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California Draws Wall Street Bond Pitches for Clean Car Goals.

- **Governor wants to sell new debt for charging, fueling stations**
- **Banks outline how they can structure the novel deal for state**

JPMorgan Chase & Co. and Loop Capital Markets are angling for a piece of underwriting business that would help California put more electric vehicles on the road, as the most populous U.S. state tries to meet aggressive targets for the new cars.

Both banks submitted pitches to state Treasurer Fiona Ma suggesting ways to structure \$1 billion of bonds that Governor Gavin Newsom proposed to build vehicle charging stations, public records obtained by Bloomberg News show.

In fact, JPMorgan bankers said the bonds could carry ratings higher than those on the state's general-obligation debt, according to their presentation. That would further boost the appeal to prospective buyers.

The underwriters' pitches illustrate how banks are eager to capitalize on the growing interest among investors in projects addressing climate change, even in the late-adopting state and local bond market. And California could tap into its solid base of municipal-bond buyers to finance its nation-leading environmental initiatives.

"Banks, as well as investors, are increasingly interested in getting involved with green proposals," said Howard Cure, head of municipal research at Evercore Wealth Management. "Investors in California paper, a specialty state given the high state income tax, are always looking for newly secured debt issues, so demand would be great."

JPMorgan spokesperson Jessica Francisco declined to comment. An email and a telephone call to Loop Capital's media office weren't returned. The Newsom administration anticipates selling the first round of the bonds in late 2021, said spokesperson H.D. Palmer. Ma said her office has yet to select an underwriter for the transactions.

Last year, Newsom signed an executive order mandating that California phase out sales of new, gasoline-powered cars by 2035, the first state to do so. His securitization idea, included in his January budget, would help make that target happen by building more electric-vehicle-charging and hydrogen-fueling stations for alternatives to gas guzzlers.

The JPMorgan presentation cited a McKinsey & Co. report saying that lack of access to such stations posed the third-most serious barrier for people to purchase the cleaner vehicles, after price and driving range.

Newsom proposed securitizing future revenue from existing vehicle registration fees that had been set to end in 2024, instead of just pledging the cash flow for revenue bonds. That kind of structure entails more protections for bond holders, said JPMorgan bankers, who sketched out the potential of

“high AA ratings” for the debt. California is rated Aa2 by Moody’s Investors Service, AA- by S&P Global Ratings and AA by Fitch Ratings.

Loop also said it anticipates the bonds could earn credit ratings in the AA category. The bankers noted in their pitch that they have done a “deep dive” on the governor’s proposal and that they “stand ready to assist” the various state agencies “to develop the concept into a viable plan of finance.”

Bloomberg Markets

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March 23, 2021, 6:00 AM PDT

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