

Bond Case Briefs

Municipal Finance Law Since 1971

The Brave New World of Local Government Debt Management.

COMMENTARY | Market volatility, economic uncertainty and factors like climate change are driving heightened risk, creating a tougher issuing environment and a more complex landscape.

“How do we use federal money and stay compliant?”

That was Kevin Bain’s reply when our team asked what was top of mind for him. He is the director of strategy for the Detroit treasury department and CFO’s office, where he oversees debt management and strategic projects.

Bain was one of a number of finance leaders we spoke with to examine the role and impact debt managers have in improving local government finances. His response points to a trend that reflects an increasingly complex debt management world and the need for increased fiscal dexterity.

Detroit wants to tap into tax credits for clean-energy investments that are available under the Inflation Reduction Act. This is not a resource that municipalities typically apply for, so the city has no mechanisms in place for it. “We’re building the plane as we fly it,” says Bain.

A More Strategic, Agile Approach

The field of municipal finance is evolving. Market volatility, economic uncertainty and factors like climate change are driving heightened risk, creating a tougher issuing environment and a more complex landscape, such as with federal grant funding compliance.

There are “more and newer expectations foisted on the debt management function,” explains Justin Marlowe, a professor at the Harris School of Public Policy at the University of Chicago. “Whether that is better disclosure or continuing disclosure vis-à-vis the MSRB [Municipal Securities Rulemaking Board] or state authorities ... and with pressure to speak to ESG and sustainability concerns, people now are actively scrutinizing when, where and how the quality of your continuing disclosure happens.”

In today’s municipal bond market, persistently high and fluctuating interest rates have increased borrowing costs for issuers and made issuing bonds more difficult. Local governments are beginning to recognize the heightened importance of the debt management role. “It has the potential to generate savings and add financial value,” notes Marlowe.

Route Fifty

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