
Oklahoma Republicans Weigh Rolling Back Anti-ESG Law They Passed.

- **Oklahoma study shows anti-ESG law has caused higher debt costs**
- **The state's house is considering the Republican-backed bill**

Lawmakers in Oklahoma are having second thoughts about anti-ESG legislation that limits which Wall Street banks local governments can do business with.

A Republican-introduced bill that would narrow the scope of a state law that blacklisted financial firms for their restrictions on lending to oil, gas and coal companies, is making its way through Oklahoma's legislature.

The proposal comes as concerns mount that the 2022 law is driving up municipalities' borrowing costs in the state. Three major municipal-bond underwriters — Bank of America Corp., Wells Fargo & Co. and JPMorgan Chase & Co. — are on a state list of companies considered to "boycott" the fossil fuels industry.

A new study published Monday from the Oklahoma Rural Association — a group representing smaller communities — found that the state is incurring "avoidable" costs as a result of the law.

According to Oklahoma's Energy Discrimination Elimination Act, state agencies and political subdivisions can't contract with a company unless it provides a written verification that it doesn't boycott energy companies. In the 17 months since the law went into effect it's cost the state and its governments $185 million in additional expenses, the study estimated.

"This increase in borrowing costs imposes an unnecessary financial burden on Oklahoma municipalities, potentially forcing them to cut spending on important public services or infrastructure projects, or raise taxes," according to the report's author, Travis Roach, an economics professor at the University of Central Oklahoma. The estimate is conservative, he noted.

The GOP stronghold is one of a handful of US states, including Texas, that enacted legislation targeting environmental, social and governance corporate policies in recent years, driving upheaval in local muni markets. Bank of America, Wells Fargo and JPMorgan are among the six companies considered energy boycotters by Oklahoma's Republican State Treasurer Todd Russ. Since the law went into effect, the firms have seen their public finance business in the state dry up.

Bank of America was Oklahoma's top muni bond underwriter in 2021 and has since ceded its spot to Robert W. Baird & Co., according to data compiled by Bloomberg. JPMorgan and Wells Fargo – also once major underwriters in Oklahoma — have also seen their public finance business there dwindle.

'Free Market' Barrier

Roach's study compared the average coupon rate on muni bonds sold in Oklahoma against those of states without a similar law. He found that Oklahoma's coupon rates are now 59 basis points higher than they would have been if the law didn't pass.

"This number will continue to grow for as long as the EDEA policy restricts municipalities from participating in a free market and selecting banks that meet their economic needs," he said.

Oklahoma's Senate Bill 1510, would rein in the energy law so it only applies to state agencies and no longer applies to cities and counties.

The bill was introduced by Republican state senator Chuck Hall, who is the chief executive officer of Exchange Bank and Trust Co. He told the Oklahoma Voice that he didn't think the law should pre-empt local decision-making. The legislation has advanced to the state house.

John Collison, director of the Oklahoma Rural Association, said that the bill is a "step in the right direction" and the group hopes it passes. Still, he said he would like to see more work done on the issue.

"The ideal outcome would be to get back to where we were two years ago and let the lending institutions lend to cities and municipalities and the state of Oklahoma at the best rate possible," he said.

Bloomberg Green

By Amanda Albright

April 22, 2024

S&P Charter School Brief: North Carolina

Overview

As of April 23, 2024, S&P Global Ratings maintains six public ratings on North Carolina charter schools. North Carolina began allowing charter schools to operate after passing the Charter Schools Act of 1996. As of the 2023-2024 school year, North Carolina is home to 211 charter schools serving approximately 145,000 students, representing around 9% of all public school students in the state.

Although our six rated North Carolina charter schools represent a small sample size, we believe growing charter school enrollment, compared with that of traditional district schools, reflects increasing demand for charter school options in the state.

Continue reading.

23 Apr, 2024

Bears Request More Than $2 Billion in Public Money to Fund $4.6 Billion Stadium Project.

The Chicago Bears have some big plans for the new stadium they're looking to build to replace their longtime home of Soldier Field. Of course, they aren't planning to pay for it all themselves.

The team revealed reveal plans Wednesday for a $4.6 billion project to build a new enclosed stadium on the Lake Michigan lakefront area. The team is planning to pledge $2.025 billion to make it happen, leaving Illinois taxpayers on the hook for the remaining $2.6 billion.

For perspective, that works out to $183 per Illinois resident.

Continue reading.

Yahoo Sports

by Jack Baer & Liz Roscher

Wed, Apr 24, 2024,

Vegas-to-California $12 Billion Rail Line Kicks Off Construction.

- **Brightline West awarded $3 billion under infrastructure bill**
- **Fortress-backed rail refinancing some $4 billion for Florida**

Brightline West, a $12 billion high-speed rail project connecting Las Vegas to Southern California, broke ground Monday, the latest step in bringing high-speed rail to the US.

“People have been dreaming of high-speed rail in America for decades — and now, with billions of dollars of support made possible by President Biden’s historic infrastructure law, it’s finally happening,” Department of Transportation Secretary Pete Buttigieg said in a statement.

The Fortress Investment Group-backed rail operator is projected to run 218 miles (about 350 kilometers) along the median of Interstate 15. Trains will be capable of running at speeds of 200 miles per hour, making it the first true high-speed rail line in the US. Amtrak’s 457-mile Acela service on the East Coast tops out at 150 miles per hour and is variously labeled high-speed or “higher-speed.”

The project has been in the works for years as Brightline — the operator of the first new US private passenger railroad in more than a century — seeks to expand its footprint outside of Florida.

Currently, the rail company is seeking to refinance roughly $4 billion in debt for its Florida line. Brightline plans to sell $2 billion of municipal bonds with some of the lowest investment grade ratings as well as about $1.25 billion of subordinate taxable debt.

Last year, Brightline West was awarded $3 billion in funding under President Joe Biden’s Bipartisan Infrastructure Bill. The rest of the project will be privately funded and has also received a total allocation of $3.5 billion in private activity bonds from the US Department of Transportation.

“This is a historic project and a proud moment where we break ground on America’s first high-speed rail system and lay the foundation for a new industry,” said Wes Edens, Brightline founder. “Today is long overdue, but the blueprint we’ve created with Brightline will allow us to repeat this model in other city pairs around the country.”

Bloomberg Industries

By Skylar Woodhouse

April 22, 2024

San Francisco’s Sluggish Recovery Puts S&P Credit Rating at Risk.

- **Outlook on the city’s debt cut to negative from stable by S&P**
- **Rating firm cites slow revenue recovery and swelling budget**

San Francisco’s sluggish recovery from the pandemic, coupled with growing budgetary expenditures, threatens to deteriorate the city’s ability to repay its debt, according to S&P Global Ratings.

The outlook on the city-county’s outstanding general obligation and appropriation debt was cut to negative from stable this week by the ratings company. The weakness in the city’s commercial real estate market and tourism activity were factors that drove the move, S&P said. Adding to the city’s burdens, San Francisco’s budget expenditures outpaced revenue growth in fiscal 2023.

“We believe management will be challenged to make the cuts needed to restore it to budgetary balance during the outlook horizon, which could lead to rating pressure if the city’s general fund reserves decline precipitously,” S&P said in a release.

Persistent work-from-home habits, inordinately expensive real estate, homelessness and crime are colliding to threaten the city’s growth and its spot among the world’s top-tier metropolises.

A change in outlook doesn’t necessarily mean that the credit rating will be adjusted. However, a top credit rating is often a point of pride for public officials, and losing it could make it more expensive for the city to borrow in the municipal-bond market.

The ratings company also affirmed its AAA long-term rating and underlying rating on San Francisco’s outstanding general obligation debt, citing ample general fund reserves that give the city-county room to weather projected deficits during the next two years.

Bloomberg CityLab

By Maxwell Adler

April 22, 2024

Gloria Vanderbilt’s Prep School Joins Boomlet in Muni Market.

- **An $11 million tax-exempt bond sold on behalf of the school**
- **Proceeds of sale to go to new eight-lane pool, other amenities**

The Wheeler School, where heiress Gloria Vanderbilt attended, is joining other elite private schools in taking on debt to spruce up its campus on a farm in Massachusetts.

The Massachusetts Development Finance Agency, an agency that sells debt on behalf of nonprofits, sold an $11 million tax-exempt bond for the school to build a new eight-lane pool, an outdoor splash pad and a nature-based early learning center at its campus in Seekonk, Massachusetts, according to a statement by the agency on Thursday.

It is the latest elite school to sell debt in an effort to enhance their campuses with bells and whistles. In Connecticut, Loomis Chaffee School sold bonds for campus projects in December, and the Brunswick School issued debt in the fall. Curtis School, a private school catering to wealthy Los Angeles residents, tapped the municipal market earlier this year.

Continue reading.

Bloomberg Markets

By Amanda Albright and Sri Taylor

April 25, 2024

Fortress-Backed Brightline Asks Investors to Bet on Florida Rail.

- **$2 billion of investment-grade muni debt may price next week**
- **Rail will need to raise more cash for California-Vegas line**

Brightline, the first new US private passenger railroad in more than a century, is betting it can lure more Floridians out of their cars — but first, it is refinancing roughly $4 billion in debt.

The Fortress Investment Group-backed rail is reshuffling its debt in advance of a July 1 interest payment that should provide breathing room to ramp up operations after the opening of its long-haul Orlando line fell behind schedule and ridership came up short of the firm’s own projections.

Success for Brightline hinges on convincing travelers to take the train all 235 miles (378 kilometers) to Orlando as the rail seeks to replicate Amtrak’s popular Acela service in the Northeast, without government subsidies.

Continue reading.

Bloomberg Markets

By Martin Z Braun

April 18, 2024

Florida’s High-Speed Rail Kicks Off $1.2 billion Junk-Debt Sale.

Florida’s high-speed rail system, Brightline, is tapping the US high-yield market with a $1.25 billion offering on Monday.

The Fortress Investment Group-backed railroad is selling six-year senior secured notes callable after three years, according to people with knowledge of the matter. The bonds — which are expected to price next week — are part of the rail line’s plans to refinance its roughly $3.9 billion debt load.

Morgan Stanley, the sole underwriter, had been sounding out investor appetite on the taxable junk bond at a yield of 10% to 11%, Bloomberg reported earlier this month. Interest has reached about $500 million for the deal at that yield range.

The offering is part of an expected $3.2 billion debt-refinancing package that includes proposed senior municipal bonds that may be issued this month by the Florida Development Finance Corp.

Earlier in April, the tax-exempt notes were assigned a S&P Global Ratings preliminary rating of BBB-, its lowest investment grade. The muni bonds also received preliminary designations of BBB- from Fitch Ratings and BBB from Kroll Bond Rating Agency.

Brightline is betting on replicating the model of Amtrak's high-speed Acela service in the Northeast with better amenities. The railroad says travelers between Miami and Orlando — both big tourism destinations and business centers — can avoid the stress of a traffic-clogged four- to five-hour drive as well as the hassles of air travel.

American Journal of Transportation

By: Caleb Mutua | Apr 15 2024 at 08:55 AM | Intermodal

–With assistance from Gowri Gurumurthy and Martin Z. Braun.

California's Debt Continues to Grow.

After borrowing billions from the federal government to pay for unemployment during the pandemic, the state's debt now stands at about $21 billion and growing. The state also currently accounts for about 20 percent of the nation's unemployment.

California's massive budget deficit, coupled with the state's relatively high level of joblessness, has become a major barrier to reducing the billions of dollars of debt it has incurred to pay unemployment benefits.

The surge in unemployment brought on by the COVID pandemic pushed the state's unemployment insurance trust into insolvency. And over the last year California's joblessness has been on the upswing again, reaching 5.3 percent in February, the highest among all states. The March job numbers come out Friday.

To keep the safety-net program operating at a time when the taxes paid by employers and earmarked for jobless benefits are insufficient, Sacramento has been borrowing billions of dollars from the federal government. The debt now stands at about $21 billion and growing, an increasing burden for state deficit fighters and for the businesses that pay into the jobless insurance program.

Continue reading.

governing.com

April 18, 2024 • Don Lee, Los Angeles Times, TNS

Texas Muni Borrowers Bemoan Anti-ESG Laws Restricting Banks.

- **Issuers at Austin conference discuss laws enacted in 2021**
- **Two state laws target banks' policies on guns, fossil fuels**

Texas borrowers gathered at an industry conference bemoaned two Republican-backed laws in the state that issuers say have restricted which Wall Street banks they can do business with.

The local officials spoke on a panel Tuesday before a packed room of city representatives, bankers and lawyers at an event hosted by the Bond Buyer in Austin. Several bankers at the conference work at firms that have been ensnared by the laws at various points since they took effect almost three years ago.

"I look around the room, I'm seeing a bunch of bankers, lawyers, prospect vendors that want to knock on the door of all the municipalities up here to do business," said Vernon Lewis, director of the Treasury Department for the city of Houston. The "person that really needs to be in the room is the attorney general and the comptroller."

Continue reading.

Bloomberg Markets

By Amanda Albright

April 16, 2024

Texas CFO Welcomes Bankers Even as He Compiles Boycott List.

Texas's chief financial officer told bankers on Tuesday that he wants as many companies involved in the state as possible even as probes into banks' ESG policies threaten their ability to do business.

"I want you to engage in Texas. I want you to be involved in Texas," Comptroller Glenn Hegar said Tuesday during a speech at a public finance conference hosted by the Bond Buyer in Austin.

Under Texas law, Hegar is charged with developing a list of financial firms that "boycott" the fossil fuels industry. If a firm is added to the so-called divestment list, state entities like pension funds have to sell their holdings of the companies, plus they're ineligible from certain public contracts. Listed companies aren't able to underwrite bond sales for the state or its municipalities, for example.

Continue reading.

Bloomberg Politics

By Amanda Albright

April 16, 2024

Economic Fallout from Baltimore's Bridge Collapse Hits Home.

Maryland legislators are taking steps to protect workers and businesses affected by the port and highway closure. There are broader, indirect effects, however, that are creating additional uncertainty.

In Brief:

- The now-crippled Port of Baltimore is responsible for 15,000 direct jobs and 140,000 indirect jobs and brings in over $70 billion in revenue every year.
- Baltimore is bracing for losses in tax revenues and fees, while regional inflation is expected to spike after the bridge’s collapse.
- Analysts caution that the disaster’s lasting economic impact will be in how workers and small businesses in communities around the port fare.

Continue reading.

governing.com

April 18, 2024 • Zina Hutton

S&P: Baltimore Bridge Accident Will Likely Increase Supply Chain Costs, With Minimal Rating Impacts

Key Takeaways

- We don’t expect the accident at Baltimore’s Francis Scott Key Bridge to dent the U.S. economy overall, but it could limit the disinflationary momentum and weigh on the local economy.
- Other East Coast ports seem to have capacity and operational flexibility to handle cargo diverted from Baltimore, but the accident will likely increase supply chain costs, especially for autos, coal, oil and gas, and agribusiness.
- The accident is unlikely to affect our ratings on the relevant U.S. public finance entities and insurers.

Continue reading.

15 Apr, 2024

City Rejects Revenue Stream Concept for Bears, White Sox Joint Stadium Funding Plan: Report

Illinois state leaders have told the Bears and White Sox they won’t support separate public funding plans for their respective stadium aspirations.

In an attempt to meet everyone’s needs, the Bears and White Sox have been working to create a joint public funding plan that can satiate the necessities of both teams, the city and the state.

But that's no easy task, as proven by the city's recent rejection of a part of the teams' joint plan.

According to Crain's Chicago Business, the city rejected a proposal from both teams to use the city's amusement tax from ticket sales at their respective stadiums to help the debt of the ISFA (Illinois Sports Facilities Authority) bonds attached to both Guaranteed Rate Field and the 2003 Soldier Field renovations.

Continue reading.

Yahoo Sports

by Ryan Taylor

Fri, Apr 12, 2024

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

Overview

Illinois school districts demonstrated credit stability in 2023, and we expect this will continue, supported by a stable state funding environment and generally healthy reserves.

Headwinds include rising labor costs and dwindling federal Elementary and Secondary School Emergency Relief (ESSER) funds, particularly for the minority of districts that used ESSER funds for recurring operating costs. Higher mortgage rates, a slowing national economy, and Illinois' declining population could dampen local tax base growth, though in most cases we do not expect this will materially limit school districts' revenue-raising flexibility. In our view, most districts are well positioned to navigate these challenges in the near term given the state's commitment to funding the Evidence-Based Funding (EBF) formula. In addition, the cumulative effect of ESSER, EBF, and elevated corporate personal property replacement tax (CPPRT) distributions has allowed many districts to shore up reserves and address capital needs.

S&P Global Ratings maintains ratings on general obligation (GO) or GO-equivalent debt for 424 school districts in Illinois. Ninety-eight percent of the ratings have a stable outlook, with three on positive outlook and seven on negative. Overall, credit quality has been stable over the past year, with 17 school district debt ratings raised since April 26, 2023. Over the same period, we lowered four school district debt ratings, and revised the rating outlook to positive from stable on two school districts and to negative from stable on one.

Continue reading.

17 Apr, 2024

Florida Board Approves Premium Reimbursement Formula to Help Insurers.

(The Center Square) — The Florida Hurricane Catastrophe Fund Advisory Council has approved a new premium reimbursement formula that will help alleviate the burden on insurance companies operating in Florida.

The FHCF operates under the State Board of Administration and is a tax-exempt state trust fund that reimburses a portion of hurricane losses to residential property insurance companies in the Sunshine State.

According to FHCF's website, it operates to protect and advance Florida's interest in maintaining sufficient insurance capacity. All residential property insurance companies are mandated to participate in the FHCF and enter into a reimbursement contract.

Continue reading.

By Andrew Powell | The Center Square Contributor Apr 5, 2024

New Florida Law Provides More Public-Private Partnership Opportunities: Holland & Knight

The Florida Legislature recently amended Section 255.065, Florida Statutes (P3 Law) pursuant to House Bill (HB) 781, which is expected to become effective on July 1, 2024. HB 781 provides responsible public entities (e.g., counties, cities, special districts and certain regional entities) with a new, alternative process for accepting unsolicited public-private partnership (P3) proposals.

P3s are contractual arrangements between public and private-sector entities that facilitate increased private-sector involvement in the funding and execution of public building and infrastructure projects.

Florida's P3 Law

The P3 Law provides a statutory framework for responsible public entities to undertake P3s. Under the current P3 Law, if a public entity desires to execute a comprehensive agreement for a project arising from an unsolicited proposal, it must first publish notice in the Florida Administrative Register (FAR) and a newspaper of general circulation, as well as mail a copy of the notice to each local government in the affected area that states it has received a proposal and will accept other proposals for the same project.

Continue reading.

Holland & Knight Alert

by Michael L. Wiener | Denise Ganz | Vlad Popik

APRIL 3, 2024

Changes to General Obligation Notes Borrowing in Wisconsin: Benefits to Municipalities - Foley & Lardner

Municipalities issuing general obligation promissory notes under section 67.12 (12)[1] of the Wisconsin Statutes may now take advantage of a statutory maximum maturity date of 20 years. 2023

Wisconsin Act 128 (the "Act")[2] took effect on March 23, 2024, and included legislation to extend the statutory maximum maturity date, which had been 10 years, for general obligation promissory notes. The maximum maturity date for general obligation promissory notes issued under section 67.12 (12) is now the same as the maximum maturity date for general obligation bonds as stated in Chapter 67[3]. This new legislation impacts all municipalities as defined under section 67.01 (5), which includes technical college districts, counties, cities, towns, villages, school districts, metropolitan sewerage districts, and certain other municipal issuers.

While the statutory maximum maturity date for general obligation bonds and promissory notes is now the same in most cases, there are several differences between the two types of debt that now make notes more attractive as described in more detail below: (1) notes may be issued for any public purpose and (2) the statutorily required procedures for issuance are less onerous for notes.

Prior to the Act, municipalities would frequently need to issue both general obligation bonds and promissory notes to finance their planned projects, given the statutory limitation on eligible projects that applies to bonds issued under Chapter 67. Promissory notes, on the other hand, would be used to finance other public purposes not otherwise eligible to be bond financed, such as vehicles, furniture, equipment, technology and software, and construction and improvements to any public building, for the shorter 10-year maximum borrowing period. Now, a single issuance of tax-exempt promissory notes could finance all a municipality's planned projects for a 20-year period[4].

Continue reading.

02 April 2024

Washington DC's Cash Bounty to Wither on Empty Offices, Downtown.

After a decade of flush coffers, Washington is bracing for lower revenue as the downtown of the nation's capital continues to struggle with a post-pandemic bounceback.

Glen Lee, Washington's chief financial officer, cautioned that the extra cash the city has enjoyed for the last several years is at risk as a result of slower revenue growth, the end of pandemic stimulus funding and higher operating costs.

"The surpluses that we've been enjoying are going to shrivel up," Lee said in an interview. As of the end of 2023, Washington had about $1.5 billion in reserve funds. "Worrying about whether or not we have enough cash on hand to pay bills — which was something inconceivable for a CFO since 2010 — is now a real issue."

Continue reading.

Bloomberg CityLab

By Skylar Woodhouse

April 9, 2024

How California Business and Government Might Solve the Freshwater Crisis - Together

Does the public sector need the private sector's help to address the freshwater crisis? That's the controversial thesis of Stanford law and environmental social sciences professor Barton "Buzz" Thompson's provocatively titled new book: Liquid Asset: How Business and Government Can Partner to Solve the Freshwater Crisis. (Buzz is also a member of the PPIC Water Policy Center's research network.) We sat down with him to hear more.

How is the private sector currently involved in water?

The private sector is already involved in water in many ways, some more controversial than others. The private provision of water and water marketing are the most controversial because they impact how water is allocated—who gets it, and who doesn't. But the private sector also provides new technology to reduce the cost of important processes like recycling or desalinization. And many private companies, which are the largest consumers of water, have adopted corporate water stewardship programs to reduce their water footprint.

We think of the Sustainable Groundwater Management Act (SGMA) as a public program, and it is. The legislature passed the law, and public agencies are implementing it. But if you look carefully, you'll see private handprints all over SGMA's success. The private sector has been instrumental in SGMA's passage, its implementation, and dealing with its impact.

Philanthropic foundations helped lay the groundwork that led to SGMA's passage, and they've funded development of new data and modeling tools. Private consultants provided the scientific and technical knowledge needed for implementation. Nonprofit organizations like the Environmental Defense Fund (EDF) and The Nature Conservancy have helped monitor SGMA's implementation to make sure it's meeting the law. They've also helped develop local groundwater markets and programs to help transition some farms to other land uses, including the Multibenefit Land Repurposing Program.

Why did you decide to write about this topic now?

I've worked in the water sector for about four decades. It's clear that water crises are growing and multifaceted, whether it's climate change, aging infrastructure, or groundwater overdraft. The public sector, populated by dedicated, smart officials, is struggling to meet all these challenges. The more I looked at the public sector, the more I realized it needs the private sector's help.

For instance, cities would love to do more water recycling, but for a lot of cities that would require new pipes and digging up streets, which people don't like. Epic Cleantec in San Francisco has developed modular equipment to recycle water on-site so you don't have to dig up the street. A lot of small water suppliers—frequently for low-income communities—are having a hard time financing new infrastructure. Nonprofit organizations like Water Finance Exchange and Moonshot Missions try to match small water suppliers with financing.

Where the public sector struggles, private entities can try to help. But the public sector needs to be willing to reach out, and the private sector needs to realize it can't contribute without the public sector.

What are some of the changes you're advocating, and why?

We need new technologies to solve current challenges, but we face a technological deficit in the US:

we’re not getting new technologies out and adopted quickly enough.

Places like Singapore have made a lot of progress on issues like desalination and recycling by working with the private sector. Singapore funds innovation and allows businesses to use public infrastructure to test new technologies. These technologies have become an export industry, adding $2 billion to Singapore’s economy and employing 14,000 people. Government needs to develop regulations that encourage the development of new technologies and work with private companies to test and adopt them.

But government also must ensure that private companies aren’t negatively impacting the public interest in water. The petroleum industry creates immense amounts of produced water—for instance, in the Permian basin, for every barrel of oil, you produce about four barrels of water. Companies recycle that water for reuse, the government’s role is to ensure that the reuse is safe, as California has done with the use of produced water in Kern County agriculture. That’s a key role of government—policing the private sector to protect the public interest.

What disincentivizes engagement between the public and private sectors?

The public sector is inherently conservative, and it should be when it comes to freshwater. If your iPhone malfunctions, it’s an inconvenience. If the system that supplies water to San Francisco malfunctions, that could be a public health crisis. But in many cases, it’s too conservative. Governmental agencies just don’t have the same incentive to embrace new, creative ideas as the private sector.

The public sector is also highly fragmented. Many small utilities don’t have funds to replace current infrastructure, and frequently they have no R&D program, which is where you’d typically interact with the private sector. They can’t invest in new technologies. That makes it hard to take advantage of what the private sector has to offer.

The energy sector operates very differently—it’s dominated by private companies that are developing new technologies and implementing them with public support. Between 2001–14, governments in the US provided about $8 billion of funding to develop new energy technologies; in the water field, it was $28 million. If we want to know how to solve water challenges, we can look at what the energy sector has done.

What gives you hope?

I’ve taught a class at Stanford on “The Business of Water” for seven years, bringing in dozens of companies working in water. Their enthusiasm, dedication, and creativity give me confidence that, with the public sector, they can help solve key water challenges.

Public Policy Institute of California

Fitch Places Milwaukee, WI's Water System Revs Under Criteria Observation.

Fitch Ratings – Austin – 08 Apr 2024: Fitch Ratings has placed the following rating related to the Milwaukee, WI water system (the system) Under Criteria Observation (UCO) in relation to the publication on April 2, 2024 of Fitch’s revised rating criteria titled ‘U.S. Public Finance Local Government Rating Criteria’:

— Water system revenue bonds, series 2016.

Fitch will review the rating designated as UCO as soon as practicable, but no later than six months from the date of the criteria release.

The rating designated as UCO represents a water and sewer system rating that has a likelihood of being upgraded or downgraded following the release of the revised U.S. Public Finance Local Government Rating Criteria (LGR criteria), but requires additional information and analysis to fully assess the effect of the criteria on the rating. While this rating may be affected by the criteria changes, not all ratings designated as UCO will necessarily change.

Continue reading.

A 'Fiscal Cliff' Threatens Pittsburgh, Where Shrinking Tax Revenues Could Drain City Coffers in Just a Few Years, Rcords Show

Tax revenue projections, detailed by the city Controller's Office, are at odds with public financial picture presented by Mayor Ed Gainey's administration

Just six years after emerging from state receivership, Pittsburgh again is barreling toward a "fiscal cliff" that could drain its bank accounts in only a few years, according to internal city documents obtained by the Pittsburgh Post-Gazette.

Key sources of tax revenue have been beset by a series of unprecedented challenges that are likely to cause them to shrink significantly or dry up altogether in coming years, imperiling cash flows that pay for critical services and support quality-of-life programs relied upon by the city's 300,000 residents.

The new tax revenue projections, detailed in a series of internal documents prepared by the city Controller's Office, are starkly at odds with the public financial picture presented by Mayor Ed Gainey's administration, whose five-year plan projects a healthy bank account balance of between $83 million and $160 million during that span

Continue reading.

PITTSBURGH POST-GAZETTE

by NEENA HAGEN AND MIKE WERESCHAGIN

APRIL 8, 2024

Tallahassee, Florida: Fitch New Issue Report

The 'AA+' rating on the capital bonds reflects the low volatility of pledged revenues, which support the structure's strong resilience even when assuming full levering to the 1.25x additional bonds test (ABT). The rating also reflects Fitch Ratings' expectations for long-term pledged revenue growth that continues to trend in line with inflation over time. The capital bond rating is capped at the city's Issuer Default Rating (IDR) of 'AA+', with a Stable Rating Outlook

ACCESS REPORT

Wed 10 Apr, 2024

United Power, Inc. (CO): Fitch New Issue Report

The 'A' rating on United Power, Inc. (CO)'s series 2024 A & B First Mortgage Notes and the Issuer Default Rating reflect Fitch Ratings' expectation that United Power will maintain its historically strong and stable financial performance despite sizable payments related to the cooperative's May 1, 2024 withdrawal from Tri-State Generation & Transmission Association, Inc. (Tri-State, securities rated BBB+/Negative/F1) and the termination of its power supply agreement. The payments have been calculated pursuant to an exit fee methodology approved by the Federal Energy Regulatory Commission (FERC) and are expected to total $702 million, including a contract termination payment of roughly $627 million and asset purchases (primarily transmission assets) of $75 million. While United Power's plan to debt finance the payments will initially result in higher leverage, the cooperative's plan for retail rate increases over the next several years should buffer the effect and produce financial metrics that are consistent with the 'A' rating.

ACCESS REPORT

Thu 11 Apr, 2024

State of Oklahoma (Oklahoma Capitol Improvement Authority): Fitch New Issue Report

The 'AA–' rating on the Oklahoma Capitol Improvement Authority's state facilities revenue bonds is directly linked to the state's 'AA' Long-Term Issuer Default Rating. The one-notch rating differential reflects a slightly elevated risk of non-appropriation of moneys sufficient to pay debt service on the bonds, given the optionality inherent in repayment of bonds from budgetary appropriations. Fitch expects that Oklahoma's revenues, which are supported by broad-based taxes and fees, will continue to reflect above average economic volatility tied to the natural resource sector over the medium term. The state maintains ample expenditure flexibility with a low burden of carrying costs for liabilities and the broad expense-cutting ability common to most U.S. states. On a combined basis, the state's debt and net pension liabilities are well below the median for U.S. states as a percentage of personal income and are a low burden on the resource base. A constitutional provision limiting appropriations to 95% of expected general revenue fund revenues provides a cushion for revenue variability, while the state's proactive management of financial operations has, to some extent, offset underlying revenue volatility.

ACCESS REPORT

Fri 12 Apr, 2024 – 3:52 PM ET

Maricopa County Industrial Development Authority (AZ): Fitch New Issue Report

The 'A+' ratings for the series 2024A/B/C&D bonds and the IDR and revenue bond rating affirmations reflect Fitch's expectation that HonorHealth will maintain profitability and liquidity at levels consistent with the current rating (despite recent pressures from staffing challenges and inflation). The ratings also reflect HonorHealth's solid market share in the competitive and growing Maricopa County service area, with a leading presence in Scottsdale, AZ. Fitch's forward-looking analysis, which incorporates the expectation of capital spending above depreciation before this current debt issuance, shows HonorHealth absorbing the modest amount of new debt, and funding its capital plan of approximately $615 million over the next three years, while continuing to improve liquidity and capital ratios. Fitch expects HonorHealth's margins to continue to improve in fiscal 2024 due to improved volume growth, reinforced by HonorHealth's favorable payor mix. Fitch expects HonorHealth's strategic initiatives including its focus on safety and quality care, workforce recruitment, development and retention efforts, and expanding its ambulatory presence in target areas will continue to improve margins through 2024 and beyond. In addition, Fitch expects that HonorHealth will spend above annual depreciation levels, with around one billion in capital spending over the next five years.

ACCESS REPORT

Fri 12 Apr, 2024 – 5:18 PM ET

Savannah Convention Center Gets Boost to Bond Capacity for Hotel.

- **Lawmakers raise authority's bonding capacity to $400 million**
- **Center's recent expansion doubled amount of exhibit hall space**

The Savannah-Georgia Convention Center Authority, just wrapping up a $276 million expansion, is now set to tap the municipal market to finance a new hotel, thanks to legislators' move to boost the agency's bonding capacity.

State lawmakers raised its debt limit to $400 million from $50 million this session to help finance the facility, and the legislation is awaiting Governor Brian Kemp's signature.

The authority would bond for the proposed 400-room hotel project, said Kelvin D. Moore, general manager of the convention center, said. The new project is "in the initial stages of pre-development," he said, and he wouldn't speculate on the selection of underwriters or when the deal might be sold.

Continue reading.

Bloomberg Markets

By Joseph Mysak Jr

April 9, 2024

Florida’s Private High-Speed Train Wins Investment Grade Ratings.

- **Proposed $2 billion senior bonds garner BBB- rating from S&P**
- **Investment-grade ratings may widen market for rail line’s debt**

Brightline, the first private US passenger railroad in more than a century, obtained investment-grade ratings on its proposed senior municipal bonds ahead of a planned $3.6 billion debt refinancing.

S&P Global Ratings assigned a preliminary BBB- rating, its lowest investment grade, to $2 billion of tax-exempt Brightline bonds. The bonds are likely to be issued this month by the Florida Development Finance Corp. Brightline expects Assured Guaranty to insure $1 billion of the tax-exempt debt.

The Fortress Investment Group-backed railroad, which started long-distance service between Miami and Orlando in September, also plans to sell $1 billion in speculative-grade corporate bonds yielding in the high-single to low-double digits, Bloomberg previously reported. Another $1.6 billion of debt and equity could come from Fortress or other investors.

Continue reading.

Bloomberg Markets

By Martin Z Braun

April 2, 2024

State of California: Fitch New Issue Report

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

ACCESS REPORT

Tue 02 Apr, 2024

Sacramento Municipal Utility District, California: Fitch New Issue Report

Revenue is predominantly provided by retail (residential, commercial and industrial) electric sales to a modestly growing service area in and around the state capital. Demographic trends are favorable and SMUD has the exclusive right to provide electric service in its service area, providing strong revenue resiliency. Residential sales provide approximately 50% of annual revenue and no concentration exists in the customer base. Although the utility receives wholesale revenue, which can be more variable than retail sales, SMUD budgets conservatively, resulting in strong revenue performance to budget. Very strong rate flexibility is reflected in highly competitive rates and supported by the district board's independent legal ability to set its own rates. Rate affordability is high, with average annual electric costs accounting for only 1.8% of the city median household income. The rate structure does not include a natural gas or power cost adjuster but does include a hydro adjuster that recovers higher costs in low hydroelectric output years. The board adopts regular annual base rate increases, including 5.5% base rate increases in 2024 and 2025, split into two stages of implementation each year, on Jan. 1 (2.75%) and May 1 (2.75%). These increases are higher than in past years to keep pace with the inflationary cost environment given the lack of a power cost adjustment in the rate structure.

ACCESS REPORT

Tue 02 Apr, 2024

California Law for Asset Managers: California ESG Landscape - Ropes & Gray LLP

Click here to listen the audio

On this episode of Ropes & Gray's California Law for Asset Managers podcast series, Josh Lichtenstein, a benefits partner and head of the ERISA fiduciary practice, and Catherine Skulan, an asset management partner, further discuss the ESG landscape in California, including its climate-related disclosure regime as well as a fossil fuel divestment bill, which remains pending in the legislature, but if adopted, would impact managers overseeing state pension assets.

Transcript:

Catherine Skulan: Hello, and welcome to another installment of our Ropes & Gray podcast series on California Law for Asset Managers. I'm Catherine Skulan, an asset management partner based in California, and I am pleased to be joined by Josh Lichtenstein, a benefits partner and head of the ERISA fiduciary practice based in New York.

In our last two episodes in this series, my colleagues and I discussed recently enacted California laws that fall under the environmental, social and governance ("ESG") banner, and how those laws relate to asset managers and their portfolio companies. Hopefully, you were able to catch those episodes. Note, links to those episodes will be available in the transcript of this episode, so you can find them there: Overview of New California Law Requiring Disclosure on Diversity in VC Investments by "Venture Capital Companies" (December 5, 2023) and New California Climate Disclosure Requirements and Their Relevance to Asset Managers and Their Portfolio Companies (December 19, 2023). But, if you didn't catch them, here's a quick refresh:

Continue reading.

March 31 2024

California Risk Premium Climbs Ahead of $1.5 Billion Bond Sale.

- **Spread opened as much as 27 basis points since end of February**
- **Seasonal factors such as tax-season selling are contributing**

The yield premium on California bonds has jumped just as the most populous US state readies to borrow $1.5 billion while staring down a massive budget deficit.

An index showing the yield on 10-year California general obligation bonds compared to top-rated benchmark debt has widened as much as 27 basis points since the end of February, data compiled by Bloomberg show. Investors selling municipal debt from their portfolios to pay their taxes is in part driving the move.

The widening of that gap comes as lawmakers grapple with how to fill a roughly $73 billion budget shortfall expected in the fiscal year that begins July 1. The one-year median of the spread between 10-year California municipal bonds to AAA-rated securities had been around 2 basis points. That metric now stands at more than 11 basis points.

Continue reading.

Bloomberg Markets

By Maxwell Adler

April 4, 2024

Trinity River Authority, Texas: Fitch New Issue Report

The system serves a total of 21 members and the purchaser credit quality assessment is based upon the 'AAA' water and sewer bond ratings of Arlington, Mansfield, Carrolton and Grand Prairie. In fiscal 2022, the system had a very low operating cost burden of $1,976 per million gallons (mg), consistent with the operating risk assessment. The life cycle ratio was very low at 29% in fiscal 2022. Annual capital spending relative to depreciation is robust, averaging 330% from fiscal years 2018 to 2022. Planned capital spending for the next five years should generally outpace historical depreciation, supporting a continued very low life cycle ratio. The system had moderate leverage of 10.3x as of fiscal 2022, which is generally in line with recent years' performance. The system consistently retains funds restricted for construction and, in consideration of those funds, leverage has typically fallen below 9.0x. The liquidity profile is neutral to the overall assessment with current days cash on hand of 122 and coverage of full obligations of 1.0x.

ACCESS REPORT

Tue 02 Apr, 2024

Northside Independent School District (TX) - Fitch New Issue Report

Key Rating Drivers Revenue Framework: ‘a’: Fitch expects the natural pace of revenue growth to be solid given ongoing flat enrollment growth and additional state aid allocations for the district’s large economically disadvantaged and special populations. The district’s statutorily limited independent legal revenue raising ability is common to Texas school districts. Expenditure Framework: ‘aa’: The natural pace of spending growth is expected to remain in line or modestly above that of revenues. Expenditure flexibility is derived from management’s control over workforce costs and moderate carrying costs, reflecting state support for retiree benefits. Fitch expects the district’s carrying costs, driven primarily by debt service, to remain moderate based on issuance plans in relation to expected growth in the district’s operating budget. Long-Term Liability Burden: ‘aa’: Long-term liabilities are moderate at approximately 14% of personal income. Fitch expects the burden to remain moderate as population and income growth are likely to be aligned with additional debt needs. The district’s net pension liability is modest. Operating Performance: ‘aaa’: The district’s strong history of operating surpluses, maintenance of robust reserve levels and solid expenditure flexibility leave it well positioned to address future cyclical downturns. Strong financial management practices underpin the district’s history of favorable operating performance.

ACCESS REPORT

Tue 02 Apr, 2024

Prices Are Stable on Maryland Bridge and Tunnel Bonds: WSJ

Bond prices remained stable Tuesday on municipal debt issued by the Maryland Transportation Authority, the state agency that financed the Francis Scott Key Bridge, which collapsed after a collision overnight.

That’s likely because the authority also collects tolls on the Baltimore Harbor Tunnel and the Fort McHenry Tunnel, two other main routes for drivers crossing Baltimore Harbor, according to Moody’s Ratings.

Moody’s analyst Cintia Nazima said the Francis Scott Key Bridge accounted for approximately 7% of the authority’s $755 million in toll revenue in 2023 and projected that the collapse would have a negative, but limited, credit impact. The authority has a fairly high investment grade rating from multiple firms.

Bondholders are further insulated by a pledge laid out in borrowing documents, according to an analysis by Bloomberg Intelligence. The Maryland Transportation Authority promised bondholders it would increase fees and tolls if necessary in order to ensure it collects at least 120% of the revenue needed to make debt payments. Even early in the Covid-19 pandemic, the analysts pointed out, the agency was more than able to pay its debt.

Price moves can be slow for municipal bonds since they can go weeks or months without trading.

The fact that the authority collects revenues from a range of transit projects means “the bonds reasonably aren’t in much jeopardy,” said Matt Fabian, a partner at bond research firm Municipal Market Analytics. “On the other hand, it’s still early.”

by Heather Gillers

The Wall Street Journal

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[Maryland Reassures Bondholders, Outlines Funding Sources to Rebuild Bridge: WSJ]

The operator of the Francis Scott Key Bridge moved to reassure creditors, saying the Baltimore bridge's collapse won't affect debt payments and giving some details on its plans to rebuild.

The Maryland Transportation Authority said it has $400 million of unrestricted cash reserves, plus $431 million of cash on hand for construction projects. It also holds $350 million of single-event property insurance.

Tolls on the Key Bridge represented only about 7% of the state agency's toll revenue. Much of the rerouted traffic will go through tunnels on which the MDTA also collects tolls, it told bondholders in a municipal bond filing late Wednesday.

"The MDTA is partnering with State, local, and federal agencies in reconstructing the bridge," it said.

Money to rebuild the bridge could come from insurance payouts, cash on hand, bond proceeds, and federal funds. The filing said it isn't clear how much the reconstruction will cost.

by Heather Gillers

The Wall Street Journal

[Economic Impact of the Baltimore Bridge Collapse: Brookings]

The recent collapse of the Francis Scott Key bridge in Baltimore after being struck by a container ship is both a human tragedy and an economic disaster. Six construction workers doing repair work on the bridge lost their lives when it plunged into the cold Patapsco River. The wreckage of the bridge now sits in the channel that connects Baltimore Harbor to the Chesapeake Bay, effectively closing the Port of Baltimore. Joe Kane, a fellow in Brookings Metro, talks about the economic impacts of the disaster and prospects for rebuilding the bridge.

Transcript

DEWS: This is The Current, part of the Brookings Podcast Network. I'm your host, Fred Dews.

The recent collapse of the Francis Scott Key Bridge in Baltimore after being struck by a container ship is both a human tragedy and an economic disaster. Six construction workers doing repair work on the bridge span in the early morning hours lost their lives when the bridge plunged into the cold Patapsco River. They were immigrants from Mexico, Guatemala, Honduras, and El Salvador.

[Continue reading.]

The Brookings Institution

Joseph W. Kane and Fred Dews

March 28, 2024

What the Baltimore Collapse Tells Us About Bridge Safety.

The Francis Scott Key Bridge suffered a catastrophic failure after a pier was struck by a cargo ship, raising questions about what might have averted disaster.

It took more than five years to build the Francis Scott Key Bridge across Baltimore's Patapsco River, but only a few terrifying seconds to destroy it. A pier supporting the structure's 1,200-foot-long main span was struck by the loaded container ship Dali leaving the Port of Baltimore early on Tuesday morning; several vehicles plunged into the icy river below as the bridge's roadway collapsed. A mayday call saved lives, but six people who were working on the bridge are missing and presumed dead after rescue efforts were suspended on Tuesday evening. The scale of the disaster and the bridge's importance mark the accident as one of the worst US infrastructure failures in decades, and its impact stands to play out for years across the Baltimore region and the US economy, since the bridge facilitated so much trade. As the country grapples with the tragedy's fallout, pier protections will likely become a focus on other American bridges.

Aftermath of the Collapse

Completed in 1977, the Key Bridge carried about 35 million vehicles annually as part of Interstate 695, a beltway that circles the city of Baltimore. In addition to its role as a key commuter link, the highway is part of the complex network of transportation and logistics infrastructure surrounding the Port of Baltimore, which handles more than 10 million tons of cargo annually. Shipping traffic has been suspended for the foreseeable future, as bridge debris has blocked the narrow shipping lane into the port itself. Vehicle traffic, meanwhile, has been diverted to alternative routes, including a pair of tunnels beneath Baltimore harbor. But trucks carrying hazardous materials are barred from those routes, which is expected to delay freight traffic up and down Interstate 95.

Continue reading.

Bloomberg CityLab

By Linda Poon and David Dudley

March 26, 2024

Fitch: Baltimore Port Disruption Does Not Affect U.S. Port, Automaker Credit

Fitch Ratings-Chicago/New York-27 March 2024: The disruption to East Coast shipping as a result of the collapse of the Francis Scott Key Bridge in Baltimore will not affect the credit of rated U.S. ports or automakers, Fitch Ratings says.

The collapsed bridge, which was destroyed when a cargo ship struck a bridge support, is now blocking entry to the Port of Baltimore. Disruptions to port traffic will persist for months while the bridge debris is cleared and a new bridge is constructed.

We do not rate the Port of Baltimore but do track its throughput trends. Ports along the East Coast will see an uptick in volumes with short-term congestion as they accommodate rerouted cargoes. Larger U.S. East Coast ports such as New York-New Jersey (Port Authority of New York and New Jersey; AA-) and Port of Virginia (Virginia Port Authority, Commonwealth Port Fund bonds; AAA/AA+) have sufficient capacity to handle additional container imports and exports and larger sized ships. Other smaller East Coast ports could see congestion and temporary capacity and labor pressures.

Continue reading.

Disney Ends Long-Running Feud With DeSantis Over Board Power.

A board appointed by Ron DeSantis has voted to settle a lawsuit with Walt Disney Co., effectively ending an almost year-long legal battle between the Florida Governor and one of the state's biggest employers.

The board of the Central Florida Tourism Oversight District, the municipal authority that governs Disney parks in Florida, unanimously accepted a settlement offer made by the company in a meeting Wednesday. Disney had sued DeSantis and the board in April last year, igniting a legal battle that has played out in a series of courts.

The agreement was struck in a state-level dispute between the parties. In a separate federal lawsuit, a district judge dismissed Disney's case against DeSantis, but the company appealed. The entertainment giant has agreed to pause action on the federal lawsuit, but not drop it entirely.

Continue reading.

Bloomberg Markets

By Felipe Marques and Madlin Mekelburg

March 27, 2024

Wizards, Capitals Arena Deal Eased by $1.2 Billion Muni Sale.

- **Savings from November bond sale allowed for sports package**
- **New arena will spur tourism, revenue for downtown, Mayor says**

Washington, D.C.'s ability to offer the National Basketball Association's Wizards and the National Hockey League's Capitals more than $500 million for a new arena was eased by a refinancing last year that cut its interest bills.

In November, Washington sold $1.2 billion of municipal bonds in part to refinance higher-cost debt. That transaction, sold as the bond market was starting to rebound in November — reduced the city's costs enough to make the sports financing possible and not hit a statutory limit on the size of its debt bills.

"While the transaction was not done specifically to allow for improvements to Capital One Arena, the debt service savings achieved did make possible the Mayor's offer to Monumental Sports of $500 million to refurbish the arena," according to Natalie Wilson, a spokesperson for Glen Lee, the district's chief financial officer.

The new arena agreement was announced Wednesday by Mayor Muriel Bowser and Ted Leonsis, the billionaire owner of Monumental Sports & Entertainment, which owns the Capitals and Wizards. Under the deal, the city will provide more than $515 million toward the complete renovation of the arena, according to a statement.

Once a bustling place for nightlife, the area near the arena was hit hard during the pandemic and has struggled to come back as many federal government workers continue to work remotely. Officials were eager to prevent the teams from leaving, since games still draw considerable numbers of people to the area, and hope that the new area project will drive tourism, revenue, and jobs growth in the neighborhood.

The agreement also quashed Virginia Governor Glenn Youngkin's plans to lure both teams across the Potomac River. He pitched a $2 billion economic development project, but it failed to gain traction among state lawmakers.

Washington refinanced its debt during the week of Nov. 13, when interest rates were coming down from their recent highs on expectations that the Federal Reserve would begin easing monetary policy this year.

Wilson said the muni deal saved nearly $70 million. Before the transaction, the district's debt ratio — measured by total debt service as a percentage of general fund expenditures — reached a record high of 11.924%, just shy of the statutory limit of 12%.

While the CFO's office wouldn't provide details of the current debt ratio which will be released as part of Bowser's proposed budget next week, it "remains within our debt limit," Wilson said.

Bloomberg Markets

By Skylar Woodhouse

March 28, 2024

Miami Worldcenter Taps Junk Munis for Project's Next Phase.

- **Miami Worldcenter to borrow about $245 million via conduit**
- **Sale comes as junk munis are outperforming rest of local debt**

Miami Worldcenter, an urban renewal project in the city's downtown, is poised to borrow $245 million in the municipal-bond market as it moves to finance the next phase of a venture that is almost two decades in the making.

Developers behind the roughly 23-acre, $6 billion project, one of the biggest such ventures in the US, issued the tax-exempt, unrated debt through a Wisconsin financing authority on Tuesday. Senior bonds due in 2041 and carrying a 5% coupon were priced to yield 5.25%, data compiled by Bloomberg show.

The Florida city has seen an influx of wealthy residents and investment the past few years amid the pandemic, boosting housing prices. But the bond deal is still considered risky, in part because as a conduit deal, the securities don't have the full faith and credit backing of a local government or agency. The offering document says repayment is "speculative in nature" and involves a high degree of risk.

In the borrowers' favor, it's an opportune time to sell such debt. High-yield munis are having a solid year, gaining as the rest of the state and local-bond market has declined. That should set the stage for solid investor appetite, says Daniel Solender at Lord Abbett & Co.

"Overall the demand is strong now for high-yield deals, so that should help," said Solender, the firm's head of municipal debt.

High-yield munis have earned 1.5% this year, compared with a loss of 0.2% for tax-exempt debt broadly, Bloomberg index data show. Diminished issuance has been a key driver of the high-yield gains, according to research from Bloomberg Intelligence strategist Eric Kazatsky. It's been the second-slowest first quarter for high-yield muni sales in the past decade, he said.

Next Phase

Proceeds from the offering, to be sold through the Wisconsin Public Finance Authority, will go toward the project's next phase. This includes financing two parking garages, five areas of retail space, a plaza and several walkways. The developers say it would be the second-largest private mixed-use urban development project in the US upon its projected completion in the next three to four years, behind Hudson Yards in New York.

Taking a cue from Hudson Yards, the developers have been courting high-end retail brands and companies in an effort to turn the area into a hot destination. Adam Neumann's real estate startup Flow plans $300 million of new developments in the area as well.

The bonds will be backed by tax-increment financing generated by all the properties in the development. Under the terms of their economic incentive agreement, the developers will receive 57% of the tax-increment revenue generated by the project through March 2042. The remainder goes to the city and Miami-Dade county.

The sale didn't receive a grade from rating companies. The repayment of the bonds is highly dependent upon an increase in the assessed valuation of the properties at Miami Worldcenter, however there is no assurance that property values will grow, according to bond documents.

Some 96% of Miami Worldcenter's completed retail space has been leased, according to bond documents. However, only about 23% of the planned projects have been completed.

"Initial feedback surrounding the bond issuance has been positive," Nitin Motwani, managing partner of Miami Worldcenter, said in an email.

Miami Worldcenter previously tapped the muni market in 2017, via a sale of $74 million of unrated, tax-exempt bonds through a special taxing district, according to a press release. Proceeds from that sale financed street improvements, mass transit stations and additional water and sewer capacity.

Bloomberg Markets

By Maxwell Adler

March 26, 2024

— With assistance from Philip Brian Tabuas

[Florida High-Speed Rail Sounds Out Investors for Refinancing.]

- **Morgan Stanley is working with Fortress-backed Brightline**
- **Firm to refinance debt with muni bonds and junk notes**

Florida's high-speed rail system, Brightline, is seeking up to $3.2 billion new capital from lenders to refinance its outstanding debt, according to people with knowledge of the matter.

The Fortress Investment Group-backed company expects to tap the capital markets for roughly $2.2 billion of investment-grade municipal bonds and $1 billion of junk bonds yielding high-single to low-double digit returns, said the people who declined to be identified as the details are private. Another $1.6 billion of debt and equity could come from Fortress or other investors, they said.

Conversations are ongoing and size and details of the financing could change, they added.

The rail system — which carries passengers between Miami, West Palm Beach and Orlando — is working with Morgan Stanley on the refinancing, they said.

Representatives for Morgan Stanley and Fortress deferred questions to Brightline. A spokesman for the rail company declined to comment. Brightline has said it expects to reach its projection of 8 million passengers in 2026 and continues to announce new stations for its intercity service. Brightline carried 228,138 passengers in February up 50% from the same month in 2023.

The new transaction comes after service to Orlando started in September, behind an initial target for a January 2023 opening. Earlier this month, Brightline cut its 2024 ridership forecast again, having first slashed its outlook by about 21% in December.

Investors have been watching the expansion of the private rail system closely as a potential model for new projects elsewhere in the US.

The company has been seeking to refinance its outstanding bonds with new issuance of debt or equity, Brightline said in June. Still, Brightline has yet to be profitable, losing $307 million in 2023.

The proceeds of the offering will be used to repay Brightline's $3.9 billion debt load — which includes $2.7 billion in muni bonds, about $1 billion of taxable debt, accrued interest and prepayment premiums — as well as to pre-fund interest payments of the new debt issuance until 2026, the people added.

Fortress has already invested about $2.2 billion of equity in cash and assets to finance the project.

On March 4, the company announced it would open a new station in Stuart, Florida, 40 miles north of West Palm Beach. Stuart is on Florida's "Treasure Coast," a region that includes Port St. Lucie and Vero Beach. Brightline has also begun planning a station in Brevard County, home to Cape Canaveral and John F Kennedy Space Center.

Bloomberg Markets

By Carmen Arroyo, Martin Z Braun, and Gowri Gurumurthy

March 25, 2024

[Detroit Wins Investment Grade Rating Decade After Bankruptcy.]

- **Moody's says city's tax base has doubled over past five years**
- **Despite ratings lift, Detroit still faces economic challenges**

Once-bankrupt Detroit has won its first investment-grade rating after an upgrade by Moody's Ratings, marking a major step for the city, which has long struggled with high unemployment and elevated poverty rates.

The credit rating firm raised the Michigan city's debt two notches to Baa2 from Ba1 on Friday, citing its "expectation that the city will continue to bolster its financial resiliency and maintain the track record of solid operating performance that has been seen over the past several years."

Detroit has come a long way from its Chapter 9 bankruptcy in 2013, when it was reeling from debt and pension obligations and the erosion of its signature auto industry. In recent years, it's embarked on projects like the rehabilitation or demolition of blighted housing stock and delivered consistent balanced budgets.

Continue reading.

Bloomberg Markets

By Lauren Coleman-Lochner

March 25, 2024

[Investors Hire Counsel to Challenge $1 Billion University Bond.]

- **Holders are represented by Kramer Levin in the challenge**
- **University of California sold refunding debt earlier in March**

A group of investors has hired law firm Kramer Levin to challenge a $1 billion refunding deal by the Regents of the University of California, according to a letter seen by Bloomberg and people familiar with the situation.
The letter, dated March 20, was sent by Amy Caton, a partner at Kramer Levin, to the University of California officials disputing the Build America Bond refinancing transaction. The firm said it was representing investors that hold or manage "hundreds of millions of dollars" of the debt that is being refunded by the new issue sale.

At the crux of the debate is whether the taxable debt can be replaced by lower-cost tax-exempt bonds under a call provision that may be invoked in the occurrence of an extraordinary event.

The letter did not name the investors that the firm is representing. It was sent to Nathan Brostrom, chief financial officer for the University of California, and Charles Robinson, the school's general counsel.

“Our group asks the Regents to reconsider their proposed course of action, and avoid litigation, by either canceling the proposed redemption, or by moving forward with a redemption that is legally appropriate by paying holders the make-whole premium to which any current redemption entitles them,” Kramer Levin’s letter said.

Representatives for the University of California did not respond to a request for comment, sent after the close of business hours on Wednesday.

Under a make-whole call, an issuer provides a lump sum payment to investors, so the buyers avoid facing losses on an earlier call, according to the Municipal Securities Rulemaking Board. That scenario would cost the university at least $120 million more than the extraordinary redemption, Kramer Levin’s letter said.

The challenge is rare in the municipal-bond market, and escalates a simmering feud between investors and issuers over a call mechanism in Build America Bonds. The securities were sold through a debt-issuing program instituted to spur economic growth by infrastructure spending after the Great Recession.

A number of Build America Bonds refinancing deals are already underway, spurred by the recent outperformance in the tax-exempt debt market — which has pushed those yields well below those on taxable securities. At least two investors have pushed back against a planned sale by the state of Washington scheduled for next week.

Extraordinary Redemption

States and municipalities are seeking to call the bonds back under what’s known as an extraordinary redemption provision because of the federal government’s cut to the subsidies paid to municipalities that sold BABs. Through the program, the federal government was supposed to cover 35% of the interest paid to investors. That subsidy had been slightly reduced through sequestration.

Nearly all of the $100 billion in outstanding Build America Bonds include an extraordinary call provision.

The letter sent by Kramer Levin states that the change in subsidy hasn’t been material. On the Series R bonds being refunded, the reduction amounts to an estimated $872,000 a year, a small fraction of the regents’ budget, the law firm said.

The letter called for the University of California’s regents to scrap the transaction or for holders to be paid the make-whole redemption amount. The deal is expected to close on March 27.

“Should the Regents fail to cancel the redemption or pay the make-whole redemption amount, the holders we represent reserve their right to pursue an action for breach of contract, breach of the implied duty of good faith and fair dealing, and unjust enrichment, at a minimum,” the letter said.

Bloomberg Markets

By Nic Querolo and Amanda Albright

March 20, 2024

Investors Push Back on Washington State's $1.1 Billion Muni Bond Deal.

- **Two investors sent letters to deputy state treasurer**
- **$1.1 billion deal part of plans to refund using ERP call**

The state of Washington is getting pushback from investors on an upcoming mega deal to refinance debt that would cause holders of the old municipal bonds to face potential losses.

The sale is part of a wave of planned refundings that would replace taxable debt sold under the Build America Bonds program more than a decade ago with lower-yielding, tax-exempt securities. Washington is planning to sell about $1.1 billion of bonds later this month, according to preliminary bond documents dated March 18.

Two investors, Wedge Capital Management and Amica Mutual Insurance Co., sent emailed messages earlier this month to Washington's Deputy Treasurer Jason Richter voicing displeasure with the deal, according to copies provided to Bloomberg News by the treasurer's office.

"Although we are not the largest investors in the State of Washington, we are acutely exposed to the large book value losses these ERP calls, if enacted, would impose on all insurance and bank investors," wrote Brian Pacheco, a portfolio manager at Amica, in the message dated March 8. "We hope that you will reconsider your decision to call this via ERP."

There is a feud brewing between governments and investors over municipal borrowers exercising the call provision, which could save issuers like Washington money at the expense of investors. The transactions hinge on a provision in the bond documents that allows state and local governments to buy back their debt before it comes due if an extraordinary event occurs.

Build America Bonds Represent Chunk of Taxable Muni Debt

Outstanding taxable bonds by category, in billions

States and municipalities are seeking to call the bonds back under what's known as an extraordinary redemption provision because of the federal government's cut to the subsidies paid to municipalities that sold BABs. Through the program, the federal government was supposed to cover 35% of the interest paid to investors. That subsidy had been slightly reduced through sequestration.

Some investors, including Jonathan Souza, Wedge's director of credit research, argue the reduction isn't substantial enough to be considered an extraordinary event.

"Our interpretation of the BAB redemption provision is an extraordinary event will occur if there's a material change to Section 54AA or Section 6431, and the current sequestration rate of 5.7% wouldn't qualify," he wrote in an email dated March 7 to deputy Treasurer Richter.

Orrick, Herrington & Sutcliffe, LLP, a major law firm to municipalities, said in a February report that it believes the extraordinary redemption provision is available to issuers in most cases. In the last month, the refinancings have surged in popularity, with a bevy of issuers planning new deals.

A representative for Wedge Capital Management declined to comment and a spokesperson for Amica Mutual Insurance did not reply to requests for comment.

Earlier this month, a group of investors sent a letter challenging a $1 billion municipal bond refunding by the Regents of the University of California. That offering priced earlier this month and is slated to close next week.

Washington, at this time, still plans to move forward with the sale, which is scheduled for March 26, according to Adam Johnson, a spokesperson for the state treasurer's office.

Strategists at Barclays Plc have estimated that roughly $30 billion may be refinanced this year using the call. Still, they said in a March 8 report that some governments may scrap plans for the refinancings given the investor pushback.

"Concerns about validity of calling BABs through ERPs for most issuers could keep some of them on the sidelines," the strategists said in a report.

Bloomberg Markets

By Amanda Albright and Nic Querolo

March 19, 2024

Purdue University Muni Deal Threatens Over 20% Loss for Holders.

- **School plans to refinance Build America Bonds close to par**
- **Controversy over BAB refinancings swirls in muni bond market**

Fans of the Purdue University Boilermakers are reveling in victory after the top-ranked college basketball team trounced Grambling State and Utah State in the NCAA's March Madness Tournament over the weekend.

It's a different story in the debt market, where investors in the college's bonds are poised to take a loss as Purdue prepares to exercise an obscure provision to call back securities before they are due.

The university — equipped with a $2.7 billion endowment and a AAA credit rating — is replacing Build America Bonds it sold more than a decade ago with lower yielding tax-exempt debt as part of a $72 million bond sale this week. Purdue is looking to buy back those bonds at close to par, or 100 cents on the dollar. But the debt has recently traded above that level.

Continue reading.

Bloomberg Markets

By Amanda Albright and Nic Querolo

March 25, 2024

Texas AG Paxton Asks Judge to Reject Austin's Bond Validation to Finance Project Connect Improvements.

The Republican attorney general is asking a Travis County judge to reject the city of Austin's plans to issue bonds to fund Project Connect improvements, including the light-

rail system.

A Travis County judge on Monday set a trial date to hear arguments in a pending bond validation lawsuit centered on the proposed financing plan for Project Connect, setting a stage on which the future of the city of Austin's $7.1 billion public transportation investment could be at stake.

A bond validation lawsuit seeks to confirm the validity of municipal bonds issued by a government entity. The trial will be the culmination of a lawsuit that attorneys representing the Austin Transit Partnership, the city's light-rail planning agency, filed in February.

The trial is set for May 28 through 30, according to a memo sent to Austin Transit Partnership board members Monday.

Continue reading.

by Chase Rogers

March 19, 2024

Austin American-Statesman

California to Sell $2.6 Billion of Bonds to Buyers Seeking Shelter.

- **Home to billionaires levies tax rate of more than 13%**
- **Recent California muni deals had yields below market benchmark**

California next week plans to sell $2.6 billion of bonds, the municipal market's second-largest offering this year, and high demand from eager investors is likely despite the state's ballooning budget deficit.

New sales of tax-exempt bonds in California have been gobbled up by buyers looking to shield income from the state's high taxes and to lock in yields before anticipated rate cuts by the Federal Reserve later this year. California, home to more billionaires than any other state and hundreds of thousands of millionaires, levies a rate of at least 13.3% on its highest earners.

The desire for tax-advantaged investments means California bond deals can sell at yields lower than AAA-rated benchmark muni securities. The Los Angeles County Metropolitan Transportation Authority sold $114 million of bonds this week with yields as much as 30 basis points below that benchmark, according to data compiled by Bloomberg.

Continue reading.

Bloomberg Markets

By Maxwell Adler and Melina Chalkia

March 21, 2024

California Senators Float Plan to Plug Bay Area Transit Budget Gaps.

- **Bay Area region has 27 transit operators across nine counties**
- **New proposal seeks at least $750 million for transit agencies**

Transit operators in San Francisco's Bay Area are facing massive budget shortfalls as ridership lingers well below its prepandemic levels. Two California senators will unveil a bill Monday aimed at plugging those gaps, as well as bringing some order to the 27 different agencies operating across the region.

The proposal seeks at least $750 million to be doled out to public transport systems that serve the region's nearly eight million residents. The legislation would dedicate a consistent stream of revenue by asking voters to approve a new tax on sales, regional payrolls or properties. A charge on vehicle registrations would also be considered, according to a fact-sheet describing the legislation. The bill also asks the California State Transportation Agency to study combining the more than two-dozen networks.

Continue reading.

Bloomberg CityLab

By Skylar Woodhouse

March 18, 2024

Calpers Raises Bets on Private Equity, Credit Bets in $34 Billion Shift Away From Stocks.

The largest US pension fund is ramping up its exposure to private equity and private credit in a $34 billion bet that the riskier assets will fuel higher returns.

The board of the California Public Employees' Retirement System voted to boost the target allocation for private equity to 17% of its portfolio, up from 13%. It also approved increasing private credit to 8% from 5%. Based on current values, that works out to about $34 billion aimed for private equity and credit, while Calpers plans to pare its exposure to publicly traded stocks and bonds.

The shift reflects confidence that Calpers can ferret out attractive investments even as the fund significantly downgraded the expected 20-year returns from private equity in its latest market survey, citing increased financing costs. The $490 billion pension fund adopted the new asset mix following a mid-cycle review based on updated market assumptions.

Continue reading.

Bloomberg Markets

By Eliyahu Kamisher

March 18, 2024

Washington, State of (WA): Fitch New Issue Report

Key Rating Drivers Revenue Framework – 'aaa' Revenue performance over time has exceeded U.S. GDP growth, and Fitch expects this to continue to support strong growth prospects. The state has complete independent control over taxation, with an unlimited legal ability to raise operating revenues as needed. Expenditure Framework – 'aa' Washington possesses ample expenditure flexibility, with statutory commitments, broad responsibility for education and infrastructure spending offset by low carrying costs. Washington also benefits from the broad expense-cutting authority common to most U.S. states. Long-Term Liability Burden – 'aaa' The combined burden of debt and net pension liabilities is low as a percentage of personal income but above the median for U.S. states. Debt ratios incorporate the funding of substantial capital needs, particularly for transportation, but are offset by a moderate net pension liability and an expanding economic resource base.

ACCESS REPORT

Mon 18 Mar, 2024

State of Wisconsin: Fitch New Issue Report

The 'AA+' rating reflects the exceptional resilience of the security through economic declines and relatively flat growth prospects for motor vehicle registrations in Wisconsin. Fitch anticipates revenue growth will be in line with long-term expectations for national inflation and an 'a' assessment given the nature of the pledged revenues, which include annual motor vehicle registration and related fees and are not generally linked to usage. Debt service is paid from a revenue source that has shown little volatility and provided ample debt service coverage on both an annual and maximum annual debt service basis. Pledged revenues are expected to provide strong coverage of debt service requirements, even if fully leveraged to the 2.25x additional bonds test, in the event of a moderate downturn, consistent with a 'aaa' assessment for this rating driver. The flow of pledged revenue is structurally protected from the state's general financial operations. The rating on the bonds is the same as the state's IDR, based on the bonds' fundamental credit characteristics.

ACCESS REPORT

Mon 18 Mar, 2024

Chicago, Illinois: Fitch New Issue Report

The city retains the legal authority to adjust rates as needed without external oversight. Fitch Ratings considers the monthly residential sewer bill affordable for about 87% of the service area population based on standard monthly usage of 6,000 gallons. In fiscal 2022, the system's operating cost burden was considered very low at $1,003 per million gallons (mg), consistent with the operating risk assessment. The life cycle ratio was very low at 22% in fiscal 2022. Capex relative to depreciation has been robust, averaging 320% over the past five fiscal years from 2018 to 2022. Planned capital spending for the next five years should generally outpace historical depreciation, supporting a continued very low life cycle ratio. The system had very low leverage of 9.9x as of fiscal 2022. This is in line with historical performance where leverage has typically registered between 9.8x and 9.9x annually since fiscal 2018. A brief uptick to 11.1x in fiscal 2020 reflected rates that increased with modest inflation, fluctuating pension obligations and related expenses.

ACCESS REPORT

Wed 20 Mar, 2024

Philadelphia's Post-ARPA Fiscal Reality.

Overview

The start of the COVID-19 pandemic in 2020 forced officials in cities throughout the country to deal with unexpected budget shortfalls quickly. To close a projected one-year gap of $649 million, Philadelphia was forced to take several steps—including drawing down its operating fund balance, postponing planned tax-rate reductions, temporarily increasing some taxes, and reducing spending.1 But that didn't address the long-term fiscal issues.

Then, along came the American Rescue Plan Act (ARPA), which Congress adopted in 2021; ARPA provided Philadelphia with $1.4 billion to use through December 2024.2 Local officials decided to use all the money to help address what they said would have been a $1.5 billion cumulative budget shortfall without it.3

This brief—based on research and analysis that PFM Group Consulting, a Philadelphia-based public finance advisory firm, conducted for The Pew Charitable Trusts—focuses on the city's financial prospects after the federal ARPA money is spent. It examines how economic downturns could affect city revenue and what budgetary strategies local officials could consider, whatever the city's fiscal condition.

Continue reading.

The Pew Charitable Trusts

March 20, 2024

MN Cities Could Face Additional Barriers to State Financial Support for Capital Improvement Projects.

Proposals heard in the House and Senate would require that any city receiving funding for a local infrastructure project from state bonds or general funds create an account sufficient for rehabilitation, expansion, and eventual replacement of the project.

The House and Senate both held informational hearings on legislation that creates far-reaching barriers to state financial support of local public infrastructure.

HF 3582 (Rep. Fue Lee, DFL-Minneapolis) and SF 3782 (Sen. Sandra Pappas, DFL-St. Paul) would require that a local government infrastructure project that receives any state funding must also create a capital project replacement fund to cover major rehabilitation, expansion, or replacement of that capital project.

The funds and the approval of uses of that money would be determined by the state and the account would need to be annually audited. Money could not be used from that account without state approval. An amendment that was adopted in the House includes language that more broadly applies the requirement to other state capital project grant recipients and also penalizes anyone whose fund is not kept at required levels.

Continue reading.

League of Minnesota Cities

March 25, 2024

Soaring Denver-Area Rents Spur $200 Million Student Housing Bond.

- **Colorado School of Mines invests in 800-bed sophomore dorm**
- **Growing trend of colleges solving affordable housing shortage**

The Colorado School of Mines is turning to the muni market for the second time in six months to address a housing shortage for its growing campus of roughly 7,000 students just outside of Denver.

The investment-grade deal, managed by Morgan Stanley, is slated to raise nearly $200 million to fund the construction of more affordable housing for sophomores, according to bond documents. In October, the school sold $132 million of debt to renovate a student complex called Mines Park, adding roughly 520 beds to the apartment-style community for more senior and graduate students.

The science and engineering school, located in Golden, Colorado, about 15 miles (24 kilometers) outside Denver, is part of a growing cohort of colleges facing a housing crunch in already competitive markets.

Continue reading.

Bloomberg Markets

By Melina Chalkia

March 13, 2024

U of I Picks a New Partner to Finance Phoenix Deal.

The University of Idaho hasn’t begun issuing University of Phoenix bonds — but it is already turning to a Plan B, or a Plan C.

U of I officials are downplaying the impacts on the controversial $685 million purchase.

The Arizona Industrial Development Authority was the U of I’s first choice for issuing the Phoenix bonds. However, AzIDA "passed on the opportunity to participate in the financing," Dirk Swift, the authority's executive director, told the Lewiston Tribune Wednesday.

The reasons for AzIDA's decision are not clear. Idaho Education News has made repeated requests for comment from Arizona Gov. Katie Hobbs' office, but has received no response.

AzIDA became the U of I's first choice for issuing Phoenix bonds, since the Idaho Housing and Financing Association does not have the authority to finance "intangible assets," an asset that is not physical in nature. The U of I settled on two possible bonding agents, according to a university "frequently asked questions" page that still lists AzIDA as its Phoenix bonding agent.

"Both Wisconsin (Public Finance Authority) and Arizona IDA can issue debt to finance intangible assets," the U of I said. "These two issuers have a deep bench of experience with such offerings. Considering fees, experience and other factors, we have selected Arizona IDA."

The U of I page does not refer to the agency that will apparently issue the bonds: National Finance Authority, based in New Hampshire. The U of I approached "a number" of potential bond issuers, spokeswoman Jodi Walker said in a statement.

"While AzIDA declined to participate, NFA agreed to participate in the financing," she said. "The AzIDA decision has no impact on our transaction."

Bonding is a major obstacle facing the Phoenix purchase.

U of I and State Board of Education officials have said that the purchase can't be financed while the Phoenix acquisition is mired in court. Attorney General Raúl Labrador has challenged the purchase, with an Idaho Supreme Court hearing expected in June. Legislators have also threatened a lawsuit. Legislators have also floated the idea of overhauling the purchase, which would put Phoenix under the masthead of a U of I-affiliated nonprofit.

The purchase faces a nonbinding May 31 deadline. If a deal isn't closed by that date, the U of I or Phoenix can walk away from the table.

idahonews.org

Kevin Richert | 03/15/2024

[New Jersey Enacts Groundbreaking Charter School Financing Law: Ballard Spahr]

Summary

New Jersey recently enacted legislation enabling public charter schools to access low-interest financing through the Public Charter and Renaissance School Facilities Loan Program, aiming to enhance educational infrastructure and opportunities. This groundbreaking initiative will allow public charter schools in 31 School Development Authority districts to fund new construction projects and perform major renovation and rehabilitation projects.

The Upshot

- This historic law in New Jersey establishes a first-ever funding framework for public charter schools and renaissance schools to be able to obtain low-interest financing for construction, expansion, and improvements to their facilities.
- The new Economic Development Authority low-interest revolving loan program will fund new construction, critical facility upgrades, and major renovation and rehabilitation projects for public charter schools and renaissance schools in the 31 School Development Authority districts identified as having the greatest need for school construction and improvement projects.
- By offering charter schools and renaissance schools access to financial resources that were previously out of reach, the law aims to alleviate financial barriers and enable these schools to enhance their infrastructure to better serve students.

Continue reading.

March 13, 2024

Local Fiscal Response to State Preemption: A Case Study of Massachusetts' Proposition 2½ Tax Referendum.

Abstract

State preemption in the form of tax and expenditure limits significantly limits local revenue-raising capacity. To gain insights into how local governments respond to fiscal preemption through direct democracy, this study focuses on tax referenda that override the levy limit set by Proposition 2½ in Massachusetts. Analyzing a sample of 320 municipalities from 2010 to 2021, we investigate the influence of fiscal slack resources and tax burden on the levy limit overrides and exclusions. Our analysis breaks down the tax referendum process into two stages, highlighting the involvement of different decision-makers: local officials proposing the referendum and individual voters approving it. We find that municipalities are motivated to seek tax referenda due to diminishing fiscal slack resources, yet the tax burden on residents can discourage such pursuits.

Continue reading.

The Journal of Federalism

by Shu Wang, Yonghong Wu

Published: 15 March 2024

Raymond James Hires 10 from Citi's Closing Muni-Bond Group.

- **Muni firms are snapping up talent from the Wall Street giant**
- **Hires from Citi include bankers Chris Mukai and Ben Selberg**

Raymond James Financial Inc. is the latest firm to snap up executives from Citigroup Inc.'s shuttering municipal-bond division.

The St. Petersburg, Florida-based Raymond James has been on a hiring spree for its public finance division for years and is adding 10 bankers and analysts from the Wall Street bank.

Among the hires is Chris Mukai, who worked at Citi for over two decades. He will serve as co-head of western region public finance in Los Angeles. Victor Andrade, another California-based banker who specializes in work with schools, is also joining.

Ben Selberg, who led Citi's public power investment banking team, will serve as head of public power, energy and renewables in a new Seattle office for the firm.

Other hires from Citigroup include Stephen Field, who works with West Coast issuers and also specializes in securitizations, and Brian Olin, a banker and derivatives specialist. Susan Jun, who has worked with the largest affordable housing issuers in the country, is joining Raymond James' national housing group.

Raymond James has already had a strong start to 2024, working on several large financings. It's ranked as the fifth-biggest muni underwriter so far in 2024, two spots up from the same time last year, according to data compiled by Bloomberg.

"Having these outstanding, highly regarded bankers join Raymond James is a testament to our dedicated and deeply experienced professionals who have worked tirelessly for years to fuel our growth and advance our strategic vision to be one of the highest regarded public finance platforms in the nation," Gavin Murrey, head of public finance at Raymond James, said in a statement.

Bloomberg Markets

By Amanda Albright and Shruti Singh

March 11, 2024

Oppenheimer Hires UBS Alumnus Reed to Expand in US Southwest.

- **Half a dozen former UBS muni bankers have joined Oppenheimer**
- **UBS last year said it would halt most of its muni underwriting**

Oppenheimer & Co. has hired Frank Sanchez Reed, a former UBS Group AG banker, as managing director to head its public finance team in the US Southwest.

Reed, an industry veteran with almost three decades of experience, is based in Texas and will focus on large issuers including California. He's the sixth municipal banker Oppenheimer has hired from UBS this year as the firm expands its reach in US public finance.

Reed joins after New York-based Oppenheimer named Elizabeth Coolidge, UBS's former head of Midwest public finance, to lead its national municipal practice in January.

Continue reading.

Bloomberg Business

By Shruti Singh

March 12, 2024

[State of New York: Fitch New Issue Report]

Growth Prospects for Revenues Solid Growth Prospects: Pledged PIT receipts are likely to grow above the long-term rate of inflation, similar to Fitch Ratings' expectations for the broad-based, wealthy and service-dominated New York State economy and consistent with a 'aa' growth prospects assessment. Sensitivity and Resilience Ample Cushion Despite Economic Sensitivity: While the PIT receipts are economically sensitive, reliance on residual receipts for general operations and the 2x ABT prevent overleveraging of the pledged revenue stream and provide ample cushion to absorb potential volatility, warranting a 'aaa' resilience assessment. Exposure to Related Government PIT Structure Enhances Appropriation Incentive: An annual appropriation requirement caps the rating at the state's 'AA+' IDR. A statutory provision that deprives the state's operating funds of at least $12 billion (about 11% of fiscal 2023 state operating funds tax revenue) in the event of non-appropriation effectively eliminates appropriation risk.

ACCESS REPORT

Mon 11 Mar, 2024

University of Oklahoma Board of Regents: Fitch New Issue Report

Key Rating Drivers Revenue Defensibility – 'aa' Solid Demand and Enrollment Trend; Moderate Revenue Diversity Underpinning the 'aa' Revenue Defensibility assessment are OU's modestly selective demand metrics, its solid flagship/top-tier research demand niche, and established trend of sizeable out-of-state draw, all of which Fitch believes will continue to provide stability to modest growth in OU's enrollment base. OU saw fall 2023 (fiscal 2024) headcount increase by a solid 3% to 29,166, benefitting from OU's steady trend of growth in its freshmen (the largest first-year class in history), gains in graduate enrollment and OU Online, as well as solid undergraduate retention. Student quality measurements, such as the freshman-to-sophomore retention rate, remain high and continue to improve (89% in fall 2022), in addition to the six-year graduation rate. Management's current projections anticipate a lower level of freshman growth (2%-5%) with a growing non-resident component. OU has moderate revenue diversity. While down slightly from about 54% in fiscal 2019, operating revenues remain largely student revenue dependent (roughly 50% of adjusted total unrestricted operating revenues from tuition/auxiliary revenues in fiscal 2023). Federal, state, and local grants were the next largest revenue source at 24% of fiscal 2023 adjusted total unrestricted operating revenues.

ACCESS REPORT

Fri 15 Mar, 2024

Metropolitan Transportation Authority, New York: Fitch New Issue Report

The upgrade of the transportation revenue bond (TRB) ratings, to 'AA' from 'A', reflects the application of Fitch Ratings' revised "Government-Related Entities Rating Criteria" (GRE criteria). The criteria explicitly recognize the likelihood of extraordinary support from New York State (NYS) to the Metropolitan Transportation Authority (MTA) in a situation of financial difficulty. Under the new criteria framework, Fitch has assessed the MTA's Standalone Credit Profile (SCP) at 'bbb+', representing our view of the MTA's creditworthiness, irrespective of its relationship with NYS. This, combined with a support score of 'extremely likely' under Fitch's GRE criteria, leads to the MTA Issuer Default Rating (IDR) and TRB rating at one notch below the NYS IDR (AA+/Stable).

ACCESS REPORT

Fri 15 Mar, 2024

AG's Suit Against Town of Milton Shines a Spotlight on Massachusetts' Housing Crisis: Burns & Levinson

Last April, we reported that the Attorney General was set to enforce municipal compliance with denser, transit-friendly zoning requirements. Now that has come to pass. The recently commenced battle between the Town of Milton and the Attorney General's office over the MBTA Communities Act illustrates the high degree of difficulty posed by the Massachusetts housing crisis. On February 27, Attorney General Andrea Campbell filed suit against the Town of Milton for its voters' failure to adopt zoning that would allow multi-family housing near the Town's MBTA station, as required by the MBTA Communities Act. The Act, passed during the Baker Administration in 2020, is designed to ease the housing crunch in Massachusetts by requiring municipalities served by the MBTA to adopt zoning changes that allow multi-family housing in the vicinity of MBTA stations. Milton's Planning Board resisted the change, and the Town's voters turned it down in a referendum vote on Valentine's Day. As a result, the Attorney General filed her suit seeking an injunction to force the Town to comply with the law.

Aside from presenting Home Rule and enforcement questions, the AG's suit has highlighted a problem with the Act that many municipalities had identified in the lead-up to the deadline for compliance. According to in-depth WGBH reporting, many municipalities simply do not have the water and sewer infrastructure to serve the number of new housing units allowed by the required zoning change. To make matters even more challenging, the reporting reveals that many of those municipalities do not have the budget or any idea how they would raise the funds to build the new infrastructure.

According to a MassLive media report, at least one Wrentham Select Board Member has objected to the requirements of the Act as an "unfunded mandate." A term that is not often thrown around, an unfunded mandate is a new requirement imposed on municipalities that require the expenditure of municipal funds without supporting funding from the state. Under the local mandates provision of Proposition 2 ½, municipalities are exempt from complying with unfunded mandates. However, there are multiple exceptions to the exemption, such as state mandates that only impose indirect costs and mandates that the legislature imposes as a condition of receiving state aid. It remains to be seen whether the Town will defend the AG's suit on this basis or if it will succeed.

The suit highlights the many potential barriers to any single solution to the housing crisis. As AG Campbell's Complaint and Brief eloquently spell out, past legislative attempts to stimulate housing have fizzled, resulting in the passage of the MBTA Communities Act, a blunt instrument. Hopefully, the renewed attention to the housing crisis will result in an accommodation that suits all parties and provides much-needed housing.

Burns & Levinson LLP – Thomas A. Mackie

March 14 2024

S&P Charter School Brief: California

Read the S&P Brief.

13 Mar, 2024

Chicago Bears Tout $2 Billion Plan for City Stadium.

- **NFL team is committed to contributing more than $2B, CEO says**
- **Bears were considering moving to Arlington Heights, a suburb**

The Chicago Bears are taking steps to stay in the third-largest US city with a plan to contribute more than $2 billion of private investment to build a new stadium.

After more than a year of speculation that the team would move to a new site in the suburbs, Bears Chief Executive Officer and President Kevin Warren revealed the new proposal on Monday.

“The Chicago Bears are committed to contributing over $2 billion to build a stadium and improve open spaces for all families, fans and the general public to enjoy in the City of Chicago,” Warren said in an emailed statement. “The future stadium of the Chicago Bears will bring a transformative opportunity to our region — boosting the economy, creating jobs, facilitating mega events and generating millions in tax revenue.”

Continue reading.

Bloomberg Markets

By Shruti Singh and Maxwell Adler

March 11, 2024

Raymond James Hires 10 from Citi’s Closing Muni-Bond Group.

- **Muni firms are snapping up talent from the Wall Street giant**
- **Hires from Citi include bankers Chris Mukai and Ben Selberg**

Raymond James Financial Inc. is the latest firm to snap up executives from Citigroup Inc.’s shuttering municipal-bond division.

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Among the hires is Chris Mukai, who worked at Citi for over two decades. He will serve as co-head of western region public finance in Los Angeles. Victor Andrade, another California-based banker who specializes in work with schools, is also joining.

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Bloomberg Markets

By Amanda Albright and Shruti Singh

March 11, 2024

Raymond James Hires Citi Bankers for New Public-Finance Office in Seattle.

Midsize investment bank sees opportunity in muni bonds and public-power financing

Raymond James Financial Inc. said Monday it's hiring 10 ex-Citigroup Inc. bankers as the bank broadens its reach in the public-finance business from middle-market deals to larger deals.

The bankers will also help Raymond James (RJF) set up a new public-finance office in Seattle, form a dedicated public-power practice, widen its presence in the Western U.S. and staff up its housing-finance group.

"We have people in the marketplace who need public-finance products…and the Citi bankers will provide a nearly perfect overlay to what we already had," Gavin Murrey, executive vice president and head of public finance at Raymond James, said in an interview.

Raymond James stock fell 0.8% on Monday as the broad market dropped. The stock has risen by 6.9% so far in 2024, compared with a 7.3% increase by the S&P 500.

Murrey said the Citi bankers will advance efforts at Raymond James to operate "one of the highest regarded public-finance platforms" in the U.S.

The bank is seeing demand for muni bonds and other public-finance products both from its wealth-management business and its roughly 4,000 to 5,000 accounts with middle-market businesses, Murrey said.

The bank has already hired about 51 people since late 2021 for its public-finance practice, with about 145 salespeople working to provide products to bankers, money managers and issuers.

"The broader the distribution, the more appealing it is for the issuer," Murrey said.

Raymond James is making the move after Citi announced in an internal memo in December that it was shutting down its municipal-underwriting and market-making activities in a decision it described as difficult.

"While we are very proud of the impact they have had over the years, the economics of these activities are no longer viable given our commitment to increase the firm's overall returns," Citi said.

Citi is in the midst of a wide-ranging reorganization under Chief Executive Jane Fraser.

Also read: Citigroup to cut 20,000 jobs by 2026 after 'very disappointing' quarter as it posts loss

For its part, Raymond James has 180 people at 39 locations in one of the largest public-finance practices in the U.S., which has expanded into 10 more states and six countries since 2018.

The 10 hires from Citi include seven managing directors such as Ben Selberg, who is managing director and head of public power, energy and renewables for Raymond James in Seattle, as well as Brian Olin, managing director, also in Seattle.

Chris Mukai is managing director and co-head of the western region public-finance team, based in Los Angeles.

In Chicago, Raymond James named Susan Jun as managing director of its national housing group.

While Citi's municipal bond unit mostly focused on larger deals, Raymond James has a more diversified practice ranging from smaller-market deals up to bigger issuances.

Raymond James doesn't break out its public-finance business revenue, which is included in its overall capital markets operation.

Provided by Dow Jones

Mar 11, 2024 11:40am

By Steve Gelsi

Truist Hires Former Citi Muni Bankers to Build 'National Scope'

- **Southeast bank expands in market Wall Street giant exited**
- **Executives say hiring to continue as opportunities arise**

Truist Financial Corp. hired more Citigroup Inc. municipal-bond veterans, showcasing the Southeast regional bank's deepening commitment to the $4 trillion market as the Wall Street powerhouse leaves the business.

Charlotte, North Carolina-based Truist added Cameron Parks to head infrastructure and government banking. Also joining were Robert Mellinger and Matt Bernstein.

The expansion by Truist, created by the merger of SunTrust Banks Inc. and BB&T Corp. in 2019, comes as municipal investment banking is showing signs of life. A decrease in borrowing costs this year has pushed state and local debt sales up more than 40% over the year-ago period, according to data compiled by Bloomberg.

Continue reading.

Bloomberg Markets

By Amanda Albright

March 1, 2024

Three Ex-UBS Public Finance Bankers Head to Cabrera Capital.

- **Chicago-based firm has been expanding in public finance**
- **Pullback by UBS, Citi creates hiring opportunity for others**

Cabrera Capital Markets has hired three former UBS Group AG public finance bankers, the latest firm to scoop up talent from a national bank that's pulled back from the municipal-bond market.

The Chicago-based investment bank and brokerage brought on Shawn Dralle, a Los Angeles-based banker who will serve as head of West Coast public finance, according to a statement. Chris Bergstrom, a New York-based banker, will lead public transportation finance at Cabrera. And Shawnell Holman, a Houston-based banker, joined as an executive director.

"With the addition of three new senior level positions nationwide, the ability to serve our public finance clients will assuredly continue to expand," Mario Carrasco, head of public finance at Cabrera, said in the statement.

Continue reading.

Bloomberg Markets

By Amanda Albright

March 4, 2024

Ramirez Taps More Citi Muni Bankers for Public Finance Expansion.

- **Craig Kornett joined as managing director to lead health care**
- **Euriah Bennett in Atlanta will expand its Southeast presence**

Samuel A. Ramirez & Co. has hired three more bankers and an analyst from Citigroup Inc., the latest in a number of additions to the firm that is seizing on municipal finance heavyweights pulling back from the space.

Craig Kornett has joined Ramirez as a managing director to lead its health care practice from Citigroup, where he worked since 2014, according to an emailed statement from Ramirez on Friday. Ryan Lim, a former analyst at Citigroup, also joined the firm and will work with Kornett.

Euriah Bennett, who will be based in Atlanta, has come from Citigroup to expand Ramirez's presence in the Southeast. Emily Davis will work with Dashmir Keca, who recently joined Ramirez to lead its public power and energy group. Both were previously with Citigroup. Davis will be based in Boston.

Continue reading.

Bloomberg Markets

By Shruti Singh

March 8, 2024 at 11:53 AM PST

S&P: Flooding Events For California Cities And Counties Are Unlikely To Abate And May Result in Long-Term Credit Risks

Key Takeaways

- California's extremely high rainfall in 2023 is continuing into 2024 but has not yet had a material effect on credit quality for cities and counties rated by S&P Global Ratings, although the longer-term effects on issuers could be more significant.
- Maintaining high levels of reserves and liquidity is, in our view, one way issuers can navigate the short-term effects of extreme weather events, in particular as FEMA reimbursement, if approved, can take months or even a year to arrive.
- As weather events become more frequent or severe, we have observed that cities and counties have prepared by evaluating stormwater infrastructure or installing flood gates or moveable walls to redirect water to protect municipal assets.
- S&P Global Ratings continues to monitor the effects of extreme weather events on the credit quality of California cities and counties by evaluating infrastructure, risk management, and finances on a case-by-case basis.

Continue reading.

5 Mar, 2024

Idaho Housing and Finance Association: Fitch New Issue Report

Long-Term Growth Prospects: The 'aaa' assessment for pledged revenue growth prospects reflects robust sales tax performance in recent years. Fitch Ratings anticipates strong growth, at or above long-term expectations for national economic growth, benefiting from a trend of strong state population growth, economic expansion and diversification. Revenue Stream Resilience: Available state sales tax revenues provide very strong coverage of the allocation to the TECM Fund from which debt service is payable, supporting a 'aaa' assessment of the sensitivity and resilience of the security structure. Assuming full expected leverage of the annual allocation ($80 million), the structure can comfortably absorb the decline in revenues expected to result from a moderate recession scenario and one equivalent to the largest historical revenue decline.

ACCESS REPORT

Fri 08 Mar, 2024

Morgan Stanley Hires Four Bankers From Citi's Closing Muni Unit.

- **Three of the bankers will lead various public finance groups**
- **In 2023, Morgan Stanley was the fifth-biggest muni underwriter**

Morgan Stanley has hired four public finance bankers from Citigroup Inc.'s long-vaunted municipal-bond unit that is being shuttered, according to a person familiar with the matter who declined to be identified because the matter is not yet public.

Three of the new bankers will lead different groups within Morgan Stanley's public finance division, the person said. Citigroup executives announced in December that the bank would wind down its public finance unit this quarter.

Alex Zaman will serve as head of surface transportation and urban development and Lori Small will serve as head of airports, the person said. Shai Markowicz will serve as head of social infrastructure, which includes project finance and public-private partnerships. Imani Boggan is also joining as an associate, the person said.

Continue reading.

Bloomberg Markets

By Amanda Albright and Shruti Singh

February 28, 2024

Three Ex-UBS Public Finance Bankers Head to Cabrera Capital.

- **Chicago-based firm has been expanding in public finance**
- **Pullback by UBS, Citi creates hiring opportunity for others**

Cabrera Capital Markets has hired three former UBS Group AG public finance bankers, the latest firm to scoop up talent from a national bank that's pulled back from the municipal-bond market.

The Chicago-based investment bank and brokerage brought on Shawn Dralle, a Los Angeles-based banker who will serve as head of West Coast public finance, according to a statement. Chris Bergstrom, a New York-based banker, will lead public transportation finance at Cabrera. And Shawnell Holman, a Houston-based banker, joined as an executive director.

"With the addition of three new senior level positions nationwide, the ability to serve our public finance clients will assuredly continue to expand," Mario Carrasco, head of public finance at

Cabrera, said in the statement.

UBS bank executives announced last year that the unit would reorganize and shift away from working for state and local governments as an underwriter, though it would still buy bonds issued in auction sales. Citigroup Inc. is also shutting down its public finance unit. That's created a hiring opportunity for banks that are looking to expand their market share in municipal finance.

Cabrera is also tapping two industry vets from Citigroup to serve as consultants. Steven Dworkin, a banker who focused on public power entities, and George Leung, a muni credit specialist, will help expand the services that the company provides to clients, the company said in the statement.

Cabrera has been expanding its presence in municipal-bond underwriting. It hired Carrasco in 2022 to lead its public finance efforts. The firm will serve as lead manager on an upcoming $750 million bond sale by the Austin Independent School District that is slated to price later this month, according to the company.

"This is going to be an expansive year for our public finance team," Chief Executive Officer Martin Cabrera said in the statement. "Bringing Chris, Shawnell, Shawn and all the municipal finance hires since 2022 onto Cabrera's public finance platform creates more opportunities to better serve our clients and forge new relationships to continue the upward trajectory of Cabrera's future."

Bloomberg Markets

By Amanda Albright

March 4, 2024

Morgan Stanley Boosts Public Finance Division, Poaching Talent from Citigroup.

Learn how Morgan Stanley's recruitment of experienced bankers from Citigroup's closing municipal-bond unit aims to strengthen its position in the market, expand its service offerings, and improve its rankings in the municipal-bond underwriting space.

Morgan Stanley has strategically enhanced its public finance division by hiring four seasoned bankers from Citigroup Inc.'s municipal-bond unit, which is slated for closure this quarter. This significant move underscores Morgan Stanley's ambition to solidify its standing and capabilities in the municipal-bond underwriting market across the United States.

Strategic Hires to Fortify Key Sectors

The quartet of new hires is poised to lead various segments within Morgan Stanley's public finance division, bringing a wealth of experience and expertise. Alex Zaman has been appointed head of surface transportation and urban development, Lori Small will helm the airports division, and Shai Markowicz takes charge of social infrastructure, which includes crucial areas such as project finance and public-private partnerships. Imani Boggan joins as an associate, rounding out the team with fresh insight and potential. These appointments are not just about filling positions; they are strategic moves designed to enhance Morgan Stanley's service offerings and market presence in vital infrastructure sectors.

Continue reading.

bnnbreaking.com

by Rizwan Shah

28 Feb 2024

Truist Hires Former Citi Muni Bankers to Build 'National Scope'

- **Southeast bank expands in market Wall Street giant exited**
- **Executives say hiring to continue as opportunities arise**

Truist Financial Corp. hired more Citigroup Inc. municipal-bond veterans, showcasing the Southeast regional bank's deepening commitment to the $4 trillion market as the Wall Street powerhouse leaves the business.

Charlotte, North Carolina-based Truist added Cameron Parks to head infrastructure and government banking. Also joining were Robert Mellinger and Matt Bernstein.

The expansion by Truist, created by the merger of SunTrust Banks Inc. and BB&T Corp. in 2019, comes as municipal investment banking is showing signs of life. A decrease in borrowing costs this year has pushed state and local debt sales up more than 40% over the year-ago period, according to data compiled by Bloomberg.

Continue reading.

Bloomberg Markets

By Amanda Albright

March 1, 2024

Initiative 1935: Sweeping Measure to Limit Ability of State and Local Governments in California to Raise Revenues - Orrick

Voters in California may cast ballots this November on a proposal to make substantial changes to the California Constitution involving taxation and related government powers.

Initiative 1935, the so-called "Taxpayer Protection and Government Accountability Act," seeks to limit the State's and local agencies' ability to generate revenues by, among other things, broadening the definition of what constitutes a tax, increasing voter and government approval thresholds in some cases, and adding procedural election requirements. It seeks to overturn recent judicial decisions holding that local initiative tax measures require approval of only a majority vote.

The measure also purports to apply retroactively. If retroactivity is effective, applicable taxes, fees and charges created, increased or extended after January 1, 2022, not adopted in a manner consistent with the requirements of Initiative 1935 would become void unless reenacted within 12 months.

The Governor and State Legislature are challenging Initiative 1935 in the California Supreme Court. They say it should not appear on the ballot, arguing that the initiative would amount to an unlawful revision of the California Constitution and an impermissible interference with essential government functions. The Governor and Legislature have requested a ruling by June, before election workers prepare ballots for the November election. It is unclear how the California Supreme Court will rule.

Continue reading.

February.29.2024

Orrick Herrington & Sutcliffe LLP

Harvard University Floats $1.65 Billion Upcoming Debt Sale.

- **Ivy League school plans to sell debt in March and April**
- **Bonds will be both taxable and tax-exempt, filing says**

Harvard University is considering the sale of as much as $1.65 billion of bonds, marking the latest Ivy League school to issue debt this year, and potentially providing signs of how it's financially faring after months of turmoil over allegations of antisemitism on campus.

The university is planning to borrow as much as $750 million of taxable fixed-rate bonds the week of March 4 and $900 million of tax-exempt bonds in April, according to a regulatory filing on Monday.

Harvard has come under scrutiny from lawmakers, students, alumni and donors in the wake of Hamas's Oct. 7 attack on Israel, resulting in the resignation this year of President Claudine Gay. Some of its most prominent benefactors have signaled they won't commit more money to the school such as billionaires Ken Griffin and Len Blavatnik, both alumni. In addition, the school is facing inquiries in two Congressional committees, federal lawsuits and possible government actions could take away financial support. Federally sponsored research comprised 11% of its operating revenues during the fiscal year that ended in June.

Continue reading.

Bloomberg Markets

By Amanda Albright and Janet Lorin

February 26, 2024

WPPI Energy, Wisconsin: Fitch New Issue Report

The 'A+' rating and Issuer Default Rating reflect WPPI Energy's strong revenue defensibility, which is supported by its role as a wholesale power supplier serving 51 utility systems in Wisconsin, Michigan and Iowa, along with the strong credit quality of the agency's largest members. Members are bound by long-term, take-and-pay power supply contracts (PSCs) that provide for the full cost recovery of all of WPPI's costs. The rating also considers WPPI's strong operating risk profile, consistent financial performance and low leverage. WPPI's diverse mix of owned generation resources by fuel type and geographic location, and varied purchased power agreements (PPAs) provide a stable and relatively low-cost energy supply, and are the basis for the strong operating risk assessment. The operating cost burden, which increased over the past two year to over 9 cents/kWh in 2022, remains low despite a rise in fuel and market energy costs over that time. Cost pressures subsided somewhat in 2023, allowing the cost burden to decline to closer to 8 cents/kWh. Capital needs, including ATC transmission investments, are manageable over the next five years at roughly $125 million. WPPI's strong financial profile is demonstrated by a low leverage ratio, measured as net adjusted debt to adjusted funds available for debt service (FADS), that has remained below 7.0x over the past five years. Coverage of full obligations (COFO) and liquidity are stable and neutral to the assessment. Fitch Ratings anticipates WPPI's leverage will remain near 7.0x through Fitch's base and stress case scenarios, which is consistent with the overall rating.

ACCESS REPORT

Fri 01 Mar, 2024

Lower Colorado River Authority Transmission Services Corp., Texas: Fitch New Issue Report

The 'A+' rating reflects the strong financial profile of the Lower Colorado River Authority Transmission Services Corp., Texas (LCRA TSC) in the context of its very low operating risk profile and the strength of its regulated revenue framework in the Electric Reliability Council of Texas (ERCOT) market, in which TSC operates. Transmission revenue is regulated by the Public Utility Commission of Texas (PUCT) and collected from all retail customers within ERCOT. The regulatory framework provides a consistent and dependable cost recovery methodology and rate of return. Leverage, measured by net adjusted debt to adjusted funds available for debt service, was between 8.0x and 9.0x over the last decade, despite large additional capex investments in new and existing transmission assets, primarily funded from new debt.

ACCESS REPORT

Fri 01 Mar, 2024

New York City Municipal Water Finance Authority, New York: Fitch New Issue Report

Very Strong Rate Flexibility, Favorable Service Area with Unique Economic Profile The water board retains the legal authority to adjust rates as needed without external oversight. Revenue defensibility is further supported by the system's monopolistic provision of water and sewer services to its favorable service area. The service area is characterized by a stable customer base, median household income that approximates that of the nation and weaker, but improving, unemployment rate relative to that of the nation. Fitch also considers the city's unique economic profile as an international center for numerous industries and an anchor for the service area. Rates are considered affordable for almost 80% of the service area population, using Fitch's standard monthly usage of 7,500 gallons for water and 6,000 gallons for sewer. Very Low Operating Cost Burden, Elevated Capital Needs In fiscal 2023, the system's operating cost burden was considered very low at $3,497 per million gallons (mg), consistent with the operating risk assessment. The life cycle ratio was a low 37% in fiscal 2023. Capex outpaces annual depreciation, with a five-year average of 182% for the five years ended fiscal 2023. The system's capital improvement plan (CIP) for fiscal years 2024 through 2028 approximates $15.4 billion of system funds, while associated estimated actual spending is expected to be lower, at around $12.0 billion for the same period. Approximately 38% of the CIP is related to water pollution control projects, including plant upgrades and reconstruction. Water distribution approximates 22% of the CIP, water supply and transmission approximate 19% and sewer programs approximate 18%. Estimated capital spending averages $2.4 billion annually during these five years, well in excess of historical depreciation, supporting a continued low life cycle ratio.

ACCESS REPORT

Thu 29 Feb, 2024

New York City, New York: Fitch New Issue Report

Revenue Framework: 'aa': New York City has a highly diverse revenue base that is resilient to changes in economic conditions. Fitch expects revenue growth to range between the long-term inflation rate and U.S. GDP growth, with a return to at least pre-pandemic levels of personal and corporate income tax revenues and continued strength in residential real estate values offset by pressure on commercial growth in the medium term. The city has solid independent legal ability to adjust property tax rates and a variety of fees and charges to offset the modest revenue declines expected in a typical economic downturn. Rates for other important revenue sources (mainly income and sales taxes and state aid) are not within management's independent control. Expenditure Framework: 'a': Carrying costs are moderate, typically about 20% of governmental funds spending. Other than education-related employees, most labor contracts are subject to binding arbitration; however, the city has demonstrated adequate expenditure flexibility primarily through its control over employee headcount. Fitch expects long-term spending patterns to be above revenue growth when excluding policy actions.

ACCESS REPORT

Thu 29 Feb, 2024

S&P Second Party Opinion: Capital Impact Partners $200 Million Investment Notes Prospectus

CIP is a 501(c)(3) nonprofit CDFI based in Arlington, Va. CIP provides loans, lines of credit, equity investments, and technical support to underserved borrowers in the affordable housing, health care, education, economic development, and healthy food sectors. CIP has over $500 million in total assets and has disbursed over $2.9 billion in loans since 1982 with current lending activities in nine states and the District of Columbia.

Download

S&P Charter School Brief: Colorado

Overview

As of Feb. 26, 2024, S&P Global Ratings maintains 26 public ratings on Colorado charter schools. Colorado has the fifth-highest number of rated charter schools in our rated universe, after California, Texas, Michigan, and Minnesota. It was the third state in the U.S. to enact a charter school law, and the state's first two charter schools opened their doors in 1993. As of the 2022-2023 school year, Colorado is home to 272 charter schools serving approximately 133,000 charter school students representing around 15% of all public school students in the state.

Continue reading.

26 Feb, 2024

California Infrastructure & Economic Development Bank [Clean Water & Drinking Water] - Fitch New Issue Report

Key Rating Drivers Portfolio Credit Risk: The pool consists of 146 obligors, with the top 10 participants representing approximately 49% of the total portfolio; the largest obligor is 16% of the portfolio. Obligor security is strong as nearly all obligors are secured by net utility-system revenue pledges. Approximately 91% of the program's portfolio consists of obligors exhibiting investment-grade credit quality. These preceding pool characteristics translate to an implied pool quality as calculated by Fitch's PSM of a strong 'A'/'A-'. Finance Structure: Fitch's cash flow modelling demonstrates that program resources are sufficient to withstand hypothetical pool defaults in excess of Fitch's 'AAA' liability rating stress hurdle, as derived using the PSM, without causing an interruption in bond payments. The program's financial structure is sound, supported by a projected minimum annual debt service coverage (DSC) of about 1.7x. Program Management: The program is managed by the SWRCB. Program management adheres to a formal underwriting policy that includes, among other things, minimum coverage requirements for obligors. There have been no pledged loan payment defaults in the CWSRF or DWSRF programs.

ACCESS REPORT

Thu 22 Feb, 2024

Illinois Poised for First Deficit After Three Years of Surplus.

- **State forecasts a $721 million deficit for fiscal 2025**
- **Under Pritzker, Illinois earned nine credit rating upgrades**

Illinois is facing its first budget deficit in three years as the state deals with rising costs for everything from education to services for migrants.

Governor J.B. Pritzker, a billionaire Democrat serving his second term, is scheduled to outline his spending plan for the fiscal year starting July 1 on Wednesday. After back-to-back annual budget surpluses, Pritzker will have to find ways to close a budget gap that is only expected to widen the next few years.

His budget office projected last week a $721 million deficit for fiscal 2025. Robust revenue growth at the beginning of fiscal 2024 has already shown signs of slowing while spending needs increase.

Continue reading.

Bloomberg Politics

By Shruti Singh

February 20, 2024

S&P: Migrants And Asylum Seekers Pose Budgetary Challenges In New York City, Chicago, And Denver

Key Takeaways

- The number of migrants and asylum seekers gaining entrance to the U.S. along the country's southern border has been increasing in recent years and the influx is straining government budgets.
- Although much of the pressure affects localities in border states, some of the largest cities across the U.S., including New York City, Chicago, and Denver, are also feeling the impact.
- These cities are adjusting their budgets to accommodate rising expenditures, but without state and federal government support, these costs are significant enough to strain budgets and could pressure credit quality.

Continue reading.

13 Feb, 2024

Rhode Island City Draws Eye-Popping Yield on Municipal Debt for New Soccer Arena.

- **City, former home to PawSox, will get minor league soccer team**
- **The muni bonds' yields are nearly 14% on tax-equivalent basis**

Taxpayers are paying dearly to bring a pro-sports team back to the faded industrial city of Pawtucket, Rhode Island.

A few short years after losing the PawSox — the minor league affiliate of the Boston Red Sox — to Massachusetts, Pawtucket is betting it will be able to draw fans to a more than 10,000-seat stadium to see an untested, US pro soccer team playing in the sports' second tier.

Last week, a redevelopment agency in the New England city sold $54 million in tax-exempt bonds to build the minor league soccer arena, Tidewater Stadium, at a yield of 8.24%, equivalent to almost 14% on taxable securities.

Continue reading.

Bloomberg Markets

By Martin Z Braun

February 14, 2024

Why Texas Is Banning Banks Over Their ESG Policies.

Texas passed two laws in 2021 that restrict government contracts with companies that take what state officials regard as punitive stances toward the fossil fuels and firearm industries. They're among the many new laws pushed by Republicans in states across the US to oppose ESG investing and financing, which they've made into a culture war target. Under one of the laws, Texas has barred some state entities, including pensions, from investing in roughly 350 funds run by asset managers such as BlackRock Inc. that the Texas comptroller says engage in "boycotts" of fossil fuels. The legislation has also prompted state officials to prohibit Citigroup Inc. and Barclays Plc from helping the state and its local governments raise money for infrastructure projects through bond deals.

1. What is ESG?

An abbreviation for environmental, social and governance, ESG refers to a set of standards that some money managers and bankers use to screen potential investments and financings for their environmental efforts or societal impact. Companies have been pressured by consumers, activists, investors and regulators to good stewards not only be of financial capital but also of natural and social capital, according to a Deloitte primer on ESG. Some examples of criteria that may fall under the environmental pillar of ESG are projects that cut greenhouse gas emissions, curb water pollution or use recycled material. Socially conscious investors may consider how a company manages its labor diversity or risk policies regarding firearms.

Continue reading.

Bloomberg Green

By Danielle Moran

February 8, 2024

California Water Challenges Remain Despite Significant Precipitation in 2023: Latham & Watkins

State and federal officials move forward plans and policies for water conservation, conveyance, and climate resilience.

The winter of 2022-23 brought historic levels of precipitation to California after years of deep drought, dwindling reservoirs, and groundwater depletion. In the first quarter of 2023, most of the state received rainfall exceeding historic averages, with some areas experiencing 200%, or even

300% of average levels. According to the US Drought Monitor, the state is currently drought-free, although some regions are still considered abnormally dry. Despite heavy precipitation over the past year, California's drought resilience remains in question, as critical infrastructure projects face staunch opposition and climate change increases the likelihood of extreme and prolonged droughts. Regulators and water managers had a busy 2023 as they grappled with persistently low groundwater levels, planned for additional water storage and conveyance, and continued to advance water conservation initiatives.

This blog post summarizes key actions taken by state and federal officials in 2023 with respect to California's water supply and provides an outlook for 2024.

Continue reading.

Latham & Watkins LLP – Michael G. Romey, Lucas I. Quass, John Detrich, Cody M. Kermanian and Julie Miles

February 9 2024

Plotting the Route to a State Bank for NJ.

Investment Fund is deemed key step in laying the groundwork for NJ public bank

A new public financial institution could play a key role in advancing socially beneficial projects, such as affordable housing developments and infrastructure improvements, according to a group Gov. Phil Murphy created to closely study the issue.

A lengthy report issued by the governor's public-banking panel earlier this week also highlights the importance of a $20 million Social Impact Investment Fund established last year by Murphy and lawmakers to begin boosting socially beneficial projects in underserved communities throughout the state.

Although its creation in late June was overlooked by many, the improvement fund itself could serve as key "bridge entity" that would "lay the groundwork for a public bank," according to the report.

Continue reading.

NJ SPOTLIGHT NEWS

by JOHN REITMEYER, BUDGET/FINANCE WRITER | FEBRUARY 8, 2024

Metropolitan Transportation Authority, New York: Fitch New Issue Report

Rating Linked to State IDR: State statute and bond documents structurally segregate city sales taxes pledged to bondholders from general operations and support a rating higher than New York State's IDR. State statute authorizes the New York City sales tax and allocates a fixed amount to the TBTA for the CBDTP Capital Lockbox. The New York State Comptroller collects all sales tax revenue and transfers the allocation to the TBTA, without appropriation. New York State has a long history of actions to ensure sufficient resources for the MTA, whose operations are a critical component of the state's economic profile. Additionally, the state pledges to not limit or alter the rights vested in the TBTA to fulfill the terms of any agreements made by the TBTA with bondholders or to impair their rights and remedies. No City or MTA Operating Risk Exposure: Bondholders are not exposed to the operating risk of New York City or the MTA. The city has no right, title or interest in the portion of city sales tax withheld by the comptroller and transferred to the TBTA first, before remaining collections are transferred to the city. State statute segregates CBDTP Capital Lockbox monies from other TBTA monies, and the resolution requires the prompt deposit of sales tax to the trustee before remaining receipts become available for other authorized uses. State statute prohibits the MTA or its affiliates (including TBTA) from filing for bankruptcy while bonds are outstanding.

Access report.

Thu 08 Feb, 2024

Handbook For Indiana Redevelopment Commission Members And Their Attorneys: Barnes & Thornberg

View the Handbook.

Barnes & Thornburg LLP

February 9 2024

S&P: Texas Ousts Barclays Over Net-Zero Policies, Raising Bond Market Concerns.

Barclays PLC can no longer underwrite municipal bonds in Texas after the state's attorney general determined the bank may be a "fossil fuel boycotter" in violation of state law.

London-based Barclays was at least the third municipal bond underwriter to be ousted from the state in recent months because it participates in the Net-Zero Banking Alliance (NZBA), a UN-convened initiative seeking to decarbonize the sector in alignment with the Paris Agreement on climate change.

Barclays played a relatively small role in the booming Texas muni market. In 2023, the bank's market share was 3%, accounting for about $2 billion of nearly $60 billion issued in municipal bonds, said Daniel Garrett, an assistant finance professor at the University of Pennsylvania's Wharton School.

Still, the state's decision to bar underwriters could have a cumulative impact, Garrett said in an interview. Municipal underwriting for Texas towns is already limited because the borrowing market is segmented by laws and regulations that vary from state to state, he said.

"We know what direction this pushes costs for Texas borrowers — it pushes costs up," Garrett said.

Garrett co-authored a 2022 report estimating that municipalities and other public entities in Texas would pay between $303 million and $532 million more in interest on the $32 billion they borrowed during the first eight months after Texas passed two laws prohibiting environmental, social and governance investment criteria.

Barclays did not respond to questions raised by Attorney General Ken Paxton's office over the bank's participation in NZBA. This means "Barclays' activities may require it to be classified as a 'fossil fuel boycotter,'" a Jan. 26 press release from Paxton's office said.

A Barclays spokesperson declined to comment.

Barclays was the seventh-largest investor in fossil fuels globally between 2016 and 2022, according to the 2023 edition of "Banking on Climate Chaos," a report published by a consortium of environmental groups tracking financial sector investments. The NZBA has been criticized for not putting more pressure on banks to meet commitments to decarbonize their portfolios.

'A troubling trend'

Glenn Hamer, president and CEO of the Texas Association of Business, said in an email that the Lone Star State has instituted "some of the most important pro-business policies of any state in the nation."

"However, further tightening the municipal bond market has serious potential to harm our state's taxpayers and our overall business environment," Hamer wrote. "Already, we've witnessed a troubling trend of fewer banks to underwrite bonds, resulting in higher interest rates, uncertainty for local governments and a larger local debt burden that is ultimately levied on Texas taxpayers."

For the past three years, leaders of some Republican-leaning states have been engaged in a campaign to root out corporate ESG-related policies they deem harmful to their economies — at times affecting local towns more than large Wall Street firms.

In a related anti-ESG action, 12 state agricultural commissioners on Jan. 29 requested information from six leading US banks about their NZBA participation. They raised questions over the initiative's impact on food availability, credit for farmers, agricultural product prices and "overall negative economic consequences."

As examples, the commissioners pointed to Citibank NA committing to set emission-reduction targets for its agricultural portfolio, the food crisis in Sri Lanka spurred by a ban on synthetic fertilizer imports, and suggestions that Americans need to cut their consumption of beef in half to help reduce methane emissions.

by Karin Rives

30 Jan, 2024

Puerto Rico Utility's Future Revenue At Stake in Bondholder Fight.

- **Appeals court to decide scope of investors' secured claim**
- **Island's power utility is seeking to reduce $9 billion of debt**

Puerto Rico's bankrupt power utility and its creditors squared off in court Monday on whether bondholders have a legal right to the electricity provider's future revenue.

The debate before the US Court of Appeals for the First Circuit centers around whether the island's main energy supplier, Electric Power Authority or Prepa, must repay its creditors more than just the roughly $19 million sitting in reserve accounts that a bankruptcy court last year ruled was the bondholders' only secured lien.

At stake is the $9 billion Prepa owes to investors and fuel-line lenders while island residents endure some of the highest electricity rates in the US amid frequent outages. The case is poised to affect revenue-backed municipal debt beyond Puerto Rico as water and sewer authorities, hospitals, toll roads, higher educational institutions and transit agencies all sell bonds with the pledge to repay investors from future revenue collections.

[Continue reading.]

Bloomberg Industries

By Michelle Kaske

January 30, 2024

[2023 Year-in-Review CEQA Litigation: Sheppard Mullin]

[View the Review.]

Sheppard Mullin Richter & Hampton LLP

Jan 29, 2024

[Elite LA Elementary School Seeks $24 Million to Expand Campus.]

- **Curtis School is selling $24.3 million of revenue bonds**
- **Proceeds will be used to build a new learning center**

An elite private school catering to Los Angeles' wealthiest residents is tapping the muni market as it looks to expand its campus and add to its academic offerings.

Curtis School is seeking to raise $24.3 million in revenue bonds through the California Enterprise Development Authority in a sale pricing Feb. 1. The exclusive elementary school plans to use proceeds from the sale to construct the Collaborative Learning and Innovation Center, a 21,000-square-foot, three-level learning space equipped with an engineering lab, a dedicated robotics space, science classrooms and an art studio.

The sale comes amid growing demand for admission to elite institutions from parents who want their kids to receive an exclusive education along with the social and professional network that comes with it.

[Continue reading.]

Bloomberg Markets

By Maxwell Adler

January 29, 2024

Ruppersberger, Co-Chair and Founder of the House Municipal Finance Caucus, to Retire.

Maryland Democrat Representative Dutch Ruppersberger, founder and co-chair of the bipartisan House Municipal Finance Caucus, announced he will step down at the end of his current term.

“Clearly he will leave a void,” said Brett Bolton, vice president of federal legislative and regulatory policy at Bond Dealers of America. “He has always been on the Hill and a champion for the industry.”

Ruppersberger founded the House Municipal Finance Caucus in 2016 and has served as its Democratic co-chair since then. The caucus consists of a bipartisan group of lawmakers – 30 as of the latest count – who have pledged to support public finance priorities in Congress.

Continue reading.

Business News

by Shawn Johnson

January 30, 2024

State of Nevada: Fitch New Issue Report

Nevada’s revenues, primarily sales- and gaming-related taxes, have historically reflected its tourism-based economy, demonstrating some economic sensitivity. Fitch anticipates that Nevada’s revenues will grow in line with national GDP growth over the longer term, given continued economic expansion and population growth, and may exhibit lower economic sensitivity following enactment of tax measures that broadened the tax base. Nevada maintains complete legal control over its revenues. The state maintains solid expenditure flexibility, with a low carrying cost burden and the broad expense-cutting ability common to most U.S. states. Education and Medicaid remain key expense drivers, and continued budget management is expected to be necessary to keep spending within projected revenues. Nevada’s liabilities are low and below the median for states. GO debt is either self-supporting or funded by a dedicated property tax levy and does not place a burden on the general fund. The state manages its debt to keep debt service within this tax levy. Nevada’s Fitch-adjusted net pension liabilities remain in line with the median for U.S. states.

ACCESS REPORT

Wed 31 Jan, 2024

[NYCB Bonds Plunge, Then Stabilize, After Weak Results.]

- **NYCB 'likely a one-off,' according to Bank of America**
- **CreditSight's sees 'no real read-through' to other lenders**

New York Community Bancorp Inc. bonds plunged by 12 cents on the dollar on Wednesday, then edged slightly higher on Thursday in thin trading, after the regional bank slashed its dividend and said it was stockpiling reserves to cover souring loans.

Late on Wednesday, Moody's Investors Service said it may cut the bank holding company's ratings to junk, citing factors including the weak results and unanticipated losses in its loan books. These pressures could make it harder for the bank to pay obligations in the future. The bank's floating-rate notes due 2028 fell to 86.5 cents on the dollar on Wednesday, and then rose a touch to 87.25 cents in four trades on Thursday.

New York Community Bancorp may need to sell $4 billion to $6 billion of additional debt over time to meet new regional bank debt requirements, according to analysts led by Arnold Kakuda at Bloomberg Intelligence. The potential downgrade to junk might make any such sale more difficult, the strategists said. The bank didn't respond to a request for comment.

Continue reading.

Bloomberg Markets

By Allison Nicole Smith

February 1, 2024

[Metropolitan Transportation Authority, New York: Fitch New Issue Report]

Rating Linked to State IDR: State statute and bond documents structurally segregate city sales taxes pledged to bondholders from general operations and support a rating higher than New York State's IDR. State statute authorizes the New York City sales tax and allocates a fixed amount to the TBTA for the CBDTP Capital Lockbox. The New York State Comptroller collects all sales tax revenue and transfers the allocation to the TBTA, without appropriation. New York State has a long history of actions to ensure sufficient resources for the MTA, whose operations are a critical component of the state's economic profile. Additionally, the state pledges to not limit or alter the rights vested in the TBTA to fulfill the terms of any agreements made by the TBTA with bondholders or to impair their rights and remedies. No City or MTA Operating Risk Exposure: Bondholders are not exposed to the operating risk of New York City or the MTA. The city has no right, title or interest in the portion of city sales tax withheld by the comptroller and transferred to the TBTA first, before remaining collections are transferred to the city. State statute segregates CBDTP Capital Lockbox monies from other TBTA monies, and the resolution requires the prompt deposit of sales tax to the trustee before remaining receipts become available for other authorized uses. State statute prohibits the MTA or its affiliates (including TBTA) from filing for bankruptcy while bonds are outstanding.

ACCESS REPORT

Tue 30 Jan, 2024

State of South Carolina: Fitch New Issue Report

South Carolina's revenue growth prospects are strong, reflecting an economy that is likely to grow broadly in line with, or above, the pace of U.S. GDP expansion. The state has an unlimited legal ability to adjust its sources of recurring revenue, including via base broadening, changes to tax rates and brackets and the enactment of new taxes and fees. The state has ample expenditure flexibility and the broad expense-cutting ability common to most U.S. states. Fitch expects the natural pace of spending growth, largely driven by education and Medicaid funding needs, to be in line with revenue growth. The fixed cost burden is low at less than 4% of governmental fund expenditures. South Carolina's combined burden of direct debt and net pension liabilities is below the U.S. state median and exerts a minimal burden on the resource base. The state is an infrequent issuer of debt and outstanding principal is rapidly amortized. Changes made over the past decade to address the state's low pension system funding are likely to support improved plan asset-to-liability ratios over the longer term. Fitch considers South Carolina well positioned to absorb the budgetary impacts of the ongoing economic volatility and related disruptions without materially affecting its long-term credit profile. The state has historically relied on multiple well-funded reserves and spending reductions in times of fiscal stress, rebuilding its financial position as conditions improve. Fiscal oversight remains strong.

ACCESS REPORT

Thu 25 Jan, 2024

Barclays Banned From Texas Municipal-Bond Market Over ESG Dispute.

- **Bank didn't respond to AG's request for information on ESG**
- **Office won't approve muni deals that Barclays underwrites**

Texas Attorney General Ken Paxton barred Barclays Plc from working on municipal-bond deals after his office said the bank didn't respond to requests for information about its carbon emission commitments.

"When asked for more information concerning its ESG commitments, Barclays elected not to respond to the questions and acknowledged that by doing so it would likely forfeit its ability to contract with Texas governmental entities," Paxton's office said in a statement on Friday.

Paxton's office, which oversees municipal bond deals in the state, said it would no longer approve public securities underwritten by Barclays. The bank told the office this week that it was "unable to respond" to further questions, according to a letter to Texas bond attorneys released Friday by Leslie Brock, chief of the attorney general's public finance division.

Continue reading.

Bloomberg Markets

By Amanda Albright

January 26, 2024

Texas AG Bans Barclays from State Municipal Bonds Over ESG.

The Lone Star state said the ban stems from the bank's association with the Net Zero Banking Alliance and refusal to provide additional information about its carbon emissions commitments.

Dive Brief:

- Texas Attorney General Ken Paxton has banned United Kingdom-based bank Barclays from participating in the state's municipal bond market over its role as a "fossil fuel boycotter," Paxton's office announced Friday. The Republican lawmaker said the bank failed to respond to requests inquiring about its ESG commitments.
- The bank had been under review since last year for its participation or affiliation with the United Nations' Net Zero Alliance programs — initiatives that aim to slash greenhouse gas emissions by adjusting investment portfolios — Paxton's office said in an All Bond Counsel letter. Per the letter, Barclays told the state last week it would not be able to provide additional information to prove compliance with the law.
- The Lone Star state said it will no longer approve any municipal bonds or public securities that Barclays underwrites or is associated with the bank. Barclays was the ninth-largest underwriter of Texas municipal bonds in 2023, according to Bloomberg.

Continue reading.

Banking Dive

by Lamar Johnson

Jan. 29, 2024

Texas Bans Barclays From Participating in Bond Market Due to ESG Commitments.

Texas AG Ken Paxton says Barclays didn't respond to requests for information regarding its net zero carbon emissions policies

Texas has banned Barclays from participating in the state's municipal bond market due to concerns about its environmental, social and governance policies.

State Attorney General Ken Paxton said on Friday the ban was prompted by Barclays failure to respond to requests for information regarding its net zero carbon emissions policies.

A spokesperson for Barclays declined to comment.

Barclays was previously identified as a potential "fossil fuel boycotter" under Texas law. The bank subsequently opted not to respond to questions about its ESG commitments, Paxton's office said.

The Attorney General's Public Finance Division ruled that "we will not approve any public security issued on or after today's date in which Barclays purchases or underwrites the public security or is otherwise a party to a covered contract relating to the public security."

The initial letter from the attorney general's office in November identified several banks as subjects of the review including Bank of America, JP Morgan Chase, Morgan Stanley and Wells Fargo. None of the other banks under review have said they would be unable to respond to the state's inquiries, the division said.

The move by Texas officials is the state's latest action against a bank for concerns about its policies related to social issues.

Paxton's office last year barred Citigroup from underwriting most municipal bonds in Texas after concluding the bank "discriminates" against the gun industry.

The Wall Street Journal

By Ben Glickman

Jan. 26, 2024

Ex-UBS, Citi Muni Bankers Hired by Rivals Eyeing Bond-Sales Revival.

- **As the big banks exit business, nearly two-dozen snapped up**
- **With rate hikes now over, debt sales may rebound from slump**

Smaller underwriters are seizing on UBS Group AG's and Citigroup Inc.'s retreat from the municipal-securities business by hiring nearly two dozen of their former bankers, seeking to benefit once new debt sales rebound from a two-year slump.

Firms including Hilltop Securities Inc., Siebert Williams Shank & Co., Oppenheimer & Co., Ramirez & Co., Jefferies Financial Group and Academy Securities hired public-finance bankers from UBS and Citigroup, both of which last year decided to pull back from the state and local government bond market.

The expansions show confidence that the pace of new debt sales will likely rebound as the Federal Reserve signals it's moving toward cutting interest rates and federal pandemic-era aid disappears. It also marks an effort to fill the void left by the two big banks, which once mounted major pushes into the industry before changing course as executives cut costs and focus on the most profitable businesses.

Continue reading.

Bloomberg Markets

By Shruti Singh and Amanda Albright

January 26, 2024

California Lawmakers Eye More Than $100 Billion of Borrowing.

- **State lawmakers are considering several large bond measures**
- **State debt service ratio already set to rise to 3.2% from 2.8%**

California is on the verge of a potential borrowing boom as Democratic state lawmakers draft more than $100 billion of municipal-bond proposals to fill funding gaps for several key legislative priorities.

The proposals include $15 billion of debt to make the state more resilient to climate change, $14 billion to modernize schools and $10 billion for affordable housing. Governor Gavin Newsom last year approved a $6.38 billion bond measure for voters to consider on the March ballot which would fund roughly 10,000 new mental health and substance abuse treatment slots.

Although California doesn't cap how much money the state can borrow, Newsom's administration has estimated the state can, at most, take on another $26 billion of bonds without pushing the ratio of annual debt costs compared to general fund revenue high enough to cause credit concerns. California's debt-service ratio is already expected to rise to 3.2% by fiscal year 2026-2027 from about 2.8% now, according to estimates from the state's finance department.

"Our expectation is not that they would issue so much debt that it changes their credit rating," said Karen Krop, senior director of US public finance at Fitch Ratings.

California is rated Aa2 by Moodys Investors Service, AA- by S&P Ratings and AA by Fitch. The state had about $78.5 billion of general obligation and lease revenue bond debt outstanding as of June 30 with another $31.6 billion approved but not yet sold, according state figures.

Though the bond measures currently under consideration by the legislature total more than $100 billion, some of the proposals overlap and are likely to be combined while others won't make it on the ballot at all. In fact, despite lawmakers in the last legislative session introducing bills totaling more than $114 billion of borrowing, only one was approved and that was the mental health measure.

"We're not going to put $100 billion worth of bonds on the ballot," said California Senator Ben Allen, a Democrat who who co-sponsored a climate resiliency bond measure currently making its way through the legislature. "We're not gonna see three different climate bonds on the ballot."

An index of California bonds showed yields trading below those of top-rated debt after Newsom earlier this month projected a $37.9 billion deficit in his budget proposal, a gap that is significantly smaller than had been estimated by the state's fiscal analyst. The yield on California general-obligation bond debt due in 10 years stands at 2.3%, compared to 0.7% in 2021, according to Bloomberg BVAL.

When bonds are approved all the debt isn't sold at once. The state treasurer borrows in piecemeal over a number of years as the funds are needed. During the last five fiscal years, the state has sold an average of $7.3 billion of general obligation bonds annually, according Treasurer Fiona Ma's office.

Whenever the tax-exempt debt is sold, it's expected to be greeted with strong demand by wealthy investors looking to shield some of their income from the state's high taxes, according to Dora Lee, director of research at Belle Haven Investments.

"Even though the debt-service ratio is expected to increase, it remains manageable especially when you take into consideration the state's decision to use prior surpluses to pay down pensions and address other long term obligations," Lee said.

Bloomberg Politics

By Maxwell Adler

January 16, 2024

University of California Taps Bond Market for $1.7 Billion.

- **Securities price Jan. 23 and 24, carry Aa2 rating from Moody's**
- **Bonds to fund capital projects, refund previously issued paper**

The University of California will tap the municipal bond market Tuesday as it looks to maximize refunding savings and navigate potential funding deferrals outlined in Governor Gavin Newsom's budget proposal for the next fiscal year.

The university is slated to issue roughly $1.7 billion of general revenue bonds to fund capital projects and refund previously issued paper. According to preliminary bond documents, $1.59 billion of the bonds will be tax-exempt and $145 million will be taxable — however the taxable series will be exempt from taxation in the state of California.

The 2024 bonds carry an Aa2 rating from Moody's Investors Service and double-A ratings from Fitch Ratings and S&P Global Ratings. The sale is being managed by Barclays Plc, Bank of America Securities and Jefferies.

Continue reading.

Bloomberg Markets

By Maxwell Adler

January 22, 2024

Florida to Borrow Billions to Backstop Insurers After Hurricanes.

- **Plans to sell as much as $3.8 billion of municipal bonds**
- **Reflects latest effort by the state amid claim surge, lawsuits**

Florida is planning to borrow as much as $3.8 billion to infuse a state fund that reimburses property insurers for losses when homes are damaged or destroyed by hurricanes.

The Florida State Board of Administration Finance Corporation expects to sell at least $1.5 billion of municipal bonds to raise money for the Florida Hurricane Catastrophe Fund, according to a securities filing dated Jan. 19. It marks the state's latest effort to ensure that it can backstop its increasingly fragile insurance industry, which has been grappling with a surge of claims and lawsuits in recent years.

In June, the Florida Insurance Guaranty Association, which handles the claims of insolvent insurers, sold debt for the first time in three decades to help support insurance claims. The state agency faced higher costs after Hurricane Ian in 2022 and a deluge of lawsuits forced property insurers to close.

Continue reading.

Bloomberg Markets

By Nic Querolo

January 22, 2024

State of Washington: Fitch New Issue Report

Key Rating Drivers Revenue Framework — 'aaa' Revenue performance over time has exceeded U.S. GDP growth, and Fitch expects this to continue to support strong growth prospects. The state has complete independent control over taxation, with an unlimited legal ability to raise operating revenues as needed. Expenditure Framework — 'aa' Washington possesses ample expenditure flexibility, with statutory commitments, broad responsibility for education and infrastructure spending offset by low carrying costs. Washington also benefits from the broad expense-cutting authority common to most U.S. states. Long-Term Liability Burden — 'aaa' The combined burden of debt and net pension liabilities is low as a percentage of personal income but above the median for U.S. states. Debt ratios incorporate the funding of substantial capital needs, particularly for transportation, but are offset by a moderate net pension liability and an expanding economic resource base. Operating Performance — 'aa' Washington maintains very strong gap-closing capacity and budget flexibility with solid reserves. The state has prudently built up its fiscal reserves in times of economic recovery and expansion despite spending pressures linked to education and other pressing needs.

ACCESS REPORT

Fri 19 Jan, 2024

Struggling Midwest College Strikes Deal With Bondholders.

- **Lake Erie College entered forbearance deal with bondholders**
- **Agreement marks the latest sign of stress in higher education**

Lake Erie College, a small private school in Ohio, entered into a forbearance agreement with bondholders after the school didn't meet certain covenants it agreed to as part of a debt sale.

The Painesville, Ohio-based institution, which has just over 700 undergraduate students, is the latest small college to see its financial struggles extend into the muni-bond market. It sold about $30 million of debt in 2019 in part to finance a barn and other projects at its 86-acre equestrian center.

Lake Erie College didn't meet a required debt service coverage ratio, which is considered an event of default, according to a regulatory filing dated Jan. 15. The school also only had seven days of cash-on-hand in fiscal 2023, while it was required to have 25 days as part of the bond deal.

The school disclosed in the filing that it entered into a forbearance agreement with the trustee for bondholders, U.S. Bank. As part of forbearance agreements, investors agree not to take certain actions against borrowers, such as demanding immediate repayment on debt if they have that right. That gives stressed borrowers more time to shore up their finances, though the terms of this specific agreement haven't yet been disclosed.

A spokesperson for the trustee, U.S. Bank, declined to comment. A spokesperson for the college did not respond to an email and phone call requesting comment.

The college is the latest to encounter stress in higher education as rising costs and competition puts pressure on smaller colleges.

Fitch Ratings said it expects pressure to intensify for smaller, less selective institutions in 2024, given demographic trends and eroding sentiment on college affordability, according to a December note.

Lake Erie College, located about 30 miles from Cleveland, was founded in the mid-19th century as a seminary for women providing a "thorough and complete female education," according to its website. It became co-educational in 1985.

Virtually all of the debt that it issued more than four years ago is still outstanding, according to data compiled by Bloomberg. The bonds were sold through the Public Finance Authority, which issues municipal debt for riskier projects around the US.

Part of the proceeds were used for a barn, arena and other facilities at the school's equestrian center, which hosts the college's equine studies department and has space for more than 90 horses.

A spokesperson for Nuveen — the largest holder of the school's debt, according to data compiled by Bloomberg — didn't reply to a email or phone call requesting comment.

Bloomberg Markets

By Amanda Albright and Nic Querolo

January 16, 2024

— With assistance from Jim Sims

Oppenheimer Hires UBS's Coolidge to Lead Growth of Muni Business.

- **Elizabeth Coolidge took helm of national public finance unit**
- **Coolidge previously led public finance in the Midwest at UBS**

Oppenheimer & Co. is beefing up its presence in the municipal bond market with a trio of new hires led by muni veteran Elizabeth Coolidge, who is seeking to expand the firm's business from smaller issuers to bigger, more traditional state and local clients.

New York-based Oppenheimer on Tuesday announced that Coolidge, who previously ran Midwest public finance for UBS Group AG for over six years, will lead its national municipal practice from Chicago, according to a statement. Oppenheimer has brought on Liberty Ziegahn and Madison Maher, also formerly at UBS, as part of its public finance expansion.

The moves are among a string of recent hires by smaller investment banking firms and underwriters amid a shakeup among the industry's behemoths. UBS in October said it would no longer underwrite muni bond sales sold via negotiation, which account for the majority of state and local bond deals. Meanwhile, Citigroup Inc. is exiting the muni business.

Coolidge, a nearly 30-year veteran of the muni industry, aims to elevate Oppenheimer's public finance team with experience in public-private partnerships and structured products as she pitches bigger, more frequent state and local issuers. Such expertise may come in handy as these government bodies look for ways to finance deals after federal pandemic aid that filled their coffers dries up.

"Among the goals is to connect our bankers who have traditionally worked on non-rated, project finance and public-private partnerships and to take that expertise and amplify that to bring these ideas to our traditional muni issuers," Coolidge said on Tuesday in an interview. "My top goal is to execute novel debt solutions for our clients across the country."

Coolidge was among the bankers who led Chicago's first social bond sale and tender offer in early 2023.

When some institutions have announced plans to eliminate public finance units, "Oppenheimer is strengthening its commitment to this market," according to its statement. The practice is currently focused on school districts, senior housing, utilities and smaller general obligation issuers as well as project-based and non-rated deals.

Coolidge said she is looking to add bankers with successful track records and to elevate Oppenheimer's position with certain issuers to senior manager from co-manager.

Bloomberg Markets

By Shruti Singh

January 16, 2024

Jefferson County, Alabama [Water, Sewer]: Fitch New Issue Report

The 'BBB(EXP)' warrant rating reflects anticipated improvement in the Jefferson County (the county) sanitary fund's (the system) credit quality and financial profile as a result of the plan of finance and updated rate resolution. The final rating is contingent upon receipt by Fitch Ratings of executed documents and legal opinions conforming to the information already received and reviewed. Revenue defensibility is assessed at 'a', which reflects an improvement from the prior review in light of enhanced rate flexibility. All of the system's revenue is derived from services or business lines exhibiting monopolistic characteristics in a service area with favorable demographic trends. The system's operating risk is assessed at 'bbb', which takes into consideration a very low operating cost burden of $5,131 per million gallons (mg) of sewer flows in fiscal 2022. The system's life cycle ratio of 63% has been rising annually and indicates elevated capital needs. The financial profile is assessed at 'bbb', improved from prior reviews given the simultaneous strengthening of the revenue defensibility assessment and improved debt structure. Jefferson County is located in the north-central part of Alabama at the southern end of the Appalachian Mountains. With an estimated population of about 665,000, the county is the most populous in the state with 44 incorporated and unincorporated cities and towns, including Birmingham, the largest city in the state .

ACCESS REPORT

Mon 08 Jan, 2024

Once-Bankrupt Jefferson County Tests Muni-Bond Market With Mega Deal.

- **Offering set to be one of the biggest tax-exempt sales of 2024**
- **County to refinance debt that helped end 2011 bankruptcy**

Virtually every investor in the municipal-bond market knows Jefferson County, Alabama. Home to the city of Birmingham, the county earned the dubious distinction of being the biggest US municipal borrower to go bankrupt when it entered court protection in 2011. Now, armed with an investment-grade credit rating, it's selling $2.3 billion of bonds to refinance the debt that helped get the county out of bankruptcy.

The sale represents the latest chapter in the county's turnaround, and will test investor demand with what is poised to be one of the biggest deals of the year in the $4 trillion US state and local debt market.

Continue reading.

Bloomberg Markets

By Skylar Woodhouse

January 9, 2024

Southern California Public Power Authority, California (Linden Wind Energy Project): Fitch New Issue Report

The 'AA–' rating on the Linden Wind Energy Project rating and 'aa–' Standalone Credit Profile (SCP) are dependent on the credit quality of the Los Angeles Department of Water and Power (LADWP, AA–/Stable), the sole participant required to make payments to the Southern California Public Power Authority (SCPPA), sufficient to pay operating expenses and debt service on the project. The rating also reflects Fitch's assessment of the project's midrange operating risk profile as well as the project's modest financial profile. The operating risk and financial profile are less of a consideration in Fitch Ratings' determination of the project's final rating, given the absolute and unconditional terms of the power sales agreements (PSAs) that require LADWP to make a full payment, regardless of project operations.

ACCESS REPORT

Fri 12 Jan, 2024

State of Massachusetts: Fitch New Issue Report

The Commonwealth of Massachusetts' (the commonwealth) 'AA+' Long-Term Issuer Default Rating (IDR) reflects its considerable economic resources, adroit management of economic and revenue cyclicality and strong budget controls. A strong reserve funding mechanism that shields the general fund from capital gains-related volatility has accelerated the building of Massachusetts' stabilization fund. The commonwealth carries a long-term liability burden for debt and Fitch Ratings-adjusted net pension liabilities (NPL) that is well above the U.S. state median but remains a moderate burden on resources.

ACCESS REPORT

Thu 11 Jan, 2024

State of Illinois: Fitch New Issue Report

Dedicated Tax Key Rating Drivers Rating Linked to State IDR: Statutory and bond document provisions structurally protect dedicated revenues for the Build Illinois bonds from the state of Illinois' general operations, warranting a rating above the state's IDR. Fitch retains a linkage to the state IDR, because the bond security does not include a constitutional or voter-approved pledge of the state share of sales tax revenues and those revenues are not held in a closed loop for debt service. The linkage caps the rating below Fitch's assessment of the underlying credit quality of the debt structure. Two-Notch Distinction: The limited scope of the pledged revenue used for debt service, based on the additional bonds test leverage limitations for the senior and junior liens, and the statutorily defined, limited nature of the borrowing program support a rating two notches above the Illinois IDR. Robust Coverage and Resilience: Debt service coverage on both the senior and junior lien bonds from the state share of sales tax revenues (pledged revenues) is very high. Given the legal leverage limitations on the Build Illinois bonds, pledged revenues can sustain a significant level of decline and still maintain ample debt service coverage on all obligations. This is consistent with a 'aaa' assessment of resilience through moderate economic declines.

ACCESS REPORT

Wed 10 Jan, 2024

State of Kansas [General Government]: Fitch New Issue Report

Key Rating Drivers Revenue Framework — 'aa' Fitch expects the future pace of revenue expansion, absent policy actions, to be generally in line with inflation given Kansas' slow natural rate of population growth. The state retains complete control over its revenue system, with an unlimited ability to implement recurring revenue increases and levy new taxes and service charges as needed. Expenditure Framework — 'aa' Expenditure growth is expected to be in line with, to slightly above, annual revenue growth. Fitch's expectations factor in the state's primary spending drivers, which are K-12 education and healthcare, as in other states. Carrying costs are moderate for a U.S. state, ranging near 5% of governmental expenditures over the past several years. Long-Term Liability Burden — 'aaa' Long-term liabilities, including debt and pensions, are a low burden on the economic resource base and are in line with the national median for states. The pension liability reflects the KPERS state employee pension plan and the school employee pension plan, which the state supports via school funding appropriations. New issuance plans are modest.

ACCESS REPORT

Tue 09 Jan, 2024

Tampa General Hospital, Florida: Fitch New Issue Report

The ‘A’ rating reflects Tampa General Hospital’s (TGH’s) demonstrated operating cost flexibility through the pandemic and while undergoing a large construction project and implementing an ambitious ambulatory growth strategy. Revenue defensibility for TGH is assessed as midrange, supported by a strong and growing market position in a competitive but favorable service area. TGH has expanded its ambulatory footprint throughout the region. TGH’s operating risk profile assessment has been revised to ‘a’ from ‘bbb’. TGH has demonstrated strong operating cost flexibility and double-digit top line revenue growth through the challenges of the pandemic, a major construction project and, more recently, industrywide labor and supply chain disruption. TGH will issue about $350 million to fund the permanent financing for the acquisition and initial integration projects of Bravera Health. TGH increased its existing $70 million bank line of credit to $300 million for the purchase, which will be repaid with the bond financing.

ACCESS REPORT

Mon 08 Jan, 2024

Even BlackRock Funds Buying Oil Stocks Are Banned by Texas ESG Fight.

- **Funds prohibited in Texas invested $5 billion in fossil fuels**
- **Texas’s list of funds that boycott has gotten little scrutiny**

Texas bars its public pensions from investing in 350 funds run by asset-management giants such as BlackRock Inc. and Invesco Ltd. because a key Republican state official says they “boycott” the oil and gas industries.

But a Bloomberg News analysis found that the 72 BlackRock funds on the prohibited list have invested more than $2 billion in the oil industry, while an Invesco fund allocates about 20% to oil and natural gas companies, some of which are also Texas-based. The TIAA-CREF Social Choice International Equity Fund has a nearly 5% allocation to fossil fuels.

Altogether, almost half the funds on the boycotters list have invested a combined $5 billion directly in the oil and gas industry. And two thirds of the now banned funds have more than $13 billion invested in Texas-based companies, including Tesla Inc. and Waste Management Inc.

Continue reading.

Bloomberg Politics

By Amanda Albright, Mathieu Benhamou, and Saijel Kishan

January 10, 2024

New York State Plans to Give Some Cities Free Cyber Tools.

Gov. Kathy Hochul expands county program amid raft of cyber announcements

New York state will provide select cities in most counties with free cybersecurity tools, Gov. Kathy Hochul said in her annual State of the State agenda Tuesday.

The two largest municipalities in each New York county, except for those comprising New York City, will be given access to cybersecurity technology from CrowdStrike Holdings free of charge, she said.

"My administration is taking significant steps to make sure that local governments have tools and resources to address the debilitating cyberattacks to which they are often the victim," Hochul said.

Continue reading.

The Wall Street Journal

By James Rundle

Jan. 9, 2024

State of Florida: Fitch New Issue Report

Florida's 'AAA' Issuer Default Rating (IDR) and full faith and credit ratings recognize the state's history of sound financial management practices, high gap-closing capacity and reserves, and low long-term liability burden. The state's long-term economic and revenue growth prospects should exceed inflation but are subject to more volatility than in other states. The 'AA+' ratings on the Dept. of Management Services (DMS) COPs and facilities pool revenue bonds, one notch below Florida's IDR, reflect the slightly higher degree of optionality associated with payment of appropriation debt.

ACCESS REPORT

Fri 05 Jan, 2024

Citi Poised to Be Dropped From Mega Muni Deal After Unit Axed.

- **County officials took first step to remove bank on Tuesday**
- **Jefferson County, Alabama, filed for bankruptcy in 2011**

Jefferson County, Alabama, took a step toward removing Citigroup Inc. from an upcoming $2.5 billion municipal-bond transaction after the bank announced it was shuttering its public finance division.

The county, which filed for bankruptcy in 2011, initially chose Citigroup to serve as lead manager on the sale that is set to price in January.

County commissioners held a work session on Tuesday and considered a resolution authorizing the sale of the bonds. Citigroup, set to lead the underwriting group, was no longer mentioned as an underwriter in that resolution. Instead, Raymond James Financial Inc. was named the book runner, or lead manager, for the transaction.

Continue reading.

Bloomberg Markets

By Amanda Albright and Skylar Woodhouse

December 19, 2023

Jefferies' Muni Boss Built a Powerhouse While Others Scaled Back.

- **Under Kym Arnone, bank is the fourth largest muni underwriter**
- **She's known as architect of $85 billion tobacco-bond sector**

In a year when banks across Wall Street scaled back their ambitions in municipal finance, Kym Arnone has Jefferies Financial Group Inc. on track for its best year in the business.

Her prowess has made the New York-based bank the fourth biggest player in the industry where states and cities raise money for major infrastructure projects. As other banks struggled to boost market share amid high interest rates, her team nabbed the largest muni deal of 2023 by eluding political firestorms surrounding Wall Street's policies on guns and fossil fuels that stymied rivals.

Today, Arnone is the only woman to lead a major public finance department, one she's built by attracting nearly three dozen bankers in the past three years. She has a reputation of being a no-nonsense banker, whose attention to detail and specialization in complex bond structures has landed Jefferies win after win.

Continue reading.

Bloomberg Markets

By Amanda Albright

December 19, 2023

Tallahassee, Florida: Fitch New Issue Report

The 'AA+' utility revenue bond rating and 'aa+' Standalone Credit Profile (SCP) reflect the Tallahassee, FL Consolidated Utility Systems' 'Very Strong' financial profile within the framework of 'Very Strong' revenue defensibility and operating risk profile, both assessed at 'aa'. The system's leverage, measured as net adjusted debt to adjusted funds available for debt service (FADS), was exceptionally low at 4.6x in fiscal 2022 (FYE Sept. 30) but is estimated to exceed 7.5x over the next five years in Fitch's Analytical Stress Test (FAST) stress case.

ACCESS REPORT

Wed 27 Dec, 2023

Sarasota County, Florida: Fitch New Issue Report

Key Rating Drivers Strong Pledged Revenue Performance Underpins Growth Prospects: The CIRB bond structure has demonstrated resilience to pandemic-related declines and experienced robust post-pandemic growth, bolstered by continued population gains, tax base expansion and economic development within the county. Fitch expects growth in pledged revenues to trend in line with national GDP gains over the long term, consistent with a 'aaa' growth assessment. Solid Resilience for CIRBs: The 'aa' resilience assessment reflects the moderate cushion above 1.0x maximum annual debt service (MADS) in relation to cyclical revenue volatility and cumulative historical revenue declines. MADS coverage on the CIRBs is very strong and additional leverage to the 1.30x ABT is unlikely as excess revenues are used to support operations. Issuing Entity Exposure: Fitch does not consider the pledged revenue for the CIRBs as special revenues and they do not require appropriation to be used for debt service; therefore, the rating is capped by the county's Issuer Default Rating (IDR; 'AAA' Stable Outlook).

ACCESS REPORT

Wed 20 Dec, 2023

Dallas Independent School District, Texas: Fitch New Issue Report

The 'AA+' Issuer Default Rating (IDR), and ULT and maintenance tax note bond ratings reflect the Dallas Independent School District's (the district, or Dallas ISD) highest level of financial resilience, solid expenditure flexibility, sound revenue framework led by solid growth prospects and moderate liability burden. Fitch Ratings believes that, over the long term, business activity should produce economic, population and tax base gains consistent with historical performance.

ACCESS REPORT

Wed 27 Dec, 2023

Calpers's Yup Kim Departs to Run $37 Billion Texas Pension.

The head of private equity investments for the largest public pension fund in the US is joining the Texas Municipal Retirement System as chief investment officer.

Yup Kim will start his new job on Jan. 15, replacing Dave Hunter, who announced his retirement in November, according to a statement Tuesday.

The incoming CIO worked with a team of 30 investment professionals at California Public Employees' Retirement System to manage almost $60 billion of global private equity assets, according to the statement. Calpers said Anton Orlich, its managing investment director for private equity, will continue to oversee the group.

Continue reading.

Bloomberg Wealth

By Dawn Lim and Allison McNeely

December 19, 2023

Texas City Pension System Names Calpers Investment Director as CIO.

The move takes out one more investment professional from Calpers, where the CIO quit in September

The Texas Municipal Retirement System has reached into the professional ranks of the $480.31 billion California Public Employees' Retirement System to find a successor for its retiring chief investment officer in Austin.

The municipal system with $37.4 billion in total assets at the end of June tapped Calpers's Yup Kim to fill its top investment role, TMRS said. At Calpers, Kim is investment director for private equity and helps manage a $60 billion portfolio of fund positions and direct co-investments. Kim reports to Anton Orlich, who the pension system named as managing investment director of the private-equity group in 2022.

The giant California system, the largest public pension in the U.S., has long struggled to attract and retain investment professionals. Calpers has had at least six CIOs over the past two decades, taking about 18 months to find and hire the most recent one, Nicole Musicco, last year. She left at the end of September.

Continue reading.

The Wall Street Journal

By Rod James

Dec. 19, 2023

Texas Tops US States in 2023 Debt Sales With No Signs of Slowing.

- **Municipalities in Texas have sold $58 billion of bonds in 2023**
- **Population growth has driven need for new infrastructure**

Texas governments sold more debt that any other state this year, issuing $58 billion of bonds to finance school construction, water utility projects and airport improvements as its population surged.

It's the first time since at least 1990 that Texas municipal bond sales outpaced the debt-heavy powerhouses of both New York and California, according to data compiled by Bloomberg. The jump came even as borrowing costs hovered near decade-highs for much of the year and other governments pulled back on tapping the market. It's the second highest yearly volume for Texas governments, dwarfed only by sales in 2020 when municipal benchmark rates fell to 0.5%.

"The one place you want to be a muni banker this year and going forward is in Texas," said Keith Richard, senior managing director and head of the Texas region at Siebert Williams Shank & Co.

Continue reading.

Bloomberg Markets

By Danielle Moran

December 22, 2023

City of Chicago/Sales Tax Securitization Corporation Win Bond Buyer's Deal of the Year Award.

CHICAGO – The City of Chicago was awarded the esteemed national Bond Buyer 2023 Deal of the Year award and the 2023 Deal of the Year award in the Midwest category. The City was honored for its innovative financing techniques to invest in social initiatives in the Chicago Recovery Plan, its capital investments, and the refinancing of outstanding debt, all of which generated significant debt-service savings for the City.

"This accomplishment reflects our dedication to fiscal responsibility and the vision we have for a strong economic future for our city," said Mayor Brandon Johnson. "I am proud to celebrate this achievement with the entire team in recognition of their efforts, which show how as a collective, our administration is committed to continued improvement in City finances, which will strengthen our ability to provide for residents and communities."

Continue reading.

Weekly Citizen

Dec 28, 2024

Disney Says in Lawsuit that DeSantis-Appointed Government is Failing to Release Public Records.

ORLANDO, Fla. (AP) — Disney has filed a lawsuit claiming that the oversight government for Walt Disney World, which was taken over by appointees of Gov. Ron DeSantis earlier this year, has failed to release documents and properly preserve records in violation of Florida public records law.

Disney said in the lawsuit filed Friday that the Central Florida Tourism Oversight District, often referred to as CFTOD, has been so slow in fulfilling its public records duties that it has failed to respond completely to a request the company made seven months ago when it paid more than $2,400 to get emails and text messages belonging to the five district board members appointed by DeSantis.

Disney, DeSantis and the DeSantis appointees already are battling for control of the government in two pending lawsuits in federal and state court.

Continue reading.

YAHOO FINANCE

by MIKE SCHNEIDER

Tue, December 26, 2023

Citigroup's Muni-Market Exit Sows Fears of a Wall Street Retreat.

- **Bank shuts down businesses, seeing it as a drag on growth**
- **Follows UBS, steady disappearance of local investment banks**

For years, small investment banks have been pulling out of the business of underwriting municipal bonds, leaving the job of raising money for US state and local governments dominated by Wall Street's giants.

Now, there's concerns that the big banks may start dropping away, too.

Citigroup Inc.'s announcement Thursday that it is shutting down its municipal-bond division highlighted the pressures on a corner of finance contending with diminished fees, a debt-sales slowdown and pushback from local Republican politicians intent on drawing banks into America's culture wars. Chief Executive Officer Jane Fraser indicated that underwriting state and local debt was, effectively, too big a drag on the bottom line, unable to compete with more lucrative lines of work. UBS Group AG made a similar decision in October.

Citigroup's departure is unlikely to have any immediate repercussions, since others will almost certainly fill the void, at least temporarily.

But it underscores the steady shift of capital away from the business. That's raised concerns that a further retreat could make it more costly for local governments to finance infrastructure or increase the risk of a liquidity squeeze as big banks that backstop the market pull out. Broker dealers have already retreated sharply from that role as buyer of last resort, reducing their holdings of state and local government bonds sharply since the 2008 credit crisis.

"Over the next five to seven years, we are going to need more firms, not fewer, just to process all the bonds," said Matt Fabian, a partner at Municipal Market Analytics, predicting that debt sales will rise as interest rates slide and governments step up borrowing for public works. "Citi leaving now is not just that firm walking away from this business upside – it also means the incremental cost to borrowers in the future will be higher."

A spokesperson for Citigroup referred Bloomberg to the memo released on Thursday.

Citigroup has been a major force in the municipal-bond market and as recently as 2021 was the second-biggest underwriter, accounting for roughly 10% off all the new securities that were sold. It worked on landmark projects including the rebuilding of the World Trade Center site and the installation of 65,000 streetlights around the city of Detroit and was the envy of rivals.

But its longtime chief, Ward Marsh, left in 2019. Layoffs, retirements, and other departures shrank the public finance department to about 120 people, down from around 400 employees at one point, according to two former employees who declined to be identified. As the Fed's rate hikes depressed debt sales, it continued to lose market share, sliding to the seventh biggest this year.

Still, the decision to shut down the business completely was a surprise, given its still prominent role. In 2022, it underwrote nearly $27 billion of long-term municipal bonds.

Washington State Treasurer Mike Pellicciotti said in a statement that the bank's departure was unfortunate. "We've particularly appreciated Citi's dependable participation in our competitive sales, where they have frequently provided the best bid," he said.

The bank has also long been revered for its trading arm and its willingness to take risks during market dislocations.

"Citi has historically been a huge liquidity provider for a lot of the names that have shown up in headlines over the last ten or twenty years," said Nicholos Venditti, senior portfolio manager at Allspring Global Investments. "It's difficult to imagine that any combination of regional broker dealers, even cumulated, would have the same balance sheet power that Citi has."

The decision comes as underwriting fees have been under continued pressure and banks have pulled back from trading in the securities.

While banks have often utilized their role in financing public-works projects to deflect criticism of casino capitalism, Republicans more recently have seized on it to drawn them into America's culture wars.

Citigroup was banned from working on muni deals by Texas Attorney General Ken Paxton, who said the bank's policies ran afoul of its law barring work with those who are hostile to the gun industry. Due to its fast-growing population, Texas is the biggest source of new municipal bonds, accounting for 16% of overall issuance in 2023.

Even though it's exiting the underwriting business, Citigroup will still be a buyer of municipal bonds, like other banks who invest in the securities. The Wall Street giant holds nearly $10 billion of state and municipal debt securities, according to regulatory filings. The vast majority of that is classified as held-to-maturity.

But the expectation on muni desks is that Citigroup will unload the inventory it holds as a broker-dealer. That won't likely have a major impact, since such dealers have steadily cut back their holdings and support of the market after the financial crisis ushered in new regulations.

Still, Citigroup still served as an important liquidity provider and was "one of our first phone calls when we were doing business," said Jason Appleson, head of municipals at PGIM Fixed Income.

"It's going to hurt," Appleson said. "People will step up and fill the void in some way, but I don't think it's going to be fully plugged."

Bloomberg Markets

By Amanda Albright, Skylar Woodhouse, and Nic Querolo

December 15, 2023

— With assistance from Jennifer Surane, Joseph Mysak Jr, Martin Z Braun, and Shruti Singh

Citi Shuts Muni Business That Once Was Envy of Rivals.

- **Bank has plummeted in muni-bond underwriting rankings**
- **Decision comes as Fraser reshapes firm to meet profit goals**

Citigroup Inc. will shutter its municipal business, one of the most dramatic moves yet by Chief Executive Officer Jane Fraser as she seeks to squeeze better returns out of the Wall Street giant.

The bank decided the business, which has tumbled in the rankings for underwriting state and local debt, is "no longer viable given our commitment to increase the firm's overall returns," according to a memo to staff seen by Bloomberg News. Citigroup intends to complete the wind down by the end of the first quarter, which will mean most of the company's municipal sales, trading and banking staffers will be departing the bank in the coming months.

"We have made the difficult decision to wind down our municipal underwriting and market-making activities," the memo said.

Continue reading.

Bloomberg Markets

By Jennifer Surane, Sridhar Natarajan, and Amanda Albright

December 14, 2023

Citigroup is Dismantling Another Piece of the Empire that Sandy Weill Built.

Citigroup (C) was for decades a top underwriter of state and local government debt, making the bank a major financier of roads, bridges, and airports across the US.

Now it wants out of that business, dismantling yet another part of an empire amassed in the 1990s.

The decision, announced internally in a bank memo Thursday, is the latest example of how Citigroup is paring back its ambitions as it tries to revive its stock price and remove decades of bloat.

The municipal bond business — known for underwriting bonds that helped pay for everything from a makeover of Chicago's O'Hare Airport to the rebuilding of One World Trade Center following the 9/11 attacks — apparently was no longer delivering enough profits.

"The economics of these activities are no longer viable given our commitment to increase the firm's overall returns," Citigroup executives Andy Morton and Peter Babej said in the Thursday memo. Morton is the company's head of markets and Babej is interim head of banking.

The move, which came after months of review, will result in a wind-down of the unit by the end of the fourth quarter. Roughly 100 employees in the municipal sales, trading, and banking unit are expected to leave over the coming months.

The unwinding of a financial supermarket

There was once a time when municipal bond business was a key part of Citigroup's billing as a "financial supermarket" that could offer any and all services needed by consumers, businesses, and governments.

The high point of this model was an era-defining 1998 merger between Citicorp and Travelers that shattered a Depression-era division between retail banking and investment banking and cemented Citigroup's status as the world's largest financial institution.

The deal, engineered by Sandy Weill, gave Citigroup the investment banking operations of Salomon Brothers, which at the time was the industry's largest underwriter of municipal bonds and famously had a hand in helping New York City avoid bankruptcy during the 1970s.

In the decades since 1998, the colossus built by Weill proved to be too complex and unwieldy to manage effectively, and the 2008-2009 financial crisis dealt another blow to its sweeping ambitions. The company began to slowly unwind parts of the empire.

The muni bond exit is yet another step in that direction as CEO Jane Fraser tries to focus the company on serving big, multinational corporations, shed what isn't profitable, and operate more efficiently.

She is pulling back from consumer banking in various parts of the world, with plans to exit 14 consumer franchises in Asia, Europe, the Middle East, Africa, and Mexico.

She is also cutting jobs and reorganizing business lines as part of an internal restructuring that Fraser has called the "most consequential" change to how Citigroup operates in nearly two decades.

Layoffs associated with that restructuring began in November. Citigroup CFO Mark Mason said at a Goldman Sachs conference last week that the bank anticipates a charge of "a couple hundred million dollars" related to these restructuring efforts.

The hope is that these moves will revive Citigroup's stock. Over the past decade, it has fallen more than 2%, significantly lagging Big Bank peers and even the wider KBW US bank index (^BKX), which has risen 44% over the same period.

Muni challenges

During much of that same period, Citigroup held a dominant position in the muni world. From 2015 until 2021, it was the country's second-biggest underwriter of municipal bonds. But its ranking has slipped some in the last two years.

New capital requirements from regulators could make that business less profitable going forward. There are also government efforts at state levels to restrict the ability of certain banks to participate in muni bond offerings if they don't comply with local preferences.

In Texas, for example, the bank found itself unable to conduct muni business after the attorney general's office in January determined that Citigroup had "a policy that discriminates against a firearm entity or firearm trade association."

The response followed a decision made by Citigroup to restrict its banking services to gun retailers that sold firearms to people under 21, which came as a response to the 2018 Parkland shooting in a Miami suburb.

The state has a law in place barring certain government contracts with companies that have anti-gun business practices.

Citigroup said in its memo Thursday that it will still work with state and local governments on infrastructure projects via public-private partnerships and the private placement market.

And the bank, according to the memo, will still purchase muni bonds and finance affordable housing projects in the US.

“We do think banks are likely to be less present in the muni market,” Pimco’s head of municipal bonds David Hammer told Yahoo Finance Friday when asked about Citigroup’s retreat.

Yahoo Finance

by David Hollerith

December 16, 2023

David Hollerith is a senior reporter for Yahoo Finance covering banking, crypto, and other areas in finance.

[Citi's Exit Carries Costs for Issuers, Market Liquidity, But Industry Expected to Weather It.]

A tough year for Wall Street municipal underwriting firms culminated Thursday with Citigroup’s (C/PN) announcement it would exit the business, a stunning move that market participants warned would raise state and city financing costs and that Citi would come to regret as headwinds calm and business rebounds.

“It’s a major disappointment,” said Matt Fabian, a partner at Municipal Market Analytics Inc. “Near term, municipals already lack liquidity and dealer capital, and Citi was a major provider of those, so their removal makes things tighter, makes the market more prone to excess volatility in both up and down trends,” Fabian said.

“In the longer term, when we expect municipal bond issuance to see substantial growth because of climate change and legacy infrastructure issues, our industry is going to need to expand as well to minimize the pricing impact on our issuers,” he said. “So a major underwriter withdrawing now will add to that challenge, further stretch personnel and committed dollars. Frankly, Citi passing up on that opportunity – of much more product, much more spread – seems to be a massive unforced error.”

George Friedlander, Citi’s former head of strategy for 41 years, called the firm a “dominant force in the municipal bond market,” and one that “played an extremely important role keeping the market liquid during its most difficult times.”

Citi’s announcement, just days before the holidays, comes after CEO Jane Fraser in October pledged “relentless execution” of restructuring across the firm and a month after rumors of the muni group’s demise began to float across the market. The memo that went out to employees Thursday expressed regret for the termination of “municipal sales, trading and banking colleagues” but said the “economics of these activities are no longer viable given our commitment to increase the firm’s overall returns.”

The move ends a year of layoffs at several Wall Street firms, including the October decision by UBS to exit the negotiated underwriting business. The industry has weathered its second year of declining volume that increased competition for fewer deals and tightened underwriting spreads. Cheapening bond valuations have challenged balance sheets. The March banking crisis and political dynamics in Texas, one of the market's largest issuers and previously one of Citi's top clients, was another pressure point. UBS and Citi have both been banned from underwriting state, city, county, school, and other government debt in Texas since the state passed a pair of laws in 2021 aimed at protecting the fossil fuel and firearm industries against boycotts or discrimination.

Some market sources also blamed Citi's own mismanagement under Fraser's restructuring rather than industry pressures.

"This is a Citi problem, it's not a muni problem," said a sell-side source, saying management decisions had cut into profitability.

"It's a complicated business and you can't have a half-hearted approach; you have to be all in," the source said. The muni market finances the "fabric of our nation, and now, because of Citi's exit, the cost of financing for state and local governments is going to go up," the source added.

While noting industry-wide pressures, Friedlander said it was "sad" that after senior talent left the firm "Citi decided just to move away from the municipal market function entirely."

Citi decided that "rather than generating the kind of talent necessary to manage a very senior municipal market function, they were just going to say, 'never mind,'" Friedlander said. "But in saying 'never mind,' they left the market with some holes – in terms of liquidity, the management of a number of functions in the market and various subcategories like hospitals, airports, power [and] housing."

One prominent issuer called the move "terrible" for local governments.

"Municipal expertise is already limited when it comes to bankers sending good ideas to issuers and creating creative financing structures that save issuers and taxpayers money," the official said.

Nikolai Sklaroff, the capital finance director of the San Francisco Public Utilities Commission, called the news "unfortunate" for issuers.

"The loss of any firm focused on municipal bond issues, and any reduction in the competition for bonds or financing ideas is regrettable," Sklaroff said. "One could imagine it could negatively impact competition for competitive sales, or cause less frequent issuers to see less coverage.

"It should also serve as an important reminder for all issuers that our access to financing and the markets relies on the health of our financial partners and the value in keeping polarizing politics out of financial decisions," he added.

The move comes less than two weeks after Citi priced an upsized $2 billion deal for John F. Kennedy International Airport. The firm is also listed as a senior managing underwriter for an upcoming $2.5 billion deal of sewer revenue warrants from Jefferson County, Alabama, set to price on Jan. 14, according to MuniOS. The firm is also listed as a senior manager for a deal of undetermined size from the Regents of the University of California, also set to price in January 2024.

The bank said it would continue to work on public-private partnerships and private placements, and to buy muni bonds.

Two years of declining issuance have increased pressure on underwriters who have spent years complaining about compressed spreads on deals. That's an industry problem, said a banker, who added that Citi was often one of the low-bidding culprits.

"It's people killing each other for market share, which makes zero sense," the banker said. "Bidding a dollar a bond on a $1 billion California deal just to make sure you're going to get the next deal doesn't make sense," they said. "Until we, as an industry, can start worrying less about the rankings and more about where we are adding value and about being paid for the risk we are taking when we are underwriting, this is going to keep happening."

Firms of all sizes are reviewing their muni business to make sure they are sustainable, said Ajay Thomas, head of public finance at FHN Financial Capital Markets.

"Compensation to execute has continued to narrow and thin, so if you don't right size the business, a firm can have challenges," Thomas said. "Strategically this is very beneficial to the regional firms," he added. "Fundamentally it's a sound business. I'm very bullish on munis and so are we as a firm."

Citi's exit means the market could face "lower lows" in times of stress and outflows, said James Pruskowski, chief investment officer at 16Rock Asset Management.

"Citi was a known provider of lines of credit and liquidity to select mutual funds complexes, which lessened the impact of forced sales, the municipal derivatives market – mainly rate-locks where Citi is still a top market-maker – and high-yield munis," Pruskowski said.

But the muni market has always "proven more resilient, always larger than any one firm or person," he added.

"Citi's going to look back in a couple of years and behind closed doors regret shuttering the department," Pruskowski said. "The municipal market runs much deeper than any other sector, with public, private and government issuers and investors. We're financing key U.S. essential service infrastructure we all use and appreciate every day."

By Jessica Lerner

BY SOURCEMEDIA | MUNICIPAL | 12/15/23 03:27 PM EST

Karen Pierog contributed to this report.

[Citi Plans to Shut Down Municipal Business.]

Citigroup decided its municipal business, which has tumbled in the rankings for underwriting state and local debt, is "no longer viable given our commitment to increase the firm's overall returns," according to a memo to staff seen by Bloomberg News. Sridhar Natarajan reports.

[Continue reading.]

Bloomberg Markets: The Close – Muni Moment

December 15th, 2023,

Fitch: California Retains Ample Tools to Address Deep Revenue Shortfall

Fitch Ratings-New York-14 December 2023: The state of California has the fiscal capacity to address an emerging revenue shortfall, estimated at $58 billion over three years by the state's Legislative Analyst Office (LAO), says Fitch Ratings. California is much better positioned than the last time it faced a similarly deep revenue decline during the Global Financial Crisis (GFC), and Fitch anticipates the state will take steps to close the budget gap while maintaining very strong financial resilience.

While the estimated revenue decline is significant, California's general fund revenues increased by $78 billion (54%) between fiscal 2020 and fiscal 2022, without a concurrent increase in ongoing spending. Furthermore, institutional changes made by the state during and following the GFC, such improved liquidity management and simple majority approval of the budget, materially improved its ability to address economic and revenue cyclicality.

As Fitch previously noted, the state's fiscal 2024 budget included an uncertain revenue forecast due to the deferral of the final personal income tax and corporation tax filing deadline from April to November 2023. At the time of budget enactment in June 2023, the state estimated the delayed receipt of $42 billion of fiscal 2023 tax revenue. It is now becoming evident that tax receipts were well below estimate, although the detailed reconciliation of tax revenues between the two fiscal years has not been released.

The LAO attributes $26 billion of the revenue gap to fiscal 2023 (FYE June 30), with the balance divided approximately evenly over the current year (fiscal 2024) and the next budget year (fiscal 2025). The state Department of Finance will formally revise its revenue forecast prior to release of the governor's fiscal 2025 budget proposal in January. Fitch anticipates the governor will address the prior year and current year gaps in his budget proposal for fiscal 2025 through a mix of spending cuts and reserve draws. Fitch will assess the sustainability of budget solutions for fiscal 2025 following its release. The current 'AA' Issuer Default Rating assumes the state will maintain reserves that are robust compared to past practice to provide a cushion in case of further economic weakening.

In total, the state holds $37.8 billion in dedicated reserves. It seems likely that the state will apply a significant portion, if not all, of its special fund for economic uncertainty (SFEU) to closing the prior year gap. The SFEU held $3.3 billion as of the end of fiscal 2023. Another source of gap closing capacity is the state's rainy day fund, the Budget Stabilization Account (BSA), which contains $22 billion, or 10% of state revenues. Both funds were built up through a combination of revenue surpluses and structural budget changes that mandated deposits.

The state has other gap closing measures available on the expenditure side. The enacted budget for fiscal 2024 incorporated one-time or temporary spending that can be delayed or curtailed in light of lower revenues, estimated by the LAO at $8.6 billion. Further, the state's school funding requirements under Prop 98 also decline relatively quickly when revenues decline, acting as a form of automatic stabilizer during a downturn. The LAO estimates the state's Prop 98 school spending will be $4.3 billion lower than previously estimated over the three-year budget window. Since the state is funding schools in excess of the minimum constitutional requirement, California could theoretically reduce school spending by up to another $16.7 billion for a total $21 billion cut and still be within its Prop 98 guarantee. Fitch considers such a drastic reduction in school aid highly unlikely. Instead, the state could combine reductions in education spending with draws on its $8.1 billion Prop 98 reserve.

[Will CA AB 50 and SB 410 Actually Result in Faster Electric Service for Data Centers (and Everything Else) in California? Davis Wright Tremaine]

Utilities struggle to meet increased electric service demand while tech companies build massive data centers

California is in a rush to electrify everything. The rapid conversion of appliances such as furnaces, water heaters, ovens, and dryers from natural gas to electricity and the proliferation of electric vehicles (EVs) – including both individual EVs in residential settings and large fleets in commercial settings – has led to significant concerns about the ability of the current grid to accommodate these new energization requests. And major tech companies that are headquartered in Silicon Valley and operate new data centers throughout California are looking to construct additional data centers throughout the state. It's no surprise California utilities are facing challenges keeping up with energy demands.

To take one example, the Silicon Valley Power (SVP), the City's municipal utility, will need to almost double in size to provide enough power capacity to the 13 data centers currently approved for service. SVP's October 10th Quarterly Update indicated 15 additional data center projects seeking service, seven of which have completed System Impact Studies. The considerable amount of energy required and the current capacity constraints on the SVP and CAISO infrastructure have left the utility unable to serve new or expanding data centers. As a consequence, SVP issued a memo last month telling all developers to halt plans for data center development projects.

SVP stated that the 13 data centers currently in the pipeline have reserved all the upgraded capacity being created through internal expansion projects and the construction of the CAISO High Voltage Direct Current transmission line project currently slated to come on-line in 2028 or 2029. Until the construction of system expansion and transmission projects is further along, SVP is unclear when it will be able to accommodate additional new projects.

Economic Stakes

There are significant economic consequences if Californians fail to get the new or upgraded service connections in a timely manner. California is not unique in this problem – utilities in primary data center markets across the nation are having trouble keeping up with industry needs. Northern Virginia's utility, Dominion Energy, delayed power to multiple data center projects on account of transmission problems. With energy demand anticipated to grow, partly driven by powerful processors running technologies like generative artificial intelligence, data center providers nationwide have begun looking into generating their own electricity supply.

Following the past legislative session, Governor Newsom approved AB 50, which directs the California Public Utilities Commission (CPUC) to determine the criteria for customers to receive timely electricity service when requesting new service connections or upgraded service, known as "energization." The bill was drafted in response to increasing backlogs for utilities to fulfill customer requests for energization – especially in the service territory of the largest California utility, Pacific Gas and Electric Company (PG&E). This would not, however, solve the problems faced by municipal utilities like Silicon Valley Power. AB 50 applies only to energization of customers and does not include interconnection of generation resources to either the distribution or transmission grid. Similarly, Governor Newsom approved SB 410, which would require that the Commission establish the reasonable average and maximum target energization time periods and require that investor-owned utilities take actions to meet those targets.

What's Next

We expect the CPUC to initiate a rulemaking proceeding (or open a new phase in an existing rulemaking) to implement AB 50 and SB 410. Stakeholders will have an opportunity to become parties to the proceeding and participate in the development of the CPUC's energization criteria. Members of the public will also have an opportunity to participate in CPUC workshops once the electric utilities begin to file reports with the CPUC.

We'll all need to stay tuned to see if AB 50 and SB 410 actually result in faster electric service energization in California, especially when combined with some of the other efforts to accelerate the deployment of both behind-the-meter on-site generation and microgrids. Traditionally the data center industry has used diesel or natural gas generators as backup on-site generation. More recently, there has been a boom in the adoption of cleaner on-site generation technologies and the use of microgrids. Microgrids would allow data centers to operate their own power grid incorporating energy from a variety of sources and reduce strain on the utility's transmission or generation capabilities. This of course only creates more incentive for California to speed up the regulatory structures necessary to allow for the adoption of microgrids.

Davis Wright Tremaine LLP – Anna Fero, Vidhya Prabhakaran and Chasity Hendren

December 11 2023

Prep School Loomis Chaffee's Muni Deal Showcases Soaring Demand.

- **School's acceptance rate shrinks to 17%, an all-time low**
- **Henry Kravis's alma mater charges boarders $68,420 per year**

This week an exclusive Connecticut prep school is selling a small bond issue with a big story.

It's about the growing demand for admission to elite institutions from parents striving to give what many view as the gateway to the good life for their children.

The Loomis Chaffee School was chartered in 1874 and has alumni including KKR & Co. co-founder Henry Kravis and George Shultz, secretary of state during the Reagan Administration. It's seeking to raise $13.9 million in revenue bonds via the Connecticut Health and Educational Facilities Authority.

Continue reading.

Bloomberg Markets

By Joseph Mysak Jr

December 13, 2023

Massachusetts Municipal Wholesale Electric Co. Project 202A (Cotton Solar Project): Fitch New Issue Report

The 'AA–' rating reflects the credit quality of the two largest of the six participants in the

Massachusetts Municipal Wholesale Electric Company (MMWEC) Project 2020A (the Cotton Solar Project): Ipswich Electric Light Department (34.8%) and Peabody Municipal Light Plant (29.0%). Payments from the project participants — all municipal electric utilities operating in Massachusetts — are made pursuant to identical take-or-pay power sales agreements (PSAs) with MMWEC that are absolute and unconditional, irrespective of whether the project is completed or operable. The rating is capped by the credit quality of the two largest participants given the sizable share of the project each of those participants holds, and the limited 25% step-up provision in the PSAs. Amounts collected from the remaining participants would be insufficient to meet either of those utilities' obligations in the event of a default.

ACCESS REPORT

Dallas, Texas: Fitch New Issue Report

Key Rating Drivers Revenue Framework: 'aaa': Strong revenue growth prospects are based on expectations for continued economic expansion. The assessment also reflects the city's high independent legal ability to increase operating revenues. Expenditure Framework: 'a': The city's pace of spending is expected to be marginally above revenue growth given ongoing service demands and inflationary pressures. Increased pension contributions will keep carrying costs at an elevated level; a rapid debt amortization rate also contributes to the elevated carrying costs. Long-Term Liability Burden: 'aa': The long-term liability burden currently represents a moderate 12% of personal income. Recent pension reforms to both the civilian and uniform plans have reduced the combined total liability and, in conjunction with continued economic growth, are expected to keep the long-term liability burden within the current range. Operating Performance: 'aaa': The city of Dallas' gap-closing capabilities and healthy reserves position it to maintain the highest financial resilience through future business downturns. Elevated debt and retiree benefit outlays will maintain a certain amount of pressure on the city's budget management practices.

ACCESS REPORT

Fri 15 Dec, 2023

Madison Sells Millions Worth Of Bond Anticipation Notes.

Proceeds of the bonds will be used to finance the Town's new elementary school.

MADISON, CT — On Thursday, December 7th the Town of Madison sold $10,500,000 in 20-year bonds and $30,000,000 in one-year bond anticipation notes through a competitive bid process. The bonds were purchased by FHN Financial Capital Markets at an effective interest rate of 3.322%. The Town received a total of fourteen (14) binds on the bonds with rates ranging from 3.322% to 3.706%. The notes were purchased by Jefferies LLC at an effective interest rate of 3.213%. The Town received a total of six (6) bids on the notes with rates ranging from 3.213% to 3.369%.

According to the Town's municipal advisor, Munistat Services, Inc., the Town's debt is attractive to municipal bond investors because of the Town's superior bond rating and strong reputation in the market.

In connection with the sale, Moody's Investors Service affirmed the Town's "Aaa" long-term bond rating and applied the same rating to the new bonds. Moody's gave the notes its highest short-term rating, "Moody's Investment Grade 1 or MIG 1". In its rating report, Moody's described the Town as having "a strong suburban economy anchored by very high resident income, well above average home values". Moody's listed the Town's location, strong resident wealth, consistent financial operations and low long-term liabilities and fixed costs, as credit strengths.

Continue reading.

Patch.com

by Alfred Branch

Sun, Dec 10, 2023 at 11:04 am ET

Arizona Sports-Complex Bondholders Are Nearly Wiped Out in Sale.

- **Financed with $280 million of munis, park sold in bankruptcy**
- **Chad Brownstein's RMR invests in sports and infrastructure**

A bankrupt Arizona youth-sports complex was sold in a transaction that will virtually wipe out bondholders, capping a collapse that marks one of the biggest municipal-debt defaults since the pandemic.

The project was financed with $280 million of bonds issued through the Arizona Industrial Development Authority in 2020 and 2021, when still rock-bottom interest rates were fueling demand for high-yield debt.

But the sprawling sports-field venue outside of Phoenix, known as Legacy Park, faltered as the pandemic upended the sports industry and interest in the facility proved lackluster. It subsequently defaulted on the debt and filed for bankruptcy in May.

Continue reading.

Bloomberg Markets

By Martin Z Braun

December 14, 2023

State of New York: Fitch New Issue Report

Dedicated Tax Key Rating Drivers PIT Structure Enhances Appropriation Incentive: An annual appropriation requirement caps the rating at the state's 'AA+' IDR. A statutory provision that deprives the state's operating funds of at least $12 billion (about 11% of fiscal 2023 state operating funds tax revenue) in the event of non-appropriation effectively eliminates appropriation risk. Solid Growth Prospects: Pledged PIT receipts over time are likely to grow above the long-term rate of inflation, similar to Fitch's expectations for the broad-based, wealthy and service-dominated New

York State economy and consistent with a ‘aa’ growth prospects assessment. Ample Cushion Despite Economic Sensitivity: While the PIT receipts are economically sensitive, reliance on residual receipts for general operations and the 2x ABT prevent overleveraging of the pledged revenue stream and provide ample cushion to absorb potential volatility, warranting a ‘aaa’ resilience assessment.

ACCESS REPORT

Mon 11 Dec, 2023

Bond Buyers Unfazed by California’s Alarming $68 Billion Deficit.

- **Spreads on California bonds have not moved meaningfully**
- **Wealthy investors are drawn to California tax-exempt debt**

Municipal bond investors seem to have brushed off news that California’s budget has gone from a record surplus recently to its largest deficit ever at $68 billion.

An index of California bonds showed yields trading below those of top-rated debt after the state’s budget adviser said tax revenue had plummeted below what was expected, more than doubling the budget shortfall from a year ago.

That’s because demand for California bonds that wealthy residents use to shield their income from taxes is outweighing concerns about the looming fiscal crisis facing the most populous US state. Put simply, high-tax rates in California are more concerning than the budget hole.

Continue reading.

Bloomberg Markets

By Maxwell Adler

December 8, 2023

Exclusive: JFK Airport's Massive Overhaul Takes Winding Route Through Debt Markets

NEW YORK, Dec 6 (Reuters) – Municipal bond financing for U.S. airport construction is not unusual. But Wednesday’s issuance of $2 billion in bonds for the new Terminal One at New York’s John F. Kennedy International Airport was – because of the steps needed to get to this point.

Last year, a consortium called New Terminal One secured $9 billion in financing in an unusual private-public transaction that was part of a broader $15 billion overhaul of the airport.

The deal included a $6.5 billion bank loan, the largest ever committed for an airport terminal – and it took several years and two restructurings before the financing was even secured due to municipal bond market volatility and illiquidity.

Continue reading.

Reuters

By Doyinsola Oladipo

December 6, 20231

[Assured Guaranty Municipal Insures $800 Million of Bonds for JFK International Airport's New Terminal One Project.]

Part of $2 Billion Issue to Fund Expanded Capacity to Meet Future Needs

NEW YORK, December 06, 2023–(BUSINESS WIRE)–Assured Guaranty Municipal Corp. (AGM)* insured $800 million of senior Special Facilities Revenue Bonds, Series 2023, issued by the New York Transportation Development Corporation on December 6. The bonds insured by AGM are part of a $2 billion issue of fixed-rate bonds that has been designated as Green Bonds.

The bonds have been issued to refinance a portion of the costs relating to the New Terminal One Project of John F. Kennedy International Airport (JFK) in New York City by a consortium comprised of Ferrovial Airports (which will manage the project), JLC Infrastructure, Ullico Infrastructure Fund and Carlyle Group. The consortium will develop, design, construct, finance, operate and maintain the new international passenger terminal facility to replace the existing Terminal One at JFK.

Lorne Potash, Managing Director, Infrastructure Finance, Americas commented, "Assured Guaranty's bond insurance on $800 million of bonds helped to optimize the cost for this important oversubscribed $2 billion financing and we are thrilled to have played such a significant role in what has resulted in a remarkable execution by Citi on behalf of New Terminal One for such a high-profile transaction. This is precisely the kind of meaningful value-add that AGM is positioned to deliver for large infrastructure projects through its cost savings and capacity."

Sam Nakhleh, Director, Infrastructure Finance, Americas added, "This project is the largest U.S. P3 transportation project to date and is one of the largest insured bond transactions Assured Guaranty has participated in during the post global financial crisis era. It was great to work with all involved."

The bonds will be fully amortizing after an initial interest-only period, with a final maturity in 2060. AGM insured $97,995,000 of serial bonds with maturities of 2042, 2043 and 2044; $217,510,000 of a term bond due 2049; and $484,495,000 of a term bond due 2060.

Citigroup served as book-running senior manager on the transaction. Hogan Lovells served as AGM's legal counsel.

Business Wire

Wed, December 6, 2023

[City of Chicago's $1.7 Billion Financing of COVID-19 Recovery Plan Wins Bond Buyer's Deal of the Year.]

Siebert Williams Shank shepherds transaction boosting communities hardest hit by pandemic

New York, NY –News Direct– Siebert Williams Shank

A significant bond transaction by the city of Chicago and its Sales Tax Securitization Corporation (STSC) in February 2023 is winner of The Bond Buyer Deal of the Year award. The announcement was made at the financial publisher's December 5th annual gala held in New York City and attended by leaders from across the municipal finance industry.

Chicago took home the top prize among 10 finalists for its $1.7 billion financing of initiatives aimed at Black and Latinx communities disproportionately affected by the COVID-19 pandemic. Siebert Williams Shank & Co. (SWS), the country's #1 minority-and-women-owned, non-bank financial firm, teamed with STSC in issuing the bonds to help finance the Chicago Recovery Plan, designed to amplify once-in-a-generation federal funding geared toward a sustainable economic recovery from the pandemic.

The city's first social-designated bonds, paired with a cross-credit refunding tender, will address initiatives related to affordable housing, homelessness support services, environmental justice, and community development. Altogether, the money brings new resources to Chicago neighborhoods that struggle with disinvestment and inequality.

City of Chicago Debt Manager Brendan White, who accepted the award said, "Because of our commitment to getting to structural balance and climbing the pension ramp, we were able to afford to pay for these transformative social projects with our fiscal discipline and finally use the STSC to sell high rated bonds to retail investors."

"Our editorial board has chosen a deal that embodies many of the qualities we look for in a Deal of the Year winner," said Mike Scarchilli, editor in chief of The Bond Buyer. "It's a new type of financing for a traditional area of government. It involved a tender refunding that achieved otherwise unattainable goals. It attracted record-setting interest from non-traditional municipal investors. And it's a substantially transformed issuer, with this impressive transaction serving as the exclamation point at the end of its turnaround story."

Chicago took on the ambitious financing after receiving 10 rating upgrades and three positive outlook revisions, by rating agencies, in recognition of a financial turnaround that saw its return to investment-grade rating. SWS served as a Joint Bookrunner on the winning transaction, which was previously named as the Deal of the Year in the Midwest Region category.

"I want to congratulate the financial leaders of the City of Chicago and its Sales Tax Securitization Corporation, for this quite exceptional recognition bestowed on them by Bond Buyer," said Gary Hall, President of Public Finance and Infrastructure at SWS. "Siebert Williams Shank was proud to have been selected by Chicago to serve as a Joint Bookrunner to lead this transaction. The recognition by Bond Buyer is a true reflection of the technical acumen and strength of the team that moved this deal forward. Siebert Williams Shank was also pleased to have been engaged on other top national deals receiving awards."

Each year, The Bond Buyer Deal of the Year awards recognize innovation in municipal finance across the country. Along with Hall, the SWS bankers who worked on the $1.7 billion transaction included Ramon Ortega, Mike Fadel, John Carter, Pat Moran, Jamiyl Fleming, Sherm Swanson, and Ed Tishelman (while at UBS Financial Services Inc.).

SWS was additionally recognized for its involvement in three other transactions that were among the Top 10 finalists: the city of Atlanta's $370 million inaugural issuance of social bonds (Southeast Region winner), and the state of Oregon's $989 million new-money financing for statewide capital funding needs (Far West Region winner).

Additionally, the redevelopment of international Terminal 6 at John F. Kennedy International Airport was selected as the Private Partnership Financing category winner. The Terminal 6 project is led by JFK Millennium Partners, which includes certain equity owners of SWS.

The Chicago transaction highlights the city's steadfast commitment to equitable capital investment intended to create meaningful change in Chicago communities, and its emphasis on utilizing innovative financing alternatives to achieve its mission.

Over 10 separate series of bonds, spanning two credits — Chicago's own general obligation, and that of the Sales Tax Securitization Corporation — the city's $1.7 billion financing bolstered major themes of the Chicago Recovery Plan. In addition to the social-designated bonds, which were oversubscribed in retail orders alone, the STSC also executed a cross-credit refunding tender of Chicago GOs for additional savings. With a 22% acceptance rate on over $2 billion of bonds tendered, the STSC reduced aggregate debt service costs and achieved net present value savings of over $55 million on the tender series.

The Deal of the Year finalists were named in 10 categories, one in each of The Bond Buyer's five regional areas of the United States, along with five in additional categories. The Bond Buyer's editorial board considers a range of factors when judging entries for the Deal of the Year, including creativity, the ability to execute a complex transaction under challenging conditions, the ability to serve as a model for other financings, and the public purpose for which a deal's proceeds were used.

Dually headquartered in New York, NY and Oakland, CA, SWS is an independent non-bank financial services firm that offers investment banking, sales and trading, research, and advisory services. SWS counts 74 Fortune 100 companies among its clients.

Fri, December 8, 2023

[Fitch: Of Texas Constitutional Amendments, Only K-12 Funding May Pressure Budget]

Fitch Ratings-New York-07 December 2023: Most of the 13 of 14 constitutional amendments approved by Texas voters during the November 2023 election will have limited credit implications for the state or municipalities, Fitch Ratings says. The majority of amendments fund one-time spending initiatives, drawing from the state's accumulated balances or relatively minor diversions of future funding from its robust rainy-day fund (the Economic Stabilization Fund, ESF). One potential exception is Proposition 4, which will reduce local property taxes for schools and shift some funding responsibility to the state. This may pressure the state's future budgets and leave school districts more exposed to state fiscal actions during downturns.

Proposition 4 implements legislation passed in special session that added more than $13.3 billion of tax relief to the $5.3 billion already in the fiscal 2023-2025 biennium. The tax reduction will be provided by reducing (compressing) local property tax rates for school districts, increasing the state-mandated school homestead exemption, prohibiting school districts from raising homestead exemptions, and capping appraisal increases for properties not subject to homestead exemptions. Districts' operating levy will be compressed by 10.7 cents per $100 assessed valuation, an 11% decrease from the maximum maintenance and operations tax rate of 96.5 cents in fiscal 2024.

The state will be responsible for a greater portion of school district funding to compensate for lower local taxes. The legislation and Proposition 4 provide a bypass of the state's constitutional spending limit to pay for the property tax relief by drawing down its substantial accumulated carry-over balance. Although state officials expect to be able to absorb the obligation, estimated by the state Comptroller's office at just over $6 billion per year, within normal revenue growth, there is some risk to the state in funding a significant new ongoing expense with accumulated balances that by definition are one-time in nature.

Proposition 4 did not increase resources available to school districts, which have not received an increase in the basic allocation since at least 2019, nor did it provide for salary increases for teachers. These issues are expected to be addressed in separate legislation, which has not emerged from committee due to unrelated disagreements over the use of vouchers. The inability to move the legislation forward highlights the vulnerability of school districts to state spending cuts in the event of a future downturn in state revenue.

Proposition 9 will provide a $3.3 billion lump-sum contribution to the Teachers Retirement System that will fund a one-time supplemental payment and a cost-of-living adjustment (COLA). Over the longer term, if the plan's return assumptions are not met, the COLA can contribute to an increase in the state's net pension liabilities.

Proposition 5 tapped the accumulated surplus for a one-time allotment of $3 billion to create the Texas University Fund (TUF), which will be available to certain qualifying state universities to enhance research capabilities. Proposition 5 also authorized the annual transfer of up to $100 million from ESF earnings to the TUF in years with positive ESF earnings, a relatively modest amount given the roughly $20 billion ESF balance. While not a significant relative to the ESF balance, the transfer to the TUF is emblematic of the state's tendency to tap the ESF for non-fiscal policy priorities.

Several amendments provided voter approval for spending programs authorized in the enacted budget. These draw down the accumulated balance but do not create ongoing funding commitments from general revenues. These include $1 billion to a newly created Texas Water Fund (Prop 6); $10 billion to a newly created Texas Energy Fund (Prop 7); $1.5 billion to fund broadband expansion (Prop 8); and $1 billion to acquire and develop state parks (Prop 14).

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State of Ohio: Fitch New Issue Report

Like most states, Ohio has an unlimited legal ability to raise operating revenues. Its revenue base is diverse and relies on broad-based income and sales taxes. Fitch anticipates revenue growth will likely remain slow and in line with historical trends, with state-source revenues expanding in line with, or slightly above, inflation when factoring in the effect of tax policy changes. Ohio retains ample flexibility to cut spending through the economic cycle. As in most states, the natural pace of spending growth is likely to be somewhat above revenue growth, requiring ongoing budget management. Carrying costs for debt and retiree benefits are below the median for states. Debt levels are conservatively managed, and debt primarily consists of GO bonds. On a combined basis, outstanding debt and net pension liabilities are below the U.S. states median. The state generally takes a careful approach to financial operations, consistently achieving structurally balanced budgets and restoring its Budget Stabilization Fund during economic expansions. The fund balance has grown substantially since 2021 and currently totals $3.65 billion, equal to approximately 12% of fiscal 2023 state-source general revenue fund revenues.

ACCESS REPORT

Thu 07 Dec, 2023

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

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

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

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

Continue reading.

Bloomberg CityLab

By Skylar Woodhouse

December 5, 2023

[Chattanooga Electric Power Board, Tennessee: Fitch New Issue Report]

The ‘AA+’ rating and ‘aa+’ Standalone Credit Profile reflect Chattanooga Electric Power Board’s (EPB) consistently very low leverage ratio, as measured by net adjusted debt to adjusted funds available for debt service (FADS), in the context of the system’s very strong revenue defensibility and consistently very low operating costs. Revenue defensibility remains very strong, as the system provides retail electric services in an economically diverse service area with very strong rate flexibility. EPB’s very low operating cost reflects the system’s access to low-cost and diverse energy supply from its contract with Tennessee Valley Authority (TVA; AA/Stable), the largest U.S. public power company. Fitch expects EPB’s financial profile to remain supportive of the rating through Fitch Rating’s five-year forward-looking scenarios, as EPB issues its 2023 series bonds and projects an additional $100 million of issuances in fiscal 2028 (fiscal year ends June 30). Leverage declined since fiscal 2020, when it peaked at 7.3x due to an increase in operating costs related to an EF-3 tornado event that damaged the portions of the system. Leverage was 6.4x at fiscal YE 2023, up from 5.7x in the prior year due to tightening margins as a result of increased purchased power and O&M expenses. Fitch expects ratios to remain between 6.0x and 6.6x over the next five years, supported by an approved effective 3.4% rate increase in fiscal 2024.

ACCESS REPORT

01 Dec, 2023

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

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

ACCESS REPORT

01 Dec, 2023

Charles County, Maryland: Fitch New Issue Report

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

ACCESS REPORT

01 Dec, 2023

Citi Muni Bankers Go to Jefferies With Department in Turmoil.

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

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

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

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

Bloomberg Markets

By Amanda Albright

November 27, 2023

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

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

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

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

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

Continue reading.

Bloomberg Markets

By Joseph Mysak Jr

November 29, 2023

Yet Another Private College in New York Is Closing.

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

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

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

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

Continue reading.

Bloomberg

By Amanda Albright

December 1, 2023

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Continue reading.

Bloomberg Markets

By Martin Z Braun

November 21, 2023

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

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

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

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

Continue reading.

The New York Times

by Mara Gay

Nov. 24, 2023

[Los Angeles, California: Fitch New Issue Report]

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

ACCESS REPORT

Fri 17 Nov, 2023

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

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

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

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

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

Continue reading.

Bloomberg Markets

By Michelle Kaske

November 20, 2023

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

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

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

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

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

Continue reading.

The New York Times

By Jacey Fortin

Nov. 15, 2023

State of Washington: Fitch New Issue Report

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

ACCESS REPORT

Thu 16 Nov, 2023

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

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

ACCESS REPORT

Wed 22 Nov, 2023

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

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

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

Except, the bonds aren't real.

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

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

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

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

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

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

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

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

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

EV Windfall

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

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

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

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

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

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

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

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

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

Bloomberg Markets

By Amanda Albright

November 15, 2023

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

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

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

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

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

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

Continue reading.

Bloomberg Markets

By Martin Z Braun and Edward Ludlow

November 13, 2023

Texas Battles Wall Street Over Muni Market.

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

Watch video.

Bloomberg Markets: The Close – Muni Moment

November 15th, 2023

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

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

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

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

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

Continue reading.

Bloomberg Markets

By Amanda Albright and Danielle Moran

November 14, 2023

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

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

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

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

Continue reading.

Bloomberg Markets

By Amanda Albright and Danielle Moran

November 13, 2023

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

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

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

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

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

Continue reading.

Bloomberg Politics

By Danielle Moran and Julie Fine

November 13, 2023

State of Illinois: Fitch New Issue Report

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

ACCESS REPORT

Tue 14 Nov, 2023

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

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

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

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

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

Continue reading.

Bloomberg Markets

By Christopher Palmeri and Thomas Buckley

November 14, 2023

State of Washington: Fitch New Issue Report

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

ACCESS REPORT

Thu 16 Nov, 2023

Los Angeles, California: Fitch New Issue Report

The city's 'AA' Long-Term Issuer Default Rating reflects the city's strong operating performance with solid revenue growth largely outpacing managed expenditure growth. The city also benefits from a moderate debt burden and superior gap-closing capacity. Revenue Framework: 'aa':

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

ACCESS REPORT

Fri 17 Nov, 2023

Texas Passes New Funds to Support Power and Water Developments.

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

Proposition 6 and the Texas Water Fund

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

Continue reading.

O'Melveny & Myers LLP

November 10, 2023

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

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

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

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

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

Continue reading.

Bloomberg Markets

By Mitchell Ferman

November 7, 2023

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

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

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

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

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

Continue reading.

Bloomberg CityLab

By Mitchell Ferman and Nic Querolo

October 25, 2023

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

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

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

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

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

"Looks like we will have to appeal to the Supreme Court or refile our petition," said Chris Daly of the Nevada State Education Assn., the teachers' union sponsoring the petition.

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

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

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

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

Yahoo Sports

by Bill Shaikin

Mon, Nov 6, 2023

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

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

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

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

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

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

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

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

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

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

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

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

Associated Press

Tue, November 7, 2023

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

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

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

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

Continue reading.

Yahoo

by Greg Haas

Mon, November 6, 2023

Financial Advisor on Pawtucket Soccer Stadium Deal Resigns Over “Concerns”

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

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

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

Continue reading.

golocalprov.com

Friday, November 10, 2023

State of Missouri: Fitch New Issue Report

The ‘AA+’ rating on the mega projects bonds primarily reflects the state's annual appropriation pledge, as evidenced by the financing agreement entered into between MHTC and the state. The ‘AAA’ ratings on the MHTC's outstanding first lien, second lien, and third lien state road bonds reflect the security structure's very strong resilience driven by improving debt service coverage (despite limited growth prospects) and MHTC's debt management policy limiting future leverage.

Fitch Ratings expects resiliency to remain very high even as debt servicing costs increase in the short term. Policy actions taken by the state of Missouri to raise its statewide motor fuels tax, a key component of pledged revenues, ensure strong near-term coverage. Fitch's analysis on bonds of the first four liens focuses primarily on SRF revenues, which are not subject to annual legislative appropriation.

ACCESS REPORT

Fri 10 Nov, 2023

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

The 'A+'/'A' bond ratings on the Great Lakes Water Authority's (GLWA, or the authority) senior and subordinate bonds, respectively, and the 'a' SCP consider the system's strong financial profile within the context of very strong revenue defensibility and operating risk profiles, both assessed at 'aa'. Leverage, measured by Fitch Ratings as net adjusted debt to adjusted funds available for debt service (FADS), was approximately 10.2x in fiscal 2022, a modest increase from 10.0x in fiscal 2021. Moving forward, projected increases in capital spending and associated debt issuances are anticipated to move leverage incrementally higher, but overall it should remain in line with the current rating.

ACCESS REPORT

Thu 09 Nov, 2023

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

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

ACCESS REPORT

Thu 09 Nov, 2023

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

Support

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

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

Continue reading.

Wed 08 Nov, 2023

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

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

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

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

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

Continue reading.

Bloomberg Markets

By Martin Z Braun

November 7, 2023

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

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

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

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

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

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

Continue reading.

Bloomberg Business

By Danielle Moran

November 1, 2023

Maine Proposal Would Force Buyout of Power Companies

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

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

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

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

Continue reading.

Bloomberg CityLab

By Guillermo Molero

November 2, 2023

S&P Charter School Brief: Florida

View the S&P Brief.

30 Oct, 2023

S&P Charter School Brief: Arizona

View the S&P Brief.

1 Nov, 2023

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

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

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

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

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

Continue reading.

Bloomberg Markets

By Eliyahu Kamisher

November 3, 2023

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

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

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

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

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

Continue reading.

The Wall Street Journal

By Heather Gillers

Oct. 27, 2023

How Public-Private Partnerships are Fueling Growth in Orlando.

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

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

Benefits of public-private partnerships

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

- **Efficiency and innovation.** P3s leverage public and private sector expertise by effectively allocating responsibilities and scope of work. This combination drives innovation and increases efficiency in every stage of project development from planning, design and construction through operations and management.
- **Financial resources.** The ability to access private capital is key benefit of P3s. Tapping into the wide range of private sector financing tools reduces financial burdens on governments and frees up public funds for investment in other areas of need. Injection of private capital also provides the

benefit of accelerating the development of projects, especially certain social infrastructure projects where public financing may be more limited.
- **Shared risk.** P3s are also beneficial when it comes to risk. In these types of partnerships, public and private entities allocate the risk associated with a project, thereby reducing risk for both parties.
- **Economic growth.** P3s are also transforming regions across America, stimulating economic growth, creating jobs and increasing competitiveness. Typically, P3s generate an outsized economic impact as compared to what the municipality could have achieved on its own.

Building a future-ready city with public-private partnerships

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

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

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

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

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

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

americancityandcounty.com

Written by Craig Ustler

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

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

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

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

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

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

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Bloomberg Markets

By Shruti Singh

October 25, 2023

Promise of Free Money Backfires on California Community Colleges.

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

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

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

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

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By Joseph Mysak Jr

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