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61,064 Failing Bridges Must Wait as Cities Borrow at Decade Low.

States and cities rely on the \$3.7 trillion U.S. municipal-bond market to pay for roads, commuter trains and water works. Yet even with a growing backlog of projects, 61,064 deficient bridges and interest rates near a half-century low, such borrowing has dropped to the slowest pace in at least a decade.

About \$14.8 billion of municipal debt has been sold this year for highway, airport and mass-transit projects, on pace for the smallest amount since at least 2005, data compiled by Bloomberg show. The population has grown by 7.5 percent since then, placing an increasing demand on America's infrastructure: The Federal Highway Administration estimates that when it comes to bridges alone, one in 10 is structurally deficient. The American Society of Civil Engineers reckons that more than \$3 trillion of work should be done.

"It's a pretty deteriorated backbone," Marc Lipschultz, head of energy and infrastructure at KKR & Co., said in an interview at Bloomberg Markets Most Influential Summit 2015 in New York on Tuesday.

"There's not enough capital in the public domain," he said. "It's trillions of dollars of capital that has to be invested."

One reason for the lack of borrowing: officials at local governments that were stung by budget shortfalls after the recession have been leery of taking on new debt. Instead, they've been seizing on low interest rates to refinance higher-cost bonds. About two-thirds of the \$312.5 billion issued through Sept. 30 has been for that purpose, Bank of America Merrill Lynch data show.

Federal subsidies briefly spurred work on infrastructure, though the program has since lapsed. Borrowing for new highway, airport and mass transit projects reached a record \$65 billion in 2010, the last year of the federal Build America Bonds program, Bloomberg data show. The initiative paid a share of the interest bills on taxable debt sold for public works, which prodded governments to borrow.

Private investment should be encouraged as a way to find new sources of funds, Lipschultz said. KKR struck a 40-year deal in 2012 with Bayonne, New Jersey, in conjunction with the United Water unit of Suez Environnement to operate the city's water system. He said such deals, however, haven't been widely embraced.

"It's slow in the making," he said.

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