# Bond Case Briefs

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## New Jersey Capital City, Trenton, Scraps Bond Deal.

(Reuters) – New Jersey's capital city, Trenton, has canceled a bond refunding sale because a credit downgrade on Monday left it unable to save enough money for the deal to meet legal standards, Trenton's finance director told Reuters.

The scrapped deal is one of the first signs of local financial fallout from broader concerns about New Jersey's public pension problem and Governor Chris Christie's appointment of an emergency manager for the struggling gambling hub Atlantic City.

Cash-strapped Trenton had planned to sell about $17.8 million of general improvement and sewer utility refunding bonds on April 28. As a result of the ratings cut by Moody's Investors Service, however, the city would have to pay a higher interest rate and therefore would not have met the minimum 3 percent savings required by state law, Trenton Finance Director Ronald Zilinski said.

"The state's getting hammered, hence we're getting hammered," Zilinski said.

Christie, a likely 2016 Republican presidential candidate, appointed an emergency manager in January to run Atlantic City. The appointment signaled to investors in the $3.7 trillion U.S. municipal bond market that the state's historically strong support of its struggling cities could be eroding.

Christie also slashed $1.6 billion from the state's 2015 pension contribution, which New Jersey could now be forced to pay anyway with just over two moths left in the fiscal year. That would put further strain on the already tight state budget and could prompt cuts in state aid to Trenton and other struggling cities.

In March, Moody's warned that it could downgrade seven distressed New Jersey cities, including Trenton, Newark and Paterson.

Moody's cut its rating on the state a week ago, New Jersey's ninth credit downgrade by Wall Street since Christie took office in 2010.

Debt from six of the seven cities subject to Moody's review was priced weaker on Thursday than at the start of the year, according to a Reuters analysis of price evaluation data provided by Markit.

One of those cities, Newark, saw the price of one of its bonds drop by $1.74 since Jan. 2, but it's still above par at $104.57, according to Markit.

Overall, though, the seven cities' bonds have mostly charted the same path as benchmark 10-year muni yields, according to Municipal Market Data, a unit of Thomson Reuters.

Cities are also getting a lift from yield-hungry investors, who are paying higher prices even for riskier credits amid a shortage of available new muni bonds.

"Tax-free bonds are in huge demand, so people are willing to pay a little more to get yield than in the past," said Ben Eiler, a partner at Georgia-based muni bond broker dealer First Southern Securities.

That could be good news for Trenton. It is still planning to sell $10.6 million of new bonds on May 28, though it will now have to pay more to insure them, Zilinski said. The city is also planning a bond anticipation note sale on June 3.

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