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New Municipal Bond Buying Program Comes to Aid of NJ Municipalities During COVID-19 Crisis and Beyond.

Parsippany, N.J. — Finding ways to finance debt has become a major priority for municipalities across New Jersey as a result of the COVID-19 pandemic. The [Municipal Excess Liability Joint Insurance Fund \(MEL\)](#), which serves nearly 65% of all municipalities in the State, has established a special program to provide aid and stabilize the Municipal Bond Market.

The MEL created the Joint Cash Management and Investment Program (JCMI) to purchase short-term (1 year) Bond Anticipation Notes (BAN) at fair market prices to save towns money and enable the continuation of important local improvement projects such as roads, bridges, equipment, and construction. The MEL is the largest workers' compensation, liability, and property insurer of local governments in New Jersey.

"At the beginning of the COVID-19 pandemic municipal markets were in turmoil, no one was buying municipal debt and interest rates had risen," said Jon Rheinhardt the MEL Investment Chairman. "We had been working on getting this program operational when we received a call from the Governor's office asking what we could do to help and how fast we could do it."

With more than \$500 million in funds to invest, the MEL entered the marketplace to help stabilize a tightening municipal bond market.

"Many regular investors left the market due to uncertainty and the few that still bid were at really high rates," explained Dan Mariniello a Principal with NW Financial Group, which is a financial advisor to the MEL. "By entering the market and bidding a more appropriate market interest rates they were able to stabilize the rising interest rates in the market."

MEL has already developed a significant market presence. More than \$95 million in notes for 26 municipalities have been purchased, which represents approximately 9 percent of the short-term competitive notes sold in New Jersey since April.

The Borough of Ringwood was the first town to benefit from the program.

"We had a \$6.5 million Bond Anticipation note coming due in early April," said Scott Heck the Manager of the Borough of Ringwood. "We were concerned whether or not we would get any bids in light of the economic uncertainty, or that the interest rate would be very high which could seriously affect the community's budget." He added, "This program saved us directly with a great rate and also took away the financial uncertainty, and I am grateful."

To date, the JCMI has focused bidding only on short-term debt from municipalities that are affiliated with MEL, which includes 388 municipalities across New Jersey. However, the success of the program has ultimately benefited all municipalities seeking to finance their short-term debt in New Jersey during this crisis.

"We are always looking for ways to assist our members, but we are also committed to developing

programs that positively impact municipalities and the state,” said Joseph Hrubash, Deputy Executive Director of the MEL JIF.

David Grubb, Executive Director and Co-Founder of the MEL JIF said that this is only the beginning. “We will be able to do even more if bills [A-3971](#) and [S-2475](#) are passed, which would authorize towns to issue ‘coronavirus relief bonds’ to borrow money to cover shortfalls and unanticipated costs that are a direct result of the COVID-19 pandemic.”

The Joint Cash Management and Investment Program was made possible after special rules were adopted ([NJAC 5:38-1](#)) in 2019 by the Department of Community Affairs Division of Local Government Services to allow Joint Insurance Funds to expand investments to include the purchase of short and long-term municipal debt.

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The Municipal Excess Liability Joint Insurance Fund is the largest governmental self-insurance pool for property and casualty in the country. For more than 30 years, the MEL JIF has provided risk management, training, education, resources and guidance to municipalities, public entities and public officials across New Jersey. Since 1987 MEL JIF has saved New Jersey taxpayers over \$3 billion dollars. Visit [NJMEL.org](#) for details.

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