

Bond Case Briefs

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MassDirect Notes Win Deal of the Year.

Modeled in part on the U.S. Treasury's TreasuryDirect, the innovative new program makes highly-rated Massachusetts general obligation bonds available to retail investors on a nearly continuous basis through a retail rolling offering. In 2014, Massachusetts sold on average more than \$6 million a day and sold out the full \$250 million program one month ahead of schedule.

The MassDirect program is "a window into the future of the municipal bond market," said Michael Scarchilli, editor in chief of The Bond Buyer, when presenting the award at a ceremony held at the Waldorf Astoria hotel in New York City. "It democratizes primary market distribution for retail investors and takes a critical step toward pre-price transparency."

The deal also won the Deal of the Year award for Non-Traditional Financing, marking the first time that category, which debuted in 2006, has yielded an overall winner. It's the second Deal of the Year win for the Commonwealth of Massachusetts, however, as its billion-dollar Accelerated Bridge Program bond package won the national honors from the Northeast position in 2011.

MassDirect bonds are sold by the state's underwriter, Citi, through TMC Bonds, an open architecture electronic trading platform which already carries over 30% of all interdealer secondary trades in the muni market. And now, Massachusetts new-issue bonds reach hundreds of independent brokers and thousands of retail investors who never had access to new-issue bonds in the past.

For the fourth year, the Deal of the Year gala included the presentation of the Freda Johnson Award for Trailblazing Women in Public Finance. This year, the organization honored two public finance professionals; one from the public sector and one from the private. The 2014 honorees were Chicago's Chief Financial Officer Lois Scott, and veteran New York-based banker Kym Arnone, the Municipal Securities Rulemaking Board Chair.

The night also featured a video tribute to muni market legend Jim Lebenthal, who passed away in November. His daughter Alexandra Lebenthal followed the tribute with a rousing speech for which she received a standing ovation.

For more than a decade, the editors of The Bond Buyer have selected outstanding municipal bond transactions for special recognition. The 2014 awards, which considered deals that closed between Oct. 1, 2013 and Sept. 30, 2014, drew nominations that represent the full diversity of the communities and public purposes that are served by the municipal finance market.

Issuers were honored in eight categories, revealed online Nov. 3-7 through separate video announcements at BondBuyer.com.

The other finalists were:

Northeast Region

The \$350 million century-bond offering from the District of Columbia Water & Sewer Authority, which may set a precedent for municipalities across the nation with pressing long-term

environmental infrastructure needs. DC Water's innovative deal not only helps meet national water quality standards, it marks the first sale of a century bond by a water and sewer utility and the first independently certified green bond sold in the United States.

Southwest Region

The Colorado Regional Transportation District's \$441 million offering of certificates of participation, which marked the first time that any issuer had used a proposed rail line as the leased property in a COP deal. The transaction was the second largest tax-exempt issuance of COPs in the past five years and the largest issuance in the transportation sector in the past decade.

Midwest Region

The Karegnondi Water Authority's \$220.5 million financing to fund a 63-mile pipeline to Lake Huron, which completed Michigan's Flint and Genesee County's breakaway from their dependence on the Detroit water system. Entering a market where local governments across Michigan have faced heightened penalties, the authority sold the bonds to more than 30 investors and achieved an all-in borrowing cost below projections.

Southeast Region

The Louisiana State Bond Commission's \$112 million financing of unclaimed property special revenue bonds, on behalf of the State of Louisiana, which needed to finance a portion of the state's 200-mile-long Interstate 49 project. The state solved the problem with a unique and unconventional approach: securitizing unclaimed property receipts. To strengthen the credit, the state added an appropriation-backed promise to replenish the debt service reserve.

Far West Region

The County of Los Angeles Redevelopment Refunding Authority's \$53 million refunding of tax allocation bonds, removing them from a post-California redevelopment agency dissolution limbo. The offering was the first to be issued through a countywide program that enables its public finance staff to put together refundings for cities in the county, and the first to use a pooled structure that combined individual successor agencies into a single refunding series.

Healthcare Financing

The \$1.04 billion Health and Educational Facilities Authority of the State of Missouri revenue bond transaction, which financed a complex debt restructuring and management structure reevaluation for St. Louis-based SSM Health Care. The transaction decreased the weighted average cost of debt for SSM Health to 3.1% from 4.6% and lowered the maximum annual debt service by nearly 10 percent, resulting in a savings of about \$3 million per year.

Small Issuer Financing

The Village of Oakwood in Cuyahoga County, Ohio's \$2.69 million of various purpose notes, the first transaction financed through the Ohio Market Access Program. The unique credit enhancement program created by the Ohio Treasurer's office helped Oakwood carry top short-term credit marks, expanded its universe of buyers and lowered the village's borrowing cost by about 50%. The program offers a model that can be replicated nationwide.

THE BOND BUYER

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