over Nuveen's alleged attempt to use its market power as one of the biggest buyers of U.S. state and local government bonds to hammer the smaller firm, whose role in financing risky projects posed a competitive problem, Preston Hollow says.

Preston Hollow is seeking $100 million in damages from Nuveen over Miller's alleged threats to pull tens of millions of dollars in business from banks that underwrote the smaller firm's offerings and financed its loans. Although Glasscock ruled in its favor, for technical reasons he couldn't award damages, so the bond firm filed the new suit in Superior Court, which allows such requests.

"Preston Hollow continues to make false and misleading statements seeking to assign blame to Nuveen and others," Nuveen spokeswoman Jessica Greaney said in a statement.

Citigroup also denied the alleged wrongdoing.

"Preston Hollow's allegations are meritless and irresponsible, and Citi looks forward to correcting the record," said spokeswoman Danielle Romero-Apsilos.

Taped Calls

In a 2019 trial before Glasscock, Nuveen officials offered testimony from John Leahy, director of Citigroup's institutional municipal bond sales, that Miller never asked the bank to stop doing business with Preston Hollow. As part of the suit filed in Superior Court last year, Citigroup turned over taped calls allegedly showing that Miller demanded the bank cut Preston Hollow off. Those tapes weren't handed over in the Chancery Court case, Preston Hollow said in this week's filing.

"Mr. Miller knew he had called Mr. Leahy and told him to stop doing business with PHC and therefore also knew that Mr. Leahy's deposition testimony to the contrary was false," Preston Hollow said in the filing. "Nevertheless, Mr. Miller and Nuveen presented that false testimony."

Preston Hollow wants Glasscock to punish Citigroup and Nuveen over the tapes and the testimony so it can use that outcome against the companies in the current case, according to the filing.

The current case is Preston Hollow Capital LLC v. Nuveen LLC, N19C-10-107-MMJ, CCLD, Delaware Superior Court (Wilmington).

Bloomberg Business

By Jef Feeley and Martin Z Braun

April 29, 2021, 8:15 AM PDT

[New York Beach Town Faces Millions in Bills for Mismanaged Past.]

"If Long Beach was a business, it wouldn't be in business."

Long Beach is known for its raucous West End bars, Irish Day parade and two-mile boardwalk. Locally, the city of 34,000 on a barrier island 25 miles east of New York City, is also renowned for fiscal mismanagement.

Residents are still paying off more than $8 million in debt issued almost seven years ago to cover a budget deficit. An investigation last year by the Nassau County District Attorney found that for almost two decades Long Beach had improperly overpaid employees — including the former city manager — millions of dollars for unused vacation and sick days.

Now those long-simmering woes are only getting worse. A $131 million court judgment to a developer in a 30-year legal battle is threatening it with insolvency and Long Beach has hired advisers to craft a debt-cutting plan.

[Continue reading.]

Bloomberg CityLab

By Martin Z Braun

April 29, 2021, 5:00 AM PDT

[Troubled Rural Texas Utility 'Hopeful' for State Rescue Bill.]

- **State grid says Rayburn Electric Cooperative owes $641 million**

- **Legislation would let utilities securitize costs over years**

Amid a wave of bankruptcies by Texas electricity providers following February's crippling freeze, one cooperative says it can avoid Chapter 11 if state lawmakers pass legislation allowing it to pass on costs stemming from February's crippling winter storm.

"We have pretty high confidence in what the legislature is doing," David Naylor, chief executive officer of the Rayburn County Electric Cooperative Inc. said in a phone interview.

Texas lawmakers are advancing bills to reform the state's power market and address exorbitant costs resulting from the freeze, which knocked out nearly half of the state's power generation capacity, disrupted gas deliveries and pushed prices to unprecedented levels. Several power retailers and a large rural electric cooperative have already filed for bankruptcy under the crush of high bills.

The Electricity Reliability Council of Texas, the state's grid operator, says Rayburn owes $641 million for electricity used during the storm.

The nonprofit utility, which serves 225,000 customers in Northeast Texas, disputes the amount and hasn't paid any of it, according to lawyers at Dentons, which is advising the cooperative on its financial options. The cooperative has also been getting advice from investment bank Jefferies Financial Group Inc.

Securitize Costs

Measures under consideration in the legislature include requiring generators and gas facilities to winterize with taxpayer help and to allow the issuance of bonds backed by future payments on customer bills as a way to spread the costs the utilities incurred over time.

"That ten days created enough disruption for people to start to reconsider the present structure of the Texas power market," said Colin Adams, senior managing director at M-III Partners in New York.

Rayburn expects the approval of a securitization bill by the end of May, when the current session ends, according to Clint Vince, an energy lawyer at Dentons. The utility is so confident that it will get some kind of help that it hasn't looked at any external financing so far, contrary to a recent S&P report.

'Last Resort'

Vince also said a Chapter 11 bankruptcy "would be an absolute last resort, and Rayburn is very hopeful that they don't have to go down that path."

In the mean time, the utility is working with Ercot, as the grid operator is known, to continue paying its post-storm bills, he said.

"Everyone has agreed that we're going to see what happens with the state legislature and then make decisions at that point as to how to proceed," Vince said. "In our view, this whole event screams to have a market-wide solution."

S&P Global Ratings downgraded Rayburn from investment grade to low-rated junk last month on the expectation that it will default on its obligations to Ercot. It rates the utility CC due to a lack of liquidity to address its obligations.

Bloomberg Markets

By Allison McNeely and Eliza Ronalds-Hannon

April 27, 2021, 3:49 PM PDT Updated on April 28, 2021, 6:15 AM PDT

Northern Illinois University Borrows After Enrollment Gains.

- **Student headcount grew during pandemic after years of declines**
- **$99 million of bonds priced Tuesday to buy residence halls**

Northern Illinois University sold about $99 million of federally tax-exempt, insured bonds on Tuesday to purchase two residence halls after the school's enrollment gained slightly, reversing more than a decade of declines with a focus on recruiting more minority students.

Why It's Noteworthy

U.S. colleges saw drops in undergraduate enrollment for the spring semester. That deepened the pandemic-related economic strains faced by schools that had to spend more on Covid-19 testing and Plexiglass as revenue fell because of less-full dorms and dining halls. Overall, college enrollment is running 2.9% below last year's level, according the National Student Clearinghouse Research Center. Even before the pandemic, colleges had been bracing for projected enrollment drops — especially in the Midwest and Northeast– because of demographic trends that show fewer 18 year-olds.

Yet Northern Illinois University saw improved headcount in the current academic year, the first gain since 2009. The university said it's partly due to greater retention of black, Latino and Asian students and its push to recruit more minority students. The freshman class for the 2020-2021 academic year grew 7.9% from a year earlier, and overall headcount, including undergraduate and graduate students, increased 1% to 16,769, according to bond documents.

It's not only in contrast to the national trend. It's a reversal from its own history: the university's total enrollment fell nearly 13% from 2016 to 2019, bond documents show.

Increasing enrollment and keeping graduating high-school seniors in-state is important for Illinois, which on Monday lost a seat in the U.S. House of Representatives because of its ongoing population decline. The state has seen more and more college-bound students leave to earn degrees in neighboring states and not come back. Governor J.B. Pritzker on Monday said retaining more college students is a key to reversing the state's outmigration.

Diversity and Population

About 44% of the students at Northern Illinois, one of 12 four-year public universities in the state, are minorities and 52% are first generation college students, according to the school. Northern has increased hiring of minority faculty to improve recruitment and retention of minority students. The school wants to boost undergraduate Hispanic students by at least 9% annually and reduce equity gaps, which measure differences in retention and graduation rates, for black freshmen to 10% or less by fall 2023, according to its five-year Student Enrollment Plan.

"I think they are trying to pitch some of the impact investors," John Ceffalio, senior municipal research analyst for CreditSights Inc., said in an interview. “It’s smart that universities recruit from a growing demographic.”

Ceffalio cautioned that funds backing the bonds include gross revenues from facilities such as the student center and sports facilities; tuition also backs the bonds after paying operations and maintenance of the university.

The focus on minority student recruitment and retention “would certainly be viewed as a positive” factor for ESG-focused investors, said Eric Friedland, director of research for Lord Abbett & Co.

“Although there does not seem to be any meaningful pricing impact for those issuers that score high on ESG at this point, I believe that with more investors focused on ESG, that day will come,” Friedland said in an email Monday.

The deal was 16 times oversubscribed, exceeding internal expectations, Sarah Chinniah, the university’s chief financial officer, said in an interview on Tuesday. About $85 million of $1.59 billion of orders were from socially conscious ESG bond buyers, according to information underwriters provided to the university, located about 60 miles outside Chicago in a largely rural region.

“The interest was high,” Chinniah said. “That really speaks to our success.” Investors see value in a diverse student body that reflects the nation, she said.

The spread over benchmark AAA securities ranged from 45 basis points for debt due in 2025 to 77 basis points for debt due in 2043, according to the university. That’s lower than a preliminary pricing wire viewed earlier by Bloomberg. The true interest cost for the bonds is 2.7% and the sale will result in savings of about $77 million by reducing payments the university was making for the residence halls at higher interest rates.

Moody’s incorporates the university’s “ongoing credit challenges marked by continually narrow operating results, an intensely competitive student market and high reliance on state appropriations,” according to an April 13 report. But it also takes note of stable enrollment after the prolonged declines in student numbers.

Bloomberg Markets

By Shruti Singh

April 27, 2021, 11:48 AM PDT Updated on April 27, 2021, 2:40 PM PDT

— With assistance by Janet Lorin

N.Y. MTA Gives New Bondholders Haven From Subway Ridership Drop.

- **Bond sale grabs higher credit ratings than MTA farebox credit**
- **MTA eyeing another $1.3 billion PMT deal later this year**

By one estimate, one-fifth of those who used to ride the New York Metropolitan Transportation Authority’s subways, buses and commuter trains everyday are unlikely to come back even after the pandemic as remote work catches on.

Yet that won’t be a major risk for the buyers of $1.3 billion of bonds the MTA is selling this week.

The long-term debt will be the agency's first ever that's repaid with the revenue it receives from a payroll tax imposed on employers in New York City and surrounding counties. That insulates investors from a potential decline in toll and fare receipts, giving the new bonds credit ratings that are as much as six steps higher than the agency's debt backed by the revenue it receives from riders.

Others in the $3.9 trillion municipal-bond market have used a similar tactic to drive down their borrowing costs by providing extra security for investors. Chicago, whose credit rating was cut to junk by Moody's Investors Service, steered a share of its sales-tax revenue directly to its bonds to insulate them from the city's budget. Puerto Rico did the same.

In the MTA's case, the step follows a steep drop in ridership since the pandemic struck, which has cast uncertainty over the financial outlook of the nation's biggest public transit agency.

"It's going to be a better pricing mechanism for the MTA versus issuing through their more traditional fare-box receipts," said Howard Cure, director of municipal bond research at Evercore Wealth Management, which oversees $10.2 billion of assets, including MTA debt.

The MTA was among the hardest hit government agencies by the pandemic, which abruptly slashed its revenue as New York City became an early epicenter of the outbreak. Yields on the agency's debt soared. An MTA bond maturing in 2045 traded in early May 2020 as high as 4.98%, 298 basis points more than top-rated municipals, according to data compiled by Bloomberg.

The bonds went on to rally, however, after the agency received an influx of federal funding that cushioned the hit, with President Joe Biden's rescue plan boosting the total to about $14.5 billion. That 2045 bond traded Friday at an average yield of 2.3%, or 82 basis points above benchmark tax-exempts, Bloomberg data show.

The new payroll-tax bonds are expected to sell at lower yields than the farebox debt. A bond maturing in 2051 may price at a yield of 1.9%, according to the sale's preliminary pricing wire dated Monday. That's 34 basis points more than top-rated municipals, according to Bloomberg Barclays indexes.

MTA's farebox collections shrunk by 62% last year, coming in at $2.39 billion in 2020 compared with $6.36 billion in 2019, according to bond documents. Subway ridership is about one-third what it was before the pandemic.

But the payroll tax has been far more resilient. The MTA in 2020 received $1.56 billion of revenue from it — the same amount as in 2019 — and $161 million more than a revised forecast, according to the bond sale's offering documents.

The MTA's Triborough Bridge and Tunnel Authority will sell the bonds, which will refinance the agency's transportation revenue debt. The payroll bonds carry AA+ credit ratings and negative outlooks from S&P Global Ratings and Fitch Ratings. That's six steps higher than S&P's BBB+ grade and five levels above Fitch's A- rating on MTA's transportation revenue bonds, which are backed by fares and tolls.

The transaction will likely benefit from high demand in the overall tax-exempt market as investors continue to pour money into municipal-bond funds, said Matt Dalton, chief executive officer of Belle Haven Investments, which manages $14.5 billion of state and local debt, including MTA securities.

"Everything is so much tighter than if you look historically on a relative value between one credit and another," Dalton said. "Everything's crunched together because of the lack of availability of choices out there."

Bloomberg Markets

By Michelle Kaske

April 19, 2021, 9:26 AM PDT

Texas Freeze Strands Municipalities With Sky-High Power Tabs.

- **Some have to sell long-term bonds to pay for one week's costs**
- **Freak storm shows climate change costs can linger for years**

The crippling winter freeze that sent gas and power prices skyrocketing across Texas in February is providing a warning to cities about the risks of global warming: The cost of some extreme weather events can stick around for years.

The municipal-bond market generally shrugs off natural disasters because they are usually offset by an influx of federal aid. But the electricity meltdown in the Lone Star state has left cities and local utilities on the hook for massive power bills.

Bay City, a small community of less than 20,000 people, says its tab for that one week dwarfs what it spends in an entire year. Denton's utility spent $200 million over four days buying power. San Antonio's utility plans to sell long-term bonds to spread out the $1 billion in charges it incurred.

"What happened in Texas will increase the scrutiny and the awareness of what climate risk means," said Daniel Rabasco, head of municipal bonds at Mellon Investments Corp. "It's a wakeup call in terms of the severity of what a climate change impact could be."

While municipal-bond holders have been paying more attention to climate change in recent years, the Texas freeze is the latest in a series of disasters that have forced investors to rethink the way they evaluate bond portfolios that hold securities that don't mature for decades.

"The Texas freeze revealed issues that probably most people never thought of," said Chris Hamel, a senior fellow at Municipal Market Analytics and former head of municipal finance at RBC Capital.

The February storm knocked out almost half the state's electric generating capacity, sending wholesale electricity prices to $9,000 a megawatt-hour and leaving millions without power for days. More than 100 people died in the crisis. Several power retailers and a large rural electric cooperative have already filed for bankruptcy under the crush of high power bills.

Issue Bonds

Bay City Mayor Robert Nelson said that while his $4 million power bill could be lowered through negotiation or legal claims, the city has had to hire attorneys to help navigate the thicket of lawsuits and legislation still swirling in the storm's aftermath.

If that tab isn't reduced, Nelson said he isn't sure how his city will pay for it. The city might have to take a bank loan, work out a deal with their supplier, or issue bonds. That would be Nelson's last choice, he said, because it handicaps the city's ability to borrow for infrastructure improvements and services down the line.

“Everything is on the table,” Nelson said. “We don’t know what we can do.”

Bay City is far from alone. Denton’s utility had to issue $100 million of commercial paper notes to cover its tab, while San Antonio’s power agency has said it will sell long-term bonds to spread out the $670 million of natural gas charges and $365 million of power charges. Corpus Christi issued a $35 million bond through private placement to pay for power costs that were 27 times higher than average.

Unlike other states, Texas’s power grid is almost entirely disconnected from the rest of the country, meaning it’s exempt from federal regulations but also it’s unable to pull much power from neighboring jurisdictions during a crisis. And since the state’s energy infrastructure wasn’t built for such ultra cold temperatures, when the freeze blew through the state, natural gas wellheads, wind turbines and power plants suffered widespread malfunctions.

State Fix

The Electric Reliability Council of Texas, the state’s grid operator, is still owed nearly $3 billion in short payments from its customers. Fitch Ratings estimates some utilities could collectively be on the hook for as much as $4 billion, with a majority owed by San Antonio’s and the Brazos Electric Power Cooperative. Such high payments could force some to tap Wall Street for loans, delay capital projects, re-appropriate their general fund or spread costs by charging consumers for years.

The Texas legislature is advancing bills that would allow utilities to sell bonds backed by future payments on customer bills as a way to spread the costs over time.

While what happened in Texas two months ago is unlikely to happen elsewhere because of the state’s isolated generation and transmission structure, one-time disasters can happen anywhere. And municipal disclosure of climate-related risks is inconsistent at best.

“Munis are on the front lines of climate risk,” Rabasco said.

Bloomberg Green

By Danielle Moran and Nic Querolo

April 16, 2021, 6:30 AM MDT

— *With assistance by Eric Roston*

Orrick Advises Winning Consortium in Fresno State’s Energy Infrastructure Modernization P3.

Orrick advised Bulldog Infrastructure Group (“BIG”), a consortium comprising Meridiam (manager and sole equity investor), NORESCO (lead contractor and maintenance provider) and GLHN (lead engineer), as sponsors’ counsel in their successful bid for the 33-year public private partnership (“P3”) contract with California State University Board of Trustees, on behalf of California State University, Fresno Campus (“Fresno State”), to modernize and maintain Fresno State’s central utility infrastructure system. The concession is valued at US$600 million over its term.

As part of its representation of BIG, Orrick helped to structure an innovative US$122.5 million "sustainable development goals" impact bond financing for the project, which is the first use of Green Bond certification for a higher education P3 transaction.

In addition to achieving Green Bond certification, the financing is structured to directly incentivize achieving the project's extra-financial sustainability impacts by imposing financial penalties throughout the life of the project if it fails to meet its ambitious energy savings goals.

The modernization project, which achieved financial close on February 26, 2021, focuses on constructing a new central utility plant, updating the hot- and chilled-water generation and distribution piping network on campus and building photovoltaic solar panels over existing campus parking lots. As part of the modernization project, BIG will implement renewable energy generation and energy conservation measures, with a target to provide significant energy savings to Fresno State during the term of the P3, including more than 30% of energy savings during the first year of operation.

Orrick advised the consortium on every aspect of the project, including diligence, concession review and analysis, drop-down design build and long-term maintenance contracts, debt and equity financing, permitting and tax. We are recognized globally in the U.S. infrastructure market for our work in complex, large-scale P3 projects as counsel to sponsors, private parties, both equity and debt, and governmental procuring authorities. We are actively involved in the growing trend among U.S. institutions of higher education of utilizing P3 partnerships and private capital to access financing as an alternative to traditional public funding to address critical aging campus infrastructure needs.

The team advising the consortium was led by Young Lee and included Susan Long, Matthew Neuringer, Joseph Lodico, Mariah Johnston, John Grant, Seth Norris, Eric Vanderhoef, Namratha Minupuri and Sue Cowell.

March.04.2021

MarketAxess Completes Acquisition of MuniBrokers.

NEW YORK, April 12, 2021 (GLOBE NEWSWIRE) — MarketAxess Holdings Inc. (Nasdaq: MKTX), the operator of a leading electronic trading platform for fixed-income securities, and the provider of market data and post-trade services for the global fixed-income markets, completed its previously announced acquisition of MuniBrokers, a central electronic venue serving municipal bond inter-dealer brokers and dealers, on April 9, 2021.

Chris Concannon, President and Chief Operating Officer of MarketAxess, commented, "We're excited to add the MuniBrokers community to our growing municipal bond trading marketplace. Our vision is to use innovative technology to create broader trading connections and therefore add more liquidity to the market, which MuniBrokers helps deliver for the broker and dealer community."

About MarketAxess
MarketAxess operates a leading, institutional electronic trading platform delivering expanded liquidity opportunities, improved execution quality and significant cost savings across global fixed-income markets. A global network of over 1,800 firms, including the world's leading asset managers and institutional broker-dealers, leverages MarketAxess' patented trading technology to efficiently trade bonds. MarketAxess' award-winning Open Trading™ marketplace is regarded as the preferred all-to-all trading solution in the global credit markets, creating a unique liquidity pool for a broad

range of credit market participants. Drawing on its deep data and analytical resources, MarketAxess provides automated trading solutions, market data products and a range of pre- and post-trade services.

MarketAxess is headquartered in New York and has offices in London, Amsterdam, Boston, Chicago, Los Angeles, Miami, San Francisco, São Paulo, Hong Kong and Singapore. For more information, please visit www.marketaxess.com.

Illinois Wants to Use Federal Windfall to Reduce Debt, Bills.

- **State slated to get $7.5 billion from American Rescue Plan**
- **S&P, Moody's raised state's outlook partly on federal aid**

Illinois, the U.S. state with the worst credit rating, wants to use some of its $7.5 billion of federal aid from the American Rescue Plan to chip away at unpaid bills and short-term debt racked up during the pandemic, according to Deputy Governor Dan Hynes.

The state's unpaid bills stand at about $5.74 billion, and Illinois still has to pay back about $3 billion of the $3.2 billion it borrowed last year from the Federal Reserve's Municipal Liquidity Facility. Governor J.B. Pritzker's administration has "basic principles" for paying down some loans and bills but is awaiting specific federal rules and restrictions attached to the aid, Hynes said during a state senate appropriations committee hearing on Tuesday.

Illinois expects a "reasonable amount of flexibility" for the one-time money that will likely run out in a couple of years, Hynes said. The governor's administration plans to work with state lawmakers on spending the federal aid to combat the spread of the virus, rebuild Illinois's economy and improve the financial foundation of the state, he said.

"But we just want to be mindful of the fact that these will be one-time dollars," Hynes said. "If we build up spending in an artificial way, it's going to make our problems worse and our challenges more difficult in out years."

Federal Rescue

Like Illinois, governments across the country are trying to draw up spending plans for their portion of the $350 billion for state and local governments earmarked in President Joe Biden's $1.9 trillion relief plan. In neighboring Wisconsin, Governor Tony Evers, who vetoed a bill to give the legislature approval over the use of federal funds, said he plans to use most of the $3.2 billion his state stands to receive to spur an economic recovery. He plans to funnel aid to tourism, infrastructure, broadband access and the statewide pandemic response.

Vermont Governor Phil Scott said he wants to use $1 billion of federal aid for economic development, climate-change mitigation, broadband, water and sewer infrastructure, and housing, according to an April 6 statement.

While the coronavirus outbreak created similar challenges for local governments across the country, Illinois stands out as the only state that tapped the Fed for a loan after interest rates it faced in the bond market surged last year, partly because of fiscal problems that predated Covid-19. Yields on the state's debt reached more than 6% for 10-year securities in March 2020, but have since tumbled to around 2% as the outlook for the state has improved.

Illinois still pays more than any other state to borrow in the $3.9 trillion municipal bond market because of its longstanding fiscal challenges. The state's unfunded pension liabilities have grown to $141 billion, and Pritzker is seeking to cut spending and end some corporate tax breaks to balance the state budget for the coming fiscal year. Investors and analysts say they are closely watching how the state will use the forthcoming federal aid.

"There's a healthy dose of skepticism that they make the right choices," said John Ceffalio, senior municipal research analyst for CreditSights Inc. "The state historically has made a lot of bad decisions. The healthy skepticism is given historical precedent."

Outlook Lift

The plans outlined by Hynes such as paying down debt and the bill backlog are "exactly the kind of thing that the bond market is looking for," and the state has the opportunity to improve its credit standing, Ceffalio said.

S&P Global Ratings, Moody's Investors Service and Fitch Ratings all rank Illinois at the lowest level of investment grade. In March, S&P and Moody's lifted their outlooks on the state to stable from negative, partly because of the federal aid.

The aid "clearly seems to be a windfall" and washes away near-term credit concerns, said Ty Schoback, senior municipal research analyst at Columbia Threadneedle Investments, which owns Illinois debt as part of $18 billion in muni assets. Investors are watching to see if Illinois can show restraint, he said. The state's revenue collections have exceeded expectations and that should also help, he said. Schoback described the early comments from Pritzker's administration about spending the federal aid as "encouraging."

"The only question that's relevant is whether they use that in a prudent fashion," Schoback said.

Bloomberg Markets

By Shruti Singh

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— With assistance by Amanda Albright

Puerto Rico Seizes on Junk-Bond Rally With $1.8 Billion Sale.

- **Territory plans to refinance bonds sold by water agency**
- **High-yield muni funds see third-biggest cash influx on record**

Puerto Rico, the U.S. territory still in the midst of a four-year-long bankruptcy, is seizing on demand for risky bonds.

The Puerto Rico Aqueduct and Sewer Authority, the island's main water supplier, is planning to refinance as much as $1.8 billion of debt after the yield penalty it faces in the bond market tumbled. It would be the biggest high-yield municipal debt deal since Ohio's sale of more than $3 billion tobacco-settlement bonds in February 2020, according to data compiled by Bloomberg.

The growing confidence among investors that the Federal Reserve is poised to keep interest rates low as the U.S. economy rebounds has fueled demand for high-yield securities across the world's bond markets. The riskiest municipal securities are no exception, with junk-bond yields sliding from 3.72% in mid-March to 3.55%, not far from the lows seen before the pandemic shutdowns began in the U.S., according to a Bloomberg Barclays index.

High-yield municipal-debt funds picked up $821 million of cash from investors during the week ended Wednesday, the third largest on record, according to Refinitiv Lipper US Fund Flows data.

Puerto Rico has yet to determine the exact size of the refunding deal and when the bonds may price, Ivan Caraballo, a spokesperson for the commonwealth's Fiscal Agency and Financial Advisory Authority, said in an email.

Prasa, as the utility is known, did a similar refinancing in December and the bonds have since rallied. Debt maturing in 2047 last traded on March 24 with an average yield of 3.03%, 130 basis points more than top-rated bonds, according to data compiled by Bloomberg. That yield spread — a key measure of perceived risk — is down from 276 basis points when the securities were first sold.

The Prasa securities have benefited from the limited supply of high-yield bonds, said Daniel Solender, head of municipal securities at Lord Abbett & Co., which holds $33 billion of state and local debt, including Puerto Rico's.

High-yield municipal bonds have returned 2.65% this year, beating the overall market's 0.7% loss, according to Bloomberg Barclays indexes.

"There's just not a lot of options out there right now," Solender said. "There's a really good amount of money flowing into high-yield muni funds and supply is pretty thin."

Prasa is one of the few Puerto Rico entities that has avoided bankruptcy and continues to pay bondholders on time. The anticipated refinancing will be the second major debt offering for Puerto Rico — after December's sale — since the commonwealth sought bankruptcy in May 2017.

Puerto Rico and competing bondholder groups struck a tentative deal in February on how to reduce $18.8 billion of debt tied to the commonwealth's central government, a major step that could resolve Puerto Rico's bankruptcy this year. That headway benefits the water utility, Solender said.

"They've made it through this long period of time without defaulting, which is definitely a big positive," Solender said about Prasa. "There's progress being made. It seems like there could be an end in sight in the future."

While Prasa has avoided restructuring its debt through bankruptcy, the securities have risk. The agency warned investors before its December sale that they faced potential losses, the bonds may have limited or no secondary market and Prasa will need to raise rates and cut expenses in order to repay bondholders in the future. In November, Fitch Ratings held the utility deeply in junk when it boosted the rating one notch to CCC, 8 steps below investment grade.

Even with those risks, Prasa could get enough interest from investors to execute the refinancing, Solender said.

"The high-yield spreads have come in this year, so they should be able to benefit from that," he said.

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By Michelle Kaske

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— With assistance by Romy Varghese, and Natalia Lenkiewicz
