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Water Deals Top U.S. Municipal Bond Sales Next Week.

The two biggest negotiated deals on next week's \$6.7 billion U.S. municipal bond and note calendar will fund water infrastructure projects in Massachusetts and California.

Issuance of U.S. water and sewer municipal bonds in the first quarter rose to \$10.2 billion, a 7.8 percent increase over the same quarter in 2015, according to Thomson Reuters data.

That was nearly 23 percent higher than the \$8.28 billion median quarterly issuance for water bonds over the last 10 years, according to Reuters calculations.

Local governments invested over \$2 trillion in water and sewer infrastructure through 2013 and spend \$117 billion a year, said Senator Jim Inhofe, chairman of the U.S. Senate's environment and public works committee, citing data from the U.S. Conference of Mayors at a hearing on Thursday.

He noted that the U.S. Environmental Protection Agency has finally requested funding to start up the Water Infrastructure Finance and Innovation Act, passed in 2014.

Although the EPA requested \$15 million, the committee is planning to provide about \$70 million to fund the initiative, Inhofe said.

But he said more encouragement for private investment is needed, adding, "If it can't be raised through municipal bonds, where's it going to come from?"

Near record-low interest rates could be an incentive to borrow. Yields on top-rated 30-year municipal bonds closed at 2.54 percent on Friday, just 7 basis points off the 2.47 percent low in November 2012, according to Municipal Market Data, a Thomson Reuters unit.

Next week, Massachusetts' Water Resource Authority will price \$535 million of general revenue and refunding bonds through senior managing underwriter Citigroup.

The water system covers 2.8 million people, or 43 percent of the state's population, including most of the Boston metropolitan area, according to a presentation for potential investors.

The authority had about \$5.4 billion of debt outstanding as of March, including bonds and loans. Of that, about \$905.5 million is variable rate, with \$492 million of associated swaps.

Its fiscal 2016 budget grew by \$28 million over the previous year, mostly for capital finance expenses, representing an overall rate increase of 3.4 percent, the presentation noted.

A one-day retail order period on Wednesday is to be followed by a day of institutional pricing.

California's Infrastructure and Economic Development Bank will issue \$414.2 million of clean water state revolving fund revenue bonds as green bonds through lead manager Morgan Stanley.

REUTERS

APRIL 8 | BY HILARY RUSS

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