

# Bond Case Briefs

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## California City Infamous for Graft Seeks Muni-Market Atonement.

- **Once corrupt Bell plans to sell general-obligation bonds**
- **Seven city leaders were found guilty after the 2010 scandal**

Bell, California, is returning to the municipal-bond market for the first time since a graft and corruption scandal that reverberated nationally for the breadth of the venality.

The small city just south of Los Angeles plans to sell about \$25 million in general-obligation bonds to refund older securities, according to S&P Global Ratings. The company ranks the debt BBB+, three steps above speculative grade. Bell last sold general obligations in 2007, according to data compiled by Bloomberg. While backed by bond insurance, that debt was also rated BBB+ by S&P.

The bond sale, underwritten by Stifel, is “definitely a good sign” for Bell, said city Finance Director Tineke Norrdin. The offering is expected the week of May 21, said David Brodsky, a managing director at KNN Public Finance, the city’s financial adviser.

In 2010, the Los Angeles Times exposed that politicians and top administrators of the city of about 37,000 people were among the highest paid in the nation even as its residents were among the poorest. The city manager earned nearly \$800,000 a year while part-time city council members received about \$100,000 annually. Criminal investigations ensued. Seven officials were found guilty of multiple charges, S&P said.

After the arrest of the city administrative officer in 2010, Bell defaulted on a \$35 million principal payment on lease-revenue bonds that were privately placed with Dexia Credit Local. The city has since resolved the litigation over the default and has even garnered one-time funds from various settlements related to the bond issue, according to S&P.

Bell’s rating outlook is stable, an indication that the city has “sufficiently reformed its practices and policies and has rehabilitated its finances” since then, S&P said. “The stable outlook also reflects our expectation that, over time, the city’s staff retention will improve and the city’s political culture will continue becoming more transparent and responsive.”

### **Bloomberg**

By Romy Varghese

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— *With assistance by Sophia Sung*