Wells Fargo Ousted From Texas Muni Deal Over Energy Policy Probe.

- **Bank was removed from school district deal on AG inquiry**
- **Texas is the largest market for muni bond sales this year**

Wells Fargo & Co. has been dropped from underwriting a school district bond deal in Texas, the latest sign of turmoil in the state's ongoing battle with banks over their climate change policies.

Raymond James is listed as the new senior manager on the $310 million bond deal for Cypress-Fairbanks Independent School District, based outside of Houston, according to people familiar with the matter who requested not to be identified because they aren't authorized to speak on the discussions.

The move shows Texas governments, major issuers of municipal bonds, are wary of working with banks that state Attorney General Ken Paxton put under review last week. Paxton said he was evaluating whether the companies can comply with a Republican-backed state law that punishes firms for restricting their work with the oil and gas industry because of climate change concerns.

A spokesperson for Wells Fargo and Jana Fuller, a spokesperson for Raymond James, declined to comment. Representatives for the Cypress-Fairbanks Independent School District didn't respond to emails and phone calls requesting comment.

Paxton's office announced in a letter dated Oct. 17 that it's reviewing companies that are members or affiliate members of the Net Zero Banking Alliance and other groups of companies that have committed to reducing greenhouse gas emissions. Wells Fargo is a member, and Raymond James is not, according to the group's website.

The investigation is the latest salvo in Texas' attempts to punish Wall Street for what it believes to be left-leaning stances on environmental policies. Texas is the largest market for municipal bond sales so far this year, with more than $50 billion of issuance.

The state passed a law in 2021 that restricts most public contracts with financial firms unless they verify that they do not boycott the oil and gas industry. Paxton's office, which oversees the state's lucrative new issue municipal bond market, said it's reviewing whether financial companies, including Bank of America Corp. and JPMorgan Chase & Co., can comply with that legislation.

Wells Fargo is credited with managing about $2 billion of Texas municipal bond deals so far in 2023, according to data compiled by Bloomberg. It is the 10th largest underwriter in the state.

Bloomberg Markets

By Nic Querolo and Amanda Albright

October 23, 2023

A Florida Beach Paradise Needs Millions to Keep Toilets Flushing.

- **Like the state, Cape Coral's population swelled in last decade**
- **Sale of $138 million in debt will help shift from septic tanks**

The accelerating growth of Cape Coral, Florida, is spurring the town to tap the municipal bond market for basic needs like running water and working toilets.

The Gulf Coast city plans to sell $138 million in debt next week, with proceeds used for water systems to reduce reliance on wells and site-specific septic tanks. Cape Coral joins other Florida cities building and expanding water and sewer facilities to meet demand from a US migration that's given the state the fastest-growing population in recent years.

"We didn't expect this to happen this quickly," Ryan Rossi, director of the South Florida Water Coalition, said regarding the population growth in the region. "We really need in Florida to update a lot of our infrastructure."

Continue reading.

Bloomberg Markets

By Shruti Singh and Eniola Longe

October 20, 2023

S&P Second Party Opinion: Rhode Island Housing And Mortgage Finance Corp.'s Impact Framework

The two eligible social project types are the construction and preservation of affordable mixed-income housing and providing single-family mortgage loans for qualifying low- and moderate-income, first-time homebuyers. We believe these projects will improve living conditions for low- and moderate- income residents in Rhode Island by helping maintain and expand access to safe, affordable housing, and encourage investment in sustainable communities. We assess RIHousing's Impact Framework as light green, which indicates activities representing transitions steps in the near term that avoid emissions lock-in but do not represent long-term low-carbon climate resilient solutions.

Download

S&P Charter School Brief: New York

View the Brief.

16 Oct, 2023

S&P Pension Spotlight: California

Key Takeaways

- Pension plans continue to be moderately funded for most cities and counties that participate under the California Public Employees' Retirement System's (CalPERS) statewide pension plans.
- We expect pension costs will rise for almost all local governments due in part to poor investment returns relative to plan assumptions.
- Pension obligation bond issuances have fall dramatically beginning in fiscal 2022 due primarily to the high interest rate environment.

Continue reading.

17 Oct, 2023

State of California (State Public Works Board): Fitch New Issue Report

The 'AA–' rating on lease revenue bonds, one notch below California's IDR, reflects the slightly higher degree of optionality associated with payment of appropriation debt. Lease revenue bonds are payable from base rental payments made by participating state agencies to the State Public Works Board. Tax revenues are dominated by personal income taxes, which are economically sensitive, particularly those related to capital gains. Long-term growth prospects for revenues are strong, driven by the state's robust economic fundamentals. The state retains the independent legal ability to raise taxes, subject to a legislative supermajority voting requirement. California has a solid ability to reduce spending throughout the economic cycle, although its flexibility is somewhat more restricted than most states due to constitutional requirements for funding education and voter initiatives that limit state discretion. Long-term liabilities, while above the median for U.S. states, remain a moderate burden on the resource base. California's strong budget management during the extended period of economic expansion and revenue growth following the Great Recession allowed the state to materially improve its financial position and enhance its ability to address future fiscal challenges.

ACCESS REPORT

Thu 19 Oct, 2023

State of Rhode Island: Fitch New Issue Report

The Rating Outlook revision to Positive from Stable reflects the State of Rhode Island's generally declining long-term liability burden as a share of personal income, supported by improvements in debt management and growing financial relief from pension changes enacted more than a decade ago. Fitch anticipates that Rhode Island's revenues will grow on a nominal basis over the long term given Fitch's expectations for slow economic growth in the state. The state has complete legal control over its revenue system through mechanisms such as base-broadening and the ability to levy new taxes and fees and to adjust rates. The state maintains ample expenditure flexibility with low carrying costs and the broad expense-cutting ability common to most U.S. states. Medicaid remains a key expense driver and a focus of expenditure-control efforts. Moderate revenue growth prospects temper Fitch's assessment of the natural pace of spending relative to expected revenue growth, with growth in spending likely to exceed new revenue formation in the absence of policy action. Rhode Island's long-term liabilities are moderate but well above the median for U.S. states. Pension obligations exceed outstanding debt, driven in part by past funding practices and the state carrying a sizable share of teacher liabilities. Rhode Island has high gap-closing capacity, wide-ranging budgetary management powers and a strong commitment to maintaining a prudent fiscal reserve through economic cycles. Policy measures implemented over the past decade have positioned the state effectively to deal with moderate economic downturns while maintaining a high level of financial flexibility.

ACCESS REPORT

Wed 18 Oct, 2023

State of Texas: Fitch New Issue Report

Texas' 'AAA' Issuer Default Rating (IDR) and general obligation (GO) bond rating reflect its growth-oriented economy and the ample fiscal flexibility provided both by its conservative approach to financial operations and the maintenance of substantial reserves, including in its budgetary reserve, the economic stabilization fund (ESF).

ACCESS REPORT

Fri 20 Oct, 2023

Chicago Mayor's Campaign Plans Collide With $538 Million Deficit.

- **Mayor Johnson set to release 2024 budget proposal on Wednesday**
- **City's costs from pensions to caring for migrants are climbing**

Chicago Mayor Brandon Johnson is set to reveal his 2024 budget on Wednesday, which will be a delicate balancing act between his campaign promises and the city's financial realities.

Rising crime, a half-a-billion dollar deficit, a $35 billion pension hole and soaring costs to care for the more than 18,000 migrants who have arrived in the Windy City since last August are all confronting the first-time mayor as he unveils his inaugural spending plan.

Johnson was elected in April on a progressive platform pledging to increase taxes on corporations, enhance public safety, and invest in poorer neighborhoods while arguing that the city's wealthiest should pay more to address the longstanding challenges. Businesses have since warned that they may consider leaving if they face new taxes, and the cost of caring for a growing influx of migrants has surged to $345 million, many of whom are sleeping at the airport and in police stations.

Continue reading.

Bloomberg

By Shruti Singh

October 10, 2023

[Houston Needs to Borrow 'Billions,' Mayoral Frontrunner Says.]

- **Whitmire cites 'fragile' water-treatment plant, leaky network**
- **Democrat leads main rival Jackson Lee 34% to 31% in new poll**

The leading candidate to become Houston's next mayor said the fourth-largest US city needs a multibillion-dollar bond issue to overhaul a brittle water system.

John Whitmire, the longest-serving Texas state senator, said one of his main priorities as mayor would be repairing and upgrading a decrepit water-distribution network that springs as many as 1,000 leaks a day. As recently as November, a widespread systemic failure prompted a citywide boil order that shut schools, disrupted hospital operations and closed restaurants.

A crucial water-treatment plant on the city's east side that failed last year "is very, very fragile," Whitmire said in an interview at Bloomberg's Houston office. "We have to do a major infrastructure program, not only water but certainly streets. Broken water mains are all over town so we've got to document that, we've got to convince the public that we're using their money wisely and then we've got to ask them for more."

Continue reading.

Bloomberg Politics

By Joe Carroll

October 10, 2023

S&P Second Party Opinion: Massachusetts Housing Finance Agency (MassHousing) Impact Framework

MassHousing has a strong social license to operate in the communities it serves. For close to 60 years, MassHousing has provided more than $27 billion for affordable housing, including single-family loans, down payment assistance, and loans for the construction and rehabilitation of affordable and mixed-income multifamily rental units. MassHousing's efforts are underpinned by ambitious education and counseling services which aim to promote financial literacy and upward mobility to the populations it serves.

Download.

Virginia Public School Authority: Fitch New Issue Report

The ‘AA+’ rating on the Virginia Public School Authority (VPSA) bonds, rated one notch below the Commonwealth of Virginia’s (the commonwealth) ‘AAA’ Long-Term Issuer Default Rating (IDR), is based on the availability of sum-sufficient budgetary appropriations made by the Virginia General Assembly in amounts sufficient to cure any debt service deficiency on the bonds. Moneys needed to cover any such sum-sufficient appropriation will originate from the commonwealth’s literary fund and, if necessary, its general fund.

ACCESS REPORT

Thu 12 Oct, 2023

San Francisco (City & County), California: Fitch New Issue Report

Key Rating Drivers Revenue Framework: ‘aa’: Very strong economic growth had been generating revenue growth well in excess of U.S. GDP for many years. Post-pandemic, Fitch expects certain revenues to be challenged given structural economic changes. Expectations for long-term revenue growth below U.S. GDP could affect the revenue framework assessment. This strength is partially offset by only moderate independent revenue-raising ability. Expenditure Framework: ‘aa’: Over time, Fitch expects expenditure growth associated with increasing salary and pension costs to be in line with or marginally above revenue growth. Expenditure flexibility is solid, reflecting a moderate fixed-cost burden, a demonstrated ability to curb expenditure growth through negotiated labor concessions, and the ability to temporarily reduce general fund capital spending in a downturn. Long-Term Liability Burden: ‘aa’: Long-term liabilities, net of those attributable to enterprise operations, are at the low end of the moderate range relative to the city’s economic resource base. Based on the city’s debt issuance plans, its amortization rate, and the expected growth in the resource base, Fitch expects the liability burden to remain in the moderate range.

ACCESS REPORT

Thu 12 Oct, 2023

Commonwealth of Massachusetts: Fitch New Issue Report

Tax revenues are diverse but dominated by individual income taxes, which are sensitive to economic conditions, particularly the components related to capital gains. Baseline growth prospects for tax revenues are strong and expected to match national GDP, driven by the commonwealth’s underlying diverse economy that includes a significant knowledge-based industry component. Consistent with most states, the natural pace of spending growth is likely to marginally exceed expected revenue growth over time, requiring ongoing cost control. The commonwealth has ample ability to reduce spending through the economic cycle. Long-term liability levels in Massachusetts, while comparatively high for a U.S. state, are a moderate burden on resources. The commonwealth’s above average liability position is partly the result of state funding of both capital needs and pensions that are more commonly funded at the local level, primarily for K–12 education. The commonwealth has superior gap-closing capacity supported by conservative budgeting, ongoing fiscal monitoring and a requirement to cut spending in response to revenue gaps. Gap-closing capacity is also supported by a funding mechanism that redirects a portion of economically sensitive capital gains tax receipts into the stabilization fund, which functions as the commonwealth's rainy day fund.

ACCESS REPORT

Thu 12 Oct, 2023

EPA Opens Civil Rights Investigation Over Alabama Sewer Funds.

Summary

- Civil rights law prohibits discrimination based on race
- Groups claim state funds do not reach Black residents in need

Oct 4 (Reuters) – The Biden administration has opened a federal civil rights investigation to examine whether Alabama environmental regulators discriminate against Black residents when giving out tens of millions of dollars in sewer and sanitation infrastructure funding.

The U.S. Environmental Protection Agency announced the probe in a letter sent to the Alabama Department of Environmental Management on Tuesday, after environmental and civil rights groups including the Natural Resources Defense Council requested an investigation in March.

The EPA said it will analyze whether the state agency has violated Title VI of the U.S. Civil Rights Act of 1964 through its management of a federally backed clean water fund that provides low interest loans to finance public infrastructure improvements in the state.

Continue reading.

Reuters

By Clark Mindock

October 4, 2023

Ice Rink's Muni Default Risks Pushing a Missouri City Into Junk Territory.

- **St. Louis suburb of Maryland Heights has BBB- rating from S&P**
- **Another downgrade could make it more expensive to borrow**

A small city in Missouri could see its credit rating cut to junk by S&P Global Ratings because of the financial woes plaguing a local ice rink backed by municipal debt.

The St. Louis suburb of Maryland Heights, home to 28,000 residents, currently has a BBB- rating, just one rung above junk. A slew of downgrades from S&P has brought its rating down eight notches from AA+ since 2020, largely because of its involvement with the Centene Community Ice Center. Managed by a local nonprofit, the facility serves as a practice center for the National Hockey League's St. Louis Blues and features four NHL-sized ice rinks.

The ice rink was once expected to make the St. Louis area a destination for hockey tournaments and special events. But it has faced pressure since the pandemic, when it was forced to temporarily shut its doors. The Industrial Development Authority of the City of Maryland Heights — the local agency that issued bonds for the facility — also defaulted on an interest payment to holders of its subordinate debt last month.

The default sparked a warning from S&P which has placed Maryland Heights on credit watch with negative implications. This means that there's a 50% chance the rating could change within 90 days.

Another downgrade could make it more expensive and difficult for the city to borrow in the future. Maryland Heights has $26 million of debt outstanding, according to data compiled by Bloomberg. It last borrowed from the muni market in 2020.

Because of the way the bonds for the ice center are structured, Maryland Heights technically isn't on the hook to pay bondholders. The ice center was built in a community improvement district which can levy up to a 1% sales tax for approved public uses, and that revenue is among the source that are used to pay bondholders.

Under the financing agreement, the city had agreed to set aside up to $625,000 each year to replenish a reserve account protecting the senior bonds if the revenue couldn't cover debt payments. It has done so at least a few times since 2020, according to regulatory filings.

City spokesperson Trisha Hall said in an emailed statement last week that Maryland Heights has "more than fulfilled these obligations over the past few years by providing funding beyond what is legally required."

The city hasn't agreed to make backstop payments to replenish the reserve account of the subordinated debt series that defaulted, according to the bond documents.

Future Issuance

Dave Otto, board member of the St. Louis Legacy Ice Foundation, the nonprofit that operates the ice rink, said he hopes the center wouldn't have to face a default again.

"Inflation has hit all of us and it hit the ice rink as well," he said on a call, adding that while revenue picked up, so did expenses. He declined to comment on how or when the last month's default could be remedied. About $53 million of municipal-bond debt is outstanding on the bonds sold in 2018, according to data compiled by Bloomberg.

Regardless of the city's obligations toward the ice center, the recent default may cause bond investors to be more skeptical of Maryland Heights' willingness to support future projects, said Lisa Washburn, a managing director at Municipal Market Analytics.

"If Maryland Heights were to come to the market, there could be a higher degree of skepticism that could lead to them having to pay an incrementally higher cost on their debt," she said. "It's because they have debt with their name on it that has defaulted, whether or not they were obligated to pay."

Bloomberg Markets

By Eniola Longe and Amanda Albright

October 3, 2023

Houston, Texas: Fitch New Issue Report

Revenue Framework: 'aa': Revenue growth prospects remain solid, as the recent healthy growth trend is expected to continue. Revenue-raising ability is high relative to historically modest revenue volatility despite certain city charter and state law constraints. Expenditure Framework: 'a': The pace of spending is expected to be above revenue growth, primarily due to increasing public safety and benefit-related spending, absent policy actions. Carrying costs are elevated and ongoing firefighter pay disputes could hinder expenditure flexibility. Long-Term Liability Burden: 'aa': Fitch Ratings expects the combined overall debt and pension burden to remain at the low end of the moderate range as a percentage of total personal income. Operating Performance: 'aa': Fitch expects that currently sound reserve levels and a demonstrated ability to make budgetary adjustments will allow the city to maintain a high level of financial flexibility through future economic downturns.

ACCESS REPORT

Mon 02 Oct, 2023

Fitch Downgrades Texas Hospital System Three Notches to B+.

- **Shrinking liquidity and reimbursements have squeezed Wise**
- **Unrestricted cash fell 32% to $69 million from end of 2022**

Fitch Ratings downgraded Wise Health System, citing shrinking liquidity and high doctor turnover among the pressures on the Texas operator.

The hospital system was lowered three notches to B+ from BB+ and placed on a negative rating watch by Fitch, according to a Friday report. Wise Health System's balance sheet is "approaching tenuous and offering a limited margin of safety," Fitch wrote. Its unrestricted cash declined to $69 million as of June 30 from $101 million at the end of last year.

Hospitals are coping with higher expenses for labor and supplies, and smaller and more rural systems like Wise are particularly squeezed.

Continue reading.

Bloomberg Markets

By Lauren Coleman-Lochner

October 2, 2023 at 8:30 AM PDT

Commonwealth of Kentucky: Fitch New Issue Report

The 'AA-' rating on the commonwealth's appropriation-backed debt, set one notch below the commonwealth's 'AA' Long-Term Issuer Default Rating (IDR), is based on debt service paid on lease payments that are subject to annual appropriation. The ‘AA-‘ rating reflects a slightly elevated risk of non-repayment given the appropriation pledge.

ACCESS REPORT

Mon 02 Oct, 2023

State of New York: Fitch New Issue Report

The ‘AA+’ rating on senior lien PMT bonds reflects the solid growth prospects of the dedicated revenue stream and ample resilience of the bond structure based on the 2.25x additional bonds test (ABT). The rating is capped at the ‘AA+’ Issuer Default Rating (IDR) of New York State and does not reflect the credit quality of the MTA as revenues are not exposed to its operations.

ACCESS REPORT

Fri 06 Oct, 2023

S&P ESG Evaluation: California Water Service Group

The Group’s ESG Evaluation score of 74 illustrates our assessment of the company’s capable management of water services and sewage treatment.

Download

S&P Charter School Brief: Texas

View the S&P Brief.

27 Sep, 2023

Utah Infrastructure Agency: Fitch New Issue Report

The ‘BBB–’ ratings and maintenance of the Negative Outlook on Utah Infrastructure Agency (UIA) continue to reflect Fitch Ratings’ expectation that UIA’s nonconsolidated leverage, which excludes nonrecourse debt issued on behalf of certain municipalities in Utah, will improve but remain weak through 2024. Fitch expects nonconsolidated leverage, including the issuance of the series 2023 bonds to hover moderately over 9.0x through 2024, before improving to roughly 8.4x by 2025 due to solid growth in operating income. Fiscal 2023 shows nonconsolidated leverage stabilizing at roughly 9.2x from 10.1x the prior year based on near-final unaudited numbers. Downward rating action could be taken if UIA fails to reduce nonconsolidated leverage to closer to 9.0x by FYE 2024. UIA’s weaker financial profile reflects elevated leverage, measured as net adjusted debt to adjusted funds available for debt service (FADS), that rose to 12.4x on a consolidated basis, reflecting UIA’s issuance of additional nonrecourse debt for the Utah cities of Syracuse, Santa Clara and Cedar Hills. Fitch's calculation of nonconsolidated leverage is 10.1x in fiscal 2022, reflective of financial performance marginally weaker than projections combined with depreciation that was slightly lower than projections, which Fitch adds back to FADS. UIA's liquidity remains neutral to the ratings. The 'BBB–' rating factors in the system's exposure to potential volatility in its customer base due to competition or technology changes for the life of debt. This risk is offset somewhat by UIA's ability to access pledged loans of franchise tax revenue from creditworthy, contracting member cities. The additional $5.15 million in franchise tax revenue available to UIA is not included in Fitch's metrics, but provides additional stability to UIA's financial profile and allows for a final rating higher than the weaker financial profile assessment and suggested analytical outcome suggest.

ACCESS REPORT

Thu 28 Sep, 2023

Metropolitan Pier and Exposition Authority, Illinois: Fitch New Issue Report

The rating on the MPEA expansion project bonds reflects Fitch Ratings' view that pledged state sales tax deposits will grow with inflation and that the security structure can withstand a substantial level of decline and still maintain sum-sufficient debt service coverage. The transfer to the bond trustee requires annual legislative appropriation, thereby capping the rating at one notch below the state of Illinois' Issuer Default Rating (IDR). This is below our assessment of the underlying credit quality of the pledged revenues supporting the dedicated tax bonds.

ACCESS REPORT

Fri 29 Sep, 2023

New York City, New York: Fitch New Issue Report

Revenue Framework: 'aa': New York City has a highly diverse revenue base that supports resilience to changes in economic conditions. Fitch expects revenue growth to range between long-term inflation and U.S. GDP with a return to at least pre-pandemic levels of personal and corporate income tax revenues and continued strength in residential real estate values offset by pressure on commercial growth in the medium term. The city has solid independent legal ability to adjust property tax rates and a variety of fees and charges to offset the modest revenue declines expected in a typical economic downturn. Rates for other important revenue sources (mainly income and sales taxes and state aid) are not within management's independent control. Expenditure Framework: 'a': Carrying costs are moderate, typically about 20% of governmental funds spending. Other than education-related employees, most labor contracts are subject to binding arbitration; however, the city has demonstrated adequate expenditure flexibility primarily through its control over employee headcount. Fitch expects long-term spending patterns to be above revenue growth excluding policy actions. Long-Term Liability Burden: 'a': Ongoing and substantial capital needs will be the primary driver of expected growth in the city's long-term liability burden to an elevated but still moderate level as the resource base expands. However, debt policies in place support maintenance of debt issuances within affordability levels. Reported NPLs will incorporate market volatility but the city is required to fully fund its actuarially determined contributions. Net unfunded OPEB liabilities represent close to 13% of personal income but annual costs are a moderate portion of the budget excluding periodic contributions above pay-as-you-go. Operating Performance: 'aaa': The 'aaa' assessment reflects a very strong gap-closing ability and the city's close budget monitoring and control, as demonstrated by its ability to maintain consistent balance and manage outyear gaps. A high level of inherent budgetary flexibility provides protection against typical economic and revenue volatility.

ACCESS REPORT

Thu 28 Sep, 2023

New York Mega Mall Has Muni Bond Rating Slashed Deeper Into Junk.

Municipal bonds tied to Destiny USA, the biggest shopping mall in New York state, were cut deeper into junk by Moody's Investors Service on Wednesday because the complex is unlikely to meet a key measure of profitability needed to extend an outstanding loan.

Moody's lowered the rating on municipal bonds backed by payments in lieu of taxes to Caa2 from Caa1 and revised the outlook to stable, the company said in a release. The downgrade reflects an increase in "default risk" because the net-operating-income target needed to extend an existing subordinate mortgage-backed security loan past June 2024 is "unlikely to be satisfied."

The municipal debt was originally issued to expand the Carousel Center mall in Syracuse, New York, into a super-regional shopping complex, now called Destiny. About $270 million of Pilot bonds are outstanding, according to data compiled by Bloomberg.

Continue reading.

Bloomberg Markets

By Martin Z Braun

September 27, 2023

New Yorkers Are Better Off Buying Muni Bonds, Bank of America Says.

Wealthy New Yorkers can earn more investing in the city's municipal bonds right now than in corporate debt, Bank of America Corp. told investors Friday.

For New Yorkers subject to the highest tax rates, taxable bonds would need to yield 8.9% to compete with the yield offered on New York bonds, strategists Yingchen Li and Ian Rogow wrote in a note Friday. That's about 2.8 percentage points higher than a metric of yields on the ICE Bofa index of corporate bonds, they noted.

Bank of America is the top underwriter of municipal debt in the US.

The $4 trillion municipal bond market, like other parts of the fixed income, is offering elevated yields not seen in years as the Federal Reserve has hiked interest rates aggressively to combat inflation.

But state and local debt has an added allure that other asset classes don't: the income is tax-exempt. That means that the yields on muni bonds are even higher after adjusting for taxes. And the higher your tax bracket, the more attractive the bonds look.

The yield on the 10-year AAA municipal benchmark has surged about 30 basis points this week, according to Bloomberg BVAL. The selloff has come after the Fed indicated its intention to keep interest rates high for as long as necessary to contain inflation.

"Muni yields are even more attractive now relative to corporates after recent selloff," the Bank of America analysts said.

For those living in New York City, which levies a city income tax, taxable bonds have to yield 9.68% to compete with the munis.

"In other words, New York City residents can earn more investing in New York munis than in high yield corporates," they wrote. The yield to worst, meaning the lowest amount of yield an investor can expect on the Bloomberg high-yield index, is about 8.9%.

Bloomberg Markets

By Eniola Longe

September 29, 2023

Money Manager First Eagle Hires John Miller, Former Junk-Muni Titan at Nuveen

- **Miller will start in January, lead muni-investment group**
- **Group will focus on high-yield munis initially, Miller says**

John Miller, who managed the municipal-bond market's largest junk mutual fund at Nuveen until earlier this year, will join First Eagle Investments in January to build a muni department from the ground up.

When he joins the $131 billion money manager in the new year, Miller says he'll focus on what has defined his career — the riskiest corners of the municipal market.

"I wouldn't rule out investment grade," he said in an interview. "But we'll start with high-yield. That is where my value-add is."

Continue reading.

Bloomberg Markets

By Danielle Moran

September 21, 2023

New Jersey's American Dream Megamall Losses Quadrupled in 2022.

- **Loss widened to $245 million as financial expenses ballooned**
- **Shopping and entertainment complex was 85% leased as of July 1**

American Dream, the megamall in New Jersey's Meadowlands, has seen its losses increase fourfold in one year, according to a draft securities filing.

The 3.5-million-square-foot shopping and entertainment complex, home to an indoor ski slope, amusement park and water park, lost about $245 million in 2022 as expenses almost doubled to $428 million, according to the three-page document posted Monday to the Municipal Securities Rulemaking Board's EMMA website. Financial expenses, which typically include debt service payments, ballooned to $189 million.

Kristen Buckley-White, an American Dream spokesperson, didn't respond to a request for comment.

Continue reading.

Bloomberg Markets

By Martin Z Braun

September 19, 2023

San Francisco (City and County) Public Utilities Commission, California: Fitch New Issue Report

The affirmation of San Francisco Public Utilities Commission's 'AA–' ratings reflects the very strong financial profile of the Power Enterprise, factoring in sizable capex plans and debt issuance scheduled over the next five years. System leverage, albeit higher, together with ongoing robust liquidity and adequate coverage should remain consistent with the rating, given the enterprise's strong revenue defensibility and low to midrange operating cost burden. Continued strong financial performance will depend heavily on planned rate increases. The rating is constrained by the customer concentration in SFPUC's unique service area. SFPUC provides service to certain customers within San Francisco, and some competition exists with Pacific Gas and Electric Company (PG&E; BB+/Stable) for new customer growth in the city. The customer base is consequently highly concentrated with city-owned enterprises, such as San Francisco International Airport, the San Francisco Municipal Transportation Agency, and the SFPUC Water Enterprise and SFPUC Wastewater Enterprise, which are the largest customers. Fitch Ratings' analysis also takes into account an asymmetric risk factor stemming from California's strict legal interpretation of inverse condemnation as it relates to wildfires. Approximately 28% of SFPUC's distribution transmission lines are located in areas that present elevated or extreme wildfire risk, as defined by the California Public Utility Commission Fire Threat Map. The remaining 72% of the transmission lines are outside the High Fire Threat District. However, Fitch considers the likelihood of a massive wildfire event remote, and the utility continues to take steps to reduce overall wildfire risk through continued investment and power shutoffs during critical fire weather conditions.

ACCESS REPORT

Thu 21 Sep, 2023

S&P ESG Evaluation: California Water Service Group

The Group's ESG Evaluation score of 74 illustrates our assessment of the company's capable management of water services and sewage treatment.

Download.

State of California (State Public Works Board): Fitch New Issue Report

Key Rating Drivers Revenue Framework – 'aaa' Tax revenues are dominated by personal income taxes, which are economically sensitive, particularly those related to capital gains. Long-term growth prospects for revenues are strong, driven by the state's robust economic fundamentals. The state retains the independent legal ability to raise taxes, subject to a legislative supermajority voting requirement. Expenditure Framework – 'aa' California has a solid ability to reduce spending throughout the economic cycle, although its flexibility is somewhat more restricted than most states due to constitutional requirements for funding education and voter initiatives that limit state discretion. However, Proposition 98 school funding requirements also decline relatively quickly when revenues decline, acting as a form of automatic stabilizer during a downturn. Long-Term Liability Burden – 'aaa' Long-term liabilities, while above the median for U.S. states, are a moderately low burden on the resource base. The state is addressing its pension liabilities with measures including benefit changes, supplemental contributions and a long-term plan to increase contributions to the teachers' system.

ACCESS REPORT

Thu 21 Sep, 2023

State of New York: Fitch New Issue Report

Revenue Framework – 'aa' New York State's revenue base is diverse and has solid growth prospects above the level of long-term inflation but below U.S. GDP, driven by its diverse, wealthy economic profile. The tax base, concentrated in the large PIT component, is economically sensitive. The state has complete independent legal control over revenue. Expenditure Framework – 'aaa' The natural pace of New York's spending growth, driven by education and Medicaid funding demands, is likely to be marginally above revenue growth over time, requiring ongoing budget management. The state has ample flexibility to control spending. Long-Term Liability Burden – 'aaa' New York State's long-term liability burden, including debt and net pension liabilities, is near the median for U.S. states as a percent of personal income and an overall low burden on resources. Most long-term liabilities are for debt, rather than pensions, with relatively flat growth over the past decade. Net pension liabilities as a percentage of personal income are well below the state median, with the state utilizing conservative actuarial assumptions. Operating Performance – 'aa' Formal budgetary reserves historically have been modest relative to cyclical revenues, but have grown rapidly in recent years, along with the expansion of nonstatutory reserves. Financial resilience is still driven largely by the state's willingness to quickly adjust revenues and expenditures in response to fiscal deterioration, and its ability to build considerable flexibility into its regularly updated multi-year financial plans to absorb fiscal volatility. Budgeting practices, including statutory growth caps on Medicaid

ACCESS REPORT

Fri 22 Sep, 2023

Texas Water Development Board (State Water Implementation Revenue Fund for Texas): Fitch New Issue Report

The 'AAA' rating reflects the ability of the State Water Implementation Revenue Fund for Texas (SWIRFT) program's (the program's) financial structure and funding mechanisms to absorb hypothetical pool defaults in excess of Fitch Ratings' 'AAA' stress scenario without causing an interruption in bond payments. Bonds are backed primarily by political subdivision obligation (PSO) repayments and certain pledged accounts tied to each series of bonds. Portfolio Credit Risk: The combined PSO pool credit quality is very strong — approximately 87% of the portfolio is rated at least investment grade — but the pool remains somewhat concentrated. The pool's top 10 concentration is approximately 83%, which is above Fitch's 'AAA' rating category median of 55%. Financial Structure: Fitch's cash flow modeling demonstrates that program resources are sufficient to protect bondholders from losses under various default scenarios.

ACCESS REPORT

Wed 13 Sep, 2023

State of New Jersey (New Jersey Educational Facilities Authority): Fitch New Issue Report

The 'A' ratings for the New Jersey Educational Facilities Authority (NJEFA) revenue bonds, one notch below New Jersey's 'A+' Issuer Default Rating (IDR), are based on annual contract payments made to the authority from the state treasurer, subject to annual appropriation. NJEFA, one of multiple state entities issuing debt supported by annual appropriations, provides financing for equipment, facilities construction or renewal, technology infrastructure, safety and other needs at higher education institutions, county colleges, libraries and related entities.

ACCESS REPORT

Fri 15 Sep, 2023

S&P Second Party Opinion: City of New York's General Obligation Bonds, 2024 Series B Taxable Social Bonds, Subseries B-1

City of New York's General Obligation Bonds, 2024 Series B Taxable Social Bonds, Subseries B-1 Is Aligned With Principles.

Read the Opinion.

NYC's Rising Migrant Costs Won't Destroy Its Finances, Bondholders Say.

- **City has $8 billion reserve to help cover $5 billion price tag**
- **General obligation bonds are rated AA by S&P and Fitch Ratings**

New York City Mayor Eric Adams says the migrant crisis "will destroy" the city. Not so, say credit analysts and bondholders.

The cost to shelter and care for tens of thousands of migrants is projected to add nearly $5 billion in spending to the city's $107 billion budget for this fiscal year and an additional $6 billion the following year, according to Adams. But the city has $8 billion in reserves to help cushion against the extraordinary expense.

"New York comes into this in great financial condition," said Dan Solender, head of municipal debt at Lord Abbett & Co. "It's a concern if it becomes something that shows up in the financial statements. So far, it's not at that point."

Continue reading.

Bloomberg CityLab

By Martin Z Braun

September 12, 2023

S&P U.S. Local Governments Credit Brief: California School Districts Means And Medians

Overview

S&P Global Ratings believes that California school districts' credit quality will remain relatively stable, supported by a favorable state funding environment and the receipt of one-time stimulus resources as districts mitigate challenges arising from broad school-aged demographic declines that the pandemic has exacerbated. We expect this trend to continue in the medium term, but districts in the state face more-difficult budgetary tradeoffs as they expend their remaining Elementary and Secondary School Emergency Relief (ESSER) funding and begin to experience the financial impact of continued enrollment declines. In fiscal 2023, the state made upward adjustments to its per pupil equalization formula applicable to most districts. Districts can use the average daily attendance (ADA) of the current year, prior year, or the average of the three most recent years, whichever is highest, to determine operating revenue under the state funding formula, but we think that the revenue effects and operational and asset management complexities of declining local student populations will continue to challenge the budgets of many districts for the long term. Accordingly, we also are seeing a surge in compensation increases to an extent that affects districts' bottom lines, as bargaining groups make the case for addressing broad-based inflation, the state's comparatively high housing costs, and a limited pipeline of qualified teachers.

S&P Global Ratings maintains ratings on 688 school districts in California, including school facilities improvement districts. Fifty-five percent of California school districts are in the 'A' category, 44% are in the 'AA' category or above, and fewer than 1% are in the 'BBB' category or lower. In addition, 99% of the ratings have a stable outlook. Four school district ratings have a positive outlook, while two have a negative outlook.

Continue reading.

30 Aug, 2023

Examining the Reach of California's Targeted School Funding.

Key Takeaways

Now entering its second decade, the Local Control Funding Formula (LCFF) fundamentally shifted school finance in California. Under LCFF, the robust state revenue growth of the past decade led to even greater increases for the state's highest-need districts. LCFF also brought about more flexible funding—along with concerns about whether additional funding is reaching the high-need students and schools for which it was intended. In this report, we provide comprehensive new evidence on the targeting and efficacy of LCFF funding for high-need students.

- **Spending on concentration grants improved test scores in high-need districts.** Concentration grants add funding above the LCFF base grant to districts with higher shares of high-need (English Learner, low-income, and/or foster youth) students. For these districts, the additional funding led to higher math and ELA scores, with the largest impact among 11th graders, who have had the longest exposure to increased LCFF funding. →
- **Local Control and Accountability Plans (LCAPs) show incomplete targeting of funds to high-need students.** Nearly 60 percent of districts in 2021–22 reported plans to spend less on high-need students than the additional funding they received for high-need students. The extent of targeting varies widely across districts, and gaps between spending on high-need students and the additional funding intended for them tend to be greater in higher-need districts. →
- **Districts spend funds more evenly across schools than schools generate funds.** Schools with more high-need students generate more funding, but most districts do not spend these additional dollars in the same proportion. In 2020–21, spending at high-need schools was 75 cents higher per dollar of extra funding, compared to roughly 45 cents on the dollar in the two prior school years. However, districts vary in this proportion, with nearly 80 percent of concentration districts spending dollars more evenly across schools than LCFF would imply if districts allocated additional funding in proportion to a school's high-need share. →

Continue reading.

Public Policy Institute of California

by Julien Lafortune, Joseph Herrera, and Niu Gao

Indiana Finance Authority (State Revolving Fund): Fitch New Issue Report

The ‘AAA’ rating reflects the ability of the clean water (CW) and drinking water (DW) state revolving fund (SRF) bond program’s (the program) financial structure to absorb hypothetical pool defaults in excess of Fitch Ratings’ ‘AAA’ stress scenario without causing an interruption in bond payments. Aggregate pool credit risk is measured using Fitch’s Portfolio Stress Model (PSM), and the strength of the program’s financial structure is measured using Fitch’s Cash Flow Model.

ACCESS REPORT

Wed 23 Aug, 2023

Facing Budget Shortfall, California Preps $2.6 Billion Bond Sale.

- **The bond sale includes $1.6 billion of refunding bonds**
- **State’s latest budget reflects nearly $31.5 billion deficit**

California is coming to market next week with its largest municipal-debt offering of the year, $2.6 billion of tax-exempt general obligation bonds that are expected to draw strong demand from investors during a period of lower-than-expected issuance.

The sale includes $1 billion of new debt to fund a variety of voter-approved capital projects including school construction, improvements to clean water access and high-speed rail. The Golden State will also sell $1.6 billion of refunding bonds to cut its borrowing costs, according to bond documents.

Retail investors will begin placing orders on Wednesday ahead of pricing Thursday. The bonds will be underwritten by Citigroup Inc. and RBC Capital Markets, and they are rated Aa2 by Moody’s Investors Service, AA- by S&P Global Ratings, and AA by Fitch Ratings.

Continue reading.

Bloomberg Markets

By Maxwell Adler

September 1, 2023

S&P Second Party Opinion: Caritas Corp.'s California Municipal Finance Authority Mobile Home Park Senior Revenue Bonds

Caritas Corp. has a strong social license to operate in the communities it serves. For more than 25 years, Caritas has acquired, renovated, and operated over 30 affordable housing projects and has a track record of maintaining affordable rents while upkeeping its properties. Regulatory oversight and regulation underscores compliance with social objectives. All of Caritas’ projects, including the proposed acquisition of the Chatsworth Project, are governed by various federal and state laws with specific requirements to set aside housing for low-income residents and maintain affordable rent levels for all residents.

Download

San Francisco Taps Muni Market for Affordable Housing Project.

- **Bond sale will help finance 537 units of affordable housing**
- **San Francisco needs 82,000 new housing units by 2030**

A San Francisco redevelopment agency is borrowing $60 million in the municipal bond market this week to help finance affordable housing in a city that has some of the highest rents in the nation and is suffering from an exodus of people.

The Office of Community Investment and Infrastructure, an agency governed by the city and county of San Francisco, is selling $24.5 million of taxable bonds and $35.7 million of tax-exempt bonds to launch another phase of the Transbay Program, a roughly two-decade old transportation and housing project intended to transform an "underdeveloped" neighborhood.

Proceeds from the sales will go toward the construction of more than 500 affordable housing units and a new park in San Francisco's South of Market neighborhood, an area that now houses downtown skyscrapers, luxury hotels and offices for Salesforce Inc., LinkedIn and BlackRock Inc.

Continue reading.

Bloomberg Markets

By Maxwell Adler and Tanaz Meghjani

August 29, 2023

S&P U.S. Local Governments Credit Brief: California School Districts Means And Medians

Overview

S&P Global Ratings believes that California school districts' credit quality will remain relatively stable, supported by a favorable state funding environment and the receipt of one-time stimulus resources as districts mitigate challenges arising from broad school-aged demographic declines that the pandemic has exacerbated. We expect this trend to continue in the medium term, but districts in the state face more-difficult budgetary tradeoffs as they expend their remaining Elementary and Secondary School Emergency Relief (ESSER) funding and begin to experience the financial impact of continued enrollment declines. In fiscal 2023, the state made upward adjustments to its per pupil equalization formula applicable to most districts. Districts can use the average daily attendance (ADA) of the current year, prior year, or the average of the three most recent years, whichever is highest, to determine operating revenue under the state funding formula, but we think that the revenue effects and operational and asset management complexities of declining local student populations will continue to challenge the budgets of many districts for the long term. Accordingly, we also are seeing a surge in compensation increases to an extent that affects districts' bottom lines, as bargaining groups make the case for addressing broad-based inflation, the state's comparatively high housing costs, and a limited pipeline of qualified teachers.

S&P Global Ratings maintains ratings on 688 school districts in California, including school facilities improvement districts. Fifty-five percent of California school districts are in the 'A' category, 44%

are in the 'AA' category or above, and fewer than 1% are in the 'BBB' category or lower. In addition, 99% of the ratings have a stable outlook. Four school district ratings have a positive outlook, while two have a negative outlook.

Continue reading.

30 Aug, 2023

How Did Things Go So Wrong at This Arizona Park Built With Muni Bonds?

The sports arena opened just last year. Bonds that built it recently traded at roughly 10 cents on the dollar.

Municipal bonds have a reputation for safety, but a financial meltdown at a sports arena in Mesa, Ariz., shows all munis aren't created equal.

Legacy Park, spread over 320 acres with volleyball courts, soccer fields and summer campers, filed for bankruptcy in May. That was just 15 months after it opened and three years after an entity known as the Arizona Industrial Development Authority agreed to issue muni bonds to pay for the park's construction. The bonds recently traded at roughly 10 cents on the dollar, and the park is looking for a buyer.

The sports park's financial troubles highlight a risky corner of the $4 trillion municipal-bond market, enabled by local government entities known as conduit issuers. That is a space where private-sector businesses, typically nonprofits, borrow tax-free to build malls, medical centers and charter schools.

Continue reading.

The Wall Street Journal

By Heather Gillers

Aug. 28, 2023

Puerto Rico Utility Bondholders Split on Way to Bankruptcy Exit.

BlackRock and other municipal bondholders are nearing a restructuring deal opposed by their longtime allies

A group of bond investors is expected to back a new restructuring plan for Puerto Rico's power utility but would have to contend with other creditors that want to keep fighting for a better deal.

BlackRock, Nuveen and Franklin Advisers are nearing a restructuring deal to write down $8.3 billion in debt owed by the bankrupt electric monopoly to a fraction of that amount, people familiar with the discussions said.

The new deal would open a path to ending the Puerto Rico Electric Power Authority's six-year bankruptcy case and has divided bondholders that until recently were united in negotiations.

Bondholders including GoldenTree Asset Management are preparing to battle in court to try to sink the debt plan, due to be filed in court on Friday, according to people familiar with the matter.

Continue reading.

The Wall Street Journal

By Andrew Scurria

Aug. 24, 2023

Puerto Rico Electric Power Bonds Fall on Proposed Debt Deal.

- **Slump comes as some investors reach deal with utility**
- **Proposal would give some investors 12.5 cents on the dollar**

Some municipal bonds sold by Puerto Rico's bankrupt power utility have plunged after a group of investors reached a restructuring deal that would significantly slash the agency's debt load. A security sold by the Puerto Rico Electric Power Authority, also known as Prepa, due in 2042 changed hands at an average price of 24.25 cents on the dollar between two trades on Monday, down from above 70 cents as recently as May, according to data compiled by Bloomberg.

The deal between creditors including BlackRock Financial Management and Nuveen Asset Management and the island's federally appointed financial oversight board, which is managing Prepa's bankruptcy, would reduce combined claims of $10 billion down to about $2.5 billion of new bonds. The deal would give bondholders who sign the agreement 12.5 cents on the dollar on what they were owed when Prepa entered bankruptcy in July 2017, and 3.5 cents for investors who decline to join the restructuring plan.

Continue reading.

Bloomberg Markets

By Danielle Moran and Michelle Kaske

August 28, 2023

Wells Fargo Is Cleared to Underwrite Texas Muni-Bond Deals by AG.

The Texas Attorney General's Office ruled that Wells Fargo & Co. can continue underwriting municipal-bond transactions in the state after probing the bank's policies on the firearms industry.

It's a win for Wells Fargo's public finance department, allowing it to maintain its presence in the top market for municipal-bond deals this year. The San Francisco-based bank is the sixth-biggest underwriter in the US muni market overall.

Leslie Brock, the chief of the AG's public finance division, wrote in a letter to bond counsel on Friday that the bank complies with the rules.

[Continue reading.](#)

Bloomberg Markets

By Amanda Albright

August 25, 2023

[Moving to Texas Is All the Rage, Even in the Muni-Bond Market.](#)

- **Credit spreads on Texas bonds have widened on supply surge**
- **Texas issuers have sold the most amount of debt so far in 2023**

It seems like everything is cheaper in Texas these days as the state lures residents and companies with a lower cost of living. Even municipal debt investors are now getting a bargain after a bond boom overwhelmed demand.
Texas governments and school districts are in the midst of a borrowing spree as the population swells. That caused bond yields to climb, giving investors a chance to buy pristine credits that are yielding 40 or even 50 basis points higher than the AAA benchmark.

Those rates have climbed so high that it makes sense for investors in a bevy of other states to buy Texas bonds. Meanwhile, the credits offer a safe haven: The state is one of a dozen that's rated AAA, higher than the federal government. Texas is considered the eighth-largest economy in the world.

[Continue reading.](#)

Bloomberg Markets

By Amanda Albright and Skylar Woodhouse

August 22, 2023

[Hawaii Munis Plunge in Latest Investor Warning on Climate Risk.](#)

- **Index of Hawaii debt is down 2.8% in August, most of any state**
- **State's 'sizable cash balances' help disaster support: Fitch**

Hawaii state and local municipal bonds have surrendered all their 2023 gains in the past three weeks after the deadly Maui wildfires delivered a fresh reminder of climate risk in the $4 trillion market for state and local debt.

An index comprised of Hawaiian municipal securities has dropped 2.81% in August, the worst performance of any state and compared to a 1.8% loss for the broader market, according to data compiled by Bloomberg. Hawaii is one of only four states to post a negative performance this year. At the end of July, its municipal bonds were sporting a more than 2% gain for 2023.

"The Hawaii index was impacted by the large drop of bonds associated with the Maui catastrophe," said Tom Doe, president and founder of Municipal Market Analytics.

Continue reading.

Bloomberg Markets

By Maxwell Adler

August 25, 2023

McGuireWoods: California Proposes Rules Clarifying Notice and Review Requirements for Health Care Transactions

On July 31, 2023, the California Office of Health Care Affordability (OHCA) issued proposed regulations requiring health care entities to notify OHCA about material transactions at least 90 days prior to closing. McGuireWoods previously published an alert on California's advance notice and review requirements and the potential implications for health care transactions occurring in California on or after April 1, 2024.

California is one of many states to implement reporting requirements for health care transactions. Several other states such as New York, Oregon and Washington have similar laws and requirements. McGuireWoods continues to monitor these developments and analyze the impacts of such laws, most recently on June 5 and May 8, 2023.

Key Takeaways

1. By expanding the definition of "health care entity" to include entities like management services organizations, broadening of the definition of "material transactions" and potentially extending review timelines, OHCA will play an extensive role in future transactions.
2. Health care providers and entities operating in California that are planning or considering entering into a transaction now must consider the advance notice filing requirement, review process and additional timing components when planning a transaction. This will include preparing documents and compiling significant amounts of information to submit the notice filing in advance of the 60-day initial waiting period for OHCA to determine whether to conduct a cost and market impact review (CMIR), and a potential additional 90-day waiting period if OHCA chooses to undertake a CMIR.
3. Health care providers and entities subject to the advance notice and review requirements must provide information about the entities undergoing the proposed transaction and submit copies of documents such as structure charts and transaction agreements. By default, OHCA will consider such information and documents as public records, but a submitter may mark certain documents as confidential or redact certain information, and OHCA will deem confidentially marked documents such as purchase agreements, financial documents and unredacted resumes as confidential.
4. Parties making filings must consider the antitrust and other market implications of a transaction in advance of their submission and be able to credibly address the impact of the transaction on competition, cost of care, quality of care, health equity, innovation and access to care. Failing to adequately develop a strategy that takes account of these aspects of a transaction in an initial filing can increase the odds that OHCA will undertake a CMIR, which involves significant additional delay, expense, disruption and the risk that OHCA may refer the matter to the Office of the Attorney General for additional action.
5. These proposed regulations provide additional details on the requirements and process, and they

provide more details to the language of the statutes. Stakeholders may submit comments on the proposed regulations to CMIR@HCAI.CA.GOV until 5 p.m. on Aug. 31, 2023. It is unclear if the public should expect further changes, but OHCA intends to submit the finalized regulations as an emergency rulemaking package in October 2023.

Continue reading.

McGuireWoods LLP – H. Holden Brooks, Trey Andrews, Kristen H. Chang and Tom Siwula

August 14 2023

LA School System Kicks Off School Year With Municipal Bond Sale.

- **Proceeds from $384 million sale to also fund campus security**
- **Balance will finance electric bus, student enrollment efforts**

The nation's second-largest K-12 district is kicking off the new school year with a municipal bond offering while it contends with attacks from hackers, a dwindling student body and soaring labor costs.

The Los Angeles Unified School District, which begins the school year Monday, plans to borrow about $384 million to tackle cyberattacks, school safety and climate change, according to the bond offering prospectus. The series of bonds carries a sustainability label.

"The district is constantly facing a variety of persistent and evolving cybersecurity threats," said the prospectus, which details previous incidents, including a ransomware attack last year that exposed some student data.

Continue reading.

Bloomberg

By Lauren Coleman-Lochner

August 14, 2023

Hollywood Strikes Pose a Credit Risk for $113 Million Muni Deal.

- **Oscars ceremony is major source of revenue to repay the debt**
- **Moody's grades deal 2 steps below top rank with stable outlook**

Municipal-bond investors have to assess an unusual risk as part of a $113 million bond offering next week: The historic strikes that are paralyzing business for much of Hollywood.

The seller of the debt, a group affiliated with the Academy of Motion Picture Arts and Sciences, is familiar to muni-market participants because it has issued bonds several times for its Los Angeles museum, which opened in 2021.

However, this offering, which will refinance old, higher interest-rate debt, comes against a troubled backdrop for the industry. The Writers Guild of America went on strike May 2, seeking higher pay and other changes amid the rise of streaming TV and artificial intelligence. The strike, coupled with one by screen actors that began in July, has largely halted production of new films and scripted TV shows.

Continue reading.

Bloomberg Markets

By Amanda Albright and Maxwell Adler

August 16, 2023

Maui Wildfires Put Hawaiian Electric On Hedge Fund Radars.

California utility PG&E went bankrupt after raking up billions in wildfires liabilities

Wildfire Liabilities

Distressed debt investors are circling Hawaiian Electric and have zeroed in on a set of rarely traded bonds following deadly wildfires in Maui.

While the company's municipal bonds have sunk to distressed prices, Jefferies sent out quotes this week on the company's private placement notes at levels between 40 cents and 60 cents on the dollar. These notes are primarily held by insurance companies and are rarely traded. Meanwhile, traders at Seaport are also gauging interest from some investors in hopes of making a market in the bonds.

Continue reading.

Bloomberg

By Rachel Butt and Reshmi Basu

August 18

Brokers Ready Trading in Discounted Bonds of Hawaiian Electric.

- **Jefferies quoted private placement notes at distressed levels**
- **Some holders have held calls on potential fallout, recovery**

Some Wall Street bond brokers are soliciting interest in a series of rarely traded notes tied to Hawaiian Electric Industries, as market participants assess potential liabilities for the utility following deadly wildfires in Maui, according to people with knowledge of the situation.

Jefferies Financial Group sent out quotes this week on Hawaiian Electric Co.'s private placement notes at deeply distressed levels, between 40 cents to 60 cents on the dollar, said the people, who asked not to be named because the matter is private. Meanwhile, traders at Seaport Group are gauging interest from some investors, the people said.

The solicitation is among a number of early indications that both investors and the utility have started to take steps to determine potential losses stemming from the wildfires. The notes quoted by Jefferies are rarely traded, privately-placed securities primarily held by insurance companies, the people said. Several banks are also making markets in the company's municipal bonds.

Continue reading.

Bloomberg Markets

By Rachel Butt and Reshmi Basu

August 17, 2023

Hawaiian Electric Muni Debt Risks Junk Cut, Barclays Says.

A unit of Hawaiian Electric Industries that is under scrutiny for its possible role in the deadly Maui wildfires could end up seeing its municipal bonds slashed to high-yield from investment-grade, according to Barclays Plc muni and ESG strategists.

Hawaiian Electric Co. and its subsidiaries have roughly $500 million in special purpose municipal debt and it's "quite possible" those bonds could be downgraded to below investment-grade in the near future, reads Barclays' note out Wednesday. S&P Global Ratings cut Hawaiian Electric Industries to junk earlier this week.

"In that case we might see heavy forced selling from investors that are not able to hold high yield muni debt," strategists led by Clare Pickering wrote. "If this happens in late August or early September, the secondary market might not be deep enough to absorb heavy selling if it materializes, which might cause outsize price swings."

Continue reading.

Bloomberg Markets

By Amanda Albright

August 17, 2023

Hawaiian Electric's Municipal Bonds Tumble Amid Maui Fire Probe.

- **Utility's subsidiary has $495 million of munis outstanding**
- **Hawaiian Electric cut to junk Tuesday by S&P over lawsuits**

Municipal bonds sold by a unit of Hawaiian Electric Industries, which operates the utility that serves Maui, are plunging amid scrutiny over the company's possible role in the island's deadly wildfire.

Investment-grade muni bonds sold by Hawaiian Electric Co. due in 2039 traded at about 65.7 cents on the dollar on Monday. That compares with above 80 cents in the days before the catastrophe, according to data compiled by Bloomberg.

Continue reading.

Bloomberg Markets

By Amanda Albright

August 15, 2023

New York City Debt Offering Shows Attractiveness of Munis.

The 2023 bond comeback is rife with opportunities for fixed income investors. New York City's recent issuance, in particular, highlighted the attractiveness of municipal bonds.

"The City of New York ("the City") announced the successful sale of approximately $1.56 billion of General Obligation Bonds, comprised of $1.41 billion of tax-exempt fixed rate bonds and $151 million of taxable fixed rate bonds," a public press release stated. "Proceeds of the bond sale will be used to refinance outstanding bonds for savings. The transaction achieves over $108 million in total debt service savings, spread primarily across Fiscal Years 2024 through 2027."

Munis receive praise for their ability to offer fixed income investors with a tax-free alternative. When you combine that with the high yields of today, along with quality debt with low rates, it's a win-win.

"The Big Apple — rated AA by two ratings companies — sold 30-year debt that was priced to yield 4.35%," a Wealth Management article said. "It sounds modest, but with tax adjustments, the richest New Yorkers snapping up the securities earned yields equivalent to 10% taxable debt, an online tool from Eaton Vance Management shows."

That combination of high yield and quality makes munis even more appealing for high-net-worth individuals. The higher the tax bracket, the more beneficial munis become.

"The $4 trillion municipal bond market is offering elevated yields not seen in years," the article added. "But the state and local debt market has an added allure that other asset classes don't: the income is tax-exempt. That means that the yields on muni bonds are even higher after adjusting for taxes. And the higher your tax bracket, the more attractive the bonds look."

Access to Munis in One ETF

Rather than sifting through countless muni options available on the U.S. market, the Vanguard Tax-Exempt Bond ETF (VTEB) is an easier way for all-encompassing exposure. With a 0.05% expense ratio, the fund offers low-cost exposure to municipal debt. It also offers a 3.45% 30-day SEC yield as of August 10.

VTEB tracks the Standard & Poor's National AMT-Free Municipal Bond Index, which measures the performance of the investment-grade segment of the U.S. municipal bond market. This index includes municipal bonds from issuers, primarily state or local governments or agencies whose interests are exempt from U.S. federal income taxes, and the federal alternative minimum tax (AMT).

ETF TRENDS

by BEN HERNANDEZ

AUGUST 16, 2023

[Senior-Living Operator Files for Bankruptcy Due to Pandemic.]

- **Nashville Senior Care operates five facilities in three states**
- **Company has $213 million in municipal bond debt outstanding**

A senior-living company filed for bankruptcy this week after it exhausted an emergency loan, the latest to falter because of Covid-19.

Nashville Senior Care LLC's plight illustrates the pressures bearing down on the senior-living sector. Higher staff and supply costs on top of tepid demand for such facilities have caused defaults to outpace the rest of the municipal bond market this year. About 8% of the $43 billion in outstanding senior-living bonds is in default, compared with less than 1% of the total municipal bond market, according to data compiled by Bloomberg.

At Nashville Senior Care, the pandemic shutdown lowered the number of residents "precipitously," while expenses rose "dramatically," leaving the facilities without the means to make needed investments, executive director Thomas Johnson said in a court filing.

Continue reading.

Bloomberg Markets

By Lauren Coleman-Lochner

August 18, 2023

[Hedge Fund Paradise Hides Puerto Rico's Crisis In the Making.]

A failing power grid and affordability strains are dividing the island into haves and have-nots.

If you walk in certain circles, it's easy enough to believe that Puerto Rico has moved past devastating hurricanes and the largest municipal bankruptcy in US history.

Ritzy hotels and luxury restaurants are sprouting up along the island's white-sand beaches and crystalline waters. Dinner for two can cost $500 at those high-end spots. Hedge fund executives and crypto exiles are moving in, lured by lucrative tax breaks.

But it's the hum of privately owned generators that makes those lifestyles possible, and shields this set of the island's inhabitants from the reality experienced by the vast majority.

Continue reading.

Bloomberg Economics

By Jim Wyss and Michelle Kaske

August 18, 2023 at 3:00 AM PDT

State Budget Creates Uncertainty in Local Michigan ARPA Project Commitments.

In late June, Michigan passed a bipartisan $81.7 billion budget for Fiscal Year 2024, which included $26.7 million to provide a 5% increase in statutory revenue sharing to counties, cities, townships and villages. This is great news for local governments which have often felt slighted by Michigan's fractured municipal finance system.

However, the press release proclaiming budget victory contained only a single sentence on the revenue sharing increase (See "Gov. Whitmer Applauds Passage of 'Make it in Michigan' Budget," press release, Executive Office of the Governor, (June 28, 2023), https://rb.gy/ikv21.)

As always, the devil is in the details. In this case, the details could leave some communities scrambling to obligate millions of dollars in federal funding before year end.

Continue reading.

By: BridgeTower Media Newswires//August 10, 2023

By Brandon M. Grysko

New York City, New York: Fitch New Issue Report

The 'AA' Issuer Default Rating (IDR) and GO bond rating reflect the city's exceptionally strong budget monitoring and controls, supporting Fitch's high assessment of operating performance. Federal stimulus aid relieved fiscal pressure that would have otherwise resulted from the city's lagged economic recovery from the pandemic and has supported structural budgetary balance. The record revenue performance and strong recovery, as well as improvement in reserve levels will help management navigate through future economic downturns, including near-term challenges due to an expected deceleration of revenue growth, rising labor costs and other uncertainties associated with a high-inflation environment.

ACCESS REPORT

Tue 08 Aug, 2023

State of Tennessee: Fitch New Issue Report

Revenue Framework – 'aaa' Consistent with Tennessee's recent experience, Fitch expects long-term state revenue growth, predominantly sales tax, to be in line with or above national economic growth. The state retains an unlimited legal ability to raise operating revenues. Expenditure Framework –

‘aaa’ Spending is dominated by Medicaid and education. The natural pace of spending growth in Tennessee is expected to equal or marginally exceed expected revenue growth over time, requiring ongoing cost control. The state retains ample flexibility to cut spending throughout the economic cycle. Long-Term Liability Burden – ‘aaa’ The state’s liability position is among the lowest of the states, driven by a historical reluctance to rely on debt issuance to fund capital projects and a consistently disciplined approach to pension funding. Operating Performance – ‘aaa’ Tennessee retains exceptional gap-closing capacity stemming from a willingness to cut spending (even in high-priority areas) and strong reserves, including both a budgetary reserve and a separate Medicaid program reserve.

ACCESS REPORT

Thu 10 Aug, 2023

Bankrupt Arizona Sports Park Wins Ruling Backed by Bondholders.

• Judge rejects US request for independent supervision of venue
• Park’s sale staying on track benefits $280 million muni bonds

Legacy Cares Inc., the non-profit owner of a bankrupt Phoenix-area sports complex, won a court fight to keep the venue’s planned sale on track after an Arizona judge rejected a federal monitor’s plea to appoint a trustee for the site.

The decision is a victory as well for holders of $280 million in municipal bonds, unsecured creditors and the landlord of the 320-acre complex. The trustee for Vanguard Group, AllianceBernstein Holding LP and other bondholders and other creditors opposed the federal monitor’s request.

Judge Daniel Collins of the US Bankruptcy Court for the District of Arizona ruled that naming a trustee for the complex would “gravely jeopardize” the sale of the facility and it’s ability to continue as a going concern. Legacy Cares asked the court to set a Sept. 18 deadline for bids on the venue and to complete the sale in early October.

Continue reading.

Bloomberg Markets

By Martin Z Braun

August 10, 2023

Arkansas Development Finance Authority: Fitch New Issue Report

Portfolio Credit Risk: The program exhibits higher concentration than similar ‘AAA’ pools rated by Fitch, and overall credit quality is about average. The pool consists of a relatively few 73 obligors, which contributes to high single- and top 10-obligor concentration. Implied pool quality, measured by the aggregate rating and loan term and as measured in Fitch’s Portfolio Stress Model, is ‘BBB’. Obligor security is solid with over 95% of the pool backed by water and/or sewer revenue pledges and the remaining 4% secured by sales or special tax revenues. Financial Structure: The program’s cash flows are very favorable, as minimum annual debt service coverage is about 3.4x. As a result, Fitch's cash flow modeling demonstrates that program resources are sufficient to withstand hypothetical pool defaults in excess of Fitch's 'AAA' liability rating stress hurdle without causing an interruption in bond payments. Program Management: The Arkansas Natural Resources Commission, which manages the program, maintains sound underwriting and loan monitoring procedures. To date, the pledged portfolio has not experienced a permanent loan default.

ACCESS REPORT

03 Aug, 2023

State of Wyoming to Require Training to Reduce Mismanagement of Funds.

CASPER — To better guard against fraud in Wyoming's small towns, the state recently established its first training requirements for officials on how to manage public funds.

The state Legislature in 2022 directed the Department of Audit to develop the new rules amid growing concerns about rogue communities evading compliance with financial regulations.

"This was kind of borne out of findings and things that were coming out of audits of local governments and special districts and smaller towns and cities," said Department of Audit Public Funds Administrator Michael Hansen.

Continue reading.

Gillette News Record

By Mary Steurer Casper Star-Tribune Via Wyoming News Exchange Aug 2, 2023

S&P Pension Spotlight: Ohio

Key Takeaways

- Ohio's pension plans' statutory contribution framework has generally followed actuarial recommendations, which helps maintain funded ratios as long as contribution increases continue.
- While we view the state's pension position as stable with adequate funding discipline, the state's current contribution amounts are likely insufficient to maintain funding levels going forward due to their fixed status (versus annual increases) and aggressive assumptions.
- Recent changes to retiree medical other postemployment benefits have helped control costs and limit risk to governments across the noneducation plans.

Continue reading.

31 Jul, 2023

California Nonprofit Hospitals Turn to Bankruptcy for Leverage Against State.

Distressed nonprofit hospitals in the state are using chapter 11 to gain leverage against the attorney general, whose office critics say has caused some sales to collapse

Beverly Hospital near Los Angeles tried and failed for years to sell itself. It turned the corner when it filed for bankruptcy.

The chapter 11 filing in April gave the hospital operator some leverage against the state's attorney general, who has the authority to mandate prospective buyers to maintain costly services such as emergency and charity care, and to accept patients covered by government-backed healthcare programs.

Such requirements had stunted Beverly's earlier sale attempts. As its finances worsened, the hospital faced the rising possibility of shutting down, leaving tens of thousands of low-income patients in the city of Montebello without healthcare services.

Continue reading.

The Wall Street Journal

By Akiko Matsuda

July 30, 2023

S&P: California Housing Finance Agency 2023 Series A Bonds

CalHFA's Preliminary Offering Statement (POS) clearly details that the proceeds of the bonds will be applied toward refinancing mortgage loans that previously financed the acquisition, construction, and rehabilitation of a portfolio of six multifamily rental developments in central and Northern California. The properties comply with strict state-level green building standards across the portfolio, with additional energy-efficiency criteria applied to the portfolio's San Francisco-based rehabilitation projects.

Download the report.

Florida's Flood of New Wealth Boosts High-Speed Train Bonds.

- **Private railroad's munis started year cheap, investor says**
- **Fortress has invested more than $2 billion in project**

New York has Metro-North, London has the Network Southeast. Miami has the Brightline — and these days, people are climbing aboard.

Ridership on the five-year-old rail line, which connects Miami and West Palm Beach, has taken off as wealth has poured into South Florida, boosting the bonds that funded it by as much as about 20% this year. The number of passengers was up nearly 80% through June.

The high-speed line is one more reflection in the kaleidoscopic story of the new wealth pouring into Miami. Even the municipal bonds used to finance the privately owned railway have appreciated in value recently, much like South Florida real estate, private school fees and seemingly everything else in the Miami area. The soon to be 235-mile-long private rail is owned by the same company that hopes to link Los Angeles and Las Vegas by train.

Continue reading.

Bloomberg

By Martin Z Braun

July 27, 2023

Salt Lake City, Utah: Fitch New Issue Report

Revenue Framework: 'aaa': Fitch Ratings expects solid ongoing revenue growth, supported by significant new property development and economic expansion. The city has a substantial independent legal ability to raise revenues. Expenditure Framework: 'aa': Based on the city's current spending practices and recurring operating surpluses, Fitch expects the natural pace of expenditure growth to be generally in line with revenue growth. While the city has a somewhat elevated fixed-cost burden, its labor environment is flexible. The pace of spending is expected to be marginally above revenue growth absent policy action. Carrying costs are moderate, and the city's ability to control wages and benefits is solid. Long-Term Liability Burden: 'aaa': The city's long-term debt and pension liabilities are low relative to its economic resource base. Operating Performance: 'aaa': Strong control over revenues and spending, along with solid reserves both within and outside the general fund, contribute to the city's superior gap-closing capacity, which Fitch expects the city will maintain throughout economic cycles.

ACCESS REPORT

Tue 25 Jul, 2023

Oklahoma Development Finance Authority: Fitch New Issue Report

Revenue Framework: 'aa': Fitch Ratings expects that Oklahoma's revenues, which are supported by broad-based sources, will continue to reflect above average economic volatility tied to the natural resource sector. While the Oklahoma Legislature has unlimited independent legal ability to raise operating revenues, tax rate increases require either a legislative supermajority vote or direct voter approval, limiting practical revenue-raising flexibility. Expenditure Framework: 'aa': The state maintains ample expenditure flexibility with a low burden of carrying costs for liabilities and the broad expense-cutting ability common to most U.S. states. Long-Term Liability Burden: 'aaa': On a combined basis, the state's debt and net pension liabilities are well below the median for U.S. states as a percentage of personal income and are a low burden on resources. Other post-employment benefit obligations are minimal compared with debt and net pension liabilities, accounting for 0.1% of personal income versus 2.9% for debt and pensions. Operating Performance: 'aa': A constitutional provision limiting appropriations to only 95% of expected general revenue fund revenues provides a cushion for revenue variability, while the state's proactive management of financial operations has historically offset volatility.

[ACCESS REPORT]

Wed 26 Jul, 2023

[Long Island Power Authority, New York: Fitch New Issue Report]

The Positive Outlook reflects Long Island Power Authority's (LIPA) improving leverage ratio and Fitch Ratings' expectation that the gradual but consistent deleveraging trend that began in 2015 will continue through 2027. Leverage, measured by net adjusted debt to adjusted funds available for debt service (FADS), improved to 8.1x at YE 2022 from 8.8x four years prior. The improvement is in part attributable to LIPA's strategy of budgeting to achieve higher fixed-obligation coverage. Fitch expects leverage ratios to trend below 8.0x in 2023/2024, consistent with a higher rating, as performance continues to benefit from LIPA's revenue-decoupling mechanism (RDM) and modest but consistent rate increases designed to achieve higher fixed-charge coverage. LIPA's very strong service area, more disciplined approach to rate setting and authorized RDM should sustain its very strong revenue defensibility and overall performance even through periods of stress, further supporting its financial profile. LIPA's operating cost burden remains comparatively high within the sector. However, ongoing efforts to moderate costs and operating risk, and improve the terms of its operating services agreement (OSA) with system operator PSEG Long Island (PSEGLI) were reasonably successful in recent years, and are factored in the rating. The adoption of a public power model, whereby LIPA would directly operate the system upon termination of the OSA in 2025, is still under consideration. An upgrade of the rating is unlikely prior to a final decision related to management of the authority's assets.

[ACCESS REPORT]

Thu 27 Jul, 2023

[Wells Fargo Gun Policies Probed by Texas, Risking Muni Work.]

- **Texas AG's office probing bank's firearm policies, letter says**
- **Office will decide if bank is a 'discriminating company'**

Wells Fargo & Co.'s policies around the firearm industry are being probed by the Texas Attorney General's office, a potential threat to the bank's bond underwriting work in the state.

Leslie Brock, chief of the AG's public finance division, sent a July 26 letter to lawyers who work on bond deals in Texas saying that officials are studying whether Wells Fargo has a practice or policy that "discriminates against a firearm entity or firearm trade association."

The letter, obtained by Bloomberg News, is the latest salvo in the Lone Star State's fight with Wall Street over its environmental, social and governance policies. The probe is tied to legislation passed in 2021 that restricts certain government contracts with companies that the state deems as hostile to the gun industry. The AG determined Citigroup Inc. "discriminates" earlier this year.

Continue reading.

Bloomberg Markets

By Amanda Albright and Danielle Moran

July 27, 2023

State of Texas: Fitch New Issue Report

Texas' 'AAA' Issuer Default Rating (IDR) and GO rating reflect its growing economy and the ample fiscal flexibility provided both by its conservative approach to financial operations and maintenance of substantial reserves, including in its budgetary reserve, the economic stabilization fund. The Texas Public Finance Authority is one of several state agencies that issues GO bonds payable from a constitutional appropriation of the first moneys coming into the state treasury not otherwise appropriated.

ACCESS REPORT

Tue 25 Jul, 2023

San Antonio, Texas Water System: Fitch New Issue Report

Key Rating Drivers Revenue Defensibility Very Favorable Service Area, Affordable Rates for Vast Majority of Population: The system retains the legal authority to adjust rates as needed without external oversight (other than that of the city council). Fitch considers the monthly residential water and sewer bill affordable for around 82% of the service area population based on standard monthly usage of 7,500 gallons for water and 6,000 gallons for sewer. The very favorable service area is characterized by midrange income levels, an average unemployment rate relative to the nation and strong customer growth. Customer growth registered a five-year CAGR of 2.3% as of fiscal 2022. Income levels are about 80% above the national median as of 2021. The unemployment rate was 3.6% in 2022, in line with the national average. Operating Risk Very Low Operating Cost Burden, Moderate Investment Needs: The system's operating cost burden was very low in fiscal 2022, at $4,100 per million gallons (mg), consistent with the operating risk assessment. The life cycle ratio was very low at 27% in fiscal 2022. Annual capex relative to depreciation has been strong, with a five-year average of 217% from fiscal years 2018 to 2022. Planned capex for the next five years should generally outpace historical depreciation, supporting a continued very low life cycle ratio.

ACCESS REPORT

Fri 28 Jul, 2023

A Small City's Financial Crisis Leaves Virginia at a Loss.

Most state and local governments file their financial statements on time, but there are some notable exceptions. Among those are the last two cities to declare bankruptcy—Fairfield, AL and Chester, PA—as well as Puerto Rico, the largest municipal bond issuer to ever file a bankruptcy petition. Now another perennially late financial statement filer is getting attention from local media and its state government.

Hopewell, VA, a city south of Richmond, with about 23,000 people, is four years behind in producing audited financial statements. Further, its audits for the years 2015–2018 did not receive "clean" opinions from the Certified Public Accountants hired to review them, suggesting serious irregularities. The 2018 opinion was especially negative, with the auditor observing:

> There were material differences between the Treasurer Office's June 2018 bank reconciliation and the City and Component Unit School Board's adjusted general ledger and financial statements. The City, Treasurer's Office and Component Unit School Board were unable to provide sufficient appropriate audit evidence for these material discrepancies in cash transactions.

In connection with federal grant oversight, the auditor also assessed Hopewell's accounting systems and procedures and found them to be inadequate. City management accepted these findings and attributed the problems to "staff turnover, minimal documented procedures/guidelines."

Hopewell last issued municipal bonds in 2011. At that time, it received strong ratings from all three of the major credit rating agencies. But the city's mounting financial reporting challenges have compromised its credit. In 2017, both Moody's and Standard and Poor's withdrew their ratings due to Hopewell's failure to provide timely disclosure. Fitch followed in 2018.

At a City Council meeting, Ward 1 Councilor Rita Joyner noted the lack of credit ratings and concluded that, as a result, the city could no longer fund capital expenditures. That is not necessarily the case. Many governments issue unrated bonds and Hopewell's bonds traded in the secondary market multiple times (albeit at significantly elevated yields) in late 2022, suggesting that some investors are willing to shoulder the city's elevated credit risk if the city chooses to issue "junk bonds".

In recent months, the State of Virginia has been investigating Hopewell's financial status and offering assistance. The state government took a largely hands-off approach to local government finance until the City of Petersburg suffered a financial crisis in 2016. (Petersburg is just a ten-mile drive from Hopewell.) In 2017, the state legislature directed the Virginia Auditor of Public Accounts (APA) to create a local fiscal distress early warning system.

But, although the state can now identify distress situations, its intervention options are limited. State law allows the governor to allocate up to $500,000 to provide technical assistance to distressed local government but cannot compel the governing body to accept this assistance.

After determining that Hopewell was in distress, the state hired the firm of Alvarez and Marsal to assess the situation and make recommendations. In May, the consultants issued a 161-page report with 27 recommendations including the establishment of a fiscal turnaround project management office, the development of a multi-year financial plan, and the creation of new monthly and annual accounts closing processes.

In July, Virginia Secretary of Finance Stephen Cummings sent City Council members a letter, offering to fund an interim City Manager and Finance Director to help implement the consultant's findings if those individuals are approved by state officials. The Council rejected the state's offer by a 4–3 vote. Without Hopewell's cooperation, there is little more the state can do.

North Carolina has a much more aggressive local intervention law. If the state's Local Government Commission determines that a local government's finances have become unsustainable, it can take over "all of the powers of the council as to the levy of taxes, expenditure of money, adoption of budgets, and all other financial powers conferred upon the council by law." Further, the Commission has the power to merge or dissolve local governments which lack a path back to sustainability.

Hopewell's problems illustrate the need for Virginia to adopt a similar set of policies.

THE CATO INSTITUTE

by MARK JOFFE

JULY 24, 2023

Calpers Posts 5.8% Gain Helped by Stocks and Private Debt.

- **Publicly traded equities give pension fund a 14% boost**
- **Private equity, a star in prior years, loses some ground**

Calpers swung to a 5.8% gain in its latest fiscal year as the stock market rally and private debt buoyed the largest traditional public pension fund in the US.

The preliminary return for fiscal 2023 reported on Wednesday is a sharp turnaround for the California Public Employees' Retirement System, whose 6.1% loss in the prior year was its worst showing in more than a decade. The gain left Calpers holding $462.8 billion, enough to cover 72% of its future obligations, unchanged from a year earlier.

Continue reading.

Bloomberg Markets

By Eliyahu Kamisher

July 19, 2023

Wealthy Newport Beach Splurges $26 Million to Hide Power Lines.

- **City district sold $26 million of bonds in muni market**
- **Removing the power lines 'just looks better': Mayor Pro Tem**

Newport Beach, California is investing millions of dollars to remove unsightly power lines in an effort to boost its already sky-high property values.

The city tapped the municipal market for roughly $26 million this week to bury the lines in two sections of the beach-side town, which will "enhance neighborhood aesthetics, safety, and reliability" according to bond documents.

In 2021, residents approved a ballot measure to carry out the renovations and they'll pay special tax levies that will secure the bonds. Newport Beach is one of the wealthiest cities in the country, with a median household income of more than $140,000 — double the US average — while the median home price is more than $3 million.

Continue reading.

Bloomberg CityLab

By Jordan Fitzgerald

July 19, 2023

S&P Bulletin: Vermont Flooding And Storm Damage Unlikely To Have Negative Credit Implications

CHICAGO (S&P Global Ratings) July 17, 2023–S&P Global Ratings today said that it does not expect an immediate negative credit impact on rated U.S. public finance obligors in Vermont in the wake of last week's storm, which brought torrential downpours and heavy flooding in many parts of the state, including inundating Montpelier, the state capital.

Over a two-day period over July 9-11, parts of Vermont saw as much as nine inches of rain, triggering what state officials report as historic flooding, surpassing the damage experienced during Tropical Storm Irene in 2011 and destroying thousands of homes and businesses. On Tuesday, July 11, President Biden issued an emergency declaration authorizing the Federal Emergency Management Agency (FEMA) to coordinate the immediate disaster response and to provide federal disaster relief assistance. No official damage estimates are yet available.

S&P Global Ratings maintains a small number of credit ratings on Vermont issuers (see table), and we have been in contact with these issuers to assess near-term exposure. However, we do not believe that there is any imminent risk of credit deterioration. The state of Vermont (AA+/Stable) passed its fiscal 2024 budget in June and ended fiscal 2023 with budgetary stabilization reserves that were funded at the statutory maximum of 5% of appropriations in the general, education, and transportation funds. The state's unrestricted cash balance was more than $2.3 billion as of March, and management indicates that Vermont has sufficient cash on hand to meet immediate recovery needs without external borrowing.

Continue reading.

17 Jul, 2023

New York City Transitional Finance Authority, New York: Fitch New Issue Report

Strong Legal Framework: The bankruptcy-remote, statutorily defined nature of the issuer pursuant to state legislation and a bond structure involving a first-perfected security interest in the PIT and SUT revenues are key credit strengths. Payment of the PIT and SUT revenue to the TFA is not subject to city or state appropriation. Statutory covenants prohibit action that would impair bondholders. Robust Resilience: Fitch does not make a rating distinction between the senior and subordinate liens due to the high coverage levels and strong legal and practical protections against overleveraging. Fitch anticipates the security provided for both liens will remain highly resilient through the current economic environment and future downturns. Solid Growth Prospects: Statutory revenues benefit from the city's unique economic profile, which centers on its identity as an international center for numerous industries and a major tourist destination. Fitch believes longer term growth of pledged revenues may slow from historical levels but remain solid at levels between inflation and U.S. GDP following record levels of personal income and sales tax revenues during fiscal 2022.

ACCESS REPORT

Tue 18 Jul, 2023

Texas Tech University System: Fitch New Issue Report

Key Rating Drivers Revenue Defensibility: 'aa'; Solid Demand and Revenue Diversity: TTUS's 'aa' Revenue Defensibility assessment is supported by competitive demand indicators, moderate enrollment growth historically, with relatively steady state operating and capital support and well-balanced revenue diversity within a multi-institution system. The system's FTE student population held stable in fall 2022 (fiscal 2023) at 54,265. TTUS management anticipates continued stability in its enrollment base through fall 2023 (fiscal 2024) based on YTD trends. Operating Risk: 'aa'; Strong Cash Flow and Manageable Capital Plans: The 'aa' Operating Risk assessment reflects historically strong cash flow margins and capital flexibility. The adjusted cash flow margin for fiscal 2022 was up slightly to 13.6% from 12.1% in fiscal 2021. Federal stimulus funding, over $200 million system-wide, has supported operating performance in recent fiscal years. Nonetheless, Fitch views TTUS as having significant operating flexibility, including use of reserves. TTUS also benefits from a solid fundraising track record, with capital grants and gifts averaging about $53 million over the past five fiscal years (fiscals 2018-2022), and strong state support for capital projects in various forms. Financial Profile: 'aa'; Strong Debt Leverage Ratios: TTUS's strong financial profile supports an 'aa' assessment, in line with the rating category and through a Fitch-modeled stress scenario. All bonds are fixed rate with a relatively front-loaded debt service structure.

ACCESS REPORT

Tue 18 Jul, 2023

Worst American City for Pensions Confronts a $35 Billion Crisis.

- **Brandon Johnson sets out to find 'sustainable' pension funding**
- **Mayor is against hiking property taxes, a key funding source**

One of Brandon Johnson's first moves as Chicago mayor was to buy himself time to address the city's biggest financial problem: the more than $35 billion owed to its pension funds.

Just days after his May inauguration, Johnson persuaded state lawmakers to shelve legislation that would've added billions to the pension debt, while pledging to establish a working group to come up with solutions by October.

Now, the clock is ticking for the progressive Democrat to fix the worst pension crisis among major US cities.

Continue reading.

Bloomberg CityLab

By Shruti Singh

July 14, 2023

Goldman Sachs Tapped to Manage $700 Million Deal for Tennessee Titans' Stadium.

Goldman Sachs Group Inc. has been tapped to underwrite a large municipal-bond sale that will finance a $2.1 billion stadium for the National Football League's Tennessee Titans.

A local municipal agency in Nashville is planning to sell about $700 million of bonds for the stadium, according to a regulatory filing posted on Thursday that listed Goldman as the underwriter. The exact size of the sale could change and is subject to approval at the agency's July 20 board meeting.

In April, the Metro Nashville City Council approved the sale of up to $760 million in revenue bonds to fund its contribution for an enclosed stadium with a translucent roof to host the Titans. With a previously approved $500 million state contribution in hand, the public funding for the Titans' arena totals $1.26 billion.

Continue reading.

Bloomberg

By Maxwell Adler and Amanda Albright

July 13, 2023

Bank of America Wins First Texas Muni Deal Since GOP-Backed Law.

- **Bank wins $161 million competitive deal from city of Frisco**
- **Biggest muni underwriter moving to revive Texas business**

Bank of America Corp. won a Texas city's bond deal on Wednesday, a sign that the nation's largest municipal underwriter plans to revive its public-finance business in the state after an absence of almost two years.

The bank won a $161 million offering in a competitive auction by the city of Frisco, its first time to handle a deal for a Texas city or local government since a GOP-backed law related to the firearms industry took effect in September 2021, data compiled by Bloomberg show. The bank suspended its work in the state late that year after the enactment of the law, which restricted Texas governments' work with companies that "discriminate" against firearm entities.

Bank of America doesn't lend to companies that make assault-style guns used for non-military purposes. The bank's law firm sent a letter to the Texas Attorney General's Office in May saying that the bank believes it complies with the 2021 measure and that it intends to resume working with public clients in Texas.

Continue reading.

Bloomberg Markets

By Amanda Albright and Joseph Mysak Jr

July 13, 2023

Detroit Marks Bankruptcy Anniversary by Borrowing Big to Tackle Blight.

- **City to sell $100 million of debt for blight, transportation**
- **'The market is more comfortable with bankruptcy' in munis**

Detroit is poised to mark the 10th anniversary of its historic bankruptcy by tapping the municipal bond market for $100 million of financing, most of which will go toward its program of reviving blighted neighborhoods.
The debt is scheduled to price on Tuesday, 10 years to the day after Michigan's biggest city, groaning under debt and pension obligations and hobbled by decades of population loss, filed what was at the time the nation's largest municipal bankruptcy.

Today, the city of about 620,000 is on the cusp of investment grade. S&P Global Ratings and Moody's Investors Service both raised its credit rating in April to the highest level since 2009, with the latter citing "robust revenue growth" and an influx of federal pandemic aid.

Continue reading.

Bloomberg CityLab

By Lauren Coleman-Lochner

July 12, 2023

Miami Beach Aims to Kill Spring Break Image With $100 Million Bond.

- **City is selling nearly $97.6 million for cultural improvements**
- **Projects include theaters, concert venues and museums**

Miami Beach wants to do away with rowdy spring break crowds in favor of ballet and botanical gardens.

To help pull it off, the Florida city is selling $97.6 million of municipal debt on Wednesday that will fund improvements to cultural projects, such as the Miami City Ballet and the Bass Museum of Art. The bonds will be backed by property taxes, which surged in recent years as the city became a magnet for the wealthy.

The sale is part of a broader effort by the barrier-island city to ditch its reputation as a spring-break destination, that every year lures in thousands of young people to its South Beach neighborhood for non-stop partying. The rush of partiers forced Mayor Dan Gelber to declare a state of emergency for two years in a row. Miami Beach now wants "cultural tourists," Gelber said.

Continue reading.

Bloomberg CityLab

By Jordan Fitzgerald

July 11, 2023

[Bank of America's Return to Texas Muni Market Stalled by More Gun Questions.]

Bank of America Corp. wants to revive its work in the No. 1 market for US municipal-bond sales.

But it doesn't appear to have gotten a nod yet from the Republican-led Texas Attorney General's Office, which is grilling the bank on its policies surrounding the firearms industry.

Austin Kinghorn, Texas associate deputy attorney general for legal counsel, sent the bank's law firm dozens of questions about its gun industry policies in a June 26 letter. The document was obtained through a public records request.

Continue reading.

Bloomberg Markets

By Amanda Albright

July 10, 2023

[State of Michigan: Fitch New Issue Report]

Revenue Framework – 'aa' Michigan's tax revenues are diverse and dominated by economically sensitive income and consumption taxes, although other revenue sources are also significant. Fitch expects the natural pace of revenue growth to track close to inflation as extraordinary federal support for the economy subsides. There are no material limits on Michigan's ability to levy new taxes or enact tax rate increases. Expenditure Framework – 'aa' Fitch expects the state's natural pace of spending growth to be in line with, or slightly ahead of, revenue growth over the long term requiring ongoing policy action to control costs. The state has ample ability to reduce spending through economic cycles, partly as a result of having low carrying costs. Long-Term Liability Burden

– ‘aaa’ Michigan’s liabilities for debt and pension obligations are low and represent a small burden on economic resources. Direct debt has fallen given limited issuance over the past decade. Pension changes that shifted future obligations to a defined contribution plan have also limited growth in state pension liabilities and exposure to fluctuations in investment returns and retiree longevity associated with the plans. Operating Performance – ‘aaa’ Michigan’s gap-closing capacity is exceptionally strong and stems from both a consistent willingness to make material budgetary adjustments that at times have included deep spending cuts to maintain structural balance, as well as the state’s rainy-day fund, which has been built to an historically high level equal to nearly 15% of general fund spending. Contingent liability risks associated with distressed local governments have abated considerably given an improved economy, extra aid infusions to some municipalities and state and local management efforts.

ACCESS REPORT

Mon 10 Jul, 2023

University of Colorado: Fitch New Issue Report

The University of Colorado’s (CU) ‘AA+’ Issuer Default Rating (IDR) is based on its very strong financial profile in the context of excellent demand and track record of strong adjusted cash flow margins, which have proven resilient to recent macro headwinds, such as labor inflation. As a comprehensive flagship research university, CU has a statewide and expanding national draw for students, as well as considerable fundraising capabilities.

ACCESS REPORT

Fri 14 Jul, 2023

Denver (City & County), Colorado: Fitch New Issue Report

Key Rating Drivers Revenue Framework: ‘aaa’: The property and sales tax revenues that support Denver’s operations are likely to continue to grow at a strong pace given rapid population gains and robust economic expansion. The city’s independent legal ability to raise revenues is ample, derived from voter-approved flexibility on property tax revenues, control over fees and charges, and existing margin under the special tax on retail marijuana. Expenditure Framework: ‘aa’: Denver’s solid expenditure flexibility is derived from management’s conservative budgeting, a moderate fixed cost burden and large pay-as-you-go capital outlays that can be reduced, deferred or eliminated. The city has demonstrated an ability to meaningfully cut spending at times of economic and revenue declines. Long-Term Liability Burden: ‘aa’: The city’s long-term liability burden is expected to remain moderate despite upcoming GO debt issuances and anticipated increases in overlapping debt. On an aggregate basis, the city funds its pensions at or above actuarially determined levels. Operating Performance: ‘aaa’: Fitch currently expects sound reserve funding and a demonstrated ability to make budgetary adjustments will allow the city to maintain a high level of financial flexibility through the current recovery and normal economic cycles.

ACCESS REPORT

Fri 14 Jul, 2023

Boston Offers Tax Breaks to Turn Empty Offices Into Housing.

- **City announces pilot program to encourage office conversions**
- **Office-to-residential transformations are costly to take on**

Boston Mayor Michelle Wu is offering hefty tax breaks to companies to turn offices into housing, the latest example of a city seeking to address the challenges of remote work hitting downtowns and a lack of affordable residences.

Wu announced a program this week to encourage conversions by taxing developers at the city's much lower residential tax rate. The city would then offer a discount of up to 75% on the residential levy, so for a building with an assessed value of $10 million, annual property taxes would drop to as low as $26,850 from as high as $246,800.

There's no shortage of potential buildings to tap. Boston's office market has seen its vacancy rate climb to 14.2% during the second quarter, the highest level in two decades, according to data from CBRE Group Inc. Meanwhile, the city of 650,000 is struggling with escalating housing costs. Median monthly rent for a one-bedroom has jumped 8% in just a year to $2,800, Zumper figures show.

Continue reading

Bloomberg CityLab

By Skylar Woodhouse and Amanda Albright

July 12, 2023

Citi CEO Jane Fraser on Losing a Texas Bond Deal Over Gun Stance: 'You Focus on What Your Company Stands For'

Earlier this year, the state of Texas booted Citigroup from its bonds business. Texas's conservative lawmakers said that Citi "discriminates" against the gun industry—the bank limited its engagement with the sector in 2018 after the Parkland shooting—and prevented Citi from underwriting $3.4 billion in municipal bonds.

Citi CEO Jane Fraser has been level-headed about the fallout of that decision, as she told *Fortune* CEO Alan Murray in an interview at a Fortune CEO Initiative dinner late last month.

"You focus on what it is your company stands for," she said. "You focus on what it is that your clients need, and you get on with the day job. [If someone says] you can't sell our bonds, you then suck it up."

Continue reading.

Yahoo Finance

by Emma Hinchliffe & Claire Zillman

July 5, 202

[Texas Luxury Student Dorm Financed by Bonds Falls Deeper Into Distress.]

- **The 3,400-bed complex boasts resort-style pools and clubhouse**
- **Colleges have privatized housing projects to avoid risk**

A massive luxury student housing complex in Texas is still showing signs of financial strain.

NCCD-College Station Properties LLC failed to make a complete payment due July 1 for bonds issued to build the complex near the Texas A&M University campus in College Station, according to a regulatory filing.

The project, known as Park West, has struggled despite fast-growing enrollment at the school. While the complex boasts volleyball courts, three resort-style pools and a clubhouse, it is located in an area that's far away from restaurants and entertainment venues.

Continue reading.

Bloomberg Markets

By Nic Querolo and Amanda Albright

July 6, 2023

Texas Sued by Houston Over Law Limiting Power of State's Cities.

- **Lawsuit claims 'Death Star' bill violates state constitution**
- **Supporters of law say it will standardize regulations in Texas**

The city of Houston said it sued the state of Texas to challenge a sweeping state law — known by opponents as the "Death Star" bill — that limits the power of municipalities to make their own rules.

Texas legislators sought to prohibit cities and counties from enforcing or creating regulations that go further than what is allowed under state laws governing labor, finance, agriculture, occupations, property and natural resources. The new law is set to take effect on Sept. 1.

But Houston claims the law violates the state constitution and could disrupt delivery of essential programs and services authorized by local ordinances, according to the lawsuit the city said it filed Monday in Travis County state court.

Continue reading.

Bloomberg Politics

By Madlin Mekelburg

July 3, 2023

[Ransomware Attack in May Still Disrupting Dallas City Services.]

The computer shutdown has delayed the issuance of permits. Dallas officials say 97 percent of their online services have been restored, but the city won't publicly disclose all the services still impacted.

Blake Smith was confused when his contractor told him at the end of June that the city of Dallas still hadn't approved his application for a new fence.

It had been three weeks since Smith's contractor submitted an application with the city to replace a chain-link fence surrounding his South Oak Cliff home with a taller wooden one.

So Smith said he called Dallas' development services office, which issues the permits, to get answers. It could be another two to six weeks before the application is reviewed, Smith recalled being told.

Continue reading.

governing.com

July 07, 2023 • Everton Bailey Jr., The Dallas Morning News, TNS

[Bond Prospectus Reveals Rapid Decline of Florida's Insurance Market.]

As Florida insurance carriers go under they are dragging down its guaranty fund.

Florida has launched a $600 million municipal bond sale touted for it's collapsing homeowners insurance market , along with new details of how toxic the homeowners market has become for carriers and how the publicly backed guaranty fund protecting policyholders has been upended

The municipal bonds were issued last week by the Florida Insurance Guaranty Association (FIGA), which is the state's bailout fund for insolvent primary carriers, according offering documents. The bonds are being offered in multiple series and are backed by a 1% "emergency" assessment levied by the Florida's Office of Insurance Regulation on insurance policies. Bank of America is managing the deal which was launched last week, according to an offering prospectus.

The last time FIGA issued a bond was $472 million with of notes in 1993 following Hurricane Andrew.

Continue reading.

riskmarketnews.com

by Chris Westfall

3 Jul 2023

Florida Passes Live Local Act to Incentivize Affordable Housing Development for the State's Workforce: McDermott Will & Emery

In March 2023, Florida Governor Ron DeSantis signed Senate Bill 102, also known as the Live Local Act (the Act), into law. The bill surpasses historical records for the state, represents the largest investment in housing opportunities to date and will go into effect on July 1, 2023. Its goal is to provide a comprehensive housing strategy to increase the availability of affordable housing opportunities for members of the Floridian workforce who desire to live in the communities in which they work.

In Depth

The Act introduces several new Florida Statutes, which are aimed at improving affordable housing opportunities in Florida, and modifies several existing Florida Statutes. A summary of the modifications and additions to some of those existing statutes are as follows:

Continue reading.

McDermott Will & Emery – Elena Otero and Kelly Shami

June 29 2023

Bay Area Transit Scrambles to Piece Together Funding.

California legislators agreed to provide additional operating support for transit agencies facing big budget gaps. San Francisco area lawmakers are looking to raise bridge tolls to make up some of the difference.

In Brief:

- Bay Area lawmakers are hoping to temporarily raise tolls on seven state-owned bridges to provide additional funding for regional transit agencies.
- Statewide transit agencies had requested $5.15 billion in operational support from the state. The Legislature agreed to provide part of that funding.
- In the Bay Area alone, transit agencies are facing a cumulative $2.5 billion budget deficit over the next five years.

Continue reading.

governing.com

July 5, 2023 • Jared Brey

San Francisco's Sluggish Recovery Puts Its Top-Grade Credit Rating at Risk.

- **Moody's revised its rating outlook to negative from stable**

- **Mayor London Breed calls it a ‘warning’ for the city**

San Francisco’s sluggish recovery from the pandemic may end up costing the city its pristine top-tier credit rating.

The outlook on the city-county’s Aaa credit rating was cut to negative from stable this week by Moody’s Investors Service. The ratings company said prolonged weakness in the city’s commercial real estate market and the “stubbornly slow” rebound of office workers were factors that drove the move.

A credit-rating downgrade would be the latest challenge facing Mayor London Breed, who is seeking to close a $780 million deficit as part of the upcoming two-year budget cycle. A top credit rating is often a point of pride for public officials, and losing it could make it more expensive for the city to borrow in the municipal-bond market.

Continue reading.

Bloomberg CityLab

By Amanda Albright and Maxwell Adler

July 7, 2023

California Quietly Shelves $15 Billion Pension Divestment Bill.

The California State Assembly has shelved legislation that would have forced the country’s two largest pension funds to divest an estimated $15 billion from oil and gas companies, a major blow to environmental advocates who hoped the funds could be a national model for the divestment movement.

SB-252, which passed the state Senate in May, won’t be given a floor vote, according to the bill’s lead author, Senator Lena Gonzalez of Los Angeles County. The legislation has been converted to a two-year bill, meaning lawmakers will have the opportunity to address the measure in the next session.

“I’m committed to bringing this bill up again next year,” Gonzalez said.

Under the proposal, the California Public Employees’ Retirement System and the California State Teachers Retirement System would have been required to remove assets of large oil and gas companies by 2031 and halt any new investments by 2024.

Continue reading.

Bloomberg Politics

By Eliyahu Kamisher

July 3, 2023

After Years of Ups and Downs, Los Angeles Moves Forward on Creation of a Public Bank.

Los Angeles is taking another step toward opening a city-owned public bank that would support projects driven by public interest.

The City Council voted last week to fund a feasibility study for the bank after advocates argued it would do better than private banks to serve Black and Latino communities, small businesses, green energy initiatives and affordable housing projects.

The move was the council's first financial investment in the long process toward launching the bank.

The idea of a public bank has floated around the City Council for several years. In 2018, voters rejected a proposal that would have amended the city charter to allow the bank's formation. One year later, Gov. Gavin Newsom signed a state law that allows all cities and counties to establish public banks, putting the idea back on the table in Los Angeles.

Continue reading.

THE LOS ANGELES TIMES

BY CHARLOTTE KRAMON

JULY 6, 2023

Graceland Muni Bonds Default as Tourism Recovery Comes Too Late.

- **Tourist attraction missed principal and interest on July 1**
- **Future payments could be made after pandemic-tourism rebound**

Municipal bonds sold for Elvis Presley's Graceland tourist attraction have fallen deeper into distress.

US Bank, the trustee on the debt, disclosed it couldn't make July 1 principal and interest payments on a series of senior bonds sold for the complex in 2017. The borrower had already defaulted on subordinate bonds after the pandemic led to a decline in visitors.

The trustee said it was about $945,000 short on roughly $1.8 million due this month after collecting all available dollars, according to a regulatory filing dated Wednesday. Certain payments on other series of bonds sold for the complex were made, the filing said.

Continue reading.

Bloomberg Markets

By Joseph Mysak Jr

July 5, 2023

Chicago Pension Debt Rises to $35 Billion as Mayor Hunts for Fix.

- **Liability grew due to investment impact from volatile markets**
- **City ‘charting a better path forward’ financially: Johnson**

Chicago’s pension burden climbed last year after the city’s retirement funds lost money due to volatile markets, deepening the long-standing fiscal woes for new Mayor Brandon Johnson.

The net pension liability across the city’s four retirement funds rose about 5% to $35.4 billion as of Dec. 31 from $33.7 billion a year earlier, according to Chicago’s annual financial report posted to the city’s website.

The amount the city owes to its four pensions that pay benefits to retired firefighters, police officers, municipal workers and laborers increased “due to the short-term impact of the global market volatility on recognized investment income,” the report said. The city’s four funds range from about 19% to about 40% funded, according to the report. That’s far short of other municipal plans: around the US, funding ratios for the largest public pensions average above 70%.

Continue reading.

Bloomberg CityLab

By Shruti Singh

July 3, 2023

Manhattan’s Battery Park City Tries to Protect Itself From Flooding a Decade After Hurricane Sandy.

- **Sale of $744 million of debt planned for waterfront community**
- **Half of lower Manhattan seen at risk from storm surges by 2100**

Over ten years after Hurricane Sandy flooded lower Manhattan, the Battery Park City Authority is set to sell about $744 million of debt with nearly half being used for sustainability projects like helping shore up the riverside community against climate change.

The group is raising funds for projects to fortify the community along the Hudson River, which is at risk from storm surges, including funding the construction seawalls and waterproofing a community center. The municipal bond sale of about $735 million in tax-exempt and $9 million in taxable bonds will also go toward restoring the Rockefeller Park House and playground, improving information technology as well as repairs to Pier A and its plaza, according to bond documents. Proceeds will also be used to refinance existing debt.

During the 2012 superstorm, floodwaters gushed into lower Manhattan from the Hudson River, damaging the Pier A Harbor House, Battery Park City Ball Fields and Asphalt Green. By 2100 — a year many young New Yorkers alive now may see — storm surges could leave nearly $14 billion or half of lower Manhattan’s properties in peril, according to a 2019 report from the New York City Economic Development Commission and the Mayor’s office.

Continue reading.

Bloomberg Green

By Jordan Fitzgerald

June 28, 2023

Reaffirming Deference Owed to Municipal Planning Boards, NJ Appellate Division Rejects Challenge to Liquor Store Approval: Day Pitney

In a win for the developer, 95 Tenafly LLC (95 Tenafly), on June 28 the Appellate Division reversed the trial court's decision vacating the Tenafly Planning Board's (the Board) approval of a site plan application by 95 Tenafly to build a Bottle King liquor store. (*Concerned Citizens of Tenafly, Inc. v. Borough of Tenafly Planning Bd*., No. A-1989-21, 2023 WL 4229288 (N.J. Sup. Ct. App. Div. Jun. 28, 2023). The Appellate Division rejected the trial court's decision, which had come down on the side of a group challenging the application's approval—the Concerned Citizens of Tenafly (the Concerned Citizens Group).) The Appellate Division rejected the lower court's findings concerning the Board's supposed lack of jurisdiction to hear the application as well as other findings relative to variances for parking spaces and signage.

As challenges to development applications by small groups of objectors become increasingly common, the Appellate Division's decision rejecting the findings of the trial court and arguments of the Concerned Citizens Group served to reaffirm the deference owed to a Board's findings in the absence of any arbitrary, unreasonable or capricious determinations.

The Board had granted preliminary and final site plan approval, including several variances and exceptions, such as a variance approving 55 parking spaces and five front-yard parking spaces, variances related to free-standing and building signage, and exceptions for the location of a dumpster facing the street as well as an exception allowing parking spaces 9.5 feet wide. The Board denied 95 Tenafly's requested variances for a flagpole height of 50 feet and a flag area of 216 square feet. The Board further imposed several conditions on the approval, including a requirement that 95 Tenafly return to the Planning Board to amend its plan if the police department were to find traffic and safety problems related to the left-hand turns into the site. The Board also prohibited gatherings for wine tastings (but not sampling wine within the store without invitation) and distribution of wine and spirits (but not making deliveries).

Shortly thereafter, the Concerned Citizens Group filed an action in lieu of prerogative writs, challenging the Board's approval of the Bottle King site plan application. The complaint alleged 19 issues with the plan and its approval, including issues with notice and proofs. After hearing oral argument on March 4, 2022, the trial court found that the Board's granting of 95 Tenafly's application was "arbitrary, unreasonable and capricious," and it vacated the approvals.

In reviewing the trial court's decision, the Appellate Division reversed in part and affirmed in part, rejecting much of the trial court's reasoning as being unsupported by the record.

In particular, the Appellate Division noted the trial court's finding—that the proposed flagpole was a principal use, not an accessory use, of the property, requiring Zoning Board of Adjustment approval instead of Planning Board approval—was not supported by either the record or common sense. The Appellate Division went on to reject each reason set forth by the trial court for vacating the approvals, finding again and again that the Board had proper jurisdiction and made determinations properly supported by the record. For instance, the Appellate Division found the notices provided by 95 Tenafly were adequate under the Municipal Land Use Law (MLUL), and it rejected arguments that notices must precisely describe each variance and waiver sought by an applicant. Public notice that 95 Tenafly sought to construct a retail liquor store sufficiently informed the public as to the nature of the application.

The Appellate Division further rejected the trial court's interpretation of Tenafly's land development regulations, reaffirming that the Board's knowledge of its local municipal circumstances should be accorded deference. The trial court had also agreed with the Concerned Citizen Group's argument that the Board improperly ignored the Group's experts' testimony. The Appellate Division disagreed, finding the Board had made appropriate and detailed findings showing 95 Tenafly had provided sufficient proof, satisfying the criteria for variances, including by giving greater weight to 95 Tenafly's traffic engineer and planner expert testimony than to the Concerned Citizen Group's expert's testimony. The Appellate Division also rejected the Concerned Citizen Group's one issue raised on appeal related to an alleged conflict of interest because of the former mayor's influence on the proceedings, noting the mayor recused himself from the decision-making process.

The Appellate Division's decision is another in a string of judicial decisions that have rejected manufactured challenges to development approvals, reaffirming the deference the courts must show to local planning boards that have properly followed the MLUL in approving development projects. Considering each allegation from the Concerned Citizens Group in turn, the Appellate Division rejected the trial court's finding that the approvals had been arbitrary, unreasonable and capricious, and it reinstated the Board's decision.

Day Pitney LLP – Katharine A. Coffey, C. John DeSimone, III, Peter J. Wolfson, Stephen R. Catanzaro and Erin Hodgson

July 6 2023

JPMorgan Sued by American Dream Mall Builder for Unpaid Work.

- **Bank provided construction loan and backstopped payments**
- **PCL Construction Services is seeking more than $30 million**

The construction manager for the beleaguered American Dream mall and entertainment complex in New Jersey's Meadowlands is suing JPMorgan Chase & Co. to recover more than $30 million of unpaid work and accrued interest for the project.

Denver-based PCL Construction Services alleges JPMorgan, which arranged a construction loan and serves as administrative agent for American Dream's developer, Ameream, is obligated to pay the bill if the developer doesn't, according to the lawsuit filed June 15 in a New York federal court.

"Ameream is now in financial distress," PCL Construction Services said in the lawsuit. "Agent now has a contractual obligation to advance the amounts due and owing that Ameream failed to pay as they became due. Yet, agent has failed to do so."

Continue reading.

Bloomberg Markets

By Martin Z Braun

June 20, 2023

[Swarthmore Leverages Its Rare AAA Rating to Borrow for Campus Renovations.]

- **College will issue $125 million of municipal bonds Thursday**
- **Funds will be used to refinance debt, campus improvements**

Swarthmore College is expected to tap the $4 trillion municipal bond market for more than $125 million of debt, hoping to lure buyers with its top-tier credit rating.

The Swarthmore Borough Authority will issue tax-exempt bonds in a competitive auction Thursday. The proceeds will fund capital projects on the Pennsylvania campus and will be used to refinance outstanding debt, according to preliminary bond documents. Improvements include the renovation of Martin Hall, an academic building that houses the school's computer science and media studies departments.

Both Moody's Investors Service and S&P Global Ratings granted Swarthmore their highest rating of AAA, a rare distinction among colleges. S&P currently designates 29 of about 450 colleges and universities as AAA, the company said. Other educational institutions that boast the rating include the nation's wealthiest schools like Harvard University, Yale University and the University of Texas.

Continue reading.

Bloomberg Markets

By Jordan Fitzgerald

June 21, 2023

[Florida Sells Bonds to Backstop Its Homeowner's Insurance Industry.]

- **The $600 million bond sale is the first of its kind since 1993**
- **Insurers had to close after Hurricane Ian, deluge of lawsuits**

A Florida state agency is selling municipal bonds to backstop the state's homeowner's insurance industry after a surge of claims and litigation drove some insurers to shutter.

The Florida Insurance Guaranty Association, which handles the claims of insolvent insurers, plans to borrow $600 million of bonds, according to preliminary offering documents. It is the first time in three decades the agency has tapped the municipal bond market to help support insurance claims.

The borrowing provides the agency with needed liquidity. "Our funding sources are somewhat limited," said Corey Neal, FIGA's executive director.

Continue reading.

BLoomberg CityLab

By Nic Querolo

June 26, 2023

Bank of America Seeks Texas Muni Revival After Two-Year Halt.

- **Bank had suspended underwriting in state due to GOP law**
- **Letter sent to AG's office says BofA plans to resume business**

Bank of America Corp. is seeking to resume its municipal-bond underwriting in Texas after a nearly two-year pause because of a Republican-backed law targeting banks over their gun policies, according to public records obtained by Bloomberg.

Bank of America, the nation's biggest muni underwriter, hasn't managed debt sales by Texas or its cities since two GOP measures went into effect in September 2021. One of the laws, known as Senate Bill 19, bars governmental entities from working with companies that "discriminate" against firearm entities.

The legislation caused a major pullback of Texas business by Bank of America and other Wall Street banks that have restrictions on dealings with gun companies. In 2018, Bank of America said it would stop making new loans to companies that make military-style rifles for civilian use. That policy remains in place.

The bank intends to continue its work with clients in Texas, a lawyer for Bank of America wrote in a May 17 dated letter to Texas Attorney General Ken Paxton and Leslie Brock, who leads the office's public finance division.

"Even though BoA had suspended entry into any contracts requiring the SB 13 and 19 verifications, we believe BoA can appropriately make such written verifications based on an application of its current risk-based framework and policies," the letter said.

A spokesperson for Bank of America declined to comment. The Texas Attorney General's Office did not respond to a phone call requesting comment.

Paxton was impeached and suspended by the Republican-dominated House of Representatives in late May. Former Texas Secretary of State John Scott was named the state's interim attorney general.

Aside from the firearms legislation, a separate Texas law restricts certain public contracts with financial companies that boycott the energy industry. The Texas Comptroller's office has released a list of companies that it considers to do so, and Bank of America isn't on that list.

The lawyer at Foley & Lardner LLP, Ed Burbach, said in a separate email to the Attorney General's office that the bank is not on that list, nor does it discriminate against a firearm entity or firearm trade association. Burbach did not immediately respond to a phone call requesting comment.

The letter did say that the bank generally considers the firearms industry as "high-risk, with clients subject to a heightened due diligence requirement." Because of that, the bank avoids certain business transactions based on "traditional business reasons."

The letters and emailed correspondence were obtained via public records request.

“BoA has longstanding business relationships with public and private entities operating in Texas, including many energy sector participants and firearms industry participants,” the letter said. “BoA anticipates continuing such relationships into the future. These commercial relationships are extremely important to BoA, its clients, and counterparties in Texas.”

Other banks initially affected by the GOP laws have sought to revive their public finance businesses in the state. In January, the Texas Attorney General’s Office said it wouldn’t approve state or local debt deals managed by Citigroup Inc. JPMorgan Chase & Co., meanwhile, has underwritten Texas muni deals this year.

Bloomberg Markets

By Amanda Albright

June 27, 2023

[Fitch: Puerto Rico's 2021 Audit Release a Key Administrative Step]

Fitch Ratings-San Francisco/New York-21 June 2023: Puerto Rico’s recent release of its fiscal 2021 audited basic financial statements indicates improved administrative capacity, according to Fitch Ratings. The commonwealth has also improved on the reliability, robustness, timeliness and accessibility of other supplementary information. Puerto Rico’s ability to sustain improved budgetary, financial, and economic collection and reporting capabilities is a key component of any reasonable investigation Fitch would undertake in forming a credit view.

The June 12 release of Puerto Rico’s fiscal 2021 audit (year-ended June 30) is a key component of the commonwealth’s push to bring disclosures current following the restructuring of most of its debt in recent years. This follows fiscal 2019 and 2020 audits releases in Q2 and Q4 of 2022, respectively. The commonwealth anticipates publishing its fiscal 2022 audit by Q3 2023, and achieving a one-year audit lag with publication of its fiscal 2023 audit in Q2 2024.

A one year timeline would be a marked improvement for the commonwealth, but still lag peers in the municipal market. A recent study of release dates for annual comprehensive financial reports (ACFR’s) by the University of Illinois, Chicago’s Government Finance Research Center (UIC-GFRC) and Merritt Research Services found the median release time across the municipal market was 164 days for fiscal 2020. The National Association of State Comptrollers reports that for U.S. states, the average release time was 228 days for fiscal 2021. The median audit timeline for municipal governmental bond sectors has grown from 147 days in 2009 to 164 in 2020, according to the UIC-GFRC and Merrit Research Services study.

Anecdotally, several governments have reported to Fitch that pandemic disruptions, including steep declines in state and local government employment in 2020, contributed to longer audit timeframes. State and local government employment has since recovered, although it is still down slightly relative to 2019 averages.

Habitually delayed publication of audited financial reports beyond 270 days past the end of the fiscal year can indicate management weakness. GAAP-based financial reports are an objective and important source that Fitch and other market participants typically rely on to understand a government's financial performance. They provide a set of financial statements that comply with accounting requirements established by the Governmental Accounting Standards Board (GASB) and audited by an independent auditor using generally accepted accounting principles.

Audited financial statements present an official account of a government's financial condition for the last fiscal year, comparing it to prior fiscal years, and some include management discussion and analysis of the results.

When financial audits are delayed, Fitch typically relies on additional municipal transparency to perform its forward-looking analyses and continue assessing creditworthiness. Such transparency may include unaudited actuals, periodic revenue and expenditure budget performance reports, clear budget documents, economic reportage and forecasting, and other disclosures.

Puerto Rico officials attribute the establishment of a timelier audit release schedule to post-PROMESA reform efforts executed in concert with the Oversight Board. Major commonwealth reforms include stronger budgetary policies, institutional budgetary reforms, wholesale modernization of financial collection and reporting systems, civil service reforms, and stronger internal controls. Together, these initiatives greatly bolster transparency and accountability, allowing external parties greater insight into major factors of the commonwealth's credit quality.

Contact:

Bryan Quevedo
Director
+1 415 732 7576
Fitch Ratings, Inc.
One Post Street Suite 900
San Francisco, CA 94104

Karen Krop
Senior Director
+1 212 908 0661

Media Relations: Sandro Scenga, New York, Tel: +1 212 908 0278, Email: sandro.scenga@thefitchgroup.com

Additional information is available on www.fitchratings.com

[Los Angeles, California: Fitch New Issue Report]

Key Rating Drivers Strong Security Resilience: Pledged revenues are resilient to cyclical revenue declines. Even assuming leverage to 2.0x, maximum annual debt service (MADS) coverage from the current 8.2x, the structure can easily absorb a revenue decline expected to result from a moderate recession scenario. The strong resilience assessment also considers the city's ability to raise the fee to the level needed to cover debt service and operational costs. Stagnant Natural Revenue Growth Prospects: The prospects for natural revenue growth (absent fee increases) are limited to new residential property development within the largely built-out city. There is no ratepayer concentration risk. Capped at City's IDR: Fitch does not assume that the SWR fee and other pledged revenues would be considered special revenues in the unlikely event the city declared bankruptcy. Therefore, Fitch caps the rating at the city's IDR of 'AA'/Outlook Stable.

[ACCESS REPORT]

Thu 22 Jun, 2023

[State of Georgia: Fitch New Issue Report]

Revenue Framework: ‘aaa’: Georgia’s revenues, primarily comprising income and sales taxes, will continue to reflect the breadth of the economy and its solid long-term growth potential. The state has complete control over its revenues, with an essentially unlimited legal ability to raise operating revenues as needed, despite constitutional limitations on the individual income tax rate. Expenditure Framework: ‘aaa’: Consistent with most states, expenditure growth in Georgia is likely to marginally exceed revenue growth over time. Carrying costs for long-term liabilities are low but slightly above average for a U.S. state. Georgia retains broad expense-cutting ability. Medicaid is a key expense driver, but Fitch expects the state will continue to successfully manage it to contain expense growth. Long-Term Liability Burden: ‘aaa’: Georgia’s long-term liability burden is low, and overall debt management is conservative. The state regularly issues bonds for capital needs and principal amortization is rapid. Georgia fully funds its actuarially determined contributions (ADCs) for pensions supporting a modest net pension liability (NPL) burden.

[ACCESS REPORT]

Fri 23 Jun, 2023

[Austin ISD Launches New Website for Potential Bond Investors.]

AUSTIN, Texas, June 14, 2023 /PRNewswire/ — Austin Independent School District (Austin ISD) today announced its new website for financial information, AustinISDInvestorRelations.com. The new site, created in partnership with BondLink, will make the district’s financial information more readily available for the community and potential bond investors, in preparation for Austin ISD’s upcoming bond sale.

In November 2022, Austin voters overwhelmingly approved Austin ISD’s $2.4 billion bond package, the largest ever in Central Texas. Bond projects will modernize Austin schools and increase security for students and staff.

Austin ISD is the eighth-largest school district in Texas, serving over 73,000 students in 116 diverse school communities. It is also the first district in the state of Texas to have a AAA rating, the strongest possible, from two separate rating agencies: KBRA and Moody’s. The AAA rating indicates the lowest risk of default. It also ensures that Austin ISD will get the lowest interest rates when taking on debt, which saves taxpayers money.

“Austin ISD is committed to credit quality and strong relationships with our investors and our community,” said Eduardo Ramos, Chief Financial Officer at Austin ISD. “Through the launch of our new investor relations website with BondLink, we aim to communicate directly with more investors and maintain transparency with our community, while finding new opportunities to enrich our students’ education.”

BondLink, the cloud-based investor relations and debt management platform for the municipal bond market, helps issuers like Austin ISD provide a single location for accessing data and documents detailing their financing programs' credit features. BondLink collaborates with other school districts across the U.S., including Ft. Worth Independent School District (TX), and Washington Elementary School District (AZ)

Colin MacNaught, CEO and co-founder of BondLink, expressed his enthusiasm for the partnership, saying, "Austin ISD is setting a great example for financial transparency for school districts across the country. Through this collaboration, we look forward to working closely with their finance team to enhance their investor relations strategy. Other ISDs can take note of this leadership and start thinking about how they can elevate their finance programs, particularly in today's choppier market."

For more information about the Austin ISD's new transparency initiative and upcoming bond sales, please visit AustinISDInvestorRelations.com.

Local Taxpayers Could Be On the Hook for the A's Stadium.

I rarely disagree with the Review-Journal's view, but promoting the new Oakland A's stadium by saying that there will be no new taxes is deceptive (June 9 editorial).

The legislation provides the team with $380 million in tax credits from the state, along with county-issued bonds and infrastructure. Tax credits allow the entity to not pay taxes that would normally be paid. And issuing county bonds does cost the taxpayer money. Municipal bonds are debt securities issued by state and local governments. They are loans that investors make to government. In this instance it is being used to help fund the building of a MLB stadium. According to the U.S.Security and Exchange Commission, the issuer, (Clark County) has the power to tax residents to pay the bondholders.

The road infrastructure for the new ball park also comes from taxes we citizens pay.

Continue reading.

Las Vegas Review-Journal

Michael O. Kreps

June 17, 2023

A's Public Financing Lacks Public Scrutiny.

Does anyone else feel like the "the public" didn't get much of a say in whether or not we finance a new ballpark somewhere along the Strip?

Even as the legislature began its second week of the special session to give the Oakland A's a truckload of "public financing," almost none of the process had been terribly open to the public. The clandestine nature of backroom deals that defined the special session is the type that generally doesn't instill confidence the interest of the public good is being prioritized above all else.

Judging by the testimony submitted by the public, Nevadans aren't exactly leaping with joy over the passing of the bill. More than 80 percent of public testimony had been in opposition.

Continue reading.

The Nevada Independent

by Michael Schaus

June 18th, 2023 at 2:00 AM

How the A's Stadium Revenue 'Waterfall' Will Repay Public Funds.

As the Oakland A's pitched state lawmakers on contributing up to $380 million in public financing for a new $1.5 billion baseball stadium in Las Vegas, one word kept coming up: "waterfall."

Bill supporters and lawmakers aren't talking about natural river formations or TLC's smash 1996 hit — waterfall in this context refers to a funding mechanism where tax revenue generated inside the stadium goes toward paying back public bonds, filling up reserve funds to backstop the bonds and more in a prioritized order.

But how does that waterfall actually work?

Under the legislation (SB1) — which the Legislature approved Wednesday and awaits Gov. Joe Lombardo's signature — the stadium would sit in a "sports and entertainment improvement district" created by Clark County commissioners. Tax revenues generated within that district would be pooled together to pay off the public funding for the stadium, a concept known as "tax-increment financing" (TIF), also known in this case as a "mega-TIF" because it would use all tax revenues and fees generated within the district.

Continue reading.

The Nevada Independent

by Sean Golonka, Tabitha Mueller & Jacob Solis

June 15th, 20

Governor Signs Public Funding Bill for New Athletics Stadium in Las Vegas.

RENO, Nev. — Nevada Gov. Joe Lombardo signed into law a $380 million public financing package to help build a Major League Baseball stadium for the Oakland Athletics on the Las Vegas Strip as MLB's commissioner outlined a months-long approval process for the A's proposed move there.

The first-term Republican governor and former sheriff in Las Vegas said he was excited to sign the measure the Democrat-controlled Legislature approved after a seven-day long special session.

"This is an incredible opportunity to bring the A's to Nevada," Lombardo said in a statement from

Carson City.

The $1.5 billion stadium with a retractable roof is planned near the homes of the NFL's Vegas Raiders, who fled Oakland in 2020, and the NHL's Golden Knights, who won the Stanley Cup this week in just their sixth season.

"This legislation reflects months of negotiations between the team, the state, the county, and the league," Lombardo said. "Las Vegas' position as a global sports destination is only growing, and Major League Baseball is another tremendous asset for the city."

Baseball Commissioner Rob Manfred outlined the review process of the A's proposed relocation during a news conference hours earlier at a meeting of owners in New York. With a capacity of 30,000, the stadium would be MLB's smallest.

Manfred said the team must submit a relocation application explaining its efforts in Oakland and why Las Vegas is a better market. A relocation committee will define the new operating territory and television territory. It will then make a recommendation to Manfred and the eight-man executive council. The executive council formulates a recommendation to all clubs, which must approve the move by at least three-quarters vote.

The team said in a statement the Nevada governor's signing of the funding package was "a significant step forward in securing a new home for the Athletics."

"We will now begin the process with MLB to apply for relocation to Las Vegas," the statement said. "We are excited about Southern Nevada's dynamic and vibrant professional sports scene, and we look forward to becoming a valued community member through jobs, economic development, and the quality of life and civic pride of a Major League Baseball team."

The $380 million in public funding would mainly come from $180 million in transferable tax credits and $120 million in county bonds. Backers have pledged that the creation of a special tax district around the proposed stadium would generate enough money to pay off those bonds and interest. The plan would not directly raise taxes.

The plan had revived the national debate over public funding for private sports clubs. A's representatives and some Nevada tourism officials have said the measure could add to Las Vegas' growing sports scene and act as an economic engine. But a growing chorus of economists and some lawmakers have warned that such a project would bring minimal benefits when compared to the hefty public price tag.

Opposition came from both sides of the aisle, especially in northern and rural Nevada several hundreds of miles away from Las Vegas.

"No amount of amendments are going to change the fact we are giving millions of public dollars to a billionaire," Assemblywoman Selena La Rue Hatch, a progressive Democrat from Reno, said during the debate.

"Using taxpayer money on pet projects instead of private capital is socialism," said Republican Sen. Ira Hansen, from neighboring Sparks.

But backers said in addition to creating 14,000 construction jobs and permanent jobs subject to collective bargaining, Major League Baseball on the Las Vegas Strip will build on the excitement surrounding the Raiders, the Golden Knights and the WNBA's Aces in a city that had no major professional sports before 2016.

“With the Aces winning a national championship last year and the Golden Knights securing the Stanley Cup just last night, it is clear Las Vegas is clearly becoming the entertainment and sports capital of the world,” said Democratic Assemblywoman Shea Backus, from Las Vegas.

Associated Press

Thu, Jun 15, 2023

[Los Angeles County, California: Fitch New Issue Report]()

Key Rating Drivers Revenue Framework: ‘aa’: The county’s revenues demonstrate limited volatility, reflecting the size and maturity of the economy and tax base, which retains a large Proposition 13 cushion. Growth prospects for revenues are solid. The county’s independent legal ability to raise revenues is restricted by state law but is satisfactory since it has control over fees and charges for services. Expenditure Framework: ‘aa’: Fitch expects expenditure growth to be marginally above future revenue growth in the absence of policy action. The county continues to enjoy solid expenditure flexibility, although policy changes and potential litigation outcomes could somewhat constrain that flexibility in the future. Pension and other post-employment benefit (OPEB) obligation contributions have been ramped up to pay down significant liabilities; however, such payments have remained a relatively stable percentage of spending in recent years. Long-Term Liability Burden: ‘aa’: The county’s long-term liability burden for debt and pensions is moderately low relative to total personal income. The majority of debt is issued by overlapping jurisdictions. Operating Performance: ‘aaa’: The county demonstrates an ongoing commitment to support a strong financial cushion. This cushion is aided in part by the DHS’s stable/solid financial position, which is supported by a five-year extension of full reimbursement for certain safety net hospital costs. The county, which has superior gap-closing capacity, is very well positioned to address economic downturns.

ACCESS REPORT

Tue 06 Jun, 2023

Louisiana Connected And The City Of Mansfield Announce Partnership To Design, Build And Operate A Fiber-Based Municipal Broadband System: Orrick

The Company
Louisiana Connected, a technology company that was created during the COVID-19 pandemic to address the systemic broadband blight in rural and urban Louisiana, and the city of Mansfield, are pleased to announce a partnership allowing the company to construct a fiber optic network that will deliver high-speed internet service directly to the homes and businesses in this Northwest Louisiana town.

The Impact
The Mansfield City Council, on May 22, 2023, voted unanimously on a Binding Memorandum of Understanding (MOU) with Louisiana Connected to design, build and operate the fiber-based broadband municipal system.

Louisiana Connected will fully-fund the multimillion-dollar construction and operation of the Mansfield network with private capital.

“Since the pandemic, I have worked alongside the City Council to fulfill the desire of many residents for efficient broadband in the city,” said Mayor Thomas Jones. “I am excited to be on track with my goal to deliver on that strategic plan and look forward to a collaborative partnership with Louisiana Connected going forward.”

“We applaud Mayor Jones and the City Council’s leadership whose vision for world-class internet infrastructure for Mansfield made this announcement possible,” said Donnette Dunbar, CEO of Louisiana Connected. “We are grateful for the City of Mansfield’s support and look forward to providing them with a network that will support their goals for growth and prosperity.”

The Team
An Orrick team led by Charles Cardall negotiated the Binding MOU, which came on the heels of a five-month state-required feasibility study so the city could receive complete cost estimates for the system’s buildout as well as identify the neighborhoods with broadband deficit.

“Internet access has become as critical for learning, business and health as electricity and gas for basic living,” said Charles. “Data shows 42 million Americans still have no access to broadband and millions more have low level connections, which is why Orrick is excited to apply our expertise to get these communities online and unlock the myriad social and economic benefits that emerge with improved digital equity.”

Learn More
Louisiana Connected

June.06.2023

Frederick Health Hospital, Inc., Maryland: Fitch New Issue Report

Revenue Defensibility: ‘bbb’; Dominant Market Share in Growing Service Area: The midrange revenue defensibility reflects FH’s dominant market share of about 70% in an economically diverse and growing service area. Its market position is relatively secure due to the regulated nature of MD healthcare including certificate of need programs. FH focuses on its core service lines including cardiology, oncology neurology and women’s health and does not provide trauma, open heart or transplant, so there is some outmigration to surrounding academic medical centers. FH’s solid market share is supported by an expanding outpatient footprint including the cancer center completed in 2017 and the recent critical care expansion including the ICU and emergency department. Under Maryland’s Global Budget Review (GBR) program, annual revenue is allocated to hospitals for regulated service lines and is determined and known before the start of each year and adjusted annually for changes in market share, services provided and population growth. Approximately 70% of FH’s revenues fall under Maryland’s all payor system, which provides predictable revenue streams but may create a lag in reimbursement in a rapidly growing service area, such as FH’s, and in the case of unpredictable utilization patterns, as was the case during the pandemic.

ACCESS REPORT

Tue 13 Jun, 2023

[Sarasota County, Florida: Fitch New Issue Report]

The ‘AAA’ Issuer Default Rating (IDR) and general obligation (GO) bond rating reflect the county’s superior gap-closing and low long-term liability burden. The county’s independent legal revenue raising ability, solid expenditure control and conservative budgeting practices provide the county with a considerable ability to maintain a high level of financial flexibility throughout economic cycles.

[ACCESS REPORT]

Mon 12 Jun, 2023

[University of Texas System: Fitch New Issue Report]

Revenue Defensibility: ‘aaa’: Very Strong Demand; Consistent Revenue Diversity: The University of Texas System’s (UTS) ‘aaa’ revenue defensibility assessment is supported by exceptionally strong underlying market characteristics and solid enrollment as Texas’s public research flagship university system. Overall revenue stability benefits from a solid enrollment niche, diverse multi-facility healthcare operations, strong fundraising, a deep research base, historically stable state operating support and substantial endowment income. Operating Risk: ‘aa’: Consistently Solid Cash Flow Margins: The ‘aa’ operating risk assessment reflects UTS’s solid cash flow margins, which average in excess of 20%. The assessment further reflects strong capital fundraising and state debt service support of designated capital projects. Financial Profile: ‘aaa’: Resilient Liquidity; Very Strong Leverage Metrics: UTS’s ‘aaa’ financial profile is supported by very low leverage ratios, as measured by available funds to debt, which remain solidly within the rating category through Fitch’s modeled stress scenario that incorporates both an operating revenue stress and a market-driven investment downturn.

[ACCESS REPORT]

[Sacramento Municipal Utility District, California (Electric): Fitch New Issue Report]

The ‘AA’ rating reflects the Sacramento Municipal Utility District’s (SMUD) very strong and stable financial profile in the context of its ‘aa’ revenue defensibility assessment and ‘a’ operating risk assessment. The ‘aa’ financial profile is expected to persist over the medium term, with leverage, calculated as net adjusted debt to adjusted funds available for debt service, remaining between 5.0x and 6.0x and supportive of the rating. Higher than anticipated costs from the implementation of SMUD’s ambitious 2030 Zero Carbon Plan, adopted in April 2021, could occur as energy purchases from clean technology increase. However, Fitch Ratings anticipates that costs will be recovered in a timely manner to preserve the utility’s financial profile, or the target date would be delayed if costs are significantly higher than anticipated, given SMUD’s focus on affordability and reliability to guide the pursuit of its 2030 goal.

[ACCESS REPORT]

Iowa Finance Authority: Fitch New Issue Report

Key Rating Drivers Sound Financial Structure: Fitch's cash flow modeling demonstrates that the resources of Iowa Finance Authority's (IFA, or the authority) combined CWSRF and DWSRF programs (together, the program) are sufficient to withstand hypothetical pool defaults in excess of Fitch's 'AAA' liability rating stress hurdle, as produced using Fitch's Portfolio Stress Model (PSM). Surplus annual loan repayments and pledged reserves primarily provide this loss protection. Above-Average Pool Diversity: Fitch views the program's pool diversity as above-average, driven by the large number of borrowers (more than 750 obligors). The top 10 borrowers represent a low 36% of the pool total and the largest single borrower represents a moderate 14% of the pool. Largely Unrated Portfolio: Overall, IFA's pool quality is below average in comparison to similar programs Fitch rates, as more than three-quarters of the loan portfolio does not carry a public rating. To mitigate this risk, Fitch's PSM conservatively assumes unrated borrowers to be of sub-investmen--grade quality (BB). Effective Program Management: IFA and the Iowa Department of Natural Resources (DNR) jointly manage the program following underwriting and loan monitoring procedures set forth by the MTA. The program has not experienced a default of any pledged borrower to date.

ACCESS REPORT

Orlando Utilities Commission, Florida: Fitch New Issue Report

The 'AA' Issuer Default Rating and rating on Orlando Utilities Commission's (OUC) utility system revenue bonds reflects the utility's very low leverage in the context of very strong revenue defensibility and operating risk, which are both assessed at 'aa'. OUC's revenue defensibility is anchored by the provision of monopolistic electric and water utility services to a very favorable and growing service area, as well as the independent ability to raise rates without regulatory oversight. OUC's operating cost burden is historically very low. However, elevated gas prices in 2022 drove operating costs to 11.11 cents/kWh from 9.04 cents/kWh in 2021. Natural gas accounts for 65% of OUC's energy generation; sustained elevated operating costs could negatively affect OUC's very strong operating risk assessment. OUC's financial profile and leverage ratio, measured as net adjusted debt to adjusted funds available for debt service remained very strong in fiscal 2022, when recorded leverage was a very low 4.3x. Total operating expenses increased 22% yoy, while purchased power expense nearly doubled yoy, totaling $86.6 million in fiscal 2022. Operating margins remained strong as the utility's fuel charge pass-through increased revenues and recovered higher fuel costs. Fitch Ratings expects OUC will continue to demonstrate strong operating performance while incorporating additional capital spending to reach long-term carbon-emission goals.

ACCESS REPORT

Fri 02 Jun, 2023

S&P Charter School Brief: Tennessee

[View the Brief.]

1 Jun, 2023

[California Pension Bill Seeks $15 Billion Divestment.]

The California state Senate approved a bill that would force the country's two largest pensions to divest an estimated $15 billion from oil and gas companies, a measure opposed by the funds' managers.

The measure, which passed in a 23-10 vote on Thursday, requires the California Public Employees' Retirement System and the California State Teachers Retirement System to empty their assets of large oil and gas companies by 2031 and halt any new investments by 2024.

The bill now heads to the Assembly, where similar legislation died last year after approval by the Senate.

The proposal highlights key divisions among California's Democratic supermajority as lawmakers' tough stance on climate change clashes with concerns that divestment will threaten the financial health of municipalities burdened with millions of dollars in pension fund liabilities. It also contrasts with efforts by Republican-led states like Florida and Texas to limit funds from making investment decisions based on environmental, social and governance issues.

"Senate Bill 252 would do nothing to combat the dangers of climate change," Calpers Chief Executive Officer Marcie Frost said in a statement. "Its only impact, at least in the short term, would be to make it that much harder to achieve the investment returns needed to pay the benefits promised to Calpers members."

Calpers said it uses its investments to push for climate change issues at large companies. The pensions say divestment would also increase risk by reducing their portfolio's diversification.

But Senator Lena Gonzalez of Los Angeles County, the bill's author, said the legislation's eight-year divestment timeline is sufficient to achieve the goals without harming returns.

"You've been engaging for decades with companies and they haven't done anything," said Gonzalez. "Clearly their strategy isn't working."

The bill has also splintered California's powerful labor interests. Unions representing firefighters and construction trades are against the measure, while a major teachers' union and the California Nurses Association support it.

Calpers and Calstrs manage a combined $822.6 billion in assets. The funds are under pressure to provide an investment return rate of 6.8% and have in recent years turned to private equity to boost returns.

Proponents of the bill say the pension funds' continued investment in the oil and gas sector flout California's goal of reaching net zero carbon emissions by 2045.

Bloomberg Politics

By Eliyahu Kamisher

May 26, 2023

[Rural California Hospital's Bankruptcy Highlights Industry Strains.]

- **California's San Benito Health Care District filed Chapter 9**
- **Nine rural hospitals in state closed since 2005, report says**

In yet another sign of the increasing financial stress facing US hospitals, a public health care operator in California has filed for bankruptcy protection.

San Benito Health Care District in Hollister filed for Chapter 9 bankruptcy on Tuesday, citing labor costs, a years-long shortage of working capital and a $5.2 million overpayment from Medicare it had to return, the court filing said. The Chapter 9, which is filed by municipalities and public entities, is rare compared to other bankruptcy filings used by corporations and individuals.

The move allows the district to address excessive health-care costs for its workers and find a partner or buyer, a press release prior to the filing said. The district operates the 25-bed, 116-year-old Hazel Hawkins Memorial Hospital and a handful of specialty and rural health clinics and nursing homes.

Continue reading.

Bloomberg

By Lauren Coleman-Lochner

May 24, 2023

[Fitch: California Revenue Shortfall Consistent with Historical Volatility]

Fitch Ratings-New York/San Francisco-25 May 2023: California's deteriorating revenue forecast reflects the high sensitivity of the state's tax revenues to changing economic conditions, which is a fundamental characteristic of its credit profile, says Fitch Ratings. California (Issuer Default Rating 'AA'/Stable) benefits from strong financial resilience and prudent fiscal management since the 2008-2009 Great Recession. Fitch anticipates the state will respond to the lower available tax revenues with sustainable actions that support ongoing structural budget balance.

The May Revision to Governor Newsom's fiscal 2024 budget proposal assumes revenues will be $31.5 billion lower for fiscal years 2022-2024 than was assumed when the fiscal 2023 budget was enacted in June 2022. Fiscal 2023 general fund revenues, prior to transfers, are forecast to be $16.7 billion (7.5%) lower than the June 2022 estimate and down 7.7% yoy. Forecast fiscal 2024 general fund revenues of $206.6 billion, prior to transfers and solutions, are $26.8 billion (11.5%) lower than the June 2022 estimate but still well above pre-pandemic fiscal 2019 levels of $144.5 billion.

The lower revenue forecast is driven largely by weakness in the personal income tax (PIT), with slowing economic conditions and technical factors playing important roles. The PIT is highly sensitive to economic changes, and the forecast reflects slower economic growth after the very rapid pace of growth immediately following the pandemic recession. The governor's economic assumptions assume a stronger rebound in national GDP growth than does Fitch's economic outlook, leaving the state's revenue forecast susceptible to downside risk. Additionally, the state Legislative Analyst Office's (LAO) assessment of the May Revise suggests a more pessimistic outlook with the fiscal 2022-2024 forecast an additional $11 billion below the Governor's estimate.

California's pass-through entity (PTE) elective tax and the deferral of tax deadlines in a number of counties add uncertainty. The PTE elective tax allows business owners to work around the federal cap on state and local tax deductions by combining corporate income tax payments and personal income tax credits. The department of finance (DOF) estimates nearly 10% of general fund revenues before transfers from fiscal 2022-2024 will be PTE elective tax payments. The mix of payments and credits with unpredictable timing complicates revenue forecasting.

Following severe winter storms, the state deferred tax deadlines for individuals and businesses in 55 counties, representing 99% of the state's population, from April to October 2023. The state estimates the deferral will shift $40 billion of its tax revenue from the current into the next fiscal year, while acknowledging the difficulty in crafting an estimate given the lack of clarity on potential taxpayer behaviour. Fitch considers the state's liquidity cushion ($109 billion including $91 billion in borrowable resources as of April 30, 2023) more than adequate to address cash flow implications.

The May Revision addresses the lower revenue forecast by tapping resilience built into the fiscal 2023 and previous budgets without dipping into the budget stabilization account (BSA) or taking deep cuts to ongoing spending. Prior budgets enhanced resilience by reducing budgetary and other debt, limiting growth in ongoing spending, applying non-recurring revenues to one-time spending including for capital investment rather than debt issuance, placing revenue triggers on new programs, and building reserves.

The bulk of the Governor's proposed budget balancing actions involve some form of spending reduction, including funding delays, reduced one-time spending, spending shifts from the general fund to other funds, and trigger reductions that can be restored if the revenue picture improves. The Governor is also proposing to renew and increase a managed care organization tax that is expected to raise $3.4 billion. The May Revise includes a modest withdrawal of $450 million of the $900 million balance Safety Net Reserve but does not touch the larger $22.3 billion BSA, and adds to the Public School System Stabilization Account, bringing its total to 10.7 billion, leaving these reserves available to address further revenue deterioration.

Contact:

Karen Krop
Senior Director
+1-212-908-0661
Fitch Ratings, Inc.
300 West 57th Street
New York, NY 10019

Bryan Quevedo
Director
+1 415-732-7576

Media Relations: Sandro Scenga, New York, Tel: +1 212 908 0278, Email: sandro.scenga@thefitchgroup.com

Additional information is available on www.fitchratings.com

Los Angeles Department of Water & Power, California: Fitch New Issue Reporty

The 'AA–' rating reflects Los Angeles Department of Water & Power's (LADWP) very strong financial profile in the context of a large and diverse retail customer base, very strong revenue defensibility characteristics, increasing operating costs and a large capital plan. LADWP is in the process of redesigning its overall power supply portfolio to comply with state and local requirements to increase renewable energy resources and supply 100% carbon-free energy to retail customers by 2035. The rating analysis does not incorporate full potential costs related to the power supply conversion because the utility's strategic plan to reach the target and the total costs are not yet fully identified. Fitch expects a final plan in 2023, but additional costs in the capital improvement plan (CIP) are not expected to be materially incurred over the five-year CIP.

ACCESS REPORT

Fri 26 May, 2023

Marin City Apartment Complex Opponents File Suit to Block Bonds.

Opponents of a 74-apartment, five-story development at 825 Drake Ave. in Marin City have filed a lawsuit to block the issuance of bonds needed to finance the project.

The suit was filed on May 18 by Save Our City, an advocacy group, and the group's co-founder, Marilyn Mackel, a Marin City Community Development Corp. board member and a former court commissioner in Los Angeles County.

The suit seeks an order invalidating the Marin County Board of Supervisors' decision on March 21 to approve the issuance of the revenue bonds by the California Municipal Finance Authority.

The authority is a joint powers agency of 350 California counties, cities and special districts that assists local governments, nonprofits and businesses with the issuance of taxable and tax-exempt financing. Marin County is one of the authority's members.

Under federal law governing tax-exempt financing, a government whose territory includes the location of the project had to approve the bonds. As a result, only Marin County or the state could provide the necessary approval.

The supervisors voted 3-2 to approve issuance of the bonds, with Stephanie Moulton-Peters and Eric Lucan casting the dissenting votes. Save Our City's lawsuit alleges that the supervisors who voted in favor of issuance "cast their votes based on incorrect understanding of the nature and extent to their authority to approve or disapprove the project."

"All three of these supervisors," the suit states, "expressed their understanding that they could not lawfully vote to disapprove the proposed tax-exempt bond financing for the project on their own substantive objections to the project arising from features of the project that are detrimental, or that these supervisors considered detrimental, to the community."

The defendants named in the suit are Marin County, the county supervisors, the California Municipal

Finance Authority and the developers, Pacific West Communities and Affordable Housing Land Consultants.

“We have not yet seen the lawsuit,” County Counsel Brian Washington wrote in an email. “As required by SB 35, the county ministerially approved the 825 Drake Project without the Board of Supervisors being allowed to be part of the decision-making process. It will be the developer’s obligation to defend any lawsuit challenging the project.”

Supervisor Dennis Rodoni said also he had not seen the suit and declined to comment. Supervisors Katie Rice and Mary Sackett did not respond to a request for comment. The developers did not respond to requests for comment.

Mackel said Monday that Save Our City has more than 100 people on its mailing list and has been meeting since October. She said the legal costs associated with the lawsuit are being covered by an anonymous donor.

“Safety issues are the primary concern we’re focusing on,” Mackel said, “although there are many, many others.”

Bettie Hodges, another Save Our City co-founder and director of the Hannah Project Partnership for Academic Achievement, said, “The streets are extremely narrow. There is limited parking, which will create congestion. There is concern among residents that emergency vehicles will have limited access.”

Because of Senate Bill 35, the project was approved without review by the Marin County Planning Commission or environmental analysis under the California Environmental Quality Act. The law, intended to streamline housing development to address California’s severe housing shortage, mandates a ministerial approval process for projects proposed in jurisdictions that have failed to create their state-mandated quota of housing.

Hodges said a high percentage of Marin City’s housing is already affordable or subsidized by the government, so if Marin City were a separate jurisdiction it would be exempt from SB 35.

One of the few requirements that developers face under SB 35 is to make a certain percentage of their residences affordable to households making below 80% of the area median income. Depending on the circumstances, the requirement can range from a maximum of 50% to a minimum of 10%.

Under SB 35, the developer of 825 Drake Ave. is not required to provide any parking, since the site is located within a half-mile of a Marin Transit bus stop. If not for SB 35, the county would have required two parking spaces per dwelling.

Mackel said another big concern of Save Our City is the effect the project will have on Village Oduduwa, a low-income seniors complex, which it will abut.

“The seniors will have no sunlight,” Mackel said.

Other safety concerns include the fact that the project will be located in a state-designated high fire hazard zone at heightened risk to wildfires in the summer, and in an area prone to flooding in the winter with just one road in and out of the community.

The controversy over the project grew more intense following the March 21 hearing on the bonds. Alexis Gevorgian, who had been the spokesperson for the project, said that 16 of the apartments would be reserved for four-person households earning $49,800 per year or less; eight for four-person households earning no more than $83,000; and 29 for four-person households earning no more than $99,600. Twenty of the apartments would be affordable to four-person households earning up to $116,200.

Hodges questions whether the developer is committed to those numbers.

“I think those ranges are aspirational,” she said.

The Marin Housing Authority is allocating vouchers to the project so 25 households will be guaranteed to pay no more than 30% of their income for rent.

During the March hearing, Kimberly Carroll, director of the Marin Housing Authority, also said the apartments will provide options for residents of Golden Gate Village who are being forced to move because their family size has diminished and there are no appropriately sized apartments available in the neighborhood.

Marin Independent Journal

By RICHARD HALSTEAD | rhalstead@marinij.com | Marin Independent Journal

PUBLISHED: May 25, 2023

New York City, New York: Fitch New Issue Report

The ‘AA’ Issuer Default Rating (IDR) and GO bond ratings reflect New York City’s exceptionally strong budget monitoring and controls, supporting our high assessment of operating performance. Federal stimulus aid has relieved fiscal pressure, which would have otherwise resulted from the city’s lagged economic recovery, and supported structural budgetary balance. However, the record revenue performance and strong recovery from the pandemic, as well as improvement in reserve levels, will help management navigate through future economic downturns, including near-term challenges due to an expected deceleration of revenue growth, rising labor costs and other uncertainties associated with a high inflationary environment.

ACCESS REPORT

Mon 22 May, 2023

Oregon Department of Transportation: Fitch New Issue Report

The ‘AA+’ rating reflects the exceptional resilience of the security structure and growth in pledged revenues that is expected to exceed the long-term rate of inflation. Assuming additional debt issuance to the additional bonds tests (ABTs), net pledged revenues could sustain significant declines and still comfortably meet maximum annual debt service (MADS) requirements on the senior, subordinate, and second subordinate lien bonds. The rating is capped by the state’s Issuer Default Rating (IDR) of ‘AA+’.

ACCESS REPORT

Wed 24 May, 2023

[State of Connecticut: Fitch New Issue Report]

Connecticut's 'AA-' Issuer Default Rating (IDR) reflects its superior gap-closing capacity, as well as its wealthy and diverse, yet slow-growing, economic profile. The rating also incorporates the state's elevated liability burden, carrying costs and expenditure growth trends, which are likely to remain comparatively high over time. Economic Resource Base: Connecticut has a diverse and mature economic base anchored by a large finance sector as well as important manufacturing, education and health sectors. Post-pandemic economic growth trails national trends. Connecticut has the highest per capita personal income of any state, although income growth slowed in the prior decade.

ACCESS REPORT

Wed 24 May, 2023

Oklahoma Capitol Improvement Authority: Fitch New Issue Report

Revenue Framework: 'aa': Fitch Ratings expects that Oklahoma's revenues, which are supported by broad-based sources, will continue to reflect above average economic volatility tied to the natural resources sector. While the state legislature has unlimited independent legal ability to raise operating revenues, tax rate increases require either a legislative supermajority vote or direct voter approval, limiting practical revenue-raising flexibility. Expenditure Framework: 'aa': The state maintains ample expenditure flexibility with a low burden of carrying costs for liabilities and the broad expense-cutting ability common to most U.S. states. Long-Term Liability Burden: 'aaa': On a combined basis, the state's debt and net pension liabilities are well below the median for U.S. states as a percentage of personal income and are a low burden on resources. Other post-employment benefit obligations are minimal compared with debt and net pension liabilities, accounting for 0.1% of personal income versus 2.9% for debt and pensions. Operating Performance: 'aa': A constitutional provision limiting appropriations to only 95% of expected general revenue fund revenues provides a cushion for revenue variability, while the state's proactive management of financial operations has historically offset volatility.

ACCESS REPORT

Fri 26 May, 2023

Florida Enacts Anti-ESG Legislation - House Bill 3 Explained: Akin Gump

On May 2, 2023, Gov. Ron DeSantis (R-FL) signed into law House Bill 3 (HB3), legislation that, among other things, blocks the consideration of environmental, social and governance (ESG) factors in state and local investment decisions and procurement processes. As we have written about previously (e.g., here), the politicization of ESG is creating significant complexities for companies that do business in multiple jurisdictions, some of which require or permit the consideration of ESG factors, and others that have adopted anti-ESG legislation similar to HB3. That said, HB3, which is scheduled to take effect on July 1, 2023, is considered among the farthest reaching anti-ESG legislative enactments to date. The following alert describes HB3's requirements.

At a high-level, HB3 requires that investment decisions (and proxy voting decisions) for state pension assets be made taking into account only "pecuniary factors." For purposes of the legislation, "pecuniary factors" are defined as factors that are "expected to have a material effect on the risk or returns of an investment based on appropriate investment horizons consistent with applicable investment objectives and funding policy." Importantly, the term prohibits "the consideration of…any social, political or ideological interests" when state and local officials make investment and other covered decisions. Notably, in addition to applying to investment decisions relative to state pension assets, among other things, HB3 also places limits on investment decisions for local governments; prohibits the issuance of ESG bonds in Florida; and imposes limits on state procurement processes. More specifically:

Continue reading.

Akin Gump Strauss Hauer & Feld LLP – Martine E. Cicconi, Mark R. Herring, Stacey H. Mitchell, Brian Arthur Pomper, Ryan C. Anderson and Christopher A. Treanor

May 18 2023

Sixth Circuit Invalidates Application of Nashville's Sidewalk Ordinance Under The Takings Clause: Squire Patton Boggs

In *Knight v. Metro. Gov't of Nashville and Davidson County* (No. 21-6179), the Sixth Circuit decided a longstanding question about the standard that applies to conditions imposed by a legislature on those applying for building permits. The issue is common enough: a city wants more sidewalks to improve safety, health, and traffic. So the city requires landowners to add sidewalks to their properties as a condition of issuing building permits. Nashville's ordinance requires to grant an easement and build a sidewalk or to pay a fee to build sidewalks elsewhere in the city. The question in Knight was whether this permit condition should be judged under the unconstitutional conditions test in *Nollan v. California Coastal Commission*, 483 U.S. 825 (1987) or the deferential balancing test used for zoning restrictions under *Penn Central Trans. v. NYC*, 438 U.S. 104 (1978). State courts have long been divided on whether *Nollan* is limited to the discretionary decisions of zoning administrators, or whether it also applies to municipal legislation like Nashville's rule.

Writing for the panel, Judge Murphy's opinion reviews the history of the Takings Clause and Supreme Court decisions on unconstitutional conditions, and concludes that *Nollan* applies and that Nashville's ordinance violates the Takings Clause by "forcing a few people to bear the full cost of public programs that the public as a whole should pay for." The ordinance lacks the "nexus" and "rough proportionality" between the imposed condition and the social costs of the new construction. Extending existing sidewalks would be permissible, the court explains, but Nashville cannot force landowners to build "sidewalks to nowhere" or "pay for sidewalks miles away" without compensation. After saying so, however, the court says it has not actually decided the issue because Nashville had waived all arguments regarding *Nollan* by focusing exclusively on the *Penn Central* test. Though the panel avoids declaring Nashville's ordinance unconstitutional, its opinion gives important guidance for cities imposing conditions on building permits across the Sixth Circuit—and for landowners that challenge those ordinances.

Squire Patton Boggs – Colter Paulson

May 15 2023

State of Wisconsin: Fitch New Issue Report

Revenue Framework: 'aa': Wisconsin's sound revenue framework relies on broad based taxes that generally reflect economic performance and which Fitch Ratings anticipates will continue to grow in line with long-term expectations for inflation. Wisconsin has an unlimited legal ability to independently raise revenues. Expenditure Framework: 'aaa': Fitch anticipates Wisconsin will continue to effectively manage a natural pace of spending growth expected to be slightly above annual revenue growth, reflecting the primary drivers of Medicaid and education. The state benefits from low fixed carrying costs and has demonstrated ample ability to cut spending if needed. Long-Term Liability Burden: 'aaa': Long-term liabilities are low and below the U.S. state median. The state benefits from strong pension funding and a benefit structure that shares the risk of investment underperformance with beneficiaries.

ACCESS REPORT

16 May, 2023

Chicago Names New Finance Chief.

Jill Jaworski—a municipal advisor who has worked with city schools and transit systems—is Chicago's next finance chief.

Mayor-elect Brandon Johnson, who replaces Mayor Lori Lightfoot on May 15, made the announcement on Thursday.

Chicago is one of the nation's most indebted major cities but has chipped away at its massive pension liability over the past decade. The city recently won back an investment-grade rating from Moody's Investors Service after seven years of "junk" status.

Ms. Jaworski has more than a decade of experience at public finance firm PFM, which says on its website that she worked with clients including Chicago Public Schools and transit systems serving Washington D.C. and Dallas. A municipal advisor helps ensure state and local governments get the best price when they sell bonds to investors.

Mr. Johnson on Thursday also named Annette C.M. Guzman as budget director and S. Mayumi Grigsby as director of policy.

The Wall Street Journal

by Heather Gillers

May 11, 2023

S&P Not-For-Profit Acute Health Care State Snapshot: Maryland

Table of Contents

S&P Global Ratings has 10 public ratings on Maryland not-for-profit acute-care providers, split evenly between health systems and stand-alone hospitals. We also rate Maryland-based Bon Secours Mercy Health, although we have excluded it from this ratio analysis because the system no longer operates acute-care hospitals in the state. Given that the state and location in which providers operate can significantly influence health-care delivery, from underlying demographic trends to the legislative and competitive environment, market-specific factors provide a crucial backdrop for our analysis of an entity's overall credit profile. This report aims to provide greater analytical insights from the sample of issuers compared with acute-care providers across the country and to supplement our top-level and national credit views on the not-for-profit health-care sector.

Continue reading.

10 May, 2023

State of Texas: Fitch New Issue Report

Texas' 'AAA' Issuer Default Rating (IDR) and GO bond rating reflects its growing economy and the ample fiscal flexibility provided both by its conservative approach to financial operations and the maintenance of substantial reserves, including in its budgetary reserve, the economic stabilization fund (ESF). The Texas Water Development Board issues GO water financial assistance bonds under various constitutional provisions to support water conservation and infrastructure projects throughout the state. Most GO water financial assistance bonds are self-supporting from repayments of project loans and income received from investments.

ACCESS REPORT

Thu 11 May, 2023

A Texas Fund That Lowers School Borrowing Costs Is Available Again to Districts.

A $56.8 billion sovereign wealth fund's program that helps schools in Texas pay lower interest rates on municipal bonds will be available again to eligible schools and districts.

The Internal Revenue Service raised the capacity limits of The Texas Permanent School Fund's debt guarantee program, according to a press release by the State Board of Education on Thursday. The IRS posted a notice of intent to update language that previously limited the capacity of the fund's debt guarantee program.

In November, for the first time in about a decade the fund had to turn nearly all applicants to its program away because of the lack of capacity.

Read More: Texas Schools Face Higher Borrowing Cost as State Fund Maxed Out

"News of this change by the IRS is a welcome victory for Texas students and taxpayers," said State Board of Education Chairman Keven Ellis in the press statement. "Instead of paying millions in higher interest costs, school districts can instead use that money for much-needed facility improvements."

The rule change is effective as of May 10, and will allow the State Board of Education and Texas Education Agency to guarantee bonds passed in elections earlier this month, the release said. Without the change, requests for a guarantee would have been denied, forcing school districts and charter schools to pay higher interest rates.

The update allows the program to guarantee debt up to a limit of five times the cost value of the fund, or about $218 billion at current levels, according to the release. Credit guarantee essentially allows Texas public and charter schools to issue debt at AAA credit ratings, despite the underlying rating of the issuer.

Bloomberg Markets

By Nic Querolo

May 12, 2023

Chicago Names New Finance Chief.

Jill Jaworski—a municipal advisor who has worked with city schools and transit systems—is Chicago's next finance chief.

Mayor-elect Brandon Johnson, who replaces Mayor Lori Lightfoot on May 15, made the announcement on Thursday.

Chicago is one of the nation's most indebted major cities but has chipped away at its massive pension liability over the past decade. The city recently won back an investment-grade rating from Moody's Investors Service after seven years of "junk" status.

Ms. Jaworski has more than a decade of experience at public finance firm PFM, which says on its website that she worked with clients including Chicago Public Schools and transit systems serving Washington D.C. and Dallas. A municipal advisor helps ensure state and local governments get the best price when they sell bonds to investors.

Mr. Johnson on Thursday also named Annette C.M. Guzman as budget director and S. Mayumi Grigsby as director of policy.

The Wall Street Journal

by Heather Gillers

May. 11, 2023

Arizona Sports Complex With $284 Million Municipal Debt Files for Bankruptcy.

- **Miller Buckfire has begun marketing borrower's stake in park**
- **Legacy Cares informs bondholders of plans in securities filing**

Legacy Cares Inc., a nonprofit organization created to build and operate a sprawling 320-acre youth-sports and entertainment complex in Arizona, filed bankruptcy, according to a court filing Monday.

The bankruptcy may include the sale of the nonprofit's interest in the complex, pursuant to a reorganization plan. Miller Buckfire, which was retained by Legacy Cares to investigate options, has begun preliminary marketing, according to a notice on EMMA, an online repository for disclosure run by the Municipal Securities Rulemaking Board.

"No assurance can be given if or when the borrower's interest in Legacy Park will sell or at what price," according to the securities filing dated May 1.

Continue reading.

Bloomberg Markets

By Martin Z Braun and Maxwell Adler

May 1, 2023

DeSantis Board Sues Disney After Company Retaliation Lawsuit.

- **Lawsuit claims Disney legal moves 'reek of a backroom deal'**
- **Board suit follows Disney legal claim of DeSantis retaliation**

The Ron DeSantis-appointed board of the municipal authority overseeing Walt Disney Co.'s Florida parks sued the company Monday, claiming Disney violated state law in trying to ward off the board's efforts to govern park operations.

The legal fight is the latest twist in a political drama that began when Disney criticized DeSantis-backed legislation last year that limited what schools can teach about gender and sexuality. DeSantis appointed the district's board to replace another one that had been in place for decades and allowed Disney to govern itself.

Last week, Disney sued after the oversight district voted to halt a development agreement and related covenants signed by the company, which employs 75,000 people in Florida. Disney's lawsuit claimed in federal court that the governor's actions were retaliatory, anti-business and unconstitutional after the company exercised its free speech rights.

Continue reading.

Bloomberg Politics

By David Voreacos and Felipe Marques

May 1, 2023

Virginia Public School Authority: Fitch New Issue Report

Key Rating Drivers Revenue Framework: ‘aa’: Fitch expects Virginia’s principal revenue sources, primarily income and sales taxes, will continue to reflect the depth and breadth of the economy as well as its above-average sensitivity to cyclical downturns. The commonwealth has complete control over its revenues, with an unlimited legal ability to raise operating revenues as needed. Expenditure Framework: ‘aaa’: Virginia maintains ample expenditure flexibility, with a low burden of carrying costs for liabilities and a broad ability to cut expenses common to most U.S. states. As with most states, Medicaid remains a key expense driver, but one Fitch expects the commonwealth will be able to actively manage without threatening fiscal stability. Long-Term Liability Burden: ‘aaa’: Virginia’s long-term liability burden is low and well managed. Debt issuance is carefully monitored through both constitutional limitations and stringent institutional practices. Virginia’s ratio of net pension liabilities to personal income remains below that of most states. Operating Performance: ‘aaa’: The commonwealth is well positioned to deal with economic downturns, having exceptionally strong gap-closing capacity derived from its control over revenues and spending. Virginia also demonstrated an ability to restore financial flexibility in times of economic recovery and expansion. The state maintains solid reserves, which are rapidly replenished when drawn upon.

ACCESS REPORT

Thu 04 May, 2023

Philadelphia, Pennsylvania: Fitch New Issue Report

Key Rating Drivers Revenue Framework: ‘aa’: Wage taxes, Pennsylvania Intergovernmental Cooperative Authority (PICA) taxes, property and business income and receipts (BIRT) taxes together make up about 60% of total general fund revenues. Fitch Ratings expects revenues to resume growth that exceeds its expectations for long-term inflation as the economic conditions improve. The city retains essentially unlimited independent legal ability to raise revenues. Expenditure Framework: ‘a’: Spending increases will likely exceed revenue growth, requiring continued proactive budgeting. The city has just adequate expenditure flexibility notwithstanding moderate fixed costs given a highly unionized workforce and a statutorily defined collective bargaining framework. Long-Term Liability Burden: ‘aa’: Long-term liabilities are expected to remain moderate relative to Philadelphia’s broad and diverse economic resource base. Operating Performance: ‘a’: Reserves have strengthened with the city’s prudent management through the pandemic-driven downturn and subsequent economic and tax revenue recovery. Fitch believes the city will continue its trend of prudent and conservative budget management, preserving strong gap-closing capacity to withstand a moderate economic downturn.

ACCESS REPORT

Fri 05 May, 2023

[First-Of-Its-Kind Atlanta Program Leverages $200 Million Public Private Investment for Affordable Housing.]

First-of-its-kind Atlanta Program Leverages $200 Million Public Private Investment for Affordable Housing

ATLANTA—Mayor Andre Dickens and Community Foundation for Greater Atlanta President and CEO Frank Fernandez announced a historic investment of public and philanthropic resources to bring affordable quality housing to all who call Atlanta home. The combined $200 million in new funds represents an opportunity to build and preserve affordable housing in Atlanta at an unprecedented scale and pace.

Mayor Dickens is working with Atlanta City Council to pass a new affordable housing bond that will create an additional $100 million in funding.

The Community Foundation for Greater Atlanta received a generous $100 million commitment from The Robert W. Woodruff Foundation and Joseph B. Whitehead Foundation, providing dollars to further leverage the proposed public funding. The Community Foundation will partner with the City of Atlanta and others to ensure deeper, long-term affordability for communities with a higher risk for displacement.

“Affordable housing has been central in my Administration and today’s announcement is a gamechanger in our ability to have projects keep pace with a rapidly evolving market,” said Mayor Dickens. “Thank you to the Robert W. Woodruff Foundation and Joseph B. Whitehead Foundation for their generosity, Community Foundation for Greater Atlanta for their steadfast partnership and the Atlanta City Council in advance for their collaboration on this once in a generation opportunity to provide affordability relief for Atlantans.”

The potential funding source will authorize an additional $100 million housing bond which will support the following:

- Expedite the development of affordable housing on publicly-owned land;
- Preserve affordability where it already exists with infusions of subsidy to provide safe, dignified and high-quality communities;
- Secure additional funding needed to get shovel-ready projects under construction.

Community Foundation President and CEO Frank Fernandez, commented, “In every city, the trends have been moving in the wrong direction for entirely too long and too many people are struggling,” Fernandez said. “But we have a window of time particularly in the next three years to change the trajectory in Atlanta. That is why we are moving with urgency to bring together all our partners, to have all hands-on deck, and make a lasting change in housing. Our goal is to support better housing policies, programs, and significantly more production and preservation of affordable housing, so we can have neighborhoods and a city reflective of our values.”

Russ Hardin, CEO of The Robert W. Woodruff Foundation, commented, “We have confidence in the Mayor and wanted to support his vision. After spending time with Frank (Fernandez) and his team at the Community Foundation, and understanding their plan, our Board of Directors saw the depth of knowledge, competence and scale that we needed to invest and be a catalyst for Atlanta to solve this complex critical challenge.”

The Community Foundation for Greater Atlanta’s funds will go to support both low-cost loans and grants for deeper and longer terms of affordability to address our community's growing housing affordability challenges.

Mayor Andre Dickens is focused on building A City of Opportunity for All. This vision includes ensuring that all Atlantans have access to safe, quality and affordable housing – which is why Mayor Dickens has pledged to build or preserve 20,000 units of affordable housing.

05/02/2023

[Local Social Impact Investors Are Pulling Chicago Out Of Junk Bond Status.]

Chicago's first-ever "social bond" issuance draws local, small-dollar ESG investors to fund the city's post-COVID recovery – and its racial justice goals.

Chicago is a city still notorious for the junk-bond status it finally managed to shed last year. But earlier this year, investing as little as $1,000 of their own savings, a new crop of municipal bond investors helped Chicago open a new chapter of its municipal bond history.

In some ways, the bond offering was similar to any other Chicago municipal bond offering. The city borrowed $160 million dollars from investors, and the city repays investors over time, plus interest, using local tax revenues (in this case local sales tax revenues).

These bonds are specifically funding a set of projects that were already on the City of Chicago's to-do list as part of its post-COVID recovery plan — planting 15,000 new street trees in historically disinvested neighborhoods over the next three years, converting motels and single-room occupancy buildings into housing for people and families transitioning out of homelessness, grants to community and economic development projects on the South and West Sides of the city, and even replacing the city's fleet of gas-powered vehicles with electric vehicles.

Continue reading.

NEXT CITY

by OSCAR PERRY ABELLO

MAY 2, 2023

SVB's $7 Billion Municipal Bond Portfolio Could Pose Challenge for Liquidators.

- **Liquidity and de minimis tax risk seen as potential challenges**
- **BlackRock sale of failed banks' munis began on Tuesday**

Silicon Valley Bank's roughly $7 billion municipal bond portfolio could pose a challenge for BlackRock Inc. as it starts liquidating the failed bank's securities, investors say.

The lender's muni holdings were mostly long-dated bonds with low coupons, according to Nicholos Venditti, senior portfolio manager at Allspring Global Investments LLC, who said he saw the breakdown in a list circulated by dealers.

The bonds fit solidly into a category of debt that got hammered by rising interest rates, the very phenomenon that ultimately helped spur the turmoil in the banking industry. Munis due in 22 years or longer lost 15.6% last year, almost double the decline of the broader market, data compiled by Bloomberg show.

Continue reading.

Bloomberg Markets

By Nic Querolo and Martin Z Braun

May 2, 2023

Hackers Hit Dallas City Servers, Limiting Some Police and IT Systems.

- **'Royal' hacking group previously hit Dallas school district**
- **City officials ask for patience during recovery period**

Dallas is experiencing IT and police communication outages following a ransomware attack on municipal systems.

City officials said in a statement Wednesday that hackers had compromised "a number of servers" and that they were working with vendors to try to control the spread of malware. With a ransomware attack, hackers lock up victims' data or knock services offline, then demand an extortion payment.

"We have been having a system shutdown for the past two days now," a Dallas 311 operator told Bloomberg News. "We are very limited in what we are able to access internally right now."

Continue reading.

Bloomberg

By William Turton

May 4, 2023

"Where Woke Goes to Die"? - New Florida Restrictions on ESG to Create Challenges and Additional Requirements for Asset Managers and Other Financial Institutions - Ropes & Gray

After many months of publicly teasing further anti-ESG action, Florida is poised to become the latest state to enact legislation limiting the consideration of ESG factors in the investment decisions of state retirement systems. House Bill 3, "An Act Relating to Government and Corporate Activism", ("HB 3") passed in the Florida State Senate on April 19. The legislation, which is expected to be signed by Governor Ron DeSantis in the coming days, formalizes and expands the directive he announced last August for the State Board of Administration to invest funds of the Florida Retirement System Defined Benefit Plan (and to exercise shareholder proxy voting rights) solely based on pecuniary factors, without sacrificing investment returns to promote non-pecuniary factors such as ESG goals. HB 3 will extend this policy to cover all funds invested by state and local governments, including, general revenue, trusts dedicated to specific purposes, money held by retirement plans, and surplus funds. These restrictions will apply to all contracts executed, amended or renewed beginning July 1. The legislation also will put in place new requirements and restrictions applicable to state and municipal bond issuances, government contracting and banks and other financial institutions. In this Alert, we discuss HB 3 in more detail, with a focus on asset managers.

HB 3 is one of the strictest and most restrictive anti-ESG laws adopted to date, imposing significant new compliance obligations that are distinct from those required by ERISA and other state laws. Given Florida's status as a frequent investor in funds, this development is likely to have an impact on many managers across a wide range of strategies. While HB 3 reflects an amalgam of policies and restrictions that have gained traction in other states—for example, Kentucky, Idaho, Montana, and Utah among other states have passed legislation that mandate a focus on pecuniary or financial factors for investing public assets—the Florida legislation includes some novel provisions that will require asset managers' special attention.

- **Investment Decisions Made on Behalf of Florida's Funds Must Be Based on Pecuniary Factors** – HB 3 requires that the Florida Chief Financial Officer, or any party authorized to invest public funds on his or her behalf, make investment decisions based solely on the basis of pecuniary factors. A pecuniary factor is defined as one that is expected to have a material effect on the risk or returns of an investment based on appropriate investment horizons consistent with applicable investment objectives and funding policy and that does not include the consideration of social, political, or ideological interests. Further, the "weight given to any pecuniary factor must appropriately reflect a prudent assessment of its impact on risk or returns." This is very similar to the approach that the Trump administration took in its ESG rule pursuant to ERISA, which was adopted in 2020 (See our prior Alert) but has since been rescinded. Similar to that rule, HB 3 can be expected to sharply limit the ability of fiduciaries of Florida's public retirement plans (which includes any managers investing assets on behalf of the state plans) to consider ESG factors as part of their investment decisions.
- **ESG Bond Prohibition** – The bill prohibits both the state Division of Bond Finance and specified public bond issuers from (1) issuing an ESG bond, (2) paying for the services of another to verify or certify a public bond as an ESG bond, or (3) contracting with rating agencies that use ESG scores in a manner that directly impacts the issuer's bond ratings.

The term "ESG Bonds" refers to (1) any bonds that have been designated or labeled as bonds that will be used to finance a project with an ESG purpose, including, but not limited to, green bonds, Certified Climate Bonds, GreenStar designated bonds, and other environmental bonds marketed as promoting a generalized or global environmental objective; (2) social bonds marketed as promoting a social objective; and (3) sustainability bonds and sustainable development goal bonds marketed as promoting both environmental and social objectives. The term includes those bonds self-designated by the issuer as ESG-labeled bonds and those designated as ESG-labeled bonds by a third-party verifier.

This bill may make it harder and more costly to underwrite Florida bonds.

- **Selection of Government Contractors** – For government contracting, the bill prohibits all units of state and local government from: (1) considering social, political, or ideological beliefs when evaluating prospective vendors; or (2) giving any preference to a vendor based on social, political, or ideological beliefs.

- **Use of Social Credit Scores as an "Unsafe and Unsound Business Practice"** – Other financial institutions such as banks, trust companies, credit unions, consumer finance lenders, and money services businesses may be subject to administrative sanctions if they engage in an "unsafe and unsound business practice" by canceling or denying services or otherwise discriminating against a service provider on the basis of that provider's political or religious beliefs or affiliations, social credit rating or score, or any other factor that is not a quantitative, impartial, risk-based standard. For instance, refusal to do business with a service provider because of its involvement in the firearms or fossil fuel industries may constitute a violation of this requirement.
- **"Stickering" Requirement for Investment Managers** – The bill requires investment managers that invest public funds on behalf of a Florida state or local government entity to comply with a stickering requirement to include a disclaimer in any external written communication with a company in which the investment manager has invested public funds if (1) that written communication discusses social, political, or ideological interests, (2) subordinates the interests of the company's shareholders to the interests of another entity, or (3) advocates for an entity other than the company's shareholders. The required disclaimer must state the following: "The views and opinions expressed in this communication are those of the sender and do not necessarily reflect the views and opinions of the people of the state of Florida." Managers may be required to sticker a wide range of communications. The Florida governmental entity has the unilateral right to terminate any contract with an investment manager that is executed, amended or renewed on or after July 1 if the required disclaimer is not included.
- **Annual Compliance Certification for Investment Managers** – Additionally, investment managers are required to annually certify that they are complying with the fiduciary standards set forth in Florida's investment policy (i.e., investment decisions are made based solely on pecuniary factors and do not subordinate the interests of the participants and beneficiaries of the funds to other objectives, including sacrificing investment return or undertaking additional investment risk to promote any nonpecuniary factor). Managers will be subject to sanction if they fail to timely file the required certification or submit a certification that is materially false. The Florida Attorney General may bring a civil or administrative action against such persons and recover attorney's fees and costs when such an enforcement action is successful.

Further Information on State ESG Regulation

Be sure to check out our award-winning interactive website, Navigating State Regulation of ESG Investments, that tracks the latest ESG-related legislation, executive actions and initiatives, and coalition activities, as well as changes to state retirement plan investment policies across the United States. In addition, the website offers a variety of podcasts and memos to provide users with easy access to our team's key insights in understanding this dynamic area.

Ropes & Gray LLP – Joshua Aron Lichtenstein , Michael R. Littenberg, Reagan Haas, Jonathan M. Reinstein and Alexa Voskerichian

April 27 2023

Disney Versus DeSantis: A Timeline of the Florida Political Feud

Walt Disney Co. on Wednesday sued Ron DeSantis, alleging that the Florida governor engaged in a political effort to hurt its business. It's the latest escalation in a dispute that started more than a year ago.

DeSantis's criticism of Disney over its perceived liberal agenda, like backing LGBTQ+ rights and other social issues, has struck a chord with conservative voices. Yet he's also faced criticism for taking things too far. Disney is one of Central Florida's top taxpayers, contributing more than $1.1 billion in state and local taxes last year, and it's one of the largest employers in the state with tens of thousands of workers.

Here's a timeline of the fight:

Continue reading.

Bloomberg

By Tal Barak Harif and Felipe Marques

April 26, 2023 at 3:55 PM PDT

DeSantis Defies Bob Iger, Calls Disney Suit 'Political'

- **A new lawsuit pits the company against presidential contender**
- **Suit says governor is violating company's free speech rights**

Walt Disney Co. Chief Executive Officer Bob Iger had enough.

After Florida Governor Ron DeSantis began pushing legislation that could upend Disney's theme-park development plans and regulate its monorails, and even floated the idea of building a prison near Walt Disney World, the company sued, accusing the Republican of breach of contract and violating its free speech rights.

"Disney expressed its opinion on state legislation and was then punished by the state for doing so," the company said in a filing Wednesday in federal court in Florida. "This is as clear a case of retaliation as this court is ever likely to see."

Continue reading.

Bloomberg Politics

By Christopher Palmeri, Anna Jean Kaiser and Nic Querolo

April 26, 2023

How DeSantis's Fight With Disney Began.

Two big names in their fields — entertainment colossus Walt Disney Co. and the politically ascendant Republican governor of Florida, Ron DeSantis — are locked in a battle that could have ramifications for the 2024 US presidential campaign. Disney is an important player in Florida due to Walt Disney World, the massive theme park complex in Orlando that is among the state's biggest employers, taxpayers and tourism generators. The company's decision to speak out against a 2022 state law triggered the conflict with DeSantis, who has been laying the foundation for a possible run for the Republican presidential nomination.

1. What are Disney and DeSantis fighting about?

In 2022, the Republican-run Florida legislature, with DeSantis's support, passed a law banning discussion of gender identity and sexual orientation in public schools. (The law applied to kindergarden through third grade before being expanded this year to all grade levels.) Opponents dubbed the legislation, officially the Parental Rights in Education bill, the "Don't Say Gay" bill. After DeSantis signed it into law, Disney — at the urging of employees within its diverse workforce — called for it to be repealed or struck down by the courts. That angered DeSantis, who said Florida is "governed by the interests of the people of the state" and not by corporate executives in California, where Disney is headquartered. The war of words may have stopped there, but DeSantis decided to go after Disney's long-held special status under state law.

Continue reading.

Bloomberg Politics

By Danielle Moran and Nic Querolo

April 28, 2023

Oakland Athletics Face a $500 Million Battle With Las Vegas Over New Stadium.

- **Team seeks public funds for stadium, mayor wants owner buy-in**
- **Arena may be third sports complex added near Vegas over decade**

The Oakland Athletics are poised to leave the Bay area, but officials in their new Las Vegas home are holding back the welcoming party.

Earlier this month, the A's signed a deal to purchase a 49-acre plot for a future ballpark near the Las Vegas Strip — ending a more than decade-long struggle to find a new stadium in the Bay Area. To clinch the move, the franchise wants roughly $500 million in public financing to build a 35,000 seat retractable-roof stadium and entertainment complex.

But the details still need to be hammered out and Las Vegas Mayor Carolyn Goodman is wary about using public dollars to subsidize a private enterprise. It would be the third professional sports complex built in Clark County, Nevada over the last nine years and the second to be built using public funds.

Continue reading.

Bloomberg

By Maxwell Adler

April 27, 2023

Tennessee Titans Top Bills for Biggest NFL Stadium Subsidy Ever.

- **Nashville Sports Authority to issue $760 million in bonds**
- **Proposed 60,000-seat arena is estimated to cost $2.1 billion**

The Tennessee Titans have never won a Super Bowl but they are a winner in the municipal funding market, topping the Buffalo Bills for the biggest public subsidy ever given to an NFL sports franchise.

After hours of public hearings overnight, the Metro Nashville City Council voted 26-to-12 on Wednesday morning to approve $760 million in revenue bonds for a new stadium. With a previously approved $500 million state contribution in hand, the public funding for the Titans' arena now totals $1.26 billion. That's nearly 50% more than the $850 million that New York State handed the Bills for their new stadium earlier this year.

Despite faltering demand from investors for muni bonds and warnings about teams and municipalities frequently overstating the benefits of stadium deals, while underestimating the costs — sports franchises have been able to petition for public dollars this year. In other parts of the US, Florida's Palm Beach County raised money to hold onto Minor League Baseball teams while the Milwaukee Brewers sought $290 million to renovate their ballpark.

Continue reading.

Bloomberg

By Maxwell Adler

April 26, 2023

Tennessee Titans Gain $760m in City Funding for New Stadium.

Tennessee lands largest public price tag for a US stadium.

The National Football League's (NFL) Tennessee Titans have been issued US$760 million in bonds by the Metro Nashville City Council to fund their new stadium.

Confirmed:

- Council voted 26-12 in favour of allowing its sports authority to issue city bonds
- Stadium will have a capacity of approximately 60,000 and a translucent roof
- Venue's total cost estimated at US$2.1 billion and build aims to be completed in time for 2027 season

Context:

The Titans had already secured US$500 million in state funding for their new stadium, and Nashville's funding now means the franchise has a total of US$1.2 billion in committed public financing. This would be the biggest sum of public funding for a US stadium, eclipsing the US$850 million commitment made by New York for the Buffalo Bills' new US$1.5 billion home.

The remaining US$840 million needed for the venue will be provided by the Titans, with help from the NFL and personal seat licenses.

Comment:

"This is a generational opportunity to address our city's priorities and ensure its health and vitality for the next 30 years," said Burke Nihill, Titans president and chief executive.

"Our city and our state have bright futures ahead, and we're humbled by the opportunity to continue to be a part of it."

Coming next:

The Titans will not be given the bond proceeds until several conditions are met, including the state first providing its funding and the execution of all transaction documents.

SPORTSMEDIA.COM

by JOSH SIM

27 APR 2023

USBR Proposal Raises Water Supply Uncertainty For Lower Basin States; Impact May Trickle Down To Future Negotiations - S&P

Key Takeaways

- The recently released draft Supplemental Environmental Impact Statement (SEIS) laid out options for revised near-term operating guidelines for Glen Canyon and Hoover dams, contemplating a precedent setting shift in how priority water rights are recognized.
- We expect very few negative rating actions given the municipal utility sector's strong financial capacity, improved hydrology and snowpack conditions in the west, ample storage, and supply diversification across the region.
- Wet weather conditions throughout the West this year have helped mitigate declining reservoir levels, possibly delaying the need for the proposed severe curtailments in 2024 and providing greater flexibility in reaching a consensus solution between the seven effected states before the existing management guidelines expire in 2026.
- Affordability will weaken for customers in the Lower Basin states over time, but we do not believe it will have a material influence on rate-setting or collections.

Continue reading.

27 Apr, 2023

Fitch to Upgrade Ratings on Port of Seattle Sub Lien Rev Refunding Bonds, Series 2008.

Fitch Ratings-New York-25 April 2023: On the effective date of May 3, 2023, Fitch Ratings will upgrade the long- and short-term ratings of the Port of Seattle Subordinate Lien Revenue Refunding Bonds, Series 2008 (the bonds) to ‘AAA’ from ‘AA-’ and ‘F1+’ from ‘F1’, respectively. The Rating Outlook for the long-term rating is Stable.

The rating action is in connection with the following: (i) the substitution of the MUFG LOC (MUFG, formerly The Bank of Tokyo Mitsubishi UJF, Ltd.; A-/F1/Stable) irrevocable direct-pay letter of credit (LOC) which currently provides credit support for the bonds with a substitute LOC to be provided by Bank of America, N.A. (AA/F1+/Stable); and (ii) the mandatory tender of the bonds, scheduled to occur on May 3, 2023.

KEY RATING DRIVERS:

The long-term rating will continue to be determined using Fitch’s dual-party pay criteria and will be based jointly on the underlying rating assigned to those bonds by Fitch (currently rated AA-/Stable), and the rating assigned by Fitch to Bank of America, N.A. (AA/Stable), which will provide the substitute LOC as credit support for the bonds. The short-term ‘F1+’ rating will be based solely on the short-term rating assigned by Fitch to Bank of America, N.A. as the provider of the of the substitute LOC. For information about the underlying credit rating see the July 7, 2022 press release “Fitch Rates Port of Seattle Intermediate Lien Revs Bonds ‘AA-‘; Outlook Stable” available at www.fitchratings.com.

Fitch’s dual-party pay criteria consider the likelihood of the failure of both a rated obligor and a bank LOC provider. The methodology results in a long-term rating that is up to two notches higher than the stronger of the two credits if the following conditions are met: (1) both entities have a rating of ‘A’ or higher; (2) the transaction is structured such that payments from both the municipal issuer and the bank are in the flow of funds and both entities would have to fail to perform before the bonds defaulted; and (3) the interest rate modes to be covered by Fitch’s rating provide for either a mandatory purchase at the end of each interest rate period, or a purchase demand option. A one- or two-notch uplift will apply to the long-term rating depending on the frequency of the purchase demand option or the duration of the interest rate period which concludes with a mandatory tender.

The bonds provide holders with a tender option with no more than seven days’ notice while the bonds are in the weekly rate mode. Fitch will apply a two-notch uplift, which results in a long-term rating of ‘AAA’ for the bonds. If either the underlying bond rating or the bank rating were downgraded to ‘A-‘ or lower, the dual-party pay criteria could no longer be applied, and the long-term rating assigned to the bonds would then be adjusted to the higher of the bank rating and the underlying bond rating.

Pursuant to the substitute LOC, the bank is obligated to make regularly scheduled payments of principal and interest on the bonds in addition to payments due upon maturity and redemption, as well as purchase price for tendered bonds. The substitute LOC will have a stated expiration date of May 1, 2026 unless extended or earlier terminated. The substitute LOC will provide full and sufficient coverage of principal plus an amount equal to 54 days of interest at a maximum rate of 12% based on a year of 365 days and purchase price for tendered bonds, while in the weekly rate mode. A mandatory tender of the bonds will occur on May 3, 2023, the substitution date. Morgan Stanley & Co. Incorporated will continue in its capacity as Remarketing Agent for the bonds.

RATING SENSITIVITIES:

Factors that could, individually or collectively, lead to positive rating action/upgrade:

–The Long-Term rating will be tied to the Long-Term rating assigned to the Port of Seattle Subordinate Lien Revenue Refunding Bonds, Series 2008 and the Long-Term rating that Fitch maintains on the bank providing the substitute LOC. The Long-Term rating will be at the highest Long-Term rating category and cannot be upgraded. Changes to one or both of these ratings may affect the Long-Term rating assigned to the bonds.

–The Short-Term rating will be at the highest Short-Term rating category and cannot be upgraded.

Factors that could, individually or collectively, lead to negative rating action/downgrade:

— The Long-Term rating will be tied to the Long-Term rating assigned to the Port of Seattle Subordinate Lien Revenue Refunding Bonds, Series 2008 and the Long-Term rating that Fitch maintains on the bank providing the substitute LOC. Changes to one or both of these ratings may affect the Long-Term rating assigned to the bonds. If either the underlying bond rating or the bank rating were downgraded to 'A-' or lower, the dual-party pay criteria could no longer be applied, and the Long-Term rating assigned to the bonds would then be adjusted to the higher of the bank rating and the underlying bond rating.

–The Short-Term rating will be exclusively tied to the Short-Term rating that Fitch maintains on the bank providing the substitute LOC and will reflect all changes to that rating.

Contact:

Primary Analyst
Linda Friedman
Director
300 W. 57th Street
New York, New York 10019
+1-212-908-0727

Secondary Analyst
Ronald McGovern
Director
+1-212-908-0513

Committee Chairperson
Joseph Staffa
Senior Director
+1-212-908-0829

Media Relations: Sandro Scenga, New York, Tel: +1 212 908 0278, Email: sandro.scenga@thefitchgroup.com

Additional information is available on www.fitchratings.com

New Jersey Public Worker Pension Fund Rebounds by $4B.

The last two state budgets included full payments to the pension fund of roughly $7 billion each year, the first time that's been done in a quarter century. The Democratic governor's latest budget proposal includes another full payment of $7.1 billion.

New Jersey's public worker pension fund rebounded slightly in the first quarter of 2023, adding about $3.8 billion in market value as fund managers continued to navigate challenging financial markets.

The fund posted a return of 4.3% for the quarter, bringing its total market value to $87.5 billion, which was still more than $7 billion below where it stood just one year ago, according to a report from the New Jersey Treasury Department's Division of Investment.

"Investors seem to be looking for optimism in the market, so we have seen a rebound," Division of Investment Director Shoaib Khan told the State Investment Council during a virtual meeting Wednesday.

Continue reading.

governing.com

April 27, 2023 • Derek Hall, NJ.com

An Oregon City Banned Natural Gas. The Gas Company Fought Back.

Eugene's ordinance restricting gas hookups in new construction was set to be the state's first — until a local utility and its allies launched a $1 million counterattack.

In February, when the city council in Eugene, Oregon, passed an ordinance banning natural gas hookups in new low-rise construction, local environmental groups cheered. This was a chance for the college town to take a step toward reducing carbon emissions, help support the state's climate action plan and make history as the first city in Oregon to pass such a law.

Mayor Lucy Vinis pushed for legislators to support the ordinance, which prevailed in a 5-3 vote. "There will be some joy in the community tonight," she said.

Now Eugene's ban is making news for another reason, after allies of Portland-based utility company NW Natural launched a rapid-response campaign to force a public vote undoing the legislation. The firm spent roughly $1 million to bankroll Eugene for Energy Choice, a group opposing the ban that started collecting signatures for a referendum just weeks after the council's action. Eugene voters are likely to decide on the ordinance's fate via a ballot measure in November.

Continue reading.

Bloomberg CityLab

By Patrick Sisson

April 25, 2023

DeSantis Steps Up Attack on ESG as Florida Bars Public Investments.

Florida's Republican-controlled Senate approved on Wednesday a bill that bans state and local governments from using environmental, social, governance criteria when selling debt or investing public money. The legislation, which had already cleared the state's House of Representatives last month, will now be brought to DeSantis for his signature.

The 44-year-old governor has attacked ESG as part of a larger conservative agenda at the center of his likely 2024 GOP presidential run. DeSantis, like other Republican officials, has criticized Wall Street's ESG policies as "woke capitalism." His administration has pulled about $2 billion from BlackRock Inc. and singled out Chief Executive Officer Larry Fink, one of Wall Street's leading ESG advocates.

The new legislation prohibits Florida municipalities from selling bonds tied to ESG projects, as well as imposing restrictions on seeking ESG ratings. In 2022, Florida issuers sold $13 billion of long-term bonds, making it the fourth-largest issuer in the US, behind California, New York and Texas.

The law also bars Florida's public money from being deposited in financial institutions that are deemed to pursue "social, political, or ideological interests" in their investment decisions. Florida had almost $37 billion in state deposits, with Wells Fargo & Co. holding the biggest individual amount, $6.5 billion, according to data from Florida's Bureau of Collateral Management.

Bloomberg

By Marvin G Perez

April 19, 2023

Florida Lawmakers Pass Prohibition on Issuing ESG Municipal Bonds.

The Florida Legislature has passed a bill that bans the issuance of municipal bonds using environmental, social or governance standards. The bill now heads to Gov. Ron DeSantis for his signature.

House Bill 3 passed in the Senate by a 23 to 12 vote along party lines. It was approved last month by the House in an 80 to 31 vote.

The governor's mansion and both houses of the Legislature are dominated by Republicans and the legislation is a sure bet to be signed shortly by DeSantis who has blasted ESG criteria as a "radical ideological agenda."

When introducing the bill in February, House Speaker Paul Renner, R-Palm Coast, said, "Florida's investment decisions should be based solely on financial or pecuniary factors, not political virtue signaling through radical ESG investment strategies."

The final text of the bill passed by the Senate says an issuer would be a violation of state law if it issues ESG bonds and it prohibits them from doing so.

"Notwithstanding any other provision of law relating to the issuance of bonds, it is a violation of this section and it is prohibited for any issuer to issue ESG bonds," the bill states.

It also bans an issuer from paying for a third-party verifier to certify that a bond may be designated or labeled as an ESG bond or using a rating agency whose ESG scores will harm an issuer's credit standing.

The bill states issuers can't "pay for the services of a third-party verifier related to the designation or labeling of bonds as ESG bonds, including, but not limited to, certifying or verifying that bonds may be designated or labeled as ESG bonds, rendering a second-party opinion or producing a verifier's report as to the compliance of proposed ESG bonds with applicable ESG standards and metrics, complying with post-issuance reporting obligations, or other services that are only provided due to the designation or labeling of bonds as ESG bonds."

Bonds issued before July 1 this year are not affected.

Additionally, the bill forbids issuers from entering "into a contract with any rating agency whose ESG scores for such issuer will have a direct, negative impact on the issuer's bond ratings."

Florida's general obligation bonds are gilt-edged, holding triple-A ratings from Moody's Investors Service (MCO), S&P Global Ratings and Fitch Ratings.

Neal Pandozzi, a partner at Bowditch & Dewey, in a recent Bond Buyer podcast said he was concerned about what do these various restrictions would mean.

"Potentially you've got less information for investors to evaluate the credit risk of an issuer," he said. "If we're going to see pared back ESG-related disclosure that could lead to higher interest rates or the inclusion of more onerous covenants for issuers to mitigate any perceived risk due to less fully developed information about how an issuer is addressing ESG-related issues."

He said some of the defined terms, standards and concepts were, in his view, broadly drafted, cryptic and sufficiently sweeping to create possible compliance questions.

The bill defines ESG bonds as "any bonds that have been designated or labeled as bonds that will be used to finance a project with an ESG purpose, including, but not limited to, green bonds, Certified Climate Bonds, GreenStar designated bonds, and other environmental bonds marketed as promoting a generalized or global environmental objective; social bonds marketed as promoting a social objective; and sustainability bonds and sustainable development goal bonds marketed as promoting both environmental and social objectives.

"The term includes those bonds self-designated by the issuer as ESG-labeled bonds and those designated as ESG-labeled bonds by a third-party verifier," the bill states.

By Chip Barnett

BY SOURCEMEDIA | MUNICIPAL | 04/20/23

Ninth Circuit Cans Berkeley Gas Ban Under Federal Law: K&L Gates

On 17 April 2023, in *California Restaurant Association v. City of Berkeley*, the Ninth Circuit struck down a local ordinance banning natural gas piping in newly constructed buildings, concluding that federal law preempts the ordinance. This decision may have significant implications for similar state and local regulations, especially those in California and Washington. Building owners and operators, utilities, and other stakeholders impacted by natural gas "bans" or electrification mandates should consider whether their state or local regulation is affected.

California Restaurant Association v. City of Berkeley

In July 2019, the City of Berkeley, California (Berkeley or the City) adopted Ordinance No. 7,672-N.S., titled "Prohibition of Natural Gas Infrastructure in New Buildings" (Ordinance). The Ordinance amends the Berkeley Municipal Code to prohibit natural gas infrastructure in new buildings.2 Natural gas infrastructure is defined as "fuel gas piping, other than service pipe, in or in connection with a building, structure, or within the property lines of premises, extending from the point of delivery at the gas meter."3 By prohibiting natural gas piping in newly constructed buildings, Berkeley sought to "eliminate obsolete natural gas infrastructure and associated greenhouse gas emissions in new buildings where all-electric infrastructure can be most practicably integrated, thereby reducing the environmental and health hazards produced by the consumption and transportation of natural gas."4

In November 2019, the California Restaurant Association (CRA) sued Berkeley in the U.S. District Court for the Northern District of California, arguing among other things that the federal Energy Policy and Conservation Act (EPCA)5 preempted the Ordinance. EPCA is a federal statute that regulates the energy efficiency of several consumer products, including water heaters; furnaces; stoves; and heating, ventilation, and air conditioning systems (together, covered products). EPCA does not cover piping, however. EPCA preempts state and local regulations concerning the energy efficiency, energy use, or water use of any covered product that has a federal energy conservation standard.6

Continue reading.

K&L Gates LLP – David L. Wochner, Benjamin A. Mayer, Buck B. Endemann, John L. Longstreth, Nathan C Howe, David Wang and Timothy J. Furdyna

April 21 2023

Does the 9th Circuit's Rejection of Berkeley, CA's Municipal Gas Ban Spell Doom for Massachusetts' Own Gas-Banning "Demonstration Program"? - Pierce Atwood

We bring to your attention this post by our colleague Randy Rich of Pierce Atwood's Energy Infrastructure Group on the 9th Circuit's decision earlier this week in *California Restaurant Association v. City of Berkeley*, No. 21-16278. The court decided that the federal Energy Policy and Conservation Act, 42 U.S.C. § 6297(c), preempts the City of Berkeley's ordinance banning natural gas piping within newly constructed buildings. Interestingly, the Commonwealth of Massachusetts was part of a group of states that filed an amicus brief urging the 9th Circuit to find no federal preemption and thus uphold the Berkeley ordinance.

Although the 9th Circuit's decision isn't legally binding here, we wonder how it will affect efforts to ban the use fossil fuels in the Commonwealth. Section 84 of Chapter 179 of the Acts of 2022 (pdf) authorizes the Mass. Department of Energy Resources (DOER) to establish a demonstration program allowing 10 cities and towns to adopt general or zoning bylaws prohibiting the use of fossil fuels in new buildings or for major renovations. DOER recently issued draft regulations for this program; the comment period ended on February 10, 2023 and we expect to see regulations issued in the coming months. The City of Cambridge is one of the 10 municipalities included in the program and the City of Boston has expressed interest in joining the group.

Will there be an effort to bring a case asserting that the federal Energy Policy and Conservation Act preempts the Mass. demonstration program? We'll keep you posted.

Pierce Atwood LLP – Paula M. Devereaux

April 20 2023

Nassau County, New York: Fitch New Issue Report

Key Rating Drivers Revenue Framework: 'a': Fitch expects modest revenue growth, reflecting a dependence on sales and property taxes and moderate prospects for economic expansion. The county has unlimited independent legal ability to control property tax rates, although property tax levy increases above the lower of CPI or 2% require a supermajority (60%) vote of the county legislature. Expenditure Framework: 'a': The county has demonstrated an ability to manage expenses when needed. Recent labor contract settlements for public safety, including the police contract, commit the county to moderate annual wage increases through June 2026. Management has limited ability to control the outcome of labor negotiations given collective bargaining rules. Carrying costs for debt, pensions and other post-employment benefits (OPEB) are moderate. Long-Term Liability Burden: 'aa': The county's long-term liability burden is moderate, incorporating assumptions for underlying village and school district debt. New York State pensions in which the county participates are well-funded, but the OPEB liability is considerable. Operating Performance: 'aa': The county's financial resilience has improved in recent years as a result of very strong sales tax performance, careful expense management and the county's reduced reliance on non-recurring actions to close budget gaps. The county has set aside dedicated reserves to address various spending demands including tax certiorari, labor and retirement contributions, bonded indebtedness, insurance and healthcare.

ACCESS REPORT

Wed 19 Apr, 2023

El Paso, Texas: Fitch New Issue Report

Key Rating Drivers Revenue Framework: 'aaa': Fitch expects El Paso's general fund revenues will naturally grow at a pace that exceeds inflation due to the likelihood of further population, income and economic expansion. The city's overall revenue-raising ability remains high relative to modest historical revenue volatility. Expenditure Framework: 'a': Spending should remain aligned with or marginally above that of revenue growth trends given the city's expenditure profile. Fitch believes the city retains adequate expenditure flexibility based on management's moderate control over public safety labor costs (its largest operating cost) and moderately high fixed carrying costs. Long-Term Liability Burden: 'aa': The city's liability burden remains moderate at an estimated 16.6% of 2021 resident personal income. In conjunction with Fitch's expectations of measured future debt plans by the city, solid gains in resident personal income should keep the overall liability burden in the moderate range. Operating Performance: 'aaa': Fitch believes the city will maintain the highest level of financial resilience given the budgetary tools at its disposal. Fitch views the city's budget management as strong, marked by a trend of stable and strengthened financial position in recent years.

ACCESS REPORT

Thu 20 Apr, 2023

Dallas, Texas: Fitch New Issue Report

Revenue Framework: ‘aaa’: Strong revenue growth prospects are based on expectations for continued economic expansion. The assessment also reflects the city’s high independent legal ability to increase operating revenues. Expenditure Framework: ‘a’: The city’s pace of spending is expected to be marginally above revenue growth given ongoing service demands and inflationary pressures. Increased pension contributions will keep carrying costs at an elevated level; a rapid debt amortization rate also contributes to the elevated carrying costs. Long-Term Liability Burden: ‘aa’: The long-term liability burden currently represents a moderate 12% of personal income. Recent pension reforms to both the civilian and uniform plans have reduced the combined total liability and, in conjunction with continued economic growth, are expected to keep the long-term liability burden within the current range.

ACCESS REPORT

Thu 20 Apr, 2023

Virginia Public School Authority: Fitch New Issue Report

Key Rating Drivers Revenue Framework: ‘aa’: Fitch expects Virginia’s principal revenue sources, primarily income and sales taxes, will continue to reflect the depth and breadth of the economy as well as its above-average sensitivity to cyclical downturns. The commonwealth has complete control over its revenues, with an unlimited legal ability to raise operating revenues as needed. Expenditure Framework: ‘aaa’: Virginia maintains ample expenditure flexibility, with a low burden of carrying costs for liabilities and a broad ability to cut expenses common to most U.S. states. As with most states, Medicaid remains a key expense driver, but one Fitch expects the commonwealth will be able to actively manage without threatening fiscal stability. Long-Term Liability Burden: ‘aaa’: Virginia’s long-term liability burden is low and well managed. Debt issuance is carefully monitored through both constitutional limitations and stringent institutional practices. Virginia’s ratio of net pension liabilities to personal income remains below that of most states. Operating Performance: ‘aaa’: The commonwealth is well positioned to deal with economic downturns, having exceptionally strong gap-closing capacity derived from its control over revenues and spending. Virginia also demonstrated an ability to restore financial flexibility in times of economic recovery and expansion. The state maintains solid reserves, which are rapidly replenished when drawn upon.

ACCESS REPORT

Fri 21 Apr, 2023

Chicago, Illinois: Fitch New Issue Report

Key Rating Drivers Revenue Defensibility: 'aa'; Affordable Rates; Stable Service Area Characteristics: The system provides essential services to a large geographic area that serves as the economic hub for the region. Service area characteristics are stable, with modest customer growth, midrange income levels, yet an elevated unemployment rate relative to national levels. System charges are affordable for the vast majority of the service area population. Operating Risk: 'aa'; Very Low Operating Cost Burden; Moderate Life Cycle Investment Needs: Operating costs are very low, and the system's investment needs are moderate as capital spending has consistently exceeded the pace of annual depreciation. Planned capital spending is significant and will continue to focus on the city's ongoing renewal and replacement program, which should maintain the system's low life cycle ratio. Financial Profile: 'a'; Solid Financial Profile, Rising Leverage: The system's financial profile reflects leverage that typically ranges between 9.0x and 11.0x. Although leverage is anticipated to move higher over the five-year horizon, it is expected to remain consistent with the financial profile assessment and current SCP. Liquidity is anticipated to remain neutral to the assessment.

ACCESS REPORT

Fri 21 Apr, 2023

Michigan Finance Authority: Fitch New Issue Report

Key Rating Drivers Sound Financial Structure: Fitch's cash flow modelling demonstrates that program resources are sufficient to withstand hypothetical pool defaults in excess of Fitch's 'AAA' liability rating stress hurdle, as produced using Fitch's Portfolio Stress Model (PSM), without causing an interruption in bond payments. Ample Loss Protection: Bondholders are protected from losses by overcollateralization, as surplus loan repayments alone provide minimum annual debt service coverage (DSC) of 1.4x. In addition, all bonds are supported, on either a senior or subordinate basis, by about $87.4 million in dedicated reserves. Highly Rated Borrower Pool: Approximately 99% of program borrowers have investment-grade ratings. Most obligations are secured by borrowers' general obligation and/or utility revenue pledges. Above-Average Pool Diversity: The obligor portfolio has favorable pool diversity, with the top-10 borrowers accounting for approximately 48% of the obligor pool. This is better than Fitch's 'AAA' median of 57% in 2022. Single-obligor concentration is about 15%, which is on par with Fitch's equivalent median. Effective Program Management: The pool has never experienced a default or delinquency by a pledged obligor in its history, indicating the strength of the program management.

ACCESS REPORT

Fri 21 Apr, 2023

Columbus, Ohio: Fitch New Issue Report

Revenue Framework: 'aaa': Fitch Ratings expects the city's revenues to grow at a rate between U.S. economic performance and the rate of inflation. The city has a high degree of independent legal flexibility to raise property tax revenues if needed. Expenditure Framework: 'aa': Expenditure growth should be in line with to marginally above revenue growth. Fitch expects that the city will continue to have solid flexibility to control expenses. This is partially due to the city's descending debt service schedule, which will alleviate some pressure that fixed carrying costs have on the budget. Long-Term Liability Burden: 'aa': The city's long-term liabilities, at approximately 10%, are a moderate burden on the economic base. Fitch expects liabilities to remain at the low end of moderate given the city's projected debt plans. Operating Performance: 'aaa': Columbus has the highest degree of gap-closing capacity as evidenced by its superior inherent budget flexibility and very high reserve levels. The city has maintained this degree of financial flexibility through a number of economic cycles.

ACCESS REPORT

Fri 21 Apr, 2023

BondLink Announces Inaugural Investor Relations Award Winners.

Honorees, representing individuals and municipalities, spotlight spectrum of issuers excelling across the country

BOSTON, MA / ACCESSWIRE / April 20, 2023 / BondLink, the cloud-based investor relations and debt management platform for the municipal bond market, today announced the winners of its Investor Relations Awards. The Awards are the first of their kind, dedicated to honoring municipal bond issuers and public finance professionals who are leveraging the latest technology to modernize the U.S. muni bond market.

The 2022 program celebrates the significant growth and transformation within investor transparency, which has become increasingly important during recent periods of market volatility.

The Awards feature three categories recognizing the municipal issuers at both an organization and individual level, including awards for best investor relations website, strongest digital transformation; and the advancement of investor relations. Issuers of varying sizes within all states and sectors play a critical economic role, so the judging panel separately evaluated larger or more frequent issuers and those who issue debt less often.

Continue reading.

April 20, 2023

Renewable Energy Projects Face Potential Headwinds in Texas: Latham & Watkins

Proposed legislation would impose new constraints and regulatory obstacles for renewable energy, as conservative responses to ESG-related initiatives continue to morph across the US.

The Texas legislature is considering several bills that could significantly impact both the regulatory landscape for renewable energy projects in the state and policy debates heating up around the country.

Texas leads among US states in renewable energy generation, producing more electricity from wind and utility-scale solar facilities than any other state by far.[1] In 2022, for instance, it produced more than twice the number of gigawatt-hours from wind and utility-scale solar sources than California. However, the proposed bills could substantially alter the trajectory (and viability) of various energy transition projects, as conservative policymakers continue to flex their regulatory power to shape the conversation around ESG and related initiatives.

This post summarizes the key aspects of several bills under consideration in the state and briefly outlines what they might mean for renewable energy projects in Texas.

Continue reading.

Latham & Watkins LLP – Sarah E. Fortt, Joshua W. Marnitz and Austin J. Pierce

April 12 2023

Texas' Anti-ESG Stance is Costing Municipalities Millions in Extra Interest Payments.

Texas banned municipal bond issuers from using ESG-minded banks—and now they're paying the price

In 2021, the Texas legislature prohibited any cities or towns in the state from using banks that limit financing for the oil, gas, or gun industries. As a result, five major municipal bond underwriters, representing more than a quarter of all competitive-bid municipal bond offers in Texas, withdrew from the state.

That meant municipalities issuing bonds were more likely to engage in negotiated borrowing rather than holding a bid auction—which also meant they got more expensive financing. For municipalities that had relied on the underwriters that left the state, borrowing costs went up by an average of 0.41 percentage points, researchers have found (pdf).

According to Daniel Garrett at the University of Pennsylvania's Wharton School and Ivan Ivanov of the Federal Reserve Bank of Chicago, Texas municipalities will be paying $300 million to $500 million in additional interest because of the tougher loan terms. And that's just on the $31.8 billion borrowed in the first eight months after the anti-ESG law went into affect.

Continue reading.

Quartz

By Nate DiCamillo

April 17, 2023

DeSantis, in Latest Volley Against Disney, Suggests Punitive Steps.

The Florida governor also described proposed legislation he said would override the

company's effort to sidestep oversight of its theme parks.

In what has taken on the trappings of a grudge match, Gov. Ron DeSantis of Florida punched Disney anew on Monday, announcing new legislation that would override the company's recent effort to sidestep state oversight of its theme parks.

Mr. DeSantis also suggested a variety of potential punitive actions against Disney — the state's largest private employer and corporate taxpayer — including reappraising the value of Walt Disney World for property tax levies and developing land near the entrances to the resort.

"Maybe create a state park, maybe try to do more amusement parks — someone even said, like, maybe you need another state prison," Mr. DeSantis said at a news conference near Disney World.

Continue reading.

The New York Times

By Brooks Barnes

April 17, 2023

Southern California Public Power Authority: Fitch New Issue Report

The 'AA–' project rating on the new Southern Transmission System Renewal Project reflects the credit quality of the largest project purchaser, the power system of the Los Angeles Department of Water and Power (LADWP; AA–/Stable), and the terms of the transmission sales contracts for all participants that require unconditional payment of project costs. Six project participants are obligated to pay project costs through June 15, 2027, and three project participants are obligated to pay project costs as of June 16, 2027, the transition date. Payments by the project participants are unconditional for 100% of project costs and the Southern California Public Power Authority (SCPPA) has the ability to reallocate costs to non-defaulting participants. Beginning on the transition date, SCPPA's reallocation authority becomes limited to a 15% step-up of participants' original percentage shares, which remains sufficient to cover a default by two of the participants remaining in the project after the transition date, but not LADWP. Bondholders will continue to have direct credit exposure to LADWP.

ACCESS REPORT

Tue 11 Apr, 2023

American Dream Mall Lenders Owed $389 Million Can Collect, Judge Says

- **A judge granted summary judgment in lenders' suit on Monday**
- **Suit's plaintiff is linked to Western Asset, Nonghyup Bank**

A group of junior lenders to the troubled American Dream mall won the right to collect on at least $389 million of defaulted debt after a judge ruled in their favor on Monday.

Judge Andrew Borrok granted the lenders' request for summary judgment against an entity used to finance the $5 billion mall and entertainment complex in New Jersey's Meadowlands, according to a court order. The lawsuit, filed in New York Supreme Court in February, was brought by an entity that serves as an administrative agent for firms linked to Western Asset and South Korea's Nonghyup Bank, court documents show. The complaint demanded payment of "no less than" $389.2 million with interest at "the minimum contractual default rate of 13.75%" as well as other costs.

The New Jersey mall, which broke ground in 2004 and ultimately opened in 2019, has struggled under a series of owners and fallen behind on its debt payments amid construction delays, cost overruns and the pandemic shutdown. Last year, it received an extension on some of its debt from lenders led by JPMorgan Chase & Co., part of a deal that stripped the junior lenders of their collateral.

Continue reading.

Bloomberg Markets

By Erin Hudson, Elise Young and Martin Z Braun

April 11, 2023

Palm Beach County Sells Bonds to Upgrade Marlins, Cardinals Spring-Training Home.

- **Palm Beach County selling roughly $123 million of bonds**
- **Upgrades for only ballpark to host four Minor League teams**

Florida's Palm Beach County is raising money in the bond market to keep its hold on professional baseball for decades to come.

The county of 1.5 million along the state's southeastern coast is set to auction off about $123 million of bonds on Thursday to finance renovations at Roger Dean Chevrolet Stadium in Jupiter, the only US ballpark that's home to four Minor League Baseball teams. It also hosts spring training for two Major League teams, the St. Louis Cardinals and the Miami Marlins.

The project joins a wave of construction activity spurred by a late-2020 mandate from Major League Baseball that's forcing local governments to upgrade or replace all the home stadiums for its Minor League affiliates before 2024's opening day. At least nine new stadiums have opened since 2021, including CHS Field in St. Paul, Minnesota; TD Bank Ballpark in Bridgewater, New Jersey; and Polar Park in Worcester, Massachusetts.

Continue reading.

Bloomberg Markets

By Maxwell Adler

April 11, 2023

S&P U.S. Local Governments Credit Brief: Maryland Counties And Municipalities Means And Medians

Overview

Maryland county and municipality (or local government [LGs]) credit conditions remain stable and strong, in S&P Global Ratings' view, supported by robust economic growth, particularly associated with the Washington-Arlington-Alexandria and Baltimore-Columbia-Towson metropolitan statistical areas (MSAs), below-average unemployment, above-average wealth and income metrics, and typically very strong reserves.

S&P Global Ratings expects Maryland LGs' credit quality will remain stable over the next year. Management teams in Maryland generally adhere to formalized policies and procedures, supporting stability in financial performance. In addition, although a number of LGs in Maryland have coastal exposure from either the Atlantic Ocean, Chesapeake Bay, or the Potomac River, historically this risk has been mitigated by strong management teams with considerable resilience planning and policies.

Personal income in Maryland currently stands at $69,817 per capita or 109% of the national level, which is among the highest in the nation. In addition to generally strong economic conditions, Maryland counties and municipalities benefit from the lack of state restrictions on increasing property tax rates, providing significant revenue-raising flexibility.

S&P Global Ratings maintains credit ratings on 19 counties and 12 municipalities in the State of Maryland. All Maryland counties and more than 80% of the state's municipalities have high investment-grade ratings ('AA-' or above). In addition, 43% of Maryland LGs are rated 'AAA'. Since Jan. 1, 2022, there have been no upgrades or downgrades, demonstrating considerable stability in this sector. Two LGs were placed on CreditWatch with negative implications, one of which was due to lack of timely information, and remains on CreditWatch. We resolved the other CreditWatch placement by affirming the rating and assigning a stable outlook.

Continue reading.

12 Apr, 2023

Bloomberg Grows Municipal Indices with Launch of Customized Community Municipal Bond Index.

NEW YORK, April 12, 2023 /PRNewswire/ — Bloomberg today announced the launch of the Bloomberg Goldman Sachs Community Municipal Index (Ticker: I37248), focused on 1-to-15 year maturities within the investment grade municipal bond universe with targeted allocation into municipalities and projects that meet certain classification requirements.

This launch follows recent Sustainable Index introductions, including the Bloomberg Global Aggregate Green, Social, Sustainability Bond Indices and the Bloomberg U.S. Municipal Impact Index both tracking Green, Social, and Sustainability Bonds and fields that show alignment with International Capital Market Association (ICMA) Principles and Guidelines.

The new index is a market-value weighted combination of two components of the intermediate-segment of Bloomberg's flagship Municipal Index. One component includes bonds which are classified as Green, Social or Sustainable by the Bloomberg Sustainable Finance Solutions Group and are in alignment with ICMA Principles, as well as prerefunded bonds. The other component includes bonds whose municipal sources, sectors, purposes or credit enhancements are not associated with negative environmental or social outcomes, such as casinos or lottery.

"We are glad to announce the Bloomberg Goldman Community Municipal Index created in collaboration with Goldman Sachs Asset Management," said Nick Gendron, Global Head of Fixed Income Index Product at Bloomberg. "The launch reiterates our commitment to offering best-in-class Municipal Indices through our access to industry standard municipal data sets, sophisticated index construction capabilities, as well as opportunities focused on sustainability in the fixed income space."

The index was launched in July 2022, with inception date of January 1, 2019. Bloomberg Terminal clients can access the index using the ticker I37248 Index . The index has been adopted for the recently launched Goldman Sachs Community Municipal Bond ETF (ticker: GMUN).

Bloomberg provides an independent, transparent approach to indexing for customers across the globe. Bloomberg clients can access available indices on the Bloomberg Terminal and all research and methodology for the indices is available at Bloombergindices.com.

About Bloomberg Index Services Limited
Bloomberg's index team has a proven track record in creating industry leading and bespoke indices across asset classes, including best in class fixed income and commodity indices. Bloomberg Index Services Limited (BISL) takes an innovative approach to delivering strategic benchmarks that help market participants address their evolving needs. As an integral part of Bloomberg, BISL has access to a comprehensive range of trusted data and reliable technology for calculations, analytics and workflow automation, along with distribution capabilities that can help amplify the visibility of our customers' products.

About Bloomberg
Bloomberg is a global leader in business and financial information, delivering trusted data, news, and insights that bring transparency, efficiency, and fairness to markets. The company helps connect influential communities across the global financial ecosystem via reliable technology solutions that enable our customers to make more informed decisions and foster better collaboration. For more information, visit Bloomberg.com/company or request a demo.

Arizona Sports Complex Developer Hires Adviser as It Considers Bankruptcy for Park.

Nonprofit developer Legacy Cares hires Miller Buckfire to explore debt restructuring options for the complex formerly named Bell Bank Park

A big Mesa, Ariz., sports complex that opened last year as Bell Bank Park is working on a debt restructuring and reviewing options including a bankruptcy filing after revenue fell short of projections and the complex defaulted on its tax-exempt municipal debt last year, according to people familiar with the matter.

The 320-acre sports complex has hired investment bank Miller Buckfire & Co. and replaced Legacy

Sports USA, the manager of the money-losing facility, according to a regulatory filing posted Tuesday to Electronic Municipal Market Access.

Miller Buckfire will explore options for the sports complex, including a sale, according to the filing. A bankruptcy filing is also among the options under consideration, people familiar with the matter said.

Continue reading.

The Wall Street Journal

By Soma Biswas and Heather Gillers

April 12, 2023

Muni Junk Bond King John Miller to Retire.

Rising rates, waning investor appetites have left muni funds full of low-yield bonds

Nuveen municipal-bond chief John Miller, who helped transform the Chicago-based investment firm into the nation's top manager of junk-rated state and local debt, will retire June 1.

Mr. Miller, 56 years old, distinguished himself as a risk-taker in the sleepy world of municipal bonds. In a market where retirees go to buy stakes in county sewer systems and other safe investments, he helped finance speculative projects such as an alfalfa straw recycling plant and a megamall with an amusement park inside.

The strategy landed Mr. Miller outsize wins during a decade of low yields, cheap credit and a humming economy, and outsize losses last year when those conditions changed.

Continue reading.

The Wall Street Journal

By Heather Gillers

April 13, 2023

Nuveen Muni Bond Chief John Miller to Retire.

John Miller, who since 2007 has lead the $188 billion municipal bond arm of money manager Nuveen, will retire June 1, the firm said Monday.

Daniel Close, who currently leads Nuveen's taxable municipal bond arm, will become head of municipals.

Nuveen, the investment manager of TIAA, had $1.1 trillion in assets under management as of Dec. 31, including more than 60 investment-grade and high-yield municipal bond funds. Mr. Miller joined the firm in 1996.

As part of the change, several high-yield funds will add new managers, including Mr. Close. High-yield municipal bonds, which finance financially stressed cities, charter schools and even a New Jersey megamall, were a particular focus of Mr. Miller.

The Wall Street Journal

By Heather Gillers

Apr. 10, 2023

[How Disney Dodged Ron DeSantis and Kept Control of Its Florida Land.]

'Disney didn't do anything secret' in securing key approvals before governor's new board gained oversight

Walt Disney Co. for now has outmaneuvered Florida Gov. Ron DeSantis in the battle for control over the more than 24,000-acre parcel of land near Orlando where Walt Disney World Resort is located.

In February, Disney went before a local board and secured approvals for the next 30 years on zoning, infrastructure and air-rights that the company might need if it chooses to expand Disney World, giving the company an advantage that has become clearer in recent days.

This week, those approvals were criticized by members of a new board that was created by the Republican governor to strip Disney of governing control over the land's special tax district, known as Reedy Creek. Mr. DeSantis, who has been clashing with Disney for more than a year, appointed the new board after the February meeting.

Continue reading.

The Wall Street Journal

By Robbie Whelan and Arian Campo-Flores

Updated April 1, 2023 1:48 pm ET

Disney CEO Blasts DeSantis's Policies as 'Anti-Business'

- **Shareholders reject proposal from conservative activist**
- **Investors reelect board, back company on hot-button issues**

Walt Disney Co. Chief Executive Officer Bob Iger came out swinging at Florida Governor Ron DeSantis saying his policies regarding the theme-park giant have been "not just anti-Florida, but anti-business."

The executive, who spoke during the company's annual meeting on Monday, responded to questions from investors about Disney's political fight in Florida and its decision to oppose legislation that limits discussion of gender identity in schools.

“A company has a right to freedom of speech just like individuals do,” Iger said.

Continue reading.

Bloomberg

By Thomas Buckley

April 3, 2023

S&P U.S. Local Governments Credit Brief: Texas State Counties And Municipalities Means And Medians

Overview

Texas counties and municipalities continue to demonstrate stable credit quality, supported by increasing economic activity that has resulted in growing revenue trends, strong operating performance, and generally stable or increasing reserves. Despite macroeconomic risks, S&P Global Ratings expects overall credit quality for Texas local governments will likely remain stable during the next few years; however, escalating service and infrastructure needs could pressure rapidly growing communities. Several factors that are common across most of the portfolio–including ongoing economic development, strong reserves averaging more than 60% of operating expenditures, and conservative budgeting–support this view. Collectively, we think Texas municipalities and counties are well positioned to manage through evolving economic conditions.

The state’s population growth, leading all states with an additional 470,000 individuals in 2022, has created opportunities and challenges for municipal issuers. Across the state’s principal metropolitan areas, growing constituencies have correspondingly added demands on services and the need for debt issuance to fund new or improved infrastructure. Therefore, we expect some local governments will likely maintain higher-than-average debt and fixed-cost burdens compared with national medians.

S&P Global Ratings maintains ratings on roughly 400 Texas cities and 100 counties. Overall credit quality slightly improved in 2022 with 28 upgrades, slightly less than 6% of combined portfolios, and seven downgrades, slightly more than 1% of combined portfolios. In general, increasing property values led to improved market value per capita, even with population growth. In addition, median available general fund balance increased for many rating levels. Relative to 2021, certain key credit factors–such as income, carrying charges, and pension costs–were largely unchanged.

Continue reading.

3 Apr, 2023

S&P Pension Spotlight: Texas

Key Takeaways

- Recent contribution increases have improved the overall outlook on Texas pensions, but attributes remain that introduce contribution volatility risk.
- Local government pension costs are manageable for most issuers that participate in the well-funded municipal and county plans.
- After strong asset returns in fiscal 2021 improved funded ratios, weaker market performance in fiscal 2022 erased most or all of those gains, and 2023 could bring further declines or stagnant returns, increasing future contributions.
- Other postemployment benefit costs, while moderately high, are a minimal credit pressure for Texas local governments.

Continue reading.

4 Apr, 2023

Cedar Rapids Wants to Take These Homes - Before the Floods Do.

The Iowa city says it must seize the land of some 20 homeowners who live near the riverfront

CEDAR RAPIDS, Iowa—Officials in this city in eastern Iowa have long sought to build a system of levees and walls to prevent the Cedar River from flooding its banks and soaking homes and businesses.

But to construct the more than $550 million flood-control system, Cedar Rapids officials say they must seize the land of some 20 homeowners who live in a low-income area along the riverfront.

“Unfortunately,” said Cedar Rapids Mayor Tiffany O’Donnell, there are families “that are paying the price for the safety of the entire city.”

Continue reading.

The Wall Street Journal

By Shannon Najmabadi

April 6, 2023

Fitch: Abatement Risk Manageable for California Following Tulare Flood

Fitch Ratings-New York/San Francisco-05 April 2023: California’s decision to continue making lease payments on a recently abated project following the Tulare flood in March supports Fitch Ratings view that issuers will repay abatement lease debt, even if they technically have the option not to do so. Fitch does not apply additional notching from the Issuer Default Rating (IDR) when abatement risk is present.

The Treasurer of the State of California (AA/Stable) provided notice on March 30, 2023 on behalf of the State Public Works Board (SPWB) that due to flooding in Tulare, the California Department of Food and Agriculture (CDFA) does not currently have use and occupancy of a facility financed with

Lease Revenue Bonds 2013 Series I (Various Capital Projects) (rated AA-). The initial damage occurred on March 16, 2023 and SPWB was notified on March 17, 2023. The obligation of the CDFA to pay rent under the facility lease between the CDFA and SPWB has been abated as there is substantial interference with the use and occupancy of the facility.

Fitch generally rates appropriation-backed bonds one notch below the obligor's IDR, reflecting the slightly higher degree of optionality associated with lease/appropriation payments compared to the IDR. Fitch believes the incentive and propensity to repay lease/appropriation debt is closely linked to an obligor's incentive and propensity to repay all debt. This reasoning applies to abatement leases which give obligors the right to withhold payments for abatement. Fitch assumes the issuer will repay such debt even if it technically has the option not to do so, whether through non-appropriation or abatement.

This is the case for the lease in question. The portion being abated is a modest portion of the overall lease financing and the SPWB has determined to use legally available funds for payment of approximately $165,000 due on May 1, without accessing the reserve fund that is available to this project. The Master Indenture Reserve Fund Requirement is currently more than $111 million. It is the SPWB's intention to continue to pay debt service from legally available funds during the period that the lease is abated.

Contact:

Karen Krop
Senior Director
+1 212 908 0661
Fitch Ratings, Inc.
Hearst Tower 300 W. 57th Street New York, NY 10019

Bryan Quevedo
Director
+1 415 732 7576

Media Relations: Sandro Scenga, New York, Tel: +1 212 908 0278, Email: sandro.scenga@thefitchgroup.com

Additional information is available on www.fitchratings.com

A Proposed Multi-Billion Regional Bond Signals a Shift in How Bay Area Affordable Housing is Funded.

A renewed push to tackle the Bay Area's housing crisis at a regional level is underway, and it could be the solution for cities and counties tapped out of local funds for affordable housing.

The Bay Area Housing Finance Authority, or BAHFA, was created in 2019 to address the area's housing shortage. It's a first-of-its-kind financing authority in California that has coalesced as advocates and state leaders move to take a more regional approach to combat the state's housing-affordability problems.

A recent report from BAHFA and Enterprise Community Partners found that there's a $7.6 billion gap in public financing that needs to be filled in order to unlock nearly 33,000 new homes in the Bay

Area.

Continue reading.

Story by Grace Hase, Bay Area News Group – Mar 28

S&P State Brief: Utah

View the Brief.

24 Mar, 2023 | 16:02 United States of America

S&P U.S. Local Governments Credit Brief: New York School Districts

Overview

New York school districts have continued to exhibit stable credit quality over the past several years, in part due to the significant federal stimulus aid received as a response to the COVID-19 pandemic. In total, New York School Districts received nearly $1 billion in temporary federal aid in fiscal 2022. Furthermore, increased Foundation Aid funding for many school districts across the state further supported the overall fiscal health of the portfolio. Given these dynamics, S&P Global Ratings expects credit quality for New York school districts to remain stable in the near term despite a shallow recession predicted for the first half of 2023.

S&P Global Ratings maintains ratings on roughly 323 New York school districts. Overall, since April 2022 school district credit quality has remained stable, with two school districts experiencing rating movement due to strengthened financial position:

Hamilton Central School District rating was raised to 'A+' from 'A' on strengthened financial position;
New Rochelle City School District rating was raised to 'AA' from 'AA-' on strengthened financial position.
Additional recent rating actions of note include an outlook revision for Sherburne-Earlville Central School District to stable from negative in November 2022 due to improved reserves; Weedsport Central School District's outlook revised to stable from negative in November 2022 on improved reserves and liquidity. The ratings of 10 school districts within the portfolio have been withdrawn because of retirement of those entities' debt obligations and six new ratings were added. Currently, all 323 of our ratings in this portfolio have a stable outlook.

Continue reading.

24 Mar, 2023

S&P State Brief: Arizona

[View the Brief.]

28 Mar, 2023 | 15:11 United States of America

[Kansas Public Employees Retirement System Warns of Adverse Consequences From "Anti-ESG" Bills: Cadwalader]

Earlier this month, the Kansas Public Employees Retirement System (KPERS) urged legislators to reject key aspects of "anti-ESG" bills introduced in the Kansas Senate and House of Representatives. Both bills are designed, in part, to restrict the ability of investment managers engaged by KPERS to consider ESG factors in investment decisions, either directly or indirectly. The Senate bill (SB 224), which the state's Attorney General, Kris Kobach, promoted as the "strongest anti-ESG bill in the country," operates by prohibiting KPERS from investing in or through financial entities "engaged in ideological boycotts," a term defined to include "any commercial action that is intended to penalize, inflict economic harm on, limit commercial relations with or change or limit the activities of a company" based on ideological or political considerations, including the company's failure to satisfy certain environmental criteria. The House bill (HB 2436) operates by requiring all investment decisions on behalf of KPERS to be made "solely in the financial interest" of beneficiaries, while defining "financial interest" to exclude any consideration of certain policy objectives, such as eliminating, reducing, offsetting, or disclosing greenhouse gas emissions.

KPERS objected to the bills as both unnecessary and costly. The bills are unnecessary, according to KPERS, because (1) as fiduciaries, members of the KPERS Board and its investment managers are already duty-bound to make "[a]ll investment decisions . . . for the sole purpose of providing promised benefits"—an obligation that the proposed bills could disrupt; and (2) an existing Kansas law, in operation since 1992, already prohibits investments "if the sole or primary investment objective is for economic development or social purposes or objectives." More critically, under either of the bills, all or nearly all of the current KPERS investment managers would be disqualified because they offer ESG products, resulting in a complete divestment and restructuring of the KPERS fund. Such a restructuring would lead to "asset losses of approximately $1.14 billion due to the early sale of assets from illiquid investments" and would reduce future returns by an estimated 0.85%, resulting in a $3.6 billion reduction in fund earnings over the next 10 years. This underfunding would in turn cost state and local employers billions of dollars in the form of higher mandated contributions. Finally, by restricting the ability of KPERS to delegate its proxy voting rights unless it is not "economically practicable," and the investment manager commits in writing to "act solely on pecuniary factors" (a term not defined in the bills), the bills would require KPERS "to research and evaluate each of the nearly 100,000 proxy votes based solely on financial factors," meaning that "an entire team of investment professionals would have to be hired to manage proxy voting." That, in turn, would "create an unnecessary layer of bureaucracy that will make KPERS less competitive with private market and real estate investments."

To help mitigate the impact of the bills, KPERS proposed several amendments. First, KPERS recommended narrowing the restrictions placed on investment managers to apply only to assets managed on behalf of KPERS. This would allow KPERS to continue its relationships with current investment managers as long as they commit to managing state assets according to the requirements of the bills. Second, KPERS recommended exempting alternative or real estate investments, "which rarely have proxy votes due to the nature of the investment," from restrictions related to proxy voting, and clarifying that KPERS could continue to delegate its proxy voting authority to third parties who commit to exercising that authority according to the requirements of the bills. Third, with respect to the Senate bill, KPERS recommended that the divestment requirement "be limited to direct holdings and exclude private markets and real estate to mitigate extraordinary divestment costs from these illiquid investments." Finally, with respect to the House bill, KPERS recommended a provision that would require the state to defend and indemnify the KPERS Board and staff from any liability arising from compliance with the requirements of the bill—a protection already included in the Senate bill.

Continue reading.

By Timbre Shriver & Chad Lee

March 24, 2023

Cadwalader, Wickersham & Taft LLP

Wake County, North Carolina: Fitch New Issue Report

The county's 'AAA' IDR and GO bond rating reflect the county's strong revenue growth prospects, ample reserves and broad budgetary tools along with solid expenditure flexibility, and a low long-term liability burden. The LOBs rating is one notch below the county's IDR, reflecting the slightly higher degree of optionality associated with lease payments subject to appropriation. Key Rating Drivers Revenue Framework: 'aaa': The county has strong revenue-raising flexibility given the current property tax rate is less than half the statutory cap. Assessed value (AV) appreciation and sales tax revenue trends have generated revenue growth that exceeds inflation. However, Fitch expects growth to be in line with GDP given strong economic growth prospects. Expenditure Framework: 'aa': The county has significant control over spending, including the ability to determine terms of labor given the absence of collective bargaining. Additional flexibility can be found in pay-go spending and conservative budgeting practices. Long-Term Liability Burden: 'aaa': The county's long-term liabilities are low as a percentage of personal income. The county prudently manages its debt, and its pensions are well funded.

ACCESS REPORT

Northport, Alabama: Fitch New Issue Report

Northport's 'AA+' Issuer Default Rating (IDR) and GO warrant ratings reflect the city's superior gap-closing capacity, which incorporates its manageable expenditure growth demands, high revenue-raising authority and maintenance of sound reserve levels. The one-notch upgrade of the ratings reflects improved budget management practices, as evidenced by the steps taken to ensure the timely filing of financial audits, following a short historical period when such filings were not timely made. In addition, the ratings reflect Northport's low long-term liabilities compared to residents' personal income, and Fitch Ratings' expectation for continued growth in revenues to support the needs of a rising population and debt servicing costs.

ACCESS REPORT

Idaho Housing and Finance Association: Fitch New Issue Report

Long-Term Growth Prospects: The 'aaa' assessment for pledged revenue growth prospects reflects robust sales tax performance in recent years. Fitch Ratings anticipates strong growth going forward at or above long-term expectations for national economic growth, benefiting from a trend of strong state population growth, economic expansion and diversification. Revenue Stream Resilience: Available state sales tax revenues provide very strong coverage of the allocation to the TECM Fund from which debt service is payable, supporting a 'aaa' assessment of the sensitivity and resilience of the security structure. Assuming full expected leverage of the annual allocation ($80 million), the structure can comfortably absorb a decline in revenues expected to result from a moderate recession scenario and one equivalent to the largest historical revenue decline.

ACCESS REPORT