

# **Bond Case Briefs**

*Municipal Finance Law Since 1971*

---

## **Mega Deals Lead Ballot Measures as Infrastructure Makes Comeback.**

Voters will have more than Donald Trump and Hillary Clinton to consider at the polls in November; they'll be weighing whether to approve spending for over \$200 billion for roads, transit systems, schools and other projects.

For the first time since 2008, voters will see more than half a dozen so-called mega infrastructure projects on ballot measures, including \$120 billion in Los Angeles; \$53.8 billion in Seattle; \$4.7 billion in southeastern Michigan and \$2.5 billion in Atlanta. In California, voters will decide on funding housing for the homeless, \$9 billion of school-facility bonds and to further finance San Francisco's transit system. Colorado ballot measures contain \$4 billion of bonds for schools in various districts.

Officials are banking on voters giving them authority to tap into near record-low municipal bond interest rates to address a backlog of projects estimated at \$3.6 trillion, according to the American Society of Civil Engineers in Washington.

"Everyone's been talking for years that interest rates are low and it's a good time to borrow," said Natalie Cohen, managing director for municipal-securities research with Wells Fargo Securities LLC in New York. "Lower interest rates are with us now, but there's some expectation they will go up."

The long list of projects is viewed as a sign of renewed confidence in many state and local governments that a stronger economy has restored revenues and made it possible to focus on new spending to address the backlog of needs including road and highways, transit systems and sewer and water works. The need for such spending has been injected into the U.S. presidential campaign, with both Clinton and Trump promising hundreds of billions of dollars for the country's fraying infrastructure.

"What we're seeing going on at the ballots is state and local governments acknowledging they have an infrastructure problem and are now showing a willingness to do something about it," said Brian Pallasch, managing director government relations and infrastructure initiatives at the civil engineers society. "This problem has been building for years."

Overall the financial health of many state and local governments continues to improve after suffering setbacks after the financial crisis that began in 2008. S&P Global Ratings said in July that increased consumer spending and housing market expansion have helped improve the credit conditions. And state spending has surpassed pre-recession peaks even as growth continues to lag and pressure state finances, BlackRock Inc. said in a report last month.

Municipalities across the country have already sold more than \$294 billion of bonds this year, on pace to surpass 2010's record amount of bond issuance. More of the bonds are going to fund new infrastructure rather than refinancing higher cost debt sold in previous years, a sign that officials are trying to catch up on needs neglected after the worst recession since the 1930s.

Projects oriented toward improving transportation got a boost this year after Congress and the president approved a \$305 billion highway bill that will provide funding over five years, said Wells Fargo's Cohen, the first long-term surface transportation legislation in a decade. The program creates matching opportunities for local projects. Transportation is the largest need of the civil engineers group's list.

In Los Angeles, municipal officials are pushing for a new half-cent sales tax and the extension of an existing levy that could raise \$120 billion for transportation infrastructure over the next four decades. The plan calls for funding transit projects, road and highway construction as well as walking and biking routes.

"We believe that we will settle once and for all the transportation challenges" in Los Angeles, Phillip Washington, chief executive officer of the Los Angeles County Metropolitan Transportation Authority, said Monday during a conference call on transportation projects.

In general, voters have shown a willingness to approve bond and tax issues. Integrated Market Systems, a San Diego company that tracked 295 bond issues on the ballots during primaries before May 25, found that 77 percent were approved by voters. In March, North Carolina voters approved \$2 billion of bonds for new buildings at the University of North Carolina and community colleges, local water and sewer systems, parks and other projects.

"The success of funding ballot measures is very high," said Michael Likosky, infrastructure principal at 32 Advisors, a New York firm that advises on investments. "Governments are getting stabilized and asking for infrastructure funding again."

## **Bloomberg Markets**

by Darrell Preston

September 13, 2016 — 2:00 AM PDT