

# **Bond Case Briefs**

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## **Stressed Cities Strike Billions in Debt Plans From Ballots.**

- **Bond queries facing voters are down nearly \$20 billion**
- **Pandemic isn't time to ask voters to approve loans: officials**

Local governments are scuttling borrowing plans that would normally be put before voters on Election Day as financial uncertainty strains municipal budgets and stresses taxpayers that need to sign off on such debt.

State and local governments will ask voters to weigh in on at least \$52 billion worth of bond measures on the Nov. 3 ballot, according to preliminary data from IHS Markit. That's the lowest for a presidential election year since 2012 and nearly \$20 billion less than 2016 even as interest costs are well below the rates of four years ago.

"We did not feel it was right or responsible to place further burdens on our residents," said Mayor Linda Anthony of West Lake Hills, Texas, whose town shelved two measures totaling \$22 million in what would have been its first ever bond deal. "We don't want our maiden attempt to fall flat on its face, and it didn't seem like the right time to ask residents to vote to increase their taxes, and that's essentially what it would have done."

Ballot measures where residents vote on whether or not to allow a municipality to sell bonds to finance public work projects like new schools, parks or a town hall are getting canceled, showcasing the fiscal anxiety facing U.S. towns and cities. Budgets have been hit hard by the coronavirus pandemic, as shutdowns slash tax revenue and public health costs rise. States and local governments face combined shortfalls of \$450 billion through fiscal 2022, according to a September estimate from Moody's Analytics.

It took West Lake Hills officials four years to put together the bonding plan to finance road and drainage improvements and to pay for a new municipal complex. The deal was originally supposed to go on the ballot in May but that election was also postponed amid the pandemic.

Deferring infrastructure projects, which are often financed by bonds, is usually one of the first steps governments take during an economic downturn, according to Christopher Berry, a public policy professor and academic director of the Center for Municipal Finance at the University of Chicago.

"It's easier to push off for a couple of years because they're generally long-term projects that voters won't miss in the short-run," Berry said. "It's a natural response when times are tight to cut things that are less painful in the moment — even if we are just delaying the pain."

### **Nixed Borrowings**

And it's not just towns and cities that are nixing bond-ballot measures this election. New York state pulled a \$3 billion environmental bond from the November ballot, citing a dire financial situation stemming from the pandemic.

"It was my proposal. I believe deeply in it, but we need to have financial stability before we do that,"

Governor Andrew Cuomo said in July.

Texas is normally a boon for municipal deals because of its soaring population and infrastructure needs. But this year Irving, Texas, outside of Dallas, canceled 12 bond ballot measures totaling more than \$560 million for projects ranging from parks and recreation improvements to an art project. And further south, in Killeen, Texas, the school board canceled a proposed \$265 million bond.

"The Covid crunch and its effect on the economy in the state of Texas just appears to be unbearable," said Corbett Lawler, president of Killeen ISD board of trustees, "and with all that unknown we didn't want to saddle our voters with a \$200 plus million bond."

### **'Too Uncertain'**

Money from the sale would have constructed four new elementary schools, renovated a high school and improved athletic facilities. Lawler said the district may revisit the bond issue in a year or so. "It's just too uncertain right now."

The West Ada School District near Boise, Idaho, originally planned to ask voters for more than \$60 million for campus improvements but postponed the ballot item because of the rapidly climbing unemployment rate and deteriorating economy, said Char Jackson, a district spokesperson. She said the district plans to run the bond in March.

Not all local governments are taking such austerity measures, especially amid near record low borrowing rates. The Los Angeles Unified School District is asking voters for \$7 billion in bonds for school construction upgrades, and Dallas Independent School District has a \$3.7 billion measure on the ballot, which is believed to be the largest issuance of debt from any local entity in Texas history.

### **Indefinitely Postponed**

Tom Kozlik, head of municipal strategy at Hilltop Securities said it took years for governments to be comfortable issuing debt after the financial crisis. Governments were concerned about having one more thing to pay for, he said. Similar discussions in statehouses and city council meetings are happening now.

"Even though the money is near the cheapest it's ever been, you need to have the revenue to pay it back and there's a lot of other expenditures grabbing at that money right now," Kozlik said.

In South Carolina, the Rock Hill School board indefinitely postponed a \$295 million bond measure. The decision whether or not to reapply to voters depends on the education needs in a post-Covid world, said Helena Miller, chairman of the board.

"The needs before and after Covid are very different," she said. "We may have to go back to the drawing table to see what the needs in our community really are."

### **Bloomberg Economics**

By Danielle Moran

October 23, 2020, 6:30 AM PDT

— *With assistance by Nic Querolo*

