

Bond Case Briefs

Municipal Finance Law Since 1971

Hands-Off Approach May Be Changing in Hub of Muni Bankruptcies.

- **California treasurer hopeful wants to help cities on the brink**
- **State has laissez-faire attitude to municipal bankruptcies**

California is notorious for its hands-off approach to distressed cities. Fiona Ma wants to fundamentally change that if she becomes state treasurer.

Ma, a Democrat who's running against Republican Greg Conlon in November, said she would establish a website that would list credit ratings and key financial metrics for local governments. As part of that effort, municipal officials seeing fiscal straits ahead could ask for assistance from the treasurer's office, she said in an interview in San Francisco.

"Local governments have to balance every year. They are very limited in what they can do," said Ma, a certified public accountant who currently serves on the state's board of equalization, which administers some taxes. "We should be looking out for them."

That would mark a shift for California, home to four of the six biggest bankruptcies filed by municipalities in the past quarter century. While the state, through legislation or voter initiatives, has foisted limits on local governments such as on their taxing power and mandated spending, it has no system for monitoring cities that fall in distress.

Providing a central portal for local financial information could spur more investment in lesser-known cities by making it easier for bond buyers to assess conditions and risk, said Ma, who has also served in the state Assembly and on the San Francisco board of supervisors.

Bondholders "don't want to invest in some of the smaller cities because they're not sure whether in the next recession, they're actually going to be paid back," she said.

Ma would also ensure that she knows the impact on municipal governments before making decisions at the California Public Employees' Retirement System and California State Teachers' Retirement System, she said. As treasurer, she would have seats on the boards of both systems, the two largest U.S. pensions.

If Calpers, for instance, is considering a cut to the assumed investment target, which would spur higher contributions from localities to make up the difference, she wants to know if that could leave some scrambling to pay their bills, she said.

"We need to be sensitive that whatever the state does that affects local governments, that you do not surprise them," Ma said. "Because that's where they're going to get in trouble."

Ma is vying to replace Democrat John Chiang, who is leaving his post after an unsuccessful primary run for governor. She's favored to win, as Democrats outnumber Republicans in California by almost 2 to 1.

Bloomberg Markets

By Romy Varghese

July 12, 2018, 7:27 AM PDT

Copyright © 2024 Bond Case Briefs | bondcasebriefs.com