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San Francisco Utility to Test Euro Interest in Muni Bonds.

- **London Stock Exchange listing to be first by U.S. muni issuer**
- **Utility wants to grow investor base with European listing**

San Francisco's water and power utility will test European appetite for U.S. municipal green bonds with an inaugural listing on the London Stock Exchange.

The Public Utilities Commission of the City and County of San Francisco, which provides water, wastewater treatment, and hydroelectric and solar power, is scheduled to sell \$665.4 million in taxable bonds on Oct. 7. A \$341.9 million slice of that will be designated as green bonds and listed on the London exchange, making the utility the first U.S. municipal issuer to do so.

Green bonds are a growing segment of fixed-income markets, with \$258 billion of debt and loans issued in 2019, up from \$171 billion the year before, according to the Climate Bonds Initiative. The growth was led by the broader European market, which accounted for 45% of the total, the CBI said. Sales of sustainable municipals have also been on the rise, with \$9.9 billion sold this year, a 46% increase from 2019, according to data compiled by Bloomberg.

"A lot of European investors are restricted to green bonds that are listed on a European exchange," Mike Brown, the utility's environmental finance manager, said in an interview. "Our goal is to help grow our investor base and also grow the U.S. muni-green bond investor base."

International investors have been an increasingly bigger presence in the municipal-bond market that normally caters to retail and institutional buyers within the U.S. Holdings of state and local government debt by overseas buyers jumped to \$107.3 billion as of the second quarter, according to Federal Reserve data. It was the biggest quarterly increase in a decade.

Municipal bonds can appeal to buyers in Europe and Asia because they're high-quality assets that have a good amount of yield and are less risky than corporate bonds, said Jeffrey Burger, a portfolio manager at Mellon Investments Corp. Mellon has a municipal bond fund in Ireland specifically targeted to European buyers. Burger said he's been fielding an "unequivocally" higher volume of calls from investors in Europe and Asia interested in municipals.

Proceeds from the San Francisco sale will be used to refinance debt sold for projects relating to improving water supply and drought preparedness, restoring habitats and protecting the water supply against seismic activity, among other environmental projects.

Once the sale has closed, the London exchange is expected to officially list the bonds by late October, Brown said.

The utility explored multiple European exchanges for the listing, but settled on London mainly because it could maintain the same disclosure process used for U.S. investors, said Vishal Mawkin, an attorney with Norton Rose Fulbright, bond counsel for the deal.

"We were keen to ensure that we didn't need to include additional disclosure," Mawkin said.

If interest is strong and the deal is successful, this could be the first of many taxable green bond sales into Europe for the commission, Brown said.

Bloomberg Finance

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October 5, 2020, 2:00 AM PDT Updated on October 5, 2020, 6:53 AM PDT

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