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Nantucket Travelers Can Thank Muni Buyers for Comfier Ferry Ride.

Travelers enjoying a cup of chowder or luxuriating in new seats while ferrying to Nantucket and Martha's Vineyard next year can thank municipal-bond investors.

The Woods Hole, Martha's Vineyard & Nantucket Steamship Authority is selling \$38 million of tax-exempt debt April 27, according to data compiled by Bloomberg. The biggest bond offering in the service's 55-year history will go to build a more spacious ferry equipped with a lunch counter, said Wayne Lamson, the agency's general manager. The authority carried 2.9 million passengers last year back and forth to the islands off Massachusetts.

The operator of the largest ferry service between Cape Cod and the islands is borrowing to replace a 60-year-old vessel, and the timing couldn't be better. Interest rates at the lowest in five decades are fueling record muni sales.

"We have a lot of people that visit the area from all over the country that are familiar with our operation, and then you've got the institutional investors as well," said Lamson, who's based in Woods Hole. "So we're hoping there'll be a lot of demand to buy the bonds."

State Backing

The authority plans to repay the bonds using operating revenue, including fares. The debt is also backed by the full faith and credit of Massachusetts. Moody's Investors Service ranks the bonds Aa1, its second-highest grade and the same as the state. The authority had \$38.9 million of bonds as of April 17, according to bond documents.

When the agency sold debt in November, bonds maturing in March 2021 priced to yield 1.66 percent, or less than 0.1 percentage point above benchmark debt, Bloomberg data show.

Demand for the service has been rising. Ridership has climbed 5.8 percent since 2010, bond documents show.

The agency raised ticket prices this year after generating about \$29.4 million in passenger revenue last year. For the trip to Nantucket, about 30 miles (48 kilometers) off Cape Cod, fares rose by \$1, to \$18, for adult passengers without a vehicle, Lamson said. Fare changes may bring in an additional \$1.9 million, bond documents show.

The authority has never needed to tap the commonwealth guarantee, said Dan Belcher, a senior muni analyst at Columbia Threadneedle Investments. The firm, which manages about \$30 billion of munis, owns some of the authority's debt.

Chowder, Beer

"From a credit standpoint, we view it as very high quality," Belcher said from Boston. "It's kind of a double-barreled security. It's self-supporting, and it has the pledge of the commonwealth."

The new vessel, to be named the M/V Woods Hole, can hold 384 passengers, about 50 percent more than the M/V Governor, which it will replace. The ship is expected to go into service in May 2016.

For the famished or parched, the lunch counter will offer sandwiches and chowder as well as beer and wine, Lamson said. The vessel will boast individual seats, rather than just benches, and will have more outlets for riders to power up electronics, he said.

The M/V Woods Hole will also carry cars and trucks, and will be able to hold 10 to 12 semi trucks, double the capacity of the M/V Governor, Lamson said.

Route Flexibility

The new ship will be able to operate in shallower channels, allowing it to make the trip between Hyannis and Nantucket and also sail from Woods Hole to Martha's Vineyard, he said. The M/V Governor is limited to the latter.

The authority, with nine vessels that typically have a service life of about 50 years, wants to replace a ship every six or seven years, he said. The last switch was in 2007.

While low borrowing costs help, the authority needed to go to the market regardless, said Robert Davis, its treasurer and comptroller.

"If it was a higher rate, we'd still be looking to go out in all likelihood," Davis said. "The overwhelming need to maintain safe, reliable service to the islands is paramount."

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