State of Wisconsin: Fitch New Issue Report

The 'AA+' rating reflects the exceptional resilience of the security through economic declines and relatively flat growth prospects for motor vehicle registrations in Wisconsin. Fitch anticipates revenue growth will be in line with long-term expectations for national inflation and an 'a' assessment given the nature of the pledged revenues, which include annual motor vehicle registration and related fees and are not generally linked to usage. Debt service is paid from a revenue source that has shown little volatility and provided ample debt service coverage on both an annual and maximum annual debt service basis. Pledged revenues are expected to provide strong coverage of debt service requirements, even if fully leveraged to the 2.25x additional bonds test, in the event of a moderate downturn, consistent with a 'aaa' assessment for this rating driver. The flow of pledged revenue is structurally protected from the state's general financial operations. The rating on the bonds is the same as the state's IDR, based on the bonds' fundamental credit characteristics.

ACCESS REPORT

Mon 18 Mar, 2024

Chicago, Illinois: Fitch New Issue Report

The city retains the legal authority to adjust rates as needed without external oversight. Fitch Ratings considers the monthly residential sewer bill affordable for about 87% of the service area population based on standard monthly usage of 6,000 gallons. In fiscal 2022, the system's operating cost burden was considered very low at $1,003 per million gallons (mg), consistent with the operating risk assessment. The life cycle ratio was very low at 22% in fiscal 2022. Capex relative to depreciation has been robust, averaging 320% over the past five fiscal years from 2018 to 2022. Planned capital spending for the next five years should generally outpace historical depreciation, supporting a continued very low life cycle ratio. The system had very low leverage of 9.9x as of fiscal 2022. This is in line with historical performance where leverage has typically registered between 9.8x and 9.9x annually since fiscal 2018. A brief uptick to 11.1x in fiscal 2020 reflected rates that increased with modest inflation, fluctuating pension obligations and related expenses.

ACCESS REPORT

Wed 20 Mar, 2024

Philadelphia's Post-ARPA Fiscal Reality.

Overview

The start of the COVID-19 pandemic in 2020 forced officials in cities throughout the country to deal with unexpected budget shortfalls quickly. To close a projected one-year gap of $649 million, Philadelphia was forced to take several steps—including drawing down its operating fund balance, postponing planned tax-rate reductions, temporarily increasing some taxes, and reducing spending.1 But that didn't address the long-term fiscal issues.

Then, along came the American Rescue Plan Act (ARPA), which Congress adopted in 2021; ARPA provided Philadelphia with $1.4 billion to use through December 2024.2 Local officials decided to use all the money to help address what they said would have been a $1.5 billion cumulative budget shortfall without it.3

This brief—based on research and analysis that PFM Group Consulting, a Philadelphia-based public finance advisory firm, conducted for The Pew Charitable Trusts—focuses on the city's financial prospects after the federal ARPA money is spent. It examines how economic downturns could affect city revenue and what budgetary strategies local officials could consider, whatever the city's fiscal condition.

[Continue reading.]

The Pew Charitable Trusts

March 20, 2024

[MN Cities Could Face Additional Barriers to State Financial Support for Capital Improvement Projects.]

Proposals heard in the House and Senate would require that any city receiving funding for a local infrastructure project from state bonds or general funds create an account sufficient for rehabilitation, expansion, and eventual replacement of the project.

The House and Senate both held informational hearings on legislation that creates far-reaching barriers to state financial support of local public infrastructure.

[HF 3582] (Rep. Fue Lee, DFL-Minneapolis) and [SF 3782] (Sen. Sandra Pappas, DFL-St. Paul) would require that a local government infrastructure project that receives any state funding must also create a capital project replacement fund to cover major rehabilitation, expansion, or replacement of that capital project.

The funds and the approval of uses of that money would be determined by the state and the account would need to be annually audited. Money could not be used from that account without state approval. An amendment that was adopted in the House includes language that more broadly applies the requirement to other state capital project grant recipients and also penalizes anyone whose fund is not kept at required levels.

[Continue reading.]

League of Minnesota Cities

March 25, 2024

Soaring Denver-Area Rents Spur $200 Million Student Housing Bond.

• Colorado School of Mines invests in 800-bed sophomore dorm
• Growing trend of colleges solving affordable housing shortage

The Colorado School of Mines is turning to the muni market for the second time in six months to address a housing shortage for its growing campus of roughly 7,000 students just outside of Denver.

The investment-grade deal, managed by Morgan Stanley, is slated to raise nearly $200 million to fund the construction of more affordable housing for sophomores, according to bond documents. In October, the school sold $132 million of debt to renovate a student complex called Mines Park, adding roughly 520 beds to the apartment-style community for more senior and graduate students.

The science and engineering school, located in Golden, Colorado, about 15 miles (24 kilometers) outside Denver, is part of a growing cohort of colleges facing a housing crunch in already competitive markets.

Continue reading.

Bloomberg Markets

By Melina Chalkia

March 13, 2024

U of I Picks a New Partner to Finance Phoenix Deal.

The University of Idaho hasn't begun issuing University of Phoenix bonds — but it is already turning to a Plan B, or a Plan C.

U of I officials are downplaying the impacts on the controversial $685 million purchase.

The Arizona Industrial Development Authority was the U of I's first choice for issuing the Phoenix bonds. However, AzIDA "passed on the opportunity to participate in the financing," Dirk Swift, the authority's executive director, told the Lewiston Tribune Wednesday.

The reasons for AzIDA's decision are not clear. Idaho Education News has made repeated requests for comment from Arizona Gov. Katie Hobbs' office, but has received no response.

AzIDA became the U of I's first choice for issuing Phoenix bonds, since the Idaho Housing and Financing Association does not have the authority to finance "intangible assets," an asset that is not physical in nature. The U of I settled on two possible bonding agents, according to a university "frequently asked questions" page that still lists AzIDA as its Phoenix bonding agent.

"Both Wisconsin (Public Finance Authority) and Arizona IDA can issue debt to finance intangible assets," the U of I said. "These two issuers have a deep bench of experience with such offerings.

Considering fees, experience and other factors, we have selected Arizona IDA."

The U of I page does not refer to the agency that will apparently issue the bonds: National Finance Authority, based in New Hampshire. The U of I approached "a number" of potential bond issuers, spokeswoman Jodi Walker said in a statement.

"While AzIDA declined to participate, NFA agreed to participate in the financing," she said. "The AzIDA decision has no impact on our transaction."

Bonding is a major obstacle facing the Phoenix purchase.

U of I and State Board of Education officials have said that the purchase can't be financed while the Phoenix acquisition is mired in court. Attorney General Raúl Labrador has challenged the purchase, with an Idaho Supreme Court hearing expected in June. Legislators have also threatened a lawsuit. Legislators have also floated the idea of overhauling the purchase, which would put Phoenix under the masthead of a U of I-affiliated nonprofit.

The purchase faces a nonbinding May 31 deadline. If a deal isn't closed by that date, the U of I or Phoenix can walk away from the table.

idahonews.org

Kevin Richert | 03/15/2024

New Jersey Enacts Groundbreaking Charter School Financing Law: Ballard Spahr

Summary

New Jersey recently enacted legislation enabling public charter schools to access low-interest financing through the Public Charter and Renaissance School Facilities Loan Program, aiming to enhance educational infrastructure and opportunities. This groundbreaking initiative will allow public charter schools in 31 School Development Authority districts to fund new construction projects and perform major renovation and rehabilitation projects.

The Upshot

- This historic law in New Jersey establishes a first-ever funding framework for public charter schools and renaissance schools to be able to obtain low-interest financing for construction, expansion, and improvements to their facilities.
- The new Economic Development Authority low-interest revolving loan program will fund new construction, critical facility upgrades, and major renovation and rehabilitation projects for public charter schools and renaissance schools in the 31 School Development Authority districts identified as having the greatest need for school construction and improvement projects.
- By offering charter schools and renaissance schools access to financial resources that were previously out of reach, the law aims to alleviate financial barriers and enable these schools to enhance their infrastructure to better serve students.

Continue reading.

March 13, 2024

[Local Fiscal Response to State Preemption: A Case Study of Massachusetts' Proposition 2½ Tax Referendum.]

Abstract

State preemption in the form of tax and expenditure limits significantly limits local revenue-raising capacity. To gain insights into how local governments respond to fiscal preemption through direct democracy, this study focuses on tax referenda that override the levy limit set by Proposition 2½ in Massachusetts. Analyzing a sample of 320 municipalities from 2010 to 2021, we investigate the influence of fiscal slack resources and tax burden on the levy limit overrides and exclusions. Our analysis breaks down the tax referendum process into two stages, highlighting the involvement of different decision-makers: local officials proposing the referendum and individual voters approving it. We find that municipalities are motivated to seek tax referenda due to diminishing fiscal slack resources, yet the tax burden on residents can discourage such pursuits.

[Continue reading.]

The Journal of Federalism

by Shu Wang, Yonghong Wu

Published: 15 March 2024

[Raymond James Hires 10 from Citi's Closing Muni-Bond Group.]

- **Muni firms are snapping up talent from the Wall Street giant**
- **Hires from Citi include bankers Chris Mukai and Ben Selberg**

Raymond James Financial Inc. is the latest firm to snap up executives from Citigroup Inc.'s shuttering municipal-bond division.

The St. Petersburg, Florida-based Raymond James has been on a hiring spree for its public finance division for years and is adding 10 bankers and analysts from the Wall Street bank.

Among the hires is Chris Mukai, who worked at Citi for over two decades. He will serve as co-head of western region public finance in Los Angeles. Victor Andrade, another California-based banker who specializes in work with schools, is also joining.

Ben Selberg, who led Citi's public power investment banking team, will serve as head of public power, energy and renewables in a new Seattle office for the firm.

Other hires from Citigroup include Stephen Field, who works with West Coast issuers and also specializes in securitizations, and Brian Olin, a banker and derivatives specialist. Susan Jun, who has worked with the largest affordable housing issuers in the country, is joining Raymond James' national housing group.

Raymond James has already had a strong start to 2024, working on several large financings. It's ranked as the fifth-biggest muni underwriter so far in 2024, two spots up from the same time last year, according to data compiled by Bloomberg.

"Having these outstanding, highly regarded bankers join Raymond James is a testament to our dedicated and deeply experienced professionals who have worked tirelessly for years to fuel our growth and advance our strategic vision to be one of the highest regarded public finance platforms in the nation," Gavin Murrey, head of public finance at Raymond James, said in a statement.

Bloomberg Markets

By Amanda Albright and Shruti Singh

March 11, 2024

Oppenheimer Hires UBS Alumnus Reed to Expand in US Southwest.

- **Half a dozen former UBS muni bankers have joined Oppenheimer**
- **UBS last year said it would halt most of its muni underwriting**

Oppenheimer & Co. has hired Frank Sanchez Reed, a former UBS Group AG banker, as managing director to head its public finance team in the US Southwest.

Reed, an industry veteran with almost three decades of experience, is based in Texas and will focus on large issuers including California. He's the sixth municipal banker Oppenheimer has hired from UBS this year as the firm expands its reach in US public finance.

Reed joins after New York-based Oppenheimer named Elizabeth Coolidge, UBS's former head of Midwest public finance, to lead its national municipal practice in January.

Continue reading.

Bloomberg Business

By Shruti Singh

March 12, 2024

State of New York: Fitch New Issue Report

Growth Prospects for Revenues Solid Growth Prospects: Pledged PIT receipts are likely to grow above the long-term rate of inflation, similar to Fitch Ratings' expectations for the broad-based, wealthy and service-dominated New York State economy and consistent with a 'aa' growth prospects assessment. Sensitivity and Resilience Ample Cushion Despite Economic Sensitivity: While the PIT receipts are economically sensitive, reliance on residual receipts for general operations and the 2x ABT prevent overleveraging of the pledged revenue stream and provide ample cushion to absorb potential volatility, warranting a 'aaa' resilience assessment. Exposure to Related Government PIT Structure Enhances Appropriation Incentive: An annual appropriation requirement caps the rating at the state's 'AA+' IDR. A statutory provision that deprives the state's operating funds of at least $12 billion (about 11% of fiscal 2023 state operating funds tax revenue) in the event of non-appropriation effectively eliminates appropriation risk.

ACCESS REPORT

Mon 11 Mar, 2024

University of Oklahoma Board of Regents: Fitch New Issue Report

Key Rating Drivers Revenue Defensibility – 'aa' Solid Demand and Enrollment Trend; Moderate Revenue Diversity Underpinning the 'aa' Revenue Defensibility assessment are OU's modestly selective demand metrics, its solid flagship/top-tier research demand niche, and established trend of sizeable out-of-state draw, all of which Fitch believes will continue to provide stability to modest growth in OU's enrollment base. OU saw fall 2023 (fiscal 2024) headcount increase by a solid 3% to 29,166, benefitting from OU's steady trend of growth in its freshmen (the largest first-year class in history), gains in graduate enrollment and OU Online, as well as solid undergraduate retention. Student quality measurements, such as the freshman-to-sophomore retention rate, remain high and continue to improve (89% in fall 2022), in addition to the six-year graduation rate. Management's current projections anticipate a lower level of freshman growth (2%-5%) with a growing non-resident component. OU has moderate revenue diversity. While down slightly from about 54% in fiscal 2019, operating revenues remain largely student revenue dependent (roughly 50% of adjusted total unrestricted operating revenues from tuition/auxiliary revenues in fiscal 2023). Federal, state, and local grants were the next largest revenue source at 24% of fiscal 2023 adjusted total unrestricted operating revenues.

ACCESS REPORT

Fri 15 Mar, 2024

Metropolitan Transportation Authority, New York: Fitch New Issue Report

The upgrade of the transportation revenue bond (TRB) ratings, to 'AA' from 'A', reflects the application of Fitch Ratings' revised "Government-Related Entities Rating Criteria" (GRE criteria). The criteria explicitly recognize the likelihood of extraordinary support from New York State (NYS) to the Metropolitan Transportation Authority (MTA) in a situation of financial difficulty. Under the new criteria framework, Fitch has assessed the MTA's Standalone Credit Profile (SCP) at 'bbb+', representing our view of the MTA's creditworthiness, irrespective of its relationship with NYS. This, combined with a support score of 'extremely likely' under Fitch's GRE criteria, leads to the MTA Issuer Default Rating (IDR) and TRB rating at one notch below the NYS IDR (AA+/Stable).

ACCESS REPORT

Fri 15 Mar, 2024

AG’s Suit Against Town of Milton Shines a Spotlight on Massachusetts' Housing Crisis: Burns & Levinson

Last April, we reported that the Attorney General was set to enforce municipal compliance with denser, transit-friendly zoning requirements. Now that has come to pass. The recently commenced battle between the Town of Milton and the Attorney General’s office over the MBTA Communities Act illustrates the high degree of difficulty posed by the Massachusetts housing crisis. On February 27, Attorney General Andrea Campbell filed suit against the Town of Milton for its voters’ failure to adopt zoning that would allow multi-family housing near the Town’s MBTA station, as required by the MBTA Communities Act. The Act, passed during the Baker Administration in 2020, is designed to ease the housing crunch in Massachusetts by requiring municipalities served by the MBTA to adopt zoning changes that allow multi-family housing in the vicinity of MBTA stations. Milton’s Planning Board resisted the change, and the Town’s voters turned it down in a referendum vote on Valentine’s Day. As a result, the Attorney General filed her suit seeking an injunction to force the Town to comply with the law.

Aside from presenting Home Rule and enforcement questions, the AG’s suit has highlighted a problem with the Act that many municipalities had identified in the lead-up to the deadline for compliance. According to in-depth WGBH reporting, many municipalities simply do not have the water and sewer infrastructure to serve the number of new housing units allowed by the required zoning change. To make matters even more challenging, the reporting reveals that many of those municipalities do not have the budget or any idea how they would raise the funds to build the new infrastructure.

According to a MassLive media report, at least one Wrentham Select Board Member has objected to the requirements of the Act as an “unfunded mandate.” A term that is not often thrown around, an unfunded mandate is a new requirement imposed on municipalities that require the expenditure of municipal funds without supporting funding from the state. Under the local mandates provision of Proposition 2 ½, municipalities are exempt from complying with unfunded mandates. However, there are multiple exceptions to the exemption, such as state mandates that only impose indirect costs and mandates that the legislature imposes as a condition of receiving state aid. It remains to be seen whether the Town will defend the AG’s suit on this basis or if it will succeed.

The suit highlights the many potential barriers to any single solution to the housing crisis. As AG Campbell’s Complaint and Brief eloquently spell out, past legislative attempts to stimulate housing have fizzled, resulting in the passage of the MBTA Communities Act, a blunt instrument. Hopefully, the renewed attention to the housing crisis will result in an accommodation that suits all parties and provides much-needed housing.

Burns & Levinson LLP – Thomas A. Mackie

March 14 2024

S&P Charter School Brief: California

Read the S&P Brief.

13 Mar, 2024

[Chicago Bears Tout $2 Billion Plan for City Stadium.]

- **NFL team is committed to contributing more than $2B, CEO says**
- **Bears were considering moving to Arlington Heights, a suburb**

The Chicago Bears are taking steps to stay in the third-largest US city with a plan to contribute more than $2 billion of private investment to build a new stadium.

After more than a year of speculation that the team would move to a new site in the suburbs, Bears Chief Executive Officer and President Kevin Warren revealed the new proposal on Monday.

“The Chicago Bears are committed to contributing over $2 billion to build a stadium and improve open spaces for all families, fans and the general public to enjoy in the City of Chicago,” Warren said in an emailed statement. “The future stadium of the Chicago Bears will bring a transformative opportunity to our region — boosting the economy, creating jobs, facilitating mega events and generating millions in tax revenue.”

Continue reading.

Bloomberg Markets

By Shruti Singh and Maxwell Adler

March 11, 2024

[Raymond James Hires 10 from Citi’s Closing Muni-Bond Group.]

- **Muni firms are snapping up talent from the Wall Street giant**
- **Hires from Citi include bankers Chris Mukai and Ben Selberg**

Raymond James Financial Inc. is the latest firm to snap up executives from Citigroup Inc.’s shuttering municipal-bond division.

The St. Petersburg, Florida-based Raymond James has been on a hiring spree for its public finance division for years and is adding 10 bankers and analysts from the Wall Street bank.

Among the hires is Chris Mukai, who worked at Citi for over two decades. He will serve as co-head of western region public finance in Los Angeles. Victor Andrade, another California-based banker who specializes in work with schools, is also joining.

Ben Selberg, who led Citi’s public power investment banking team, will serve as head of public power, energy and renewables in a new Seattle office for the firm.

Other hires from Citigroup include Stephen Field, who works with West Coast issuers and also specializes in securitizations, and Brian Olin, a banker and derivatives specialist. Susan Jun, who has worked with the largest affordable housing issuers in the country, is joining Raymond James’ national housing group.

Raymond James has already had a strong start to 2024, working on several large financings. It’s ranked as the fifth-biggest muni underwriter so far in 2024, two spots up from the same time last year, according to data compiled by Bloomberg.

“Having these outstanding, highly regarded bankers join Raymond James is a testament to our dedicated and deeply experienced professionals who have worked tirelessly for years to fuel our growth and advance our strategic vision to be one of the highest regarded public finance platforms in the nation,” Gavin Murrey, head of public finance at Raymond James, said in a statement.

Bloomberg Markets

By Amanda Albright and Shruti Singh

March 11, 2024

Raymond James Hires Citi Bankers for New Public-Finance Office in Seattle.

Midsize investment bank sees opportunity in muni bonds and public-power financing

Raymond James Financial Inc. said Monday it’s hiring 10 ex-Citigroup Inc. bankers as the bank broadens its reach in the public-finance business from middle-market deals to larger deals.

The bankers will also help Raymond James (RJF) set up a new public-finance office in Seattle, form a dedicated public-power practice, widen its presence in the Western U.S. and staff up its housing-finance group.

“We have people in the marketplace who need public-finance products…and the Citi bankers will provide a nearly perfect overlay to what we already had,” Gavin Murrey, executive vice president and head of public finance at Raymond James, said in an interview.

Raymond James stock fell 0.8% on Monday as the broad market dropped. The stock has risen by 6.9% so far in 2024, compared with a 7.3% increase by the S&P 500.

Murrey said the Citi bankers will advance efforts at Raymond James to operate “one of the highest regarded public-finance platforms” in the U.S.

The bank is seeing demand for muni bonds and other public-finance products both from its wealth-management business and its roughly 4,000 to 5,000 accounts with middle-market businesses, Murrey said.

The bank has already hired about 51 people since late 2021 for its public-finance practice, with about 145 salespeople working to provide products to bankers, money managers and issuers.

“The broader the distribution, the more appealing it is for the issuer,” Murrey said.

Raymond James is making the move after Citi announced in an internal memo in December that it was shutting down its municipal-underwriting and market-making activities in a decision it described as difficult.

“While we are very proud of the impact they have had over the years, the economics of these activities are no longer viable given our commitment to increase the firm’s overall returns,” Citi said.

Citi is in the midst of a wide-ranging reorganization under Chief Executive Jane Fraser.

Also read: Citigroup to cut 20,000 jobs by 2026 after 'very disappointing' quarter as it posts loss

For its part, Raymond James has 180 people at 39 locations in one of the largest public-finance practices in the U.S., which has expanded into 10 more states and six countries since 2018.

The 10 hires from Citi include seven managing directors such as Ben Selberg, who is managing director and head of public power, energy and renewables for Raymond James in Seattle, as well as Brian Olin, managing director, also in Seattle.

Chris Mukai is managing director and co-head of the western region public-finance team, based in Los Angeles.

In Chicago, Raymond James named Susan Jun as managing director of its national housing group.

While Citi's municipal bond unit mostly focused on larger deals, Raymond James has a more diversified practice ranging from smaller-market deals up to bigger issuances.

Raymond James doesn't break out its public-finance business revenue, which is included in its overall capital markets operation.

Provided by Dow Jones

Mar 11, 2024 11:40am

By Steve Gelsi

Truist Hires Former Citi Muni Bankers to Build 'National Scope'

- **Southeast bank expands in market Wall Street giant exited**
- **Executives say hiring to continue as opportunities arise**

Truist Financial Corp. hired more Citigroup Inc. municipal-bond veterans, showcasing the Southeast regional bank's deepening commitment to the $4 trillion market as the Wall Street powerhouse leaves the business.

Charlotte, North Carolina-based Truist added Cameron Parks to head infrastructure and government banking. Also joining were Robert Mellinger and Matt Bernstein.

The expansion by Truist, created by the merger of SunTrust Banks Inc. and BB&T Corp. in 2019, comes as municipal investment banking is showing signs of life. A decrease in borrowing costs this year has pushed state and local debt sales up more than 40% over the year-ago period, according to data compiled by Bloomberg.

Continue reading.

Bloomberg Markets

By Amanda Albright

March 1, 2024

[Three Ex-UBS Public Finance Bankers Head to Cabrera Capital.]

- **Chicago-based firm has been expanding in public finance**
- **Pullback by UBS, Citi creates hiring opportunity for others**

Cabrera Capital Markets has hired three former UBS Group AG public finance bankers, the latest firm to scoop up talent from a national bank that's pulled back from the municipal-bond market.

The Chicago-based investment bank and brokerage brought on Shawn Dralle, a Los Angeles-based banker who will serve as head of West Coast public finance, according to a statement. Chris Bergstrom, a New York-based banker, will lead public transportation finance at Cabrera. And Shawnell Holman, a Houston-based banker, joined as an executive director.

"With the addition of three new senior level positions nationwide, the ability to serve our public finance clients will assuredly continue to expand," Mario Carrasco, head of public finance at Cabrera, said in the statement.

Continue reading.

Bloomberg Markets

By Amanda Albright

March 4, 2024

[Ramirez Taps More Citi Muni Bankers for Public Finance Expansion.]

- **Craig Kornett joined as managing director to lead health care**
- **Euriah Bennett in Atlanta will expand its Southeast presence**

Samuel A. Ramirez & Co. has hired three more bankers and an analyst from Citigroup Inc., the latest in a number of additions to the firm that is seizing on municipal finance heavyweights pulling back from the space.

Craig Kornett has joined Ramirez as a managing director to lead its health care practice from Citigroup, where he worked since 2014, according to an emailed statement from Ramirez on Friday. Ryan Lim, a former analyst at Citigroup, also joined the firm and will work with Kornett.

Euriah Bennett, who will be based in Atlanta, has come from Citigroup to expand Ramirez's presence in the Southeast. Emily Davis will work with Dashmir Keca, who recently joined Ramirez to lead its public power and energy group. Both were previously with Citigroup. Davis will be based in Boston.

Continue reading.

Bloomberg Markets

By Shruti Singh

March 8, 2024 at 11:53 AM PST

[S&P: Flooding Events For California Cities And Counties Are Unlikely To Abate And May Result in Long-Term Credit Risks]

Key Takeaways

- California's extremely high rainfall in 2023 is continuing into 2024 but has not yet had a material effect on credit quality for cities and counties rated by S&P Global Ratings, although the longer-term effects on issuers could be more significant.
- Maintaining high levels of reserves and liquidity is, in our view, one way issuers can navigate the short-term effects of extreme weather events, in particular as FEMA reimbursement, if approved, can take months or even a year to arrive.
- As weather events become more frequent or severe, we have observed that cities and counties have prepared by evaluating stormwater infrastructure or installing flood gates or moveable walls to redirect water to protect municipal assets.
- S&P Global Ratings continues to monitor the effects of extreme weather events on the credit quality of California cities and counties by evaluating infrastructure, risk management, and finances on a case-by-case basis.

Continue reading.

5 Mar, 2024

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, 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 the decline in revenues expected to result from a moderate recession scenario and one equivalent to the largest historical revenue decline.

ACCESS REPORT

Fri 08 Mar, 2024

Morgan Stanley Hires Four Bankers From Citi's Closing Muni Unit.

- **Three of the bankers will lead various public finance groups**

- **In 2023, Morgan Stanley was the fifth-biggest muni underwriter**

Morgan Stanley has hired four public finance bankers from Citigroup Inc.'s long-vaunted municipal-bond unit that is being shuttered, according to a person familiar with the matter who declined to be identified because the matter is not yet public.

Three of the new bankers will lead different groups within Morgan Stanley's public finance division, the person said. Citigroup executives announced in December that the bank would wind down its public finance unit this quarter.

Alex Zaman will serve as head of surface transportation and urban development and Lori Small will serve as head of airports, the person said. Shai Markowicz will serve as head of social infrastructure, which includes project finance and public-private partnerships. Imani Boggan is also joining as an associate, the person said.

Continue reading.

Bloomberg Markets

By Amanda Albright and Shruti Singh

February 28, 2024

Three Ex-UBS Public Finance Bankers Head to Cabrera Capital.

- **Chicago-based firm has been expanding in public finance**
- **Pullback by UBS, Citi creates hiring opportunity for others**

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"With the addition of three new senior level positions nationwide, the ability to serve our public finance clients will assuredly continue to expand," Mario Carrasco, head of public finance at Cabrera, said in the statement.

UBS bank executives announced last year that the unit would reorganize and shift away from working for state and local governments as an underwriter, though it would still buy bonds issued in auction sales. Citigroup Inc. is also shutting down its public finance unit. That's created a hiring opportunity for banks that are looking to expand their market share in municipal finance.

Cabrera is also tapping two industry vets from Citigroup to serve as consultants. Steven Dworkin, a banker who focused on public power entities, and George Leung, a muni credit specialist, will help expand the services that the company provides to clients, the company said in the statement.

Cabrera has been expanding its presence in municipal-bond underwriting. It hired Carrasco in 2022 to lead its public finance efforts. The firm will serve as lead manager on an upcoming $750 million bond sale by the Austin Independent School District that is slated to price later this month, according to the company.

"This is going to be an expansive year for our public finance team," Chief Executive Officer Martin Cabrera said in the statement. "Bringing Chris, Shawnell, Shawn and all the municipal finance hires since 2022 onto Cabrera's public finance platform creates more opportunities to better serve our clients and forge new relationships to continue the upward trajectory of Cabrera's future."

Bloomberg Markets

By Amanda Albright

March 4, 2024

[Morgan Stanley Boosts Public Finance Division, Poaching Talent from Citigroup.]

Learn how Morgan Stanley's recruitment of experienced bankers from Citigroup's closing municipal-bond unit aims to strengthen its position in the market, expand its service offerings, and improve its rankings in the municipal-bond underwriting space.

Morgan Stanley has strategically enhanced its public finance division by hiring four seasoned bankers from Citigroup Inc.'s municipal-bond unit, which is slated for closure this quarter. This significant move underscores Morgan Stanley's ambition to solidify its standing and capabilities in the municipal-bond underwriting market across the United States.

Strategic Hires to Fortify Key Sectors

The quartet of new hires is poised to lead various segments within Morgan Stanley's public finance division, bringing a wealth of experience and expertise. Alex Zaman has been appointed head of surface transportation and urban development, Lori Small will helm the airports division, and Shai Markowicz takes charge of social infrastructure, which includes crucial areas such as project finance and public-private partnerships. Imani Boggan joins as an associate, rounding out the team with fresh insight and potential. These appointments are not just about filling positions; they are strategic moves designed to enhance Morgan Stanley's service offerings and market presence in vital infrastructure sectors.

Continue reading.

bnnbreaking.com

by Rizwan Shah

28 Feb 2024

Truist Hires Former Citi Muni Bankers to Build 'National Scope'

- **Southeast bank expands in market Wall Street giant exited**

- **Executives say hiring to continue as opportunities arise**

Truist Financial Corp. hired more Citigroup Inc. municipal-bond veterans, showcasing the Southeast regional bank's deepening commitment to the $4 trillion market as the Wall Street powerhouse leaves the business.

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The expansion by Truist, created by the merger of SunTrust Banks Inc. and BB&T Corp. in 2019, comes as municipal investment banking is showing signs of life. A decrease in borrowing costs this year has pushed state and local debt sales up more than 40% over the year-ago period, according to data compiled by Bloomberg.

Continue reading.

Bloomberg Markets

By Amanda Albright

March 1, 2024

Initiative 1935: Sweeping Measure to Limit Ability of State and Local Governments in California to Raise Revenues - Orrick

Voters in California may cast ballots this November on a proposal to make substantial changes to the California Constitution involving taxation and related government powers.

Initiative 1935, the so-called "Taxpayer Protection and Government Accountability Act," seeks to limit the State's and local agencies' ability to generate revenues by, among other things, broadening the definition of what constitutes a tax, increasing voter and government approval thresholds in some cases, and adding procedural election requirements. It seeks to overturn recent judicial decisions holding that local initiative tax measures require approval of only a majority vote.

The measure also purports to apply retroactively. If retroactivity is effective, applicable taxes, fees and charges created, increased or extended after January 1, 2022, not adopted in a manner consistent with the requirements of Initiative 1935 would become void unless reenacted within 12 months.

The Governor and State Legislature are challenging Initiative 1935 in the California Supreme Court. They say it should not appear on the ballot, arguing that the initiative would amount to an unlawful revision of the California Constitution and an impermissible interference with essential government functions. The Governor and Legislature have requested a ruling by June, before election workers prepare ballots for the November election. It is unclear how the California Supreme Court will rule.

Continue reading.

February.29.2024

Orrick Herrington & Sutcliffe LLP

Harvard University Floats $1.65 Billion Upcoming Debt Sale.

- **Ivy League school plans to sell debt in March and April**
- **Bonds will be both taxable and tax-exempt, filing says**

Harvard University is considering the sale of as much as $1.65 billion of bonds, marking the latest Ivy League school to issue debt this year, and potentially providing signs of how it's financially faring after months of turmoil over allegations of antisemitism on campus.

The university is planning to borrow as much as $750 million of taxable fixed-rate bonds the week of March 4 and $900 million of tax-exempt bonds in April, according to a regulatory filing on Monday.

Harvard has come under scrutiny from lawmakers, students, alumni and donors in the wake of Hamas's Oct. 7 attack on Israel, resulting in the resignation this year of President Claudine Gay. Some of its most prominent benefactors have signaled they won't commit more money to the school such as billionaires Ken Griffin and Len Blavatnik, both alumni. In addition, the school is facing inquiries in two Congressional committees, federal lawsuits and possible government actions could take away financial support. Federally sponsored research comprised 11% of its operating revenues during the fiscal year that ended in June.

Continue reading.

Bloomberg Markets

By Amanda Albright and Janet Lorin

February 26, 2024

WPPI Energy, Wisconsin: Fitch New Issue Report

The 'A+' rating and Issuer Default Rating reflect WPPI Energy's strong revenue defensibility, which is supported by its role as a wholesale power supplier serving 51 utility systems in Wisconsin, Michigan and Iowa, along with the strong credit quality of the agency's largest members. Members are bound by long-term, take-and-pay power supply contracts (PSCs) that provide for the full cost recovery of all of WPPI's costs. The rating also considers WPPI's strong operating risk profile, consistent financial performance and low leverage. WPPI's diverse mix of owned generation resources by fuel type and geographic location, and varied purchased power agreements (PPAs) provide a stable and relatively low-cost energy supply, and are the basis for the strong operating risk assessment. The operating cost burden, which increased over the past two year to over 9 cents/kWh in 2022, remains low despite a rise in fuel and market energy costs over that time. Cost pressures subsided somewhat in 2023, allowing the cost burden to decline to closer to 8 cents/kWh. Capital needs, including ATC transmission investments, are manageable over the next five years at roughly $125 million. WPPI's strong financial profile is demonstrated by a low leverage ratio, measured as net adjusted debt to adjusted funds available for debt service (FADS), that has remained below 7.0x over the past five years. Coverage of full obligations (COFO) and liquidity are stable and neutral to the assessment. Fitch Ratings anticipates WPPI's leverage will remain near 7.0x through Fitch's base and stress case scenarios, which is consistent with the overall rating.

ACCESS REPORT

Fri 01 Mar, 2024

Lower Colorado River Authority Transmission Services Corp., Texas: Fitch New Issue Report

The ‘A+’ rating reflects the strong financial profile of the Lower Colorado River Authority Transmission Services Corp., Texas (LCRA TSC) in the context of its very low operating risk profile and the strength of its regulated revenue framework in the Electric Reliability Council of Texas (ERCOT) market, in which TSC operates. Transmission revenue is regulated by the Public Utility Commission of Texas (PUCT) and collected from all retail customers within ERCOT. The regulatory framework provides a consistent and dependable cost recovery methodology and rate of return. Leverage, measured by net adjusted debt to adjusted funds available for debt service, was between 8.0x and 9.0x over the last decade, despite large additional capex investments in new and existing transmission assets, primarily funded from new debt.

ACCESS REPORT

Fri 01 Mar, 2024

New York City Municipal Water Finance Authority, New York: Fitch New Issue Report

Very Strong Rate Flexibility, Favorable Service Area with Unique Economic Profile The water board retains the legal authority to adjust rates as needed without external oversight. Revenue defensibility is further supported by the system’s monopolistic provision of water and sewer services to its favorable service area. The service area is characterized by a stable customer base, median household income that approximates that of the nation and weaker, but improving, unemployment rate relative to that of the nation. Fitch also considers the city’s unique economic profile as an international center for numerous industries and an anchor for the service area. Rates are considered affordable for almost 80% of the service area population, using Fitch’s standard monthly usage of 7,500 gallons for water and 6,000 gallons for sewer. Very Low Operating Cost Burden, Elevated Capital Needs In fiscal 2023, the system’s operating cost burden was considered very low at $3,497 per million gallons (mg), consistent with the operating risk assessment. The life cycle ratio was a low 37% in fiscal 2023. Capex outpaces annual depreciation, with a five-year average of 182% for the five years ended fiscal 2023. The system’s capital improvement plan (CIP) for fiscal years 2024 through 2028 approximates $15.4 billion of system funds, while associated estimated actual spending is expected to be lower, at around $12.0 billion for the same period. Approximately 38% of the CIP is related to water pollution control projects, including plant upgrades and reconstruction. Water distribution approximates 22% of the CIP, water supply and transmission approximate 19% and sewer programs approximate 18%. Estimated capital spending averages $2.4 billion annually during these five years, well in excess of historical depreciation, supporting a continued low life cycle ratio.

ACCESS REPORT

Thu 29 Feb, 2024

New York City, New York: Fitch New Issue Report

Revenue Framework: 'aa': New York City has a highly diverse revenue base that is resilient to changes in economic conditions. Fitch expects revenue growth to range between the long-term inflation rate and U.S. GDP growth, 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 when excluding policy actions.

ACCESS REPORT

Thu 29 Feb, 2024

S&P Second Party Opinion: Capital Impact Partners $200 Million Investment Notes Prospectus

CIP is a 501(c)(3) nonprofit CDFI based in Arlington, Va. CIP provides loans, lines of credit, equity investments, and technical support to underserved borrowers in the affordable housing, health care, education, economic development, and healthy food sectors. CIP has over $500 million in total assets and has disbursed over $2.9 billion in loans since 1982 with current lending activities in nine states and the District of Columbia.

Download

S&P Charter School Brief: Colorado

Overview

As of Feb. 26, 2024, S&P Global Ratings maintains 26 public ratings on Colorado charter schools. Colorado has the fifth-highest number of rated charter schools in our rated universe, after California, Texas, Michigan, and Minnesota. It was the third state in the U.S. to enact a charter school law, and the state's first two charter schools opened their doors in 1993. As of the 2022-2023 school year, Colorado is home to 272 charter schools serving approximately 133,000 charter school students representing around 15% of all public school students in the state.

Continue reading.

26 Feb, 2024

[California Infrastructure & Economic Development Bank [Clean Water & Drinking Water] - Fitch New Issue Report]

Key Rating Drivers Portfolio Credit Risk: The pool consists of 146 obligors, with the top 10 participants representing approximately 49% of the total portfolio; the largest obligor is 16% of the portfolio. Obligor security is strong as nearly all obligors are secured by net utility-system revenue pledges. Approximately 91% of the program's portfolio consists of obligors exhibiting investment-grade credit quality. These preceding pool characteristics translate to an implied pool quality as calculated by Fitch's PSM of a strong 'A'/'A-'. Finance 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 derived using the PSM, without causing an interruption in bond payments. The program's financial structure is sound, supported by a projected minimum annual debt service coverage (DSC) of about 1.7x. Program Management: The program is managed by the SWRCB. Program management adheres to a formal underwriting policy that includes, among other things, minimum coverage requirements for obligors. There have been no pledged loan payment defaults in the CWSRF or DWSRF programs.

ACCESS REPORT

Thu 22 Feb, 2024

Illinois Poised for First Deficit After Three Years of Surplus.

- **State forecasts a $721 million deficit for fiscal 2025**
- **Under Pritzker, Illinois earned nine credit rating upgrades**

Illinois is facing its first budget deficit in three years as the state deals with rising costs for everything from education to services for migrants.

Governor J.B. Pritzker, a billionaire Democrat serving his second term, is scheduled to outline his spending plan for the fiscal year starting July 1 on Wednesday. After back-to-back annual budget surpluses, Pritzker will have to find ways to close a budget gap that is only expected to widen the next few years.

His budget office projected last week a $721 million deficit for fiscal 2025. Robust revenue growth at the beginning of fiscal 2024 has already shown signs of slowing while spending needs increase.

Continue reading.

Bloomberg Politics

By Shruti Singh

February 20, 2024

S&P: Migrants And Asylum Seekers Pose Budgetary Challenges In New York City, Chicago, And Denver

Key Takeaways

- The number of migrants and asylum seekers gaining entrance to the U.S. along the country's southern border has been increasing in recent years and the influx is straining government budgets.
- Although much of the pressure affects localities in border states, some of the largest cities across the U.S., including New York City, Chicago, and Denver, are also feeling the impact.
- These cities are adjusting their budgets to accommodate rising expenditures, but without state and federal government support, these costs are significant enough to strain budgets and could pressure credit quality.

Continue reading.

13 Feb, 2024

Rhode Island City Draws Eye-Popping Yield on Municipal Debt for New Soccer Arena.

- **City, former home to PawSox, will get minor league soccer team**
- **The muni bonds' yields are nearly 14% on tax-equivalent basis**

Taxpayers are paying dearly to bring a pro-sports team back to the faded industrial city of Pawtucket, Rhode Island.

A few short years after losing the PawSox — the minor league affiliate of the Boston Red Sox — to Massachusetts, Pawtucket is betting it will be able to draw fans to a more than 10,000-seat stadium to see an untested, US pro soccer team playing in the sports' second tier.

Last week, a redevelopment agency in the New England city sold $54 million in tax-exempt bonds to build the minor league soccer arena, Tidewater Stadium, at a yield of 8.24%, equivalent to almost 14% on taxable securities.

Continue reading.

Bloomberg Markets

By Martin Z Braun

February 14, 2024

Why Texas Is Banning Banks Over Their ESG Policies.

Texas passed two laws in 2021 that restrict government contracts with companies that take what state officials regard as punitive stances toward the fossil fuels and firearm industries. They're among the many new laws pushed by Republicans in states across the US to oppose ESG investing and financing, which they've made into a culture war target. Under one of the laws, Texas has barred some state entities, including pensions, from investing in roughly 350 funds run by asset managers such as BlackRock Inc. that the Texas comptroller says engage in "boycotts" of fossil fuels. The legislation has also prompted state officials to prohibit Citigroup Inc. and Barclays Plc from helping the state and its local governments raise money for infrastructure projects through bond deals.

1. What is ESG?

An abbreviation for environmental, social and governance, ESG refers to a set of standards that some money managers and bankers use to screen potential investments and financings for their environmental efforts or societal impact. Companies have been pressured by consumers, activists, investors and regulators to good stewards not only be of financial capital but also of natural and social capital, according to a Deloitte primer on ESG. Some examples of criteria that may fall under the environmental pillar of ESG are projects that cut greenhouse gas emissions, curb water pollution or use recycled material. Socially conscious investors may consider how a company manages its labor diversity or risk policies regarding firearms.

[Continue reading.]

Bloomberg Green

By Danielle Moran

February 8, 2024

[California Water Challenges Remain Despite Significant Precipitation in 2023: Latham & Watkins]

State and federal officials move forward plans and policies for water conservation, conveyance, and climate resilience.

The winter of 2022-23 brought historic levels of precipitation to California after years of deep drought, dwindling reservoirs, and groundwater depletion. In the first quarter of 2023, most of the state received rainfall exceeding historic averages, with some areas experiencing 200%, or even 300% of average levels. According to the US Drought Monitor, the state is currently drought-free, although some regions are still considered abnormally dry. Despite heavy precipitation over the past year, California's drought resilience remains in question, as critical infrastructure projects face staunch opposition and climate change increases the likelihood of extreme and prolonged droughts. Regulators and water managers had a busy 2023 as they grappled with persistently low groundwater levels, planned for additional water storage and conveyance, and continued to advance water conservation initiatives.

This blog post summarizes key actions taken by state and federal officials in 2023 with respect to California's water supply and provides an outlook for 2024.

[Continue reading.]

Latham & Watkins LLP – Michael G. Romey, Lucas I. Quass, John Detrich, Cody M. Kermanian and Julie Miles

February 9 2024

Plotting the Route to a State Bank for NJ.

Investment Fund is deemed key step in laying the groundwork for NJ public bank

A new public financial institution could play a key role in advancing socially beneficial projects, such as affordable housing developments and infrastructure improvements, according to a group Gov. Phil Murphy created to closely study the issue.

A lengthy report issued by the governor's public-banking panel earlier this week also highlights the importance of a $20 million Social Impact Investment Fund established last year by Murphy and lawmakers to begin boosting socially beneficial projects in underserved communities throughout the state.

Although its creation in late June was overlooked by many, the improvement fund itself could serve as key "bridge entity" that would "lay the groundwork for a public bank," according to the report.

Continue reading.

NJ SPOTLIGHT NEWS

by JOHN REITMEYER, BUDGET/FINANCE WRITER | FEBRUARY 8, 2024

Metropolitan Transportation Authority, New York: Fitch New Issue Report

Rating Linked to State IDR: State statute and bond documents structurally segregate city sales taxes pledged to bondholders from general operations and support a rating higher than New York State's IDR. State statute authorizes the New York City sales tax and allocates a fixed amount to the TBTA for the CBDTP Capital Lockbox. The New York State Comptroller collects all sales tax revenue and transfers the allocation to the TBTA, without appropriation. New York State has a long history of actions to ensure sufficient resources for the MTA, whose operations are a critical component of the state's economic profile. Additionally, the state pledges to not limit or alter the rights vested in the TBTA to fulfill the terms of any agreements made by the TBTA with bondholders or to impair their rights and remedies. No City or MTA Operating Risk Exposure: Bondholders are not exposed to the operating risk of New York City or the MTA. The city has no right, title or interest in the portion of city sales tax withheld by the comptroller and transferred to the TBTA first, before remaining collections are transferred to the city. State statute segregates CBDTP Capital Lockbox monies from other TBTA monies, and the resolution requires the prompt deposit of sales tax to the trustee before remaining receipts become available for other authorized uses. State statute prohibits the MTA or its affiliates (including TBTA) from filing for bankruptcy while bonds are outstanding.

Access report.

Thu 08 Feb, 2024

Handbook For Indiana Redevelopment Commission Members And Their Attorneys: Barnes & Thornberg

View the Handbook.

Barnes & Thornburg LLP

February 9 2024

S&P: Texas Ousts Barclays Over Net-Zero Policies, Raising Bond Market Concerns.

Barclays PLC can no longer underwrite municipal bonds in Texas after the state's attorney general determined the bank may be a "fossil fuel boycotter" in violation of state law.

London-based Barclays was at least the third municipal bond underwriter to be ousted from the state in recent months because it participates in the Net-Zero Banking Alliance (NZBA), a UN-convened initiative seeking to decarbonize the sector in alignment with the Paris Agreement on climate change.

Barclays played a relatively small role in the booming Texas muni market. In 2023, the bank's market share was 3%, accounting for about $2 billion of nearly $60 billion issued in municipal bonds, said Daniel Garrett, an assistant finance professor at the University of Pennsylvania's Wharton School.

Still, the state's decision to bar underwriters could have a cumulative impact, Garrett said in an interview. Municipal underwriting for Texas towns is already limited because the borrowing market is segmented by laws and regulations that vary from state to state, he said.

"We know what direction this pushes costs for Texas borrowers — it pushes costs up," Garrett said.

Garrett co-authored a 2022 report estimating that municipalities and other public entities in Texas would pay between $303 million and $532 million more in interest on the $32 billion they borrowed during the first eight months after Texas passed two laws prohibiting environmental, social and governance investment criteria.

Barclays did not respond to questions raised by Attorney General Ken Paxton's office over the bank's participation in NZBA. This means "Barclays' activities may require it to be classified as a 'fossil fuel boycotter,'" a Jan. 26 press release from Paxton's office said.

A Barclays spokesperson declined to comment.

Barclays was the seventh-largest investor in fossil fuels globally between 2016 and 2022, according to the 2023 edition of "Banking on Climate Chaos," a report published by a consortium of environmental groups tracking financial sector investments. The NZBA has been criticized for not putting more pressure on banks to meet commitments to decarbonize their portfolios.

'A troubling trend'

Glenn Hamer, president and CEO of the Texas Association of Business, said in an email that the Lone Star State has instituted "some of the most important pro-business policies of any state in the nation."

"However, further tightening the municipal bond market has serious potential to harm our state's taxpayers and our overall business environment," Hamer wrote. "Already, we've witnessed a troubling trend of fewer banks to underwrite bonds, resulting in higher interest rates, uncertainty for local governments and a larger local debt burden that is ultimately levied on Texas taxpayers."

For the past three years, leaders of some Republican-leaning states have been engaged in a campaign to root out corporate ESG-related policies they deem harmful to their economies — at times affecting local towns more than large Wall Street firms.

In a related anti-ESG action, 12 state agricultural commissioners on Jan. 29 requested information from six leading US banks about their NZBA participation. They raised questions over the initiative's impact on food availability, credit for farmers, agricultural product prices and "overall negative economic consequences."

As examples, the commissioners pointed to Citibank NA committing to set emission-reduction targets for its agricultural portfolio, the food crisis in Sri Lanka spurred by a ban on synthetic fertilizer imports, and suggestions that Americans need to cut their consumption of beef in half to help reduce methane emissions.

by Karin Rives

30 Jan, 2024

Puerto Rico Utility's Future Revenue At Stake in Bondholder Fight.

- **Appeals court to decide scope of investors' secured claim**
- **Island's power utility is seeking to reduce $9 billion of debt**

Puerto Rico's bankrupt power utility and its creditors squared off in court Monday on whether bondholders have a legal right to the electricity provider's future revenue.

The debate before the US Court of Appeals for the First Circuit centers around whether the island's main energy supplier, Electric Power Authority or Prepa, must repay its creditors more than just the roughly $19 million sitting in reserve accounts that a bankruptcy court last year ruled was the bondholders' only secured lien.

At stake is the $9 billion Prepa owes to investors and fuel-line lenders while island residents endure some of the highest electricity rates in the US amid frequent outages. The case is poised to affect revenue-backed municipal debt beyond Puerto Rico as water and sewer authorities, hospitals, toll roads, higher educational institutions and transit agencies all sell bonds with the pledge to repay investors from future revenue collections.

Continue reading.

Bloomberg Industries

By Michelle Kaske

January 30, 2024

[2023 Year-in-Review CEQA Litigation: Sheppard Mullin]()

[View the Review.]()

Sheppard Mullin Richter & Hampton LLP

Jan 29, 2024

[Elite LA Elementary School Seeks $24 Million to Expand Campus.]()

- **Curtis School is selling $24.3 million of revenue bonds**
- **Proceeds will be used to build a new learning center**

An elite private school catering to Los Angeles' wealthiest residents is tapping the muni market as it looks to expand its campus and add to its academic offerings.

Curtis School is seeking to raise $24.3 million in revenue bonds through the California Enterprise Development Authority in a sale pricing Feb. 1. The exclusive elementary school plans to use proceeds from the sale to construct the Collaborative Learning and Innovation Center, a 21,000-square-foot, three-level learning space equipped with an engineering lab, a dedicated robotics space, science classrooms and an art studio.

The sale comes amid growing demand for admission to elite institutions from parents who want their kids to receive an exclusive education along with the social and professional network that comes with it.

[Continue reading.]()

Bloomberg Markets

By Maxwell Adler

January 29, 2024

[Ruppersberger, Co-Chair and Founder of the House Municipal Finance Caucus, to Retire.]()

Maryland Democrat Representative Dutch Ruppersberger, founder and co-chair of the bipartisan House Municipal Finance Caucus, announced he will step down at the end of his current term.

"Clearly he will leave a void," said Brett Bolton, vice president of federal legislative and regulatory policy at Bond Dealers of America. "He has always been on the Hill and a champion for the industry."

Ruppersberger founded the House Municipal Finance Caucus in 2016 and has served as its Democratic co-chair since then. The caucus consists of a bipartisan group of lawmakers – 30 as of the latest count – who have pledged to support public finance priorities in Congress.

Continue reading.

Business News

by Shawn Johnson

January 30, 2024

State of Nevada: Fitch New Issue Report

Nevada's revenues, primarily sales- and gaming-related taxes, have historically reflected its tourism-based economy, demonstrating some economic sensitivity. Fitch anticipates that Nevada's revenues will grow in line with national GDP growth over the longer term, given continued economic expansion and population growth, and may exhibit lower economic sensitivity following enactment of tax measures that broadened the tax base. Nevada maintains complete legal control over its revenues. The state maintains solid expenditure flexibility, with a low carrying cost burden and the broad expense-cutting ability common to most U.S. states. Education and Medicaid remain key expense drivers, and continued budget management is expected to be necessary to keep spending within projected revenues. Nevada's liabilities are low and below the median for states. GO debt is either self-supporting or funded by a dedicated property tax levy and does not place a burden on the general fund. The state manages its debt to keep debt service within this tax levy. Nevada's Fitch-adjusted net pension liabilities remain in line with the median for U.S. states.

ACCESS REPORT

Wed 31 Jan, 2024

NYCB Bonds Plunge, Then Stabilize, After Weak Results.

- **NYCB 'likely a one-off,' according to Bank of America**
- **CreditSight's sees 'no real read-through' to other lenders**

New York Community Bancorp Inc. bonds plunged by 12 cents on the dollar on Wednesday, then edged slightly higher on Thursday in thin trading, after the regional bank slashed its dividend and said it was stockpiling reserves to cover souring loans.

Late on Wednesday, Moody's Investors Service said it may cut the bank holding company's ratings to junk, citing factors including the weak results and unanticipated losses in its loan books. These pressures could make it harder for the bank to pay obligations in the future. The bank's floating-rate notes due 2028 fell to 86.5 cents on the dollar on Wednesday, and then rose a touch to 87.25 cents in four trades on Thursday.

New York Community Bancorp may need to sell $4 billion to $6 billion of additional debt over time to meet new regional bank debt requirements, according to analysts led by Arnold Kakuda at

Bloomberg Intelligence. The potential downgrade to junk might make any such sale more difficult, the strategists said. The bank didn't respond to a request for comment.

Continue reading.

Bloomberg Markets

By Allison Nicole Smith

February 1, 2024

Metropolitan Transportation Authority, New York: Fitch New Issue Report

Rating Linked to State IDR: State statute and bond documents structurally segregate city sales taxes pledged to bondholders from general operations and support a rating higher than New York State's IDR. State statute authorizes the New York City sales tax and allocates a fixed amount to the TBTA for the CBDTP Capital Lockbox. The New York State Comptroller collects all sales tax revenue and transfers the allocation to the TBTA, without appropriation. New York State has a long history of actions to ensure sufficient resources for the MTA, whose operations are a critical component of the state's economic profile. Additionally, the state pledges to not limit or alter the rights vested in the TBTA to fulfill the terms of any agreements made by the TBTA with bondholders or to impair their rights and remedies. No City or MTA Operating Risk Exposure: Bondholders are not exposed to the operating risk of New York City or the MTA. The city has no right, title or interest in the portion of city sales tax withheld by the comptroller and transferred to the TBTA first, before remaining collections are transferred to the city. State statute segregates CBDTP Capital Lockbox monies from other TBTA monies, and the resolution requires the prompt deposit of sales tax to the trustee before remaining receipts become available for other authorized uses. State statute prohibits the MTA or its affiliates (including TBTA) from filing for bankruptcy while bonds are outstanding.

ACCESS REPORT

Tue 30 Jan, 2024

State of South Carolina: Fitch New Issue Report

South Carolina's revenue growth prospects are strong, reflecting an economy that is likely to grow broadly in line with, or above, the pace of U.S. GDP expansion. The state has an unlimited legal ability to adjust its sources of recurring revenue, including via base broadening, changes to tax rates and brackets and the enactment of new taxes and fees. The state has ample expenditure flexibility and the broad expense-cutting ability common to most U.S. states. Fitch expects the natural pace of spending growth, largely driven by education and Medicaid funding needs, to be in line with revenue growth. The fixed cost burden is low at less than 4% of governmental fund expenditures. South Carolina's combined burden of direct debt and net pension liabilities is below the U.S. state median and exerts a minimal burden on the resource base. The state is an infrequent issuer of debt and outstanding principal is rapidly amortized. Changes made over the past decade to address the state's low pension system funding are likely to support improved plan asset-to-liability ratios over the longer term. Fitch considers South Carolina well positioned to absorb the budgetary impacts of the ongoing economic volatility and related disruptions without materially affecting its long-term credit profile. The state has historically relied on multiple well-funded reserves and spending reductions in times of fiscal stress, rebuilding its financial position as conditions improve. Fiscal oversight remains strong.

ACCESS REPORT

Thu 25 Jan, 2024

Barclays Banned From Texas Municipal-Bond Market Over ESG Dispute.

- **Bank didn't respond to AG's request for information on ESG**
- **Office won't approve muni deals that Barclays underwrites**

Texas Attorney General Ken Paxton barred Barclays Plc from working on municipal-bond deals after his office said the bank didn't respond to requests for information about its carbon emission commitments.

"When asked for more information concerning its ESG commitments, Barclays elected not to respond to the questions and acknowledged that by doing so it would likely forfeit its ability to contract with Texas governmental entities," Paxton's office said in a statement on Friday.

Paxton's office, which oversees municipal bond deals in the state, said it would no longer approve public securities underwritten by Barclays. The bank told the office this week that it was "unable to respond" to further questions, according to a letter to Texas bond attorneys released Friday by Leslie Brock, chief of the attorney general's public finance division.

Continue reading.

Bloomberg Markets

By Amanda Albright

January 26, 2024

Texas AG Bans Barclays from State Municipal Bonds Over ESG.

The Lone Star state said the ban stems from the bank's association with the Net Zero Banking Alliance and refusal to provide additional information about its carbon emissions commitments.

Dive Brief:

- Texas Attorney General Ken Paxton has banned United Kingdom-based bank Barclays from participating in the state's municipal bond market over its role as a "fossil fuel boycotter," Paxton's office announced Friday. The Republican lawmaker said the bank failed to respond to requests inquiring about its ESG commitments.
- The bank had been under review since last year for its participation or affiliation with the United

Nations' Net Zero Alliance programs — initiatives that aim to slash greenhouse gas emissions by adjusting investment portfolios — Paxton's office said in an All Bond Counsel letter. Per the letter, Barclays told the state last week it would not be able to provide additional information to prove compliance with the law.
- The Lone Star state said it will no longer approve any municipal bonds or public securities that Barclays underwrites or is associated with the bank. Barclays was the ninth-largest underwriter of Texas municipal bonds in 2023, according to Bloomberg.

Continue reading.

Banking Dive

by Lamar Johnson

Jan. 29, 2024

Texas Bans Barclays From Participating in Bond Market Due to ESG Commitments.

Texas AG Ken Paxton says Barclays didn't respond to requests for information regarding its net zero carbon emissions policies

Texas has banned Barclays from participating in the state's municipal bond market due to concerns about its environmental, social and governance policies.

State Attorney General Ken Paxton said on Friday the ban was prompted by Barclays failure to respond to requests for information regarding its net zero carbon emissions policies.

A spokesperson for Barclays declined to comment.

Barclays was previously identified as a potential "fossil fuel boycotter" under Texas law. The bank subsequently opted not to respond to questions about its ESG commitments, Paxton's office said.

The Attorney General's Public Finance Division ruled that "we will not approve any public security issued on or after today's date in which Barclays purchases or underwrites the public security or is otherwise a party to a covered contract relating to the public security."

The initial letter from the attorney general's office in November identified several banks as subjects of the review including Bank of America, JP Morgan Chase, Morgan Stanley and Wells Fargo. None of the other banks under review have said they would be unable to respond to the state's inquiries, the division said.

The move by Texas officials is the state's latest action against a bank for concerns about its policies related to social issues.

Paxton's office last year barred Citigroup from underwriting most municipal bonds in Texas after concluding the bank "discriminates" against the gun industry.

The Wall Street Journal

By Ben Glickman

Jan. 26, 2024

Ex-UBS, Citi Muni Bankers Hired by Rivals Eyeing Bond-Sales Revival.

- **As the big banks exit business, nearly two-dozen snapped up**
- **With rate hikes now over, debt sales may rebound from slump**

Smaller underwriters are seizing on UBS Group AG's and Citigroup Inc.'s retreat from the municipal-securities business by hiring nearly two dozen of their former bankers, seeking to benefit once new debt sales rebound from a two-year slump.

Firms including Hilltop Securities Inc., Siebert Williams Shank & Co., Oppenheimer & Co., Ramirez & Co., Jefferies Financial Group and Academy Securities hired public-finance bankers from UBS and Citigroup, both of which last year decided to pull back from the state and local government bond market.

The expansions show confidence that the pace of new debt sales will likely rebound as the Federal Reserve signals it's moving toward cutting interest rates and federal pandemic-era aid disappears. It also marks an effort to fill the void left by the two big banks, which once mounted major pushes into the industry before changing course as executives cut costs and focus on the most profitable businesses.

Continue reading.

Bloomberg Markets

By Shruti Singh and Amanda Albright

January 26, 2024

California Lawmakers Eye More Than $100 Billion of Borrowing.

- **State lawmakers are considering several large bond measures**
- **State debt service ratio already set to rise to 3.2% from 2.8%**

California is on the verge of a potential borrowing boom as Democratic state lawmakers draft more than $100 billion of municipal-bond proposals to fill funding gaps for several key legislative priorities.

The proposals include $15 billion of debt to make the state more resilient to climate change, $14 billion to modernize schools and $10 billion for affordable housing. Governor Gavin Newsom last year approved a $6.38 billion bond measure for voters to consider on the March ballot which would fund roughly 10,000 new mental health and substance abuse treatment slots.

Although California doesn't cap how much money the state can borrow, Newsom's administration has estimated the state can, at most, take on another $26 billion of bonds without pushing the ratio of annual debt costs compared to general fund revenue high enough to cause credit concerns. California's debt-service ratio is already expected to rise to 3.2% by fiscal year 2026-2027 from about 2.8% now, according to estimates from the state's finance department.

"Our expectation is not that they would issue so much debt that it changes their credit rating," said Karen Krop, senior director of US public finance at Fitch Ratings.

California is rated Aa2 by Moodys Investors Service, AA- by S&P Ratings and AA by Fitch. The state had about $78.5 billion of general obligation and lease revenue bond debt outstanding as of June 30 with another $31.6 billion approved but not yet sold, according state figures.

Though the bond measures currently under consideration by the legislature total more than $100 billion, some of the proposals overlap and are likely to be combined while others won't make it on the ballot at all. In fact, despite lawmakers in the last legislative session introducing bills totaling more than $114 billion of borrowing, only one was approved and that was the mental health measure.

"We're not going to put $100 billion worth of bonds on the ballot," said California Senator Ben Allen, a Democrat who who co-sponsored a climate resiliency bond measure currently making its way through the legislature. "We're not gonna see three different climate bonds on the ballot."

An index of California bonds showed yields trading below those of top-rated debt after Newsom earlier this month projected a $37.9 billion deficit in his budget proposal, a gap that is significantly smaller than had been estimated by the state's fiscal analyst. The yield on California general-obligation bond debt due in 10 years stands at 2.3%, compared to 0.7% in 2021, according to Bloomberg BVAL.

When bonds are approved all the debt isn't sold at once. The state treasurer borrows in piecemeal over a number of years as the funds are needed. During the last five fiscal years, the state has sold an average of $7.3 billion of general obligation bonds annually, according Treasurer Fiona Ma's office.

Whenever the tax-exempt debt is sold, it's expected to be greeted with strong demand by wealthy investors looking to shield some of their income from the state's high taxes, according to Dora Lee, director of research at Belle Haven Investments.

"Even though the debt-service ratio is expected to increase, it remains manageable especially when you take into consideration the state's decision to use prior surpluses to pay down pensions and address other long term obligations," Lee said.

Bloomberg Politics

By Maxwell Adler

January 16, 2024

University of California Taps Bond Market for $1.7 Billion.

- **Securities price Jan. 23 and 24, carry Aa2 rating from Moody's**
- **Bonds to fund capital projects, refund previously issued paper**

The University of California will tap the municipal bond market Tuesday as it looks to maximize refunding savings and navigate potential funding deferrals outlined in Governor Gavin Newsom's budget proposal for the next fiscal year.

The university is slated to issue roughly $1.7 billion of general revenue bonds to fund capital projects and refund previously issued paper. According to preliminary bond documents, $1.59 billion of the bonds will be tax-exempt and $145 million will be taxable — however the taxable series will be exempt from taxation in the state of California.

The 2024 bonds carry an Aa2 rating from Moody's Investors Service and double-A ratings from Fitch Ratings and S&P Global Ratings. The sale is being managed by Barclays Plc, Bank of America Securities and Jefferies.

Continue reading.

Bloomberg Markets

By Maxwell Adler

January 22, 2024

[Florida to Borrow Billions to Backstop Insurers After Hurricanes.]

- **Plans to sell as much as $3.8 billion of municipal bonds**
- **Reflects latest effort by the state amid claim surge, lawsuits**

Florida is planning to borrow as much as $3.8 billion to infuse a state fund that reimburses property insurers for losses when homes are damaged or destroyed by hurricanes.

The Florida State Board of Administration Finance Corporation expects to sell at least $1.5 billion of municipal bonds to raise money for the Florida Hurricane Catastrophe Fund, according to a securities filing dated Jan. 19. It marks the state's latest effort to ensure that it can backstop its increasingly fragile insurance industry, which has been grappling with a surge of claims and lawsuits in recent years.

In June, the Florida Insurance Guaranty Association, which handles the claims of insolvent insurers, sold debt for the first time in three decades to help support insurance claims. The state agency faced higher costs after Hurricane Ian in 2022 and a deluge of lawsuits forced property insurers to close.

Continue reading.

Bloomberg Markets

By Nic Querolo

January 22, 2024

[State of Washington: Fitch New Issue Report]

Key Rating Drivers Revenue Framework — 'aaa' Revenue performance over time has exceeded U.S.

GDP growth, and Fitch expects this to continue to support strong growth prospects. The state has complete independent control over taxation, with an unlimited legal ability to raise operating revenues as needed. Expenditure Framework — ‘aa’ Washington possesses ample expenditure flexibility, with statutory commitments, broad responsibility for education and infrastructure spending offset by low carrying costs. Washington also benefits from the broad expense-cutting authority common to most U.S. states. Long-Term Liability Burden — ‘aaa’ The combined burden of debt and net pension liabilities is low as a percentage of personal income but above the median for U.S. states. Debt ratios incorporate the funding of substantial capital needs, particularly for transportation, but are offset by a moderate net pension liability and an expanding economic resource base. Operating Performance — ‘aa’ Washington maintains very strong gap-closing capacity and budget flexibility with solid reserves. The state has prudently built up its fiscal reserves in times of economic recovery and expansion despite spending pressures linked to education and other pressing needs.

ACCESS REPORT

Fri 19 Jan, 2024

Struggling Midwest College Strikes Deal With Bondholders.

- **Lake Erie College entered forbearance deal with bondholders**
- **Agreement marks the latest sign of stress in higher education**

Lake Erie College, a small private school in Ohio, entered into a forbearance agreement with bondholders after the school didn’t meet certain covenants it agreed to as part of a debt sale.

The Painesville, Ohio-based institution, which has just over 700 undergraduate students, is the latest small college to see its financial struggles extend into the muni-bond market. It sold about $30 million of debt in 2019 in part to finance a barn and other projects at its 86-acre equestrian center.

Lake Erie College didn’t meet a required debt service coverage ratio, which is considered an event of default, according to a regulatory filing dated Jan. 15. The school also only had seven days of cash-on-hand in fiscal 2023, while it was required to have 25 days as part of the bond deal.

The school disclosed in the filing that it entered into a forbearance agreement with the trustee for bondholders, U.S. Bank. As part of forbearance agreements, investors agree not to take certain actions against borrowers, such as demanding immediate repayment on debt if they have that right. That gives stressed borrowers more time to shore up their finances, though the terms of this specific agreement haven’t yet been disclosed.

A spokesperson for the trustee, U.S. Bank, declined to comment. A spokesperson for the college did not respond to an email and phone call requesting comment.

The college is the latest to encounter stress in higher education as rising costs and competition puts pressure on smaller colleges.

Fitch Ratings said it expects pressure to intensify for smaller, less selective institutions in 2024, given demographic trends and eroding sentiment on college affordability, according to a December note.

Lake Erie College, located about 30 miles from Cleveland, was founded in the mid-19th century as a seminary for women providing a "thorough and complete female education," according to its website. It became co-educational in 1985.

Virtually all of the debt that it issued more than four years ago is still outstanding, according to data compiled by Bloomberg. The bonds were sold through the Public Finance Authority, which issues municipal debt for riskier projects around the US.

Part of the proceeds were used for a barn, arena and other facilities at the school's equestrian center, which hosts the college's equine studies department and has space for more than 90 horses.

A spokesperson for Nuveen — the largest holder of the school's debt, according to data compiled by Bloomberg — didn't reply to a email or phone call requesting comment.

Bloomberg Markets

By Amanda Albright and Nic Querolo

January 16, 2024

— With assistance from Jim Sims

Oppenheimer Hires UBS's Coolidge to Lead Growth of Muni Business.

- **Elizabeth Coolidge took helm of national public finance unit**
- **Coolidge previously led public finance in the Midwest at UBS**

Oppenheimer & Co. is beefing up its presence in the municipal bond market with a trio of new hires led by muni veteran Elizabeth Coolidge, who is seeking to expand the firm's business from smaller issuers to bigger, more traditional state and local clients.

New York-based Oppenheimer on Tuesday announced that Coolidge, who previously ran Midwest public finance for UBS Group AG for over six years, will lead its national municipal practice from Chicago, according to a statement. Oppenheimer has brought on Liberty Ziegahn and Madison Maher, also formerly at UBS, as part of its public finance expansion.

The moves are among a string of recent hires by smaller investment banking firms and underwriters amid a shakeup among the industry's behemoths. UBS in October said it would no longer underwrite muni bond sales sold via negotiation, which account for the majority of state and local bond deals. Meanwhile, Citigroup Inc. is exiting the muni business.

Coolidge, a nearly 30-year veteran of the muni industry, aims to elevate Oppenheimer's public finance team with experience in public-private partnerships and structured products as she pitches bigger, more frequent state and local issuers. Such expertise may come in handy as these government bodies look for ways to finance deals after federal pandemic aid that filled their coffers dries up.

"Among the goals is to connect our bankers who have traditionally worked on non-rated, project finance and public-private partnerships and to take that expertise and amplify that to bring these ideas to our traditional muni issuers," Coolidge said on Tuesday in an interview. "My top goal is to execute novel debt solutions for our clients across the country."

Coolidge was among the bankers who led Chicago's first social bond sale and tender offer in early 2023.

When some institutions have announced plans to eliminate public finance units, "Oppenheimer is strengthening its commitment to this market," according to its statement. The practice is currently focused on school districts, senior housing, utilities and smaller general obligation issuers as well as project-based and non-rated deals.

Coolidge said she is looking to add bankers with successful track records and to elevate Oppenheimer's position with certain issuers to senior manager from co-manager.

Bloomberg Markets

By Shruti Singh

January 16, 2024

Jefferson County, Alabama [Water, Sewer]: Fitch New Issue Report

The 'BBB(EXP)' warrant rating reflects anticipated improvement in the Jefferson County (the county) sanitary fund's (the system) credit quality and financial profile as a result of the plan of finance and updated rate resolution. The final rating is contingent upon receipt by Fitch Ratings of executed documents and legal opinions conforming to the information already received and reviewed. Revenue defensibility is assessed at 'a', which reflects an improvement from the prior review in light of enhanced rate flexibility. All of the system's revenue is derived from services or business lines exhibiting monopolistic characteristics in a service area with favorable demographic trends. The system's operating risk is assessed at 'bbb', which takes into consideration a very low operating cost burden of $5,131 per million gallons (mg) of sewer flows in fiscal 2022. The system's life cycle ratio of 63% has been rising annually and indicates elevated capital needs. The financial profile is assessed at 'bbb', improved from prior reviews given the simultaneous strengthening of the revenue defensibility assessment and improved debt structure. Jefferson County is located in the north-central part of Alabama at the southern end of the Appalachian Mountains. With an estimated population of about 665,000, the county is the most populous in the state with 44 incorporated and unincorporated cities and towns, including Birmingham, the largest city in the state .

ACCESS REPORT

Mon 08 Jan, 2024

Once-Bankrupt Jefferson County Tests Muni-Bond Market With Mega Deal.

- **Offering set to be one of the biggest tax-exempt sales of 2024**
- **County to refinance debt that helped end 2011 bankruptcy**

Virtually every investor in the municipal-bond market knows Jefferson County, Alabama.
Home to the city of Birmingham, the county earned the dubious distinction of being the biggest US municipal borrower to go bankrupt when it entered court protection in 2011. Now, armed with an investment-grade credit rating, it's selling $2.3 billion of bonds to refinance the debt that helped get

the county out of bankruptcy.

The sale represents the latest chapter in the county's turnaround, and will test investor demand with what is poised to be one of the biggest deals of the year in the $4 trillion US state and local debt market.

Continue reading.

Bloomberg Markets

By Skylar Woodhouse

January 9, 2024

[Southern California Public Power Authority, California (Linden Wind Energy Project): Fitch New Issue Report]

The 'AA–' rating on the Linden Wind Energy Project rating and 'aa–' Standalone Credit Profile (SCP) are dependent on the credit quality of the Los Angeles Department of Water and Power (LADWP, AA–/Stable), the sole participant required to make payments to the Southern California Public Power Authority (SCPPA), sufficient to pay operating expenses and debt service on the project. The rating also reflects Fitch's assessment of the project's midrange operating risk profile as well as the project's modest financial profile. The operating risk and financial profile are less of a consideration in Fitch Ratings' determination of the project's final rating, given the absolute and unconditional terms of the power sales agreements (PSAs) that require LADWP to make a full payment, regardless of project operations.

[ACCESS REPORT]

Fri 12 Jan, 2024

[State of Massachusetts: Fitch New Issue Report]

The Commonwealth of Massachusetts' (the commonwealth) 'AA+' Long-Term Issuer Default Rating (IDR) reflects its considerable economic resources, adroit management of economic and revenue cyclicality and strong budget controls. A strong reserve funding mechanism that shields the general fund from capital gains-related volatility has accelerated the building of Massachusetts' stabilization fund. The commonwealth carries a long-term liability burden for debt and Fitch Ratings-adjusted net pension liabilities (NPL) that is well above the U.S. state median but remains a moderate burden on resources.

[ACCESS REPORT]

Thu 11 Jan, 2024

State of Illinois: Fitch New Issue Report

Dedicated Tax Key Rating Drivers Rating Linked to State IDR: Statutory and bond document provisions structurally protect dedicated revenues for the Build Illinois bonds from the state of Illinois' general operations, warranting a rating above the state's IDR. Fitch retains a linkage to the state IDR, because the bond security does not include a constitutional or voter-approved pledge of the state share of sales tax revenues and those revenues are not held in a closed loop for debt service. The linkage caps the rating below Fitch's assessment of the underlying credit quality of the debt structure. Two-Notch Distinction: The limited scope of the pledged revenue used for debt service, based on the additional bonds test leverage limitations for the senior and junior liens, and the statutorily defined, limited nature of the borrowing program support a rating two notches above the Illinois IDR. Robust Coverage and Resilience: Debt service coverage on both the senior and junior lien bonds from the state share of sales tax revenues (pledged revenues) is very high. Given the legal leverage limitations on the Build Illinois bonds, pledged revenues can sustain a significant level of decline and still maintain ample debt service coverage on all obligations. This is consistent with a 'aaa' assessment of resilience through moderate economic declines.

ACCESS REPORT

Wed 10 Jan, 2024

State of Kansas [General Government]: Fitch New Issue Report

Key Rating Drivers Revenue Framework — 'aa' Fitch expects the future pace of revenue expansion, absent policy actions, to be generally in line with inflation given Kansas' slow natural rate of population growth. The state retains complete control over its revenue system, with an unlimited ability to implement recurring revenue increases and levy new taxes and service charges as needed. Expenditure Framework — 'aa' Expenditure growth is expected to be in line with, to slightly above, annual revenue growth. Fitch's expectations factor in the state's primary spending drivers, which are K-12 education and healthcare, as in other states. Carrying costs are moderate for a U.S. state, ranging near 5% of governmental expenditures over the past several years. Long-Term Liability Burden — 'aaa' Long-term liabilities, including debt and pensions, are a low burden on the economic resource base and are in line with the national median for states. The pension liability reflects the KPERS state employee pension plan and the school employee pension plan, which the state supports via school funding appropriations. New issuance plans are modest.

ACCESS REPORT

Tue 09 Jan, 2024

Tampa General Hospital, Florida: Fitch New Issue Report

The 'A' rating reflects Tampa General Hospital's (TGH's) demonstrated operating cost flexibility through the pandemic and while undergoing a large construction project and implementing an ambitious ambulatory growth strategy. Revenue defensibility for TGH is assessed as midrange, supported by a strong and growing market position in a competitive but favorable service area. TGH has expanded its ambulatory footprint throughout the region. TGH's operating risk profile assessment has been revised to 'a' from 'bbb'. TGH has demonstrated strong operating cost flexibility and double-digit top line revenue growth through the challenges of the pandemic, a major construction project and, more recently, industrywide labor and supply chain disruption. TGH will issue about $350 million to fund the permanent financing for the acquisition and initial integration projects of Bravera Health. TGH increased its existing $70 million bank line of credit to $300 million for the purchase, which will be repaid with the bond financing.

ACCESS REPORT

Mon 08 Jan, 2024

Even BlackRock Funds Buying Oil Stocks Are Banned by Texas ESG Fight.

- **Funds prohibited in Texas invested $5 billion in fossil fuels**
- **Texas's list of funds that boycott has gotten little scrutiny**

Texas bars its public pensions from investing in 350 funds run by asset-management giants such as BlackRock Inc. and Invesco Ltd. because a key Republican state official says they "boycott" the oil and gas industries.

But a Bloomberg News analysis found that the 72 BlackRock funds on the prohibited list have invested more than $2 billion in the oil industry, while an Invesco fund allocates about 20% to oil and natural gas companies, some of which are also Texas-based. The TIAA-CREF Social Choice International Equity Fund has a nearly 5% allocation to fossil fuels.

Altogether, almost half the funds on the boycotters list have invested a combined $5 billion directly in the oil and gas industry. And two thirds of the now banned funds have more than $13 billion invested in Texas-based companies, including Tesla Inc. and Waste Management Inc.

Continue reading.

Bloomberg Politics

By Amanda Albright, Mathieu Benhamou, and Saijel Kishan

January 10, 2024

New York State Plans to Give Some Cities Free Cyber Tools.

Gov. Kathy Hochul expands county program amid raft of cyber announcements

New York state will provide select cities in most counties with free cybersecurity tools, Gov. Kathy Hochul said in her annual State of the State agenda Tuesday.

The two largest municipalities in each New York county, except for those comprising New York City, will be given access to cybersecurity technology from CrowdStrike Holdings free of charge, she said.

“My administration is taking significant steps to make sure that local governments have tools and resources to address the debilitating cyberattacks to which they are often the victim,” Hochul said.

Continue reading.

The Wall Street Journal

By James Rundle

Jan. 9, 2024

State of Florida: Fitch New Issue Report

Florida’s ‘AAA’ Issuer Default Rating (IDR) and full faith and credit ratings recognize the state’s history of sound financial management practices, high gap-closing capacity and reserves, and low long-term liability burden. The state’s long-term economic and revenue growth prospects should exceed inflation but are subject to more volatility than in other states. The ‘AA+’ ratings on the Dept. of Management Services (DMS) COPs and facilities pool revenue bonds, one notch below Florida’s IDR, reflect the slightly higher degree of optionality associated with payment of appropriation debt.

ACCESS REPORT

Fri 05 Jan, 2024

Citi Poised to Be Dropped From Mega Muni Deal After Unit Axed.

- **County officials took first step to remove bank on Tuesday**
- **Jefferson County, Alabama, filed for bankruptcy in 2011**

Jefferson County, Alabama, took a step toward removing Citigroup Inc. from an upcoming $2.5 billion municipal-bond transaction after the bank announced it was shuttering its public finance division.

The county, which filed for bankruptcy in 2011, initially chose Citigroup to serve as lead manager on the sale that is set to price in January.

County commissioners held a work session on Tuesday and considered a resolution authorizing the sale of the bonds. Citigroup, set to lead the underwriting group, was no longer mentioned as an underwriter in that resolution. Instead, Raymond James Financial Inc. was named the book runner, or lead manager, for the transaction.

Continue reading.

Bloomberg Markets

By Amanda Albright and Skylar Woodhouse

December 19, 2023

Jefferies' Muni Boss Built a Powerhouse While Others Scaled Back.

- **Under Kym Arnone, bank is the fourth largest muni underwriter**
- **She's known as architect of $85 billion tobacco-bond sector**

In a year when banks across Wall Street scaled back their ambitions in municipal finance, Kym Arnone has Jefferies Financial Group Inc. on track for its best year in the business.

Her prowess has made the New York-based bank the fourth biggest player in the industry where states and cities raise money for major infrastructure projects. As other banks struggled to boost market share amid high interest rates, her team nabbed the largest muni deal of 2023 by eluding political firestorms surrounding Wall Street's policies on guns and fossil fuels that stymied rivals.

Today, Arnone is the only woman to lead a major public finance department, one she's built by attracting nearly three dozen bankers in the past three years. She has a reputation of being a no-nonsense banker, whose attention to detail and specialization in complex bond structures has landed Jefferies win after win.

Continue reading.

Bloomberg Markets

By Amanda Albright

December 19, 2023

Tallahassee, Florida: Fitch New Issue Report

The 'AA+' utility revenue bond rating and 'aa+' Standalone Credit Profile (SCP) reflect the Tallahassee, FL Consolidated Utility Systems' 'Very Strong' financial profile within the framework of 'Very Strong' revenue defensibility and operating risk profile, both assessed at 'aa'. The system's leverage, measured as net adjusted debt to adjusted funds available for debt service (FADS), was exceptionally low at 4.6x in fiscal 2022 (FYE Sept. 30) but is estimated to exceed 7.5x over the next five years in Fitch's Analytical Stress Test (FAST) stress case.

ACCESS REPORT

Wed 27 Dec, 2023

Sarasota County, Florida: Fitch New Issue Report

Key Rating Drivers Strong Pledged Revenue Performance Underpins Growth Prospects: The CIRB bond structure has demonstrated resilience to pandemic-related declines and experienced robust post-pandemic growth, bolstered by continued population gains, tax base expansion and economic development within the county. Fitch expects growth in pledged revenues to trend in line with national GDP gains over the long term, consistent with a 'aaa' growth assessment. Solid Resilience for CIRBs: The 'aa' resilience assessment reflects the moderate cushion above 1.0x maximum annual debt service (MADS) in relation to cyclical revenue volatility and cumulative historical revenue declines. MADS coverage on the CIRBs is very strong and additional leverage to the 1.30x ABT is unlikely as excess revenues are used to support operations. Issuing Entity Exposure: Fitch does not consider the pledged revenue for the CIRBs as special revenues and they do not require appropriation to be used for debt service; therefore, the rating is capped by the county's Issuer Default Rating (IDR; 'AAA' Stable Outlook).

ACCESS REPORT

Wed 20 Dec, 2023

Dallas Independent School District, Texas: Fitch New Issue Report

The 'AA+' Issuer Default Rating (IDR), and ULT and maintenance tax note bond ratings reflect the Dallas Independent School District's (the district, or Dallas ISD) highest level of financial resilience, solid expenditure flexibility, sound revenue framework led by solid growth prospects and moderate liability burden. Fitch Ratings believes that, over the long term, business activity should produce economic, population and tax base gains consistent with historical performance.

ACCESS REPORT

Wed 27 Dec, 2023

Calpers's Yup Kim Departs to Run $37 Billion Texas Pension.

The head of private equity investments for the largest public pension fund in the US is joining the Texas Municipal Retirement System as chief investment officer.

Yup Kim will start his new job on Jan. 15, replacing Dave Hunter, who announced his retirement in November, according to a statement Tuesday.

The incoming CIO worked with a team of 30 investment professionals at California Public Employees' Retirement System to manage almost $60 billion of global private equity assets, according to the statement. Calpers said Anton Orlich, its managing investment director for private equity, will continue to oversee the group.

Continue reading.

Bloomberg Wealth

By Dawn Lim and Allison McNeely

December 19, 2023

[Texas City Pension System Names Calpers Investment Director as CIO.]

The move takes out one more investment professional from Calpers, where the CIO quit in September

The Texas Municipal Retirement System has reached into the professional ranks of the $480.31 billion California Public Employees' Retirement System to find a successor for its retiring chief investment officer in Austin.

The municipal system with $37.4 billion in total assets at the end of June tapped Calpers's Yup Kim to fill its top investment role, TMRS said. At Calpers, Kim is investment director for private equity and helps manage a $60 billion portfolio of fund positions and direct co-investments. Kim reports to Anton Orlich, who the pension system named as managing investment director of the private-equity group in 2022.

The giant California system, the largest public pension in the U.S., has long struggled to attract and retain investment professionals. Calpers has had at least six CIOs over the past two decades, taking about 18 months to find and hire the most recent one, Nicole Musicco, last year. She left at the end of September.

Continue reading.

The Wall Street Journal

By Rod James

Dec. 19, 2023

Texas Tops US States in 2023 Debt Sales With No Signs of Slowing.

- **Municipalities in Texas have sold $58 billion of bonds in 2023**
- **Population growth has driven need for new infrastructure**

Texas governments sold more debt that any other state this year, issuing $58 billion of bonds to finance school construction, water utility projects and airport improvements as its population surged.

It's the first time since at least 1990 that Texas municipal bond sales outpaced the debt-heavy powerhouses of both New York and California, according to data compiled by Bloomberg. The jump came even as borrowing costs hovered near decade-highs for much of the year and other governments pulled back on tapping the market. It's the second highest yearly volume for Texas governments, dwarfed only by sales in 2020 when municipal benchmark rates fell to 0.5%.

"The one place you want to be a muni banker this year and going forward is in Texas," said Keith Richard, senior managing director and head of the Texas region at Siebert Williams Shank & Co.

Continue reading.

Bloomberg Markets

By Danielle Moran

December 22, 2023

[City of Chicago/Sales Tax Securitization Corporation Win Bond Buyer's Deal of the Year Award.]

CHICAGO – The City of Chicago was awarded the esteemed national Bond Buyer 2023 Deal of the Year award and the 2023 Deal of the Year award in the Midwest category. The City was honored for its innovative financing techniques to invest in social initiatives in the Chicago Recovery Plan, its capital investments, and the refinancing of outstanding debt, all of which generated significant debt-service savings for the City.

"This accomplishment reflects our dedication to fiscal responsibility and the vision we have for a strong economic future for our city," said Mayor Brandon Johnson. "I am proud to celebrate this achievement with the entire team in recognition of their efforts, which show how as a collective, our administration is committed to continued improvement in City finances, which will strengthen our ability to provide for residents and communities."

Continue reading.

Weekly Citizen

Dec 28, 2024

[Disney Says in Lawsuit that DeSantis-Appointed Government is Failing to Release Public Records.]

ORLANDO, Fla. (AP) — Disney has filed a lawsuit claiming that the oversight government for Walt Disney World, which was taken over by appointees of Gov. Ron DeSantis earlier this year, has failed to release documents and properly preserve records in violation of Florida public records law.

Disney said in the lawsuit filed Friday that the Central Florida Tourism Oversight District, often referred to as CFTOD, has been so slow in fulfilling its public records duties that it has failed to respond completely to a request the company made seven months ago when it paid more than $2,400 to get emails and text messages belonging to the five district board members appointed by DeSantis.

Disney, DeSantis and the DeSantis appointees already are battling for control of the government in two pending lawsuits in federal and state court.

Continue reading.

YAHOO FINANCE

by MIKE SCHNEIDER

Tue, December 26, 2023

Citigroup’s Muni-Market Exit Sows Fears of a Wall Street Retreat.

- **Bank shuts down businesses, seeing it as a drag on growth**
- **Follows UBS, steady disappearance of local investment banks**

For years, small investment banks have been pulling out of the business of underwriting municipal bonds, leaving the job of raising money for US state and local governments dominated by Wall Street’s giants.

Now, there’s concerns that the big banks may start dropping away, too.

Citigroup Inc.’s announcement Thursday that it is shutting down its municipal-bond division highlighted the pressures on a corner of finance contending with diminished fees, a debt-sales slowdown and pushback from local Republican politicians intent on drawing banks into America’s culture wars. Chief Executive Officer Jane Fraser indicated that underwriting state and local debt was, effectively, too big a drag on the bottom line, unable to compete with more lucrative lines of work. UBS Group AG made a similar decision in October.

Citigroup’s departure is unlikely to have any immediate repercussions, since others will almost certainly fill the void, at least temporarily.

But it underscores the steady shift of capital away from the business. That’s raised concerns that a further retreat could make it more costly for local governments to finance infrastructure or increase the risk of a liquidity squeeze as big banks that backstop the market pull out. Broker dealers have already retreated sharply from that role as buyer of last resort, reducing their holdings of state and local government bonds sharply since the 2008 credit crisis.

“Over the next five to seven years, we are going to need more firms, not fewer, just to process all the bonds,” said Matt Fabian, a partner at Municipal Market Analytics, predicting that debt sales will rise as interest rates slide and governments step up borrowing for public works. “Citi leaving now is not just that firm walking away from this business upside – it also means the incremental cost to borrowers in the future will be higher.”

A spokesperson for Citigroup referred Bloomberg to the memo released on Thursday.

Citigroup has been a major force in the municipal-bond market and as recently as 2021 was the second-biggest underwriter, accounting for roughly 10% off all the new securities that were sold. It worked on landmark projects including the rebuilding of the World Trade Center site and the installation of 65,000 streetlights around the city of Detroit and was the envy of rivals.

But its longtime chief, Ward Marsh, left in 2019. Layoffs, retirements, and other departures shrank the public finance department to about 120 people, down from around 400 employees at one point, according to two former employees who declined to be identified. As the Fed’s rate hikes depressed debt sales, it continued to lose market share, sliding to the seventh biggest this year.

Still, the decision to shut down the business completely was a surprise, given its still prominent role. In 2022, it underwrote nearly $27 billion of long-term municipal bonds.

Washington State Treasurer Mike Pellicciotti said in a statement that the bank’s departure was unfortunate. “We’ve particularly appreciated Citi’s dependable participation in our competitive sales, where they have frequently provided the best bid,” he said.

The bank has also long been revered for its trading arm and its willingness to take risks during market dislocations.

“Citi has historically been a huge liquidity provider for a lot of the names that have shown up in headlines over the last ten or twenty years,” said Nicholos Venditti, senior portfolio manager at Allspring Global Investments. “It’s difficult to imagine that any combination of regional broker dealers, even cumulated, would have the same balance sheet power that Citi has.”

The decision comes as underwriting fees have been under continued pressure and banks have pulled back from trading in the securities.

While banks have often utilized their role in financing public-works projects to deflect criticism of casino capitalism, Republicans more recently have seized on it to drawn them into America’s culture wars.

Citigroup was banned from working on muni deals by Texas Attorney General Ken Paxton, who said the bank’s policies ran afoul of its law barring work with those who are hostile to the gun industry. Due to its fast-growing population, Texas is the biggest source of new municipal bonds, accounting for 16% of overall issuance in 2023.

Even though it’s exiting the underwriting business, Citigroup will still be a buyer of municipal bonds, like other banks who invest in the securities. The Wall Street giant holds nearly $10 billion of state and municipal debt securities, according to regulatory filings. The vast majority of that is classified as held-to-maturity.

But the expectation on muni desks is that Citigroup will unload the inventory it holds as a broker-dealer. That won’t likely have a major impact, since such dealers have steadily cut back their holdings and support of the market after the financial crisis ushered in new regulations.

Still, Citigroup still served as an important liquidity provider and was “one of our first phone calls when we were doing business,” said Jason Appleson, head of municipals at PGIM Fixed Income.

“It’s going to hurt,” Appleson said. “People will step up and fill the void in some way, but I don’t think it’s going to be fully plugged.”

Bloomberg Markets

By Amanda Albright, Skylar Woodhouse, and Nic Querolo

December 15, 2023

— With assistance from Jennifer Surane, Joseph Mysak Jr, Martin Z Braun, and Shruti Singh

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Citi Shuts Muni Business That Once Was Envy of Rivals.

- **Bank has plummeted in muni-bond underwriting rankings**
- **Decision comes as Fraser reshapes firm to meet profit goals**

Citigroup Inc. will shutter its municipal business, one of the most dramatic moves yet by Chief Executive Officer Jane Fraser as she seeks to squeeze better returns out of the Wall Street giant.

The bank decided the business, which has tumbled in the rankings for underwriting state and local debt, is "no longer viable given our commitment to increase the firm's overall returns," according to a memo to staff seen by Bloomberg News. Citigroup intends to complete the wind down by the end of the first quarter, which will mean most of the company's municipal sales, trading and banking staffers will be departing the bank in the coming months.

"We have made the difficult decision to wind down our municipal underwriting and market-making activities," the memo said.

Continue reading.

Bloomberg Markets

By Jennifer Surane, Sridhar Natarajan, and Amanda Albright

December 14, 2023

Citigroup is Dismantling Another Piece of the Empire that Sandy Weill Built.

Citigroup (C) was for decades a top underwriter of state and local government debt, making the bank a major financier of roads, bridges, and airports across the US.

Now it wants out of that business, dismantling yet another part of an empire amassed in the 1990s.

The decision, announced internally in a bank memo Thursday, is the latest example of how Citigroup is paring back its ambitions as it tries to revive its stock price and remove decades of bloat.

The municipal bond business — known for underwriting bonds that helped pay for everything from a makeover of Chicago's O'Hare Airport to the rebuilding of One World Trade Center following the 9/11 attacks — apparently was no longer delivering enough profits.

"The economics of these activities are no longer viable given our commitment to increase the firm's overall returns," Citigroup executives Andy Morton and Peter Babej said in the Thursday memo. Morton is the company's head of markets and Babej is interim head of banking.

The move, which came after months of review, will result in a wind-down of the unit by the end of the fourth quarter. Roughly 100 employees in the municipal sales, trading, and banking unit are expected to leave over the coming months.

The unwinding of a financial supermarket

There was once a time when municipal bond business was a key part of Citigroup's billing as a "financial supermarket" that could offer any and all services needed by consumers, businesses, and governments.

The high point of this model was an era-defining 1998 merger between Citicorp and Travelers that shattered a Depression-era division between retail banking and investment banking and cemented Citigroup's status as the world's largest financial institution.

The deal, engineered by Sandy Weill, gave Citigroup the investment banking operations of Salomon Brothers, which at the time was the industry's largest underwriter of municipal bonds and famously had a hand in helping New York City avoid bankruptcy during the 1970s.

In the decades since 1998, the colossus built by Weill proved to be too complex and unwieldy to manage effectively, and the 2008-2009 financial crisis dealt another blow to its sweeping ambitions. The company began to slowly unwind parts of the empire.

The muni bond exit is yet another step in that direction as CEO Jane Fraser tries to focus the company on serving big, multinational corporations, shed what isn't profitable, and operate more efficiently.

She is pulling back from consumer banking in various parts of the world, with plans to exit 14 consumer franchises in Asia, Europe, the Middle East, Africa, and Mexico.

She is also cutting jobs and reorganizing business lines as part of an internal restructuring that Fraser has called the "most consequential" change to how Citigroup operates in nearly two decades.

Layoffs associated with that restructuring began in November. Citigroup CFO Mark Mason said at a Goldman Sachs conference last week that the bank anticipates a charge of "a couple hundred million dollars" related to these restructuring efforts.

The hope is that these moves will revive Citigroup's stock. Over the past decade, it has fallen more than 2%, significantly lagging Big Bank peers and even the wider KBW US bank index (^BKX), which has risen 44% over the same period.

Muni challenges

During much of that same period, Citigroup held a dominant position in the muni world. From 2015 until 2021, it was the country's second-biggest underwriter of municipal bonds. But its ranking has slipped some in the last two years.

New capital requirements from regulators could make that business less profitable going forward. There are also government efforts at state levels to restrict the ability of certain banks to participate in muni bond offerings if they don't comply with local preferences.

In Texas, for example, the bank found itself unable to conduct muni business after the attorney general's office in January determined that Citigroup had "a policy that discriminates against a firearm entity or firearm trade association."

The response followed a decision made by Citigroup to restrict its banking services to gun retailers that sold firearms to people under 21, which came as a response to the 2018 Parkland shooting in a Miami suburb.

The state has a law in place barring certain government contracts with companies that have anti-gun business practices.

Citigroup said in its memo Thursday that it will still work with state and local governments on infrastructure projects via public-private partnerships and the private placement market.

And the bank, according to the memo, will still purchase muni bonds and finance affordable housing projects in the US.

"We do think banks are likely to be less present in the muni market," Pimco's head of municipal bonds David Hammer told Yahoo Finance Friday when asked about Citigroup's retreat.

Yahoo Finance

by David Hollerith

December 16, 2023

David Hollerith is a senior reporter for Yahoo Finance covering banking, crypto, and other areas in finance.

Citi's Exit Carries Costs for Issuers, Market Liquidity, But Industry Expected to Weather It.

A tough year for Wall Street municipal underwriting firms culminated Thursday with Citigroup's (C/PN) announcement it would exit the business, a stunning move that market participants warned would raise state and city financing costs and that Citi would come to regret as headwinds calm and business rebounds.

"It's a major disappointment," said Matt Fabian, a partner at Municipal Market Analytics Inc. "Near term, municipals already lack liquidity and dealer capital, and Citi was a major provider of those, so their removal makes things tighter, makes the market more prone to excess volatility in both up and down trends," Fabian said.

"In the longer term, when we expect municipal bond issuance to see substantial growth because of climate change and legacy infrastructure issues, our industry is going to need to expand as well to minimize the pricing impact on our issuers," he said. "So a major underwriter withdrawing now will add to that challenge, further stretch personnel and committed dollars. Frankly, Citi passing up on that opportunity – of much more product, much more spread – seems to be a massive unforced error."

George Friedlander, Citi's former head of strategy for 41 years, called the firm a "dominant force in the municipal bond market," and one that "played an extremely important role keeping the market liquid during its most difficult times."

Citi's announcement, just days before the holidays, comes after CEO Jane Fraser in October pledged "relentless execution" of restructuring across the firm and a month after rumors of the muni group's demise began to float across the market. The memo that went out to employees Thursday expressed regret for the termination of "municipal sales, trading and banking colleagues" but said the "economics of these activities are no longer viable given our commitment to increase the firm's overall returns."

The move ends a year of layoffs at several Wall Street firms, including the October decision by UBS to exit the negotiated underwriting business. The industry has weathered its second year of declining volume that increased competition for fewer deals and tightened underwriting spreads. Cheapening bond valuations have challenged balance sheets. The March banking crisis and political dynamics in Texas, one of the market's largest issuers and previously one of Citi's top clients, was another pressure point. UBS and Citi have both been banned from underwriting state, city, county, school, and other government debt in Texas since the state passed a pair of laws in 2021 aimed at protecting the fossil fuel and firearm industries against boycotts or discrimination.

Some market sources also blamed Citi's own mismanagement under Fraser's restructuring rather than industry pressures.

“This is a Citi problem, it’s not a muni problem,” said a sell-side source, saying management decisions had cut into profitability.

“It’s a complicated business and you can’t have a half-hearted approach; you have to be all in,” the source said. The muni market finances the “fabric of our nation, and now, because of Citi’s exit, the cost of financing for state and local governments is going to go up,” the source added.

While noting industry-wide pressures, Friedlander said it was “sad” that after senior talent left the firm “Citi decided just to move away from the municipal market function entirely.”

Citi decided that “rather than generating the kind of talent necessary to manage a very senior municipal market function, they were just going to say, ‘never mind,'” Friedlander said. “But in saying ‘never mind,’ they left the market with some holes – in terms of liquidity, the management of a number of functions in the market and various subcategories like hospitals, airports, power [and] housing.”

One prominent issuer called the move “terrible” for local governments.

“Municipal expertise is already limited when it comes to bankers sending good ideas to issuers and creating creative financing structures that save issuers and taxpayers money,” the official said.

Nikolai Sklaroff, the capital finance director of the San Francisco Public Utilities Commission, called the news “unfortunate” for issuers.

“The loss of any firm focused on municipal bond issues, and any reduction in the competition for bonds or financing ideas is regrettable,” Sklaroff said. “One could imagine it could negatively impact competition for competitive sales, or cause less frequent issuers to see less coverage.

“It should also serve as an important reminder for all issuers that our access to financing and the markets relies on the health of our financial partners and the value in keeping polarizing politics out of financial decisions,” he added.

The move comes less than two weeks after Citi priced an upsized $2 billion deal for John F. Kennedy International Airport. The firm is also listed as a senior managing underwriter for an upcoming $2.5 billion deal of sewer revenue warrants from Jefferson County, Alabama, set to price on Jan. 14, according to MuniOS. The firm is also listed as a senior manager for a deal of undetermined size from the Regents of the University of California, also set to price in January 2024.

The bank said it would continue to work on public-private partnerships and private placements, and to buy muni bonds.

Two years of declining issuance have increased pressure on underwriters who have spent years complaining about compressed spreads on deals. That’s an industry problem, said a banker, who added that Citi was often one of the low-bidding culprits.

“It’s people killing each other for market share, which makes zero sense,” the banker said. “Bidding a dollar a bond on a $1 billion California deal just to make sure you’re going to get the next deal doesn’t make sense,” they said. “Until we, as an industry, can start worrying less about the rankings and more about where we are adding value and about being paid for the risk we are taking when we are underwriting, this is going to keep happening.”

Firms of all sizes are reviewing their muni business to make sure they are sustainable, said Ajay Thomas, head of public finance at FHN Financial Capital Markets.

"Compensation to execute has continued to narrow and thin, so if you don't right size the business, a firm can have challenges," Thomas said. "Strategically this is very beneficial to the regional firms," he added. "Fundamentally it's a sound business. I'm very bullish on munis and so are we as a firm."

Citi's exit means the market could face "lower lows" in times of stress and outflows, said James Pruskowski, chief investment officer at 16Rock Asset Management.

"Citi was a known provider of lines of credit and liquidity to select mutual funds complexes, which lessened the impact of forced sales, the municipal derivatives market – mainly rate-locks where Citi is still a top market-maker – and high-yield munis," Pruskowski said.

But the muni market has always "proven more resilient, always larger than any one firm or person," he added.

"Citi's going to look back in a couple of years and behind closed doors regret shuttering the department," Pruskowski said. "The municipal market runs much deeper than any other sector, with public, private and government issuers and investors. We're financing key U.S. essential service infrastructure we all use and appreciate every day."

By Jessica Lerner

BY SOURCEMEDIA | MUNICIPAL | 12/15/23 03:27 PM EST

Karen Pierog contributed to this report.

Citi Plans to Shut Down Municipal Business.

Citigroup decided its municipal business, which has tumbled in the rankings for underwriting state and local debt, is "no longer viable given our commitment to increase the firm's overall returns," according to a memo to staff seen by Bloomberg News. Sridhar Natarajan reports.

Continue reading.

Bloomberg Markets: The Close – Muni Moment

December 15th, 2023,

Fitch: California Retains Ample Tools to Address Deep Revenue Shortfall

Fitch Ratings-New York-14 December 2023: The state of California has the fiscal capacity to address an emerging revenue shortfall, estimated at $58 billion over three years by the state's Legislative Analyst Office (LAO), says Fitch Ratings. California is much better positioned than the last time it faced a similarly deep revenue decline during the Global Financial Crisis (GFC), and Fitch anticipates the state will take steps to close the budget gap while maintaining very strong financial resilience.

While the estimated revenue decline is significant, California's general fund revenues increased by $78 billion (54%) between fiscal 2020 and fiscal 2022, without a concurrent increase in ongoing spending. Furthermore, institutional changes made by the state during and following the GFC, such improved liquidity management and simple majority approval of the budget, materially improved its ability to address economic and revenue cyclicality.

As Fitch previously noted, the state's fiscal 2024 budget included an uncertain revenue forecast due to the deferral of the final personal income tax and corporation tax filing deadline from April to November 2023. At the time of budget enactment in June 2023, the state estimated the delayed receipt of $42 billion of fiscal 2023 tax revenue. It is now becoming evident that tax receipts were well below estimate, although the detailed reconciliation of tax revenues between the two fiscal years has not been released.

The LAO attributes $26 billion of the revenue gap to fiscal 2023 (FYE June 30), with the balance divided approximately evenly over the current year (fiscal 2024) and the next budget year (fiscal 2025). The state Department of Finance will formally revise its revenue forecast prior to release of the governor's fiscal 2025 budget proposal in January. Fitch anticipates the governor will address the prior year and current year gaps in his budget proposal for fiscal 2025 through a mix of spending cuts and reserve draws. Fitch will assess the sustainability of budget solutions for fiscal 2025 following its release. The current 'AA' Issuer Default Rating assumes the state will maintain reserves that are robust compared to past practice to provide a cushion in case of further economic weakening.

In total, the state holds $37.8 billion in dedicated reserves. It seems likely that the state will apply a significant portion, if not all, of its special fund for economic uncertainty (SFEU) to closing the prior year gap. The SFEU held $3.3 billion as of the end of fiscal 2023. Another source of gap closing capacity is the state's rainy day fund, the Budget Stabilization Account (BSA), which contains $22 billion, or 10% of state revenues. Both funds were built up through a combination of revenue surpluses and structural budget changes that mandated deposits.

The state has other gap closing measures available on the expenditure side. The enacted budget for fiscal 2024 incorporated one-time or temporary spending that can be delayed or curtailed in light of lower revenues, estimated by the LAO at $8.6 billion. Further, the state's school funding requirements under Prop 98 also decline relatively quickly when revenues decline, acting as a form of automatic stabilizer during a downturn. The LAO estimates the state's Prop 98 school spending will be $4.3 billion lower than previously estimated over the three-year budget window. Since the state is funding schools in excess of the minimum constitutional requirement, California could theoretically reduce school spending by up to another $16.7 billion for a total $21 billion cut and still be within its Prop 98 guarantee. Fitch considers such a drastic reduction in school aid highly unlikely. Instead, the state could combine reductions in education spending with draws on its $8.1 billion Prop 98 reserve.

Will CA AB 50 and SB 410 Actually Result in Faster Electric Service for Data Centers (and Everything Else) in California? Davis Wright Tremaine

Utilities struggle to meet increased electric service demand while tech companies build massive data centers

California is in a rush to electrify everything. The rapid conversion of appliances such as furnaces, water heaters, ovens, and dryers from natural gas to electricity and the proliferation of electric vehicles (EVs) – including both individual EVs in residential settings and large fleets in commercial settings – has led to significant concerns about the ability of the current grid to accommodate these new energization requests. And major tech companies that are headquartered in Silicon Valley and operate new data centers throughout California are looking to construct additional data centers throughout the state. It's no surprise California utilities are facing challenges keeping up with energy demands.

To take one example, the Silicon Valley Power (SVP), the City's municipal utility, will need to almost double in size to provide enough power capacity to the 13 data centers currently approved for service. SVP's October 10th Quarterly Update indicated 15 additional data center projects seeking service, seven of which have completed System Impact Studies. The considerable amount of energy required and the current capacity constraints on the SVP and CAISO infrastructure have left the utility unable to serve new or expanding data centers. As a consequence, SVP issued a memo last month telling all developers to halt plans for data center development projects.

SVP stated that the 13 data centers currently in the pipeline have reserved all the upgraded capacity being created through internal expansion projects and the construction of the CAISO High Voltage Direct Current transmission line project currently slated to come on-line in 2028 or 2029. Until the construction of system expansion and transmission projects is further along, SVP is unclear when it will be able to accommodate additional new projects.

Economic Stakes

There are significant economic consequences if Californians fail to get the new or upgraded service connections in a timely manner. California is not unique in this problem – utilities in primary data center markets across the nation are having trouble keeping up with industry needs. Northern Virginia's utility, Dominion Energy, delayed power to multiple data center projects on account of transmission problems. With energy demand anticipated to grow, partly driven by powerful processors running technologies like generative artificial intelligence, data center providers nationwide have begun looking into generating their own electricity supply.

Following the past legislative session, Governor Newsom approved AB 50, which directs the California Public Utilities Commission (CPUC) to determine the criteria for customers to receive timely electricity service when requesting new service connections or upgraded service, known as "energization." The bill was drafted in response to increasing backlogs for utilities to fulfill customer requests for energization – especially in the service territory of the largest California utility, Pacific Gas and Electric Company (PG&E). This would not, however, solve the problems faced by municipal utilities like Silicon Valley Power. AB 50 applies only to energization of customers and does not include interconnection of generation resources to either the distribution or transmission grid. Similarly, Governor Newsom approved SB 410, which would require that the Commission establish the reasonable average and maximum target energization time periods and require that investor-owned utilities take actions to meet those targets.

What's Next

We expect the CPUC to initiate a rulemaking proceeding (or open a new phase in an existing rulemaking) to implement AB 50 and SB 410. Stakeholders will have an opportunity to become parties to the proceeding and participate in the development of the CPUC's energization criteria. Members of the public will also have an opportunity to participate in CPUC workshops once the electric utilities begin to file reports with the CPUC.

We'll all need to stay tuned to see if AB 50 and SB 410 actually result in faster electric service energization in California, especially when combined with some of the other efforts to accelerate the deployment of both behind-the-meter on-site generation and microgrids. Traditionally the data center industry has used diesel or natural gas generators as backup on-site generation. More recently, there has been a boom in the adoption of cleaner on-site generation technologies and the use of microgrids. Microgrids would allow data centers to operate their own power grid incorporating energy from a variety of sources and reduce strain on the utility's transmission or generation capabilities. This of course only creates more incentive for California to speed up the regulatory structures necessary to allow for the adoption of microgrids.

Davis Wright Tremaine LLP – Anna Fero, Vidhya Prabhakaran and Chasity Hendren

December 11 2023

Prep School Loomis Chaffee's Muni Deal Showcases Soaring Demand.

- **School's acceptance rate shrinks to 17%, an all-time low**
- **Henry Kravis's alma mater charges boarders $68,420 per year**

This week an exclusive Connecticut prep school is selling a small bond issue with a big story.

It's about the growing demand for admission to elite institutions from parents striving to give what many view as the gateway to the good life for their children.

The Loomis Chaffee School was chartered in 1874 and has alumni including KKR & Co. co-founder Henry Kravis and George Shultz, secretary of state during the Reagan Administration. It's seeking to raise $13.9 million in revenue bonds via the Connecticut Health and Educational Facilities Authority.

Continue reading.

Bloomberg Markets

By Joseph Mysak Jr

December 13, 2023

Massachusetts Municipal Wholesale Electric Co. Project 202A (Cotton Solar Project): Fitch New Issue Report

The 'AA–' rating reflects the credit quality of the two largest of the six participants in the Massachusetts Municipal Wholesale Electric Company (MMWEC) Project 2020A (the Cotton Solar Project): Ipswich Electric Light Department (34.8%) and Peabody Municipal Light Plant (29.0%). Payments from the project participants — all municipal electric utilities operating in Massachusetts — are made pursuant to identical take-or-pay power sales agreements (PSAs) with MMWEC that are absolute and unconditional, irrespective of whether the project is completed or operable. The rating is capped by the credit quality of the two largest participants given the sizable share of the project each of those participants holds, and the limited 25% step-up provision in the PSAs. Amounts collected from the remaining participants would be insufficient to meet either of those utilities' obligations in the event of a default.

ACCESS REPORT

Dallas, Texas: Fitch New Issue Report

Key Rating Drivers 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. Operating Performance: 'aaa': The city of Dallas' gap-closing capabilities and healthy reserves position it to maintain the highest financial resilience through future business downturns. Elevated debt and retiree benefit outlays will maintain a certain amount of pressure on the city's budget management practices.

ACCESS REPORT

Fri 15 Dec, 2023

Madison Sells Millions Worth Of Bond Anticipation Notes.

Proceeds of the bonds will be used to finance the Town's new elementary school.

MADISON, CT — On Thursday, December 7th the Town of Madison sold $10,500,000 in 20-year bonds and $30,000,000 in one-year bond anticipation notes through a competitive bid process. The bonds were purchased by FHN Financial Capital Markets at an effective interest rate of 3.322%. The Town received a total of fourteen (14) binds on the bonds with rates ranging from 3.322% to 3.706%. The notes were purchased by Jefferies LLC at an effective interest rate of 3.213%. The Town received a total of six (6) bids on the notes with rates ranging from 3.213% to 3.369%.

According to the Town's municipal advisor, Munistat Services, Inc., the Town's debt is attractive to municipal bond investors because of the Town's superior bond rating and strong reputation in the market.

In connection with the sale, Moody's Investors Service affirmed the Town's "Aaa" long-term bond rating and applied the same rating to the new bonds. Moody's gave the notes its highest short-term rating, "Moody's Investment Grade 1 or MIG 1". In its rating report, Moody's described the Town as having "a strong suburban economy anchored by very high resident income, well above average home values". Moody's listed the Town's location, strong resident wealth, consistent financial operations and low long-term liabilities and fixed costs, as credit strengths.

Continue reading.

Patch.com

by Alfred Branch

Sun, Dec 10, 2023 at 11:04 am ET

[Arizona Sports-Complex Bondholders Are Nearly Wiped Out in Sale.]

- **Financed with $280 million of munis, park sold in bankruptcy**
- **Chad Brownstein's RMR invests in sports and infrastructure**

A bankrupt Arizona youth-sports complex was sold in a transaction that will virtually wipe out bondholders, capping a collapse that marks one of the biggest municipal-debt defaults since the pandemic.

The project was financed with $280 million of bonds issued through the Arizona Industrial Development Authority in 2020 and 2021, when still rock-bottom interest rates were fueling demand for high-yield debt.

But the sprawling sports-field venue outside of Phoenix, known as Legacy Park, faltered as the pandemic upended the sports industry and interest in the facility proved lackluster. It subsequently defaulted on the debt and filed for bankruptcy in May.

[Continue reading.]

Bloomberg Markets

By Martin Z Braun

December 14, 2023

[State of New York: Fitch New Issue Report]

Dedicated Tax Key Rating Drivers PIT Structure Enhances Appropriation Incentive: An annual appropriation requirement caps the rating at the state's 'AA+' IDR. A statutory provision that deprives the state's operating funds of at least $12 billion (about 11% of fiscal 2023 state operating funds tax revenue) in the event of non-appropriation effectively eliminates appropriation risk. Solid Growth Prospects: Pledged PIT receipts over time are likely to grow above the long-term rate of inflation, similar to Fitch's expectations for the broad-based, wealthy and service-dominated New York State economy and consistent with a 'aa' growth prospects assessment. Ample Cushion Despite Economic Sensitivity: While the PIT receipts are economically sensitive, reliance on residual receipts for general operations and the 2x ABT prevent overleveraging of the pledged revenue stream and provide ample cushion to absorb potential volatility, warranting a 'aaa' resilience assessment.

[ACCESS REPORT]

Mon 11 Dec, 2023

Bond Buyers Unfazed by California’s Alarming $68 Billion Deficit.

- **Spreads on California bonds have not moved meaningfully**
- **Wealthy investors are drawn to California tax-exempt debt**

Municipal bond investors seem to have brushed off news that California’s budget has gone from a record surplus recently to its largest deficit ever at $68 billion.

An index of California bonds showed yields trading below those of top-rated debt after the state’s budget adviser said tax revenue had plummeted below what was expected, more than doubling the budget shortfall from a year ago.

That’s because demand for California bonds that wealthy residents use to shield their income from taxes is outweighing concerns about the looming fiscal crisis facing the most populous US state. Put simply, high-tax rates in California are more concerning than the budget hole.

Continue reading.

Bloomberg Markets

By Maxwell Adler

December 8, 2023

Exclusive: JFK Airport's Massive Overhaul Takes Winding Route Through Debt Markets

NEW YORK, Dec 6 (Reuters) – Municipal bond financing for U.S. airport construction is not unusual. But Wednesday’s issuance of $2 billion in bonds for the new Terminal One at New York’s John F. Kennedy International Airport was – because of the steps needed to get to this point.

Last year, a consortium called New Terminal One secured $9 billion in financing in an unusual private-public transaction that was part of a broader $15 billion overhaul of the airport.

The deal included a $6.5 billion bank loan, the largest ever committed for an airport terminal – and it took several years and two restructurings before the financing was even secured due to municipal bond market volatility and illiquidity.

Continue reading.

Reuters

By Doyinsola Oladipo

December 6, 20231

[Assured Guaranty Municipal Insures $800 Million of Bonds for JFK International Airport's New Terminal One Project.]

Part of $2 Billion Issue to Fund Expanded Capacity to Meet Future Needs

NEW YORK, December 06, 2023–(BUSINESS WIRE)–Assured Guaranty Municipal Corp. (AGM)* insured $800 million of senior Special Facilities Revenue Bonds, Series 2023, issued by the New York Transportation Development Corporation on December 6. The bonds insured by AGM are part of a $2 billion issue of fixed-rate bonds that has been designated as Green Bonds.

The bonds have been issued to refinance a portion of the costs relating to the New Terminal One Project of John F. Kennedy International Airport (JFK) in New York City by a consortium comprised of Ferrovial Airports (which will manage the project), JLC Infrastructure, Ullico Infrastructure Fund and Carlyle Group. The consortium will develop, design, construct, finance, operate and maintain the new international passenger terminal facility to replace the existing Terminal One at JFK.

Lorne Potash, Managing Director, Infrastructure Finance, Americas commented, "Assured Guaranty's bond insurance on $800 million of bonds helped to optimize the cost for this important oversubscribed $2 billion financing and we are thrilled to have played such a significant role in what has resulted in a remarkable execution by Citi on behalf of New Terminal One for such a high-profile transaction. This is precisely the kind of meaningful value-add that AGM is positioned to deliver for large infrastructure projects through its cost savings and capacity."

Sam Nakhleh, Director, Infrastructure Finance, Americas added, "This project is the largest U.S. P3 transportation project to date and is one of the largest insured bond transactions Assured Guaranty has participated in during the post global financial crisis era. It was great to work with all involved."

The bonds will be fully amortizing after an initial interest-only period, with a final maturity in 2060. AGM insured $97,995,000 of serial bonds with maturities of 2042, 2043 and 2044; $217,510,000 of a term bond due 2049; and $484,495,000 of a term bond due 2060.

Citigroup served as book-running senior manager on the transaction. Hogan Lovells served as AGM's legal counsel.

Business Wire

Wed, December 6, 2023

[City of Chicago's $1.7 Billion Financing of COVID-19 Recovery Plan Wins Bond Buyer's Deal of the Year.]

Siebert Williams Shank shepherds transaction boosting communities hardest hit by pandemic

New York, NY –News Direct– Siebert Williams Shank

A significant bond transaction by the city of Chicago and its Sales Tax Securitization Corporation (STSC) in February 2023 is winner of The Bond Buyer Deal of the Year award. The announcement was made at the financial publisher's December 5th annual gala held in New York City and attended by leaders from across the municipal finance industry.

Chicago took home the top prize among 10 finalists for its $1.7 billion financing of initiatives aimed at Black and Latinx communities disproportionately affected by the COVID-19 pandemic. Siebert Williams Shank & Co. (SWS), the country's #1 minority-and-women-owned, non-bank financial firm, teamed with STSC in issuing the bonds to help finance the Chicago Recovery Plan, designed to amplify once-in-a-generation federal funding geared toward a sustainable economic recovery from the pandemic.

The city's first social-designated bonds, paired with a cross-credit refunding tender, will address initiatives related to affordable housing, homelessness support services, environmental justice, and community development. Altogether, the money brings new resources to Chicago neighborhoods that struggle with disinvestment and inequality.

City of Chicago Debt Manager Brendan White, who accepted the award said, "Because of our commitment to getting to structural balance and climbing the pension ramp, we were able to afford to pay for these transformative social projects with our fiscal discipline and finally use the STSC to sell high rated bonds to retail investors."

"Our editorial board has chosen a deal that embodies many of the qualities we look for in a Deal of the Year winner," said Mike Scarchilli, editor in chief of The Bond Buyer. "It's a new type of financing for a traditional area of government. It involved a tender refunding that achieved otherwise unattainable goals. It attracted record-setting interest from non-traditional municipal investors. And it's a substantially transformed issuer, with this impressive transaction serving as the exclamation point at the end of its turnaround story."

Chicago took on the ambitious financing after receiving 10 rating upgrades and three positive outlook revisions, by rating agencies, in recognition of a financial turnaround that saw its return to investment-grade rating. SWS served as a Joint Bookrunner on the winning transaction, which was previously named as the Deal of the Year in the Midwest Region category.

"I want to congratulate the financial leaders of the City of Chicago and its Sales Tax Securitization Corporation, for this quite exceptional recognition bestowed on them by Bond Buyer," said Gary Hall, President of Public Finance and Infrastructure at SWS. "Siebert Williams Shank was proud to have been selected by Chicago to serve as a Joint Bookrunner to lead this transaction. The recognition by Bond Buyer is a true reflection of the technical acumen and strength of the team that moved this deal forward. Siebert Williams Shank was also pleased to have been engaged on other top national deals receiving awards."

Each year, The Bond Buyer Deal of the Year awards recognize innovation in municipal finance across the country. Along with Hall, the SWS bankers who worked on the $1.7 billion transaction included Ramon Ortega, Mike Fadel, John Carter, Pat Moran, Jamiyl Fleming, Sherm Swanson, and Ed Tishelman (while at UBS Financial Services Inc.).

SWS was additionally recognized for its involvement in three other transactions that were among the Top 10 finalists: the city of Atlanta's $370 million inaugural issuance of social bonds (Southeast Region winner), and the state of Oregon's $989 million new-money financing for statewide capital funding needs (Far West Region winner).

Additionally, the redevelopment of international Terminal 6 at John F. Kennedy International Airport was selected as the Private Partnership Financing category winner. The Terminal 6 project is led by JFK Millennium Partners, which includes certain equity owners of SWS.

The Chicago transaction highlights the city's steadfast commitment to equitable capital investment intended to create meaningful change in Chicago communities, and its emphasis on utilizing innovative financing alternatives to achieve its mission.

Over 10 separate series of bonds, spanning two credits — Chicago's own general obligation, and that of the Sales Tax Securitization Corporation — the city's $1.7 billion financing bolstered major themes of the Chicago Recovery Plan. In addition to the social-designated bonds, which were oversubscribed in retail orders alone, the STSC also executed a cross-credit refunding tender of Chicago GOs for additional savings. With a 22% acceptance rate on over $2 billion of bonds tendered, the STSC reduced aggregate debt service costs and achieved net present value savings of over $55 million on the tender series.

The Deal of the Year finalists were named in 10 categories, one in each of The Bond Buyer's five regional areas of the United States, along with five in additional categories. The Bond Buyer's editorial board considers a range of factors when judging entries for the Deal of the Year, including creativity, the ability to execute a complex transaction under challenging conditions, the ability to serve as a model for other financings, and the public purpose for which a deal's proceeds were used.

Dually headquartered in New York, NY and Oakland, CA, SWS is an independent non-bank financial services firm that offers investment banking, sales and trading, research, and advisory services. SWS counts 74 Fortune 100 companies among its clients.

Fri, December 8, 2023

[Fitch: Of Texas Constitutional Amendments, Only K-12 Funding May Pressure Budget]()

Fitch Ratings-New York-07 December 2023: Most of the 13 of 14 constitutional amendments approved by Texas voters during the November 2023 election will have limited credit implications for the state or municipalities, Fitch Ratings says. The majority of amendments fund one-time spending initiatives, drawing from the state's accumulated balances or relatively minor diversions of future funding from its robust rainy-day fund (the Economic Stabilization Fund, ESF). One potential exception is Proposition 4, which will reduce local property taxes for schools and shift some funding responsibility to the state. This may pressure the state's future budgets and leave school districts more exposed to state fiscal actions during downturns.

Proposition 4 implements legislation passed in special session that added more than $13.3 billion of tax relief to the $5.3 billion already in the fiscal 2023-2025 biennium. The tax reduction will be provided by reducing (compressing) local property tax rates for school districts, increasing the state-mandated school homestead exemption, prohibiting school districts from raising homestead exemptions, and capping appraisal increases for properties not subject to homestead exemptions. Districts' operating levy will be compressed by 10.7 cents per $100 assessed valuation, an 11% decrease from the maximum maintenance and operations tax rate of 96.5 cents in fiscal 2024.

The state will be responsible for a greater portion of school district funding to compensate for lower local taxes. The legislation and Proposition 4 provide a bypass of the state's constitutional spending limit to pay for the property tax relief by drawing down its substantial accumulated carry-over balance. Although state officials expect to be able to absorb the obligation, estimated by the state Comptroller's office at just over $6 billion per year, within normal revenue growth, there is some risk to the state in funding a significant new ongoing expense with accumulated balances that by definition are one-time in nature.

Proposition 4 did not increase resources available to school districts, which have not received an increase in the basic allocation since at least 2019, nor did it provide for salary increases for teachers. These issues are expected to be addressed in separate legislation, which has not emerged from committee due to unrelated disagreements over the use of vouchers. The inability to move the legislation forward highlights the vulnerability of school districts to state spending cuts in the event of a future downturn in state revenue.

Proposition 9 will provide a $3.3 billion lump-sum contribution to the Teachers Retirement System that will fund a one-time supplemental payment and a cost-of-living adjustment (COLA). Over the longer term, if the plan's return assumptions are not met, the COLA can contribute to an increase in the state's net pension liabilities.

Proposition 5 tapped the accumulated surplus for a one-time allotment of $3 billion to create the Texas University Fund (TUF), which will be available to certain qualifying state universities to enhance research capabilities. Proposition 5 also authorized the annual transfer of up to $100 million from ESF earnings to the TUF in years with positive ESF earnings, a relatively modest amount given the roughly $20 billion ESF balance. While not a significant relative to the ESF balance, the transfer to the TUF is emblematic of the state's tendency to tap the ESF for non-fiscal policy priorities.

Several amendments provided voter approval for spending programs authorized in the enacted budget. These draw down the accumulated balance but do not create ongoing funding commitments from general revenues. These include $1 billion to a newly created Texas Water Fund (Prop 6); $10 billion to a newly created Texas Energy Fund (Prop 7); $1.5 billion to fund broadband expansion (Prop 8); and $1 billion to acquire and develop state parks (Prop 14).

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State of Ohio: Fitch New Issue Report

Like most states, Ohio has an unlimited legal ability to raise operating revenues. Its revenue base is diverse and relies on broad-based income and sales taxes. Fitch anticipates revenue growth will likely remain slow and in line with historical trends, with state-source revenues expanding in line with, or slightly above, inflation when factoring in the effect of tax policy changes. Ohio retains ample flexibility to cut spending through the economic cycle. As in most states, the natural pace of spending growth is likely to be somewhat above revenue growth, requiring ongoing budget management. Carrying costs for debt and retiree benefits are below the median for states. Debt levels are conservatively managed, and debt primarily consists of GO bonds. On a combined basis, outstanding debt and net pension liabilities are below the U.S. states median. The state generally takes a careful approach to financial operations, consistently achieving structurally balanced budgets and restoring its Budget Stabilization Fund during economic expansions. The fund balance has grown substantially since 2021 and currently totals $3.65 billion, equal to approximately 12% of fiscal 2023 state-source general revenue fund revenues.

ACCESS REPORT

Thu 07 Dec, 2023

Las Vegas Rail Project Backed by Fortress Secures $3 Billion in Federal Funding.

The proposed $12 billion high-speed rail project backed by Fortress Investment Group connecting Las Vegas to Southern California has won a $3 billion federal grant from the bipartisan infrastructure law.

The money will come from the US Department of Transportation's Federal-State Partnership for Intercity Passenger Rail Grant to help build the 218-mile (350 kilometers), all-electric high-speed rail service. The Infrastructure Investment and Jobs Act, signed into law by President Joe Biden in 2021, allocates $1.2 trillion for transportation and infrastructure spending.

The Fortress company behind the rail line, Brightline Holdings, says once built, it will shuttle passengers from Las Vegas to Rancho Cucamonga in California in just 2 hours and 10 minutes, twice as fast as the normal drive time. Brightline already has operations in Florida, where it built the country's first new privately financed intercity passenger rail in a century connecting Orlando to West Palm Beach and to Miami.

Continue reading.

Bloomberg CityLab

By Skylar Woodhouse

December 5, 2023

Chattanooga Electric Power Board, Tennessee: Fitch New Issue Report

The 'AA+' rating and 'aa+' Standalone Credit Profile reflect Chattanooga Electric Power Board's (EPB) consistently very low leverage ratio, as measured by net adjusted debt to adjusted funds available for debt service (FADS), in the context of the system's very strong revenue defensibility and consistently very low operating costs. Revenue defensibility remains very strong, as the system provides retail electric services in an economically diverse service area with very strong rate flexibility. EPB's very low operating cost reflects the system's access to low-cost and diverse energy supply from its contract with Tennessee Valley Authority (TVA; AA/Stable), the largest U.S. public power company. Fitch expects EPB's financial profile to remain supportive of the rating through Fitch Rating's five-year forward-looking scenarios, as EPB issues its 2023 series bonds and projects an additional $100 million of issuances in fiscal 2028 (fiscal year ends June 30). Leverage declined since fiscal 2020, when it peaked at 7.3x due to an increase in operating costs related to an EF-3 tornado event that damaged the portions of the system. Leverage was 6.4x at fiscal YE 2023, up from 5.7x in the prior year due to tightening margins as a result of increased purchased power and O&M expenses. Fitch expects ratios to remain between 6.0x and 6.6x over the next five years, supported by an approved effective 3.4% rate increase in fiscal 2024.

ACCESS REPORT

01 Dec, 2023

San Bernardino County Transportation Authority, California: Fitch New Issue Report

The 'AAA' rating reflects the structure's ample resilience to typical cyclical stresses, and the strong local economy and revenue growth prospects. The 'AAA' also reflects limited and quantified additional leverage plans (supported by satisfactory legal limitations on additional leverage), which result in a very strong debt service cushion from current revenues, relative to historical revenue volatility. Economic Resource Base: San Bernardino County is part of the broad, diverse and massive Southern California economy. The county is home to almost 2.2 million people with population growth since 2010 essentially equal to the nation. The Inland Empire (San Bernardino and Riverside counties) experienced rapid population growth and development before being among the hardest hit U.S. regions during the housing-led Great Recession. Since that time, population growth and development have continued albeit at a slower, more sustainable pace. The region is a major and growing inland trade and logistics center due to its rail and highway transportation links and proximity to Southern California's major ports and interstate highways.

ACCESS REPORT

01 Dec, 2023

Charles County, Maryland: Fitch New Issue Report

Key Rating Drivers Revenue Framework: 'aaa': General fund revenues consist primarily of property and income taxes. Fitch expects future revenue growth to be above the level of inflation but below national GDP, consistent with past performance. The county has the independent legal ability to raise property tax revenues without limitation. Expenditure Framework: 'aa': The county maintains solid control over spending. Fixed carrying costs related to debt and retiree benefits are moderate. Education makes up about half of the county's spending and any reduction would require state approval. Fitch expects spending growth to be marginally above revenue growth in the absence of policy action. Long-Term Liability Burden: 'aaa': The county's long-term liability burden is low. Future debt needs are manageable and amortization of existing debt is rapid. Aggregate net pension liability, when adjusted to Fitch's standard 6% investment rate of return, stands at a low 2% of personal income. Operating Performance: 'aaa': Fitch expects the county to maintain a high level of fundamental financial flexibility throughout economic cycles, supported by solid revenue growth prospects, expenditure and revenue flexibility and sound reserve levels.

ACCESS REPORT

01 Dec, 2023

Citi Muni Bankers Go to Jefferies With Department in Turmoil.

A team of public finance bankers focused on healthcare has left Citigroup Inc. for rival Jefferies Financial Group after the firm's executives have mulled closing the municipal banking department altogether, according to people familiar with the matter.

The group of about 10 bankers departing for Jefferies includes managing directors Brian Carlstead, Ben Klemz, and Katherine Meyers, according to the people. Spokespeople from both Citigroup and Jefferies declined to comment. Carlstead, Klemz and Meyers didn't respond to messages or phone calls requesting comment.

Citi, once the No. 2 underwriter of state and local debt, has seen a wave of muni dealmakers leave since 2022. And Bloomberg News reported earlier this month that Chief Executive Officer Jane Fraser is weighing whether to shutter the bank's municipal-bond trading and origination business. The bank now is ranked as the seventh-largest muni manager, down four slots from the same period in 2022, according to data compiled by Bloomberg.

Meanwhile, Jefferies has expanded its market share within the state and local government debt market this year. The New York-based bank is now ranked as the fifth largest underwriter of long-term municipal bonds so far in 2023, up three spots. Its market share is up more than two percentage points from last year, according to data compiled by Bloomberg.

Bloomberg Markets

By Amanda Albright

November 27, 2023

Private Jet Muni-Borrower Bets on Connecticut's Millionaires.

- **Clay Lacy Aviation deal signals return of muni junk bonds**
- **New Connecticut site to offer 'remote parking facility'**

A company that caters to the Hollywood private-jet set is tapping the municipal market to help it expand in Connecticut, where it hopes to serve the uber rich.

The unrated $43.8 million deal is being sold through the Wisconsin Public Finance Authority, a conduit issuer, for Clay Lacy Aviation Inc. to fund new construction and improvements at the Waterbury-Oxford Airport in Oxford, Connecticut, which is located about 80 miles from Manhattan.

The Clay Lacy Aviation bond sale is one sign that the junk segment of the municipal bond market is back, according to Jason Appleson, head of municipal bonds at PGIM Fixed Income. A number of junk and unrated bond issues struggled to find buyers this summer.

Continue reading.

Bloomberg Markets

By Joseph Mysak Jr

November 29, 2023

Yet Another Private College in New York Is Closing.

- **College of Saint Rose said it has to close it doors next year**
- **The school has $54 million of outstanding municipal-bond debt**

Another private college in New York is shutting its doors after struggling financially and said it won't make further interest payments to investors on its municipal bonds.

The College of Saint Rose, a private Roman Catholic school in Albany, said Friday it plans to close after this academic year. It was founded in 1920 as a women's college and still mostly serves female students.

"We are devastated that despite all our efforts we were unable to avoid closure," the chairman of the school's Board of Trustees Jeffrey Stone said in a statement. "Our goal now is to ease the transition for our students, faculty, and staff."

Continue reading.

Bloomberg

By Amanda Albright

December 1, 2023

City of Atlanta's Moving Atlanta Forward Infrastructure Bonds (Social Bonds) Win Prestigious Southeast "Deal of the Year" Award by The Bond Buyer.

ATLANTA— The City of Atlanta is proud to announce that its Series 2022 Infrastructure Bonds, part of the innovative Moving Atlanta Forward infrastructure package, has been honored as the Southeast "Deal of the Year" by The Bond Buyer. This distinguished accolade recognizes the most outstanding municipal finance transactions of the year, celebrating the creativity, resourcefulness and impact these initiatives bring to enhancing infrastructure and quality of life in municipalities across the nation.

"Integrating financial mechanisms with social objectives has been a guiding principle for our Administration, and we are incredibly proud to lead in this arena," said Mayor Andre Dickens.

“Congratulations to CFO Balla and the Department of Finance for this accomplishment, and for keeping Atlanta on solid financial ground with the highest positive fund balance in our city’s history. And thank you to Atlanta voters for overwhelmingly approving the Moving Atlanta Forward infrastructure package to make smart investments in our shared future.”

This recognition extends beyond financial prudence—it is a resounding acknowledgment of Atlanta’s broader commitment to societal welfare and sustainable development. The issuance was further strengthened by Moody’s Investors Service’s Aa1 rating and Fitch Ratings’ AA+ affirmation, highlighting Atlanta’s sound fiscal management and strategic policy alignment.

“Receiving this award from The Bond Buyer is not merely a recognition of our foresight and leadership but also a celebration of the collaborative efforts of all those who have been instrumental in this groundbreaking endeavor. We are committed to continuing our journey towards a fiscally responsible and socially responsive Atlanta,” said Chief Financial Officer Mohamed Balla.

The Series 2022 Infrastructure Bonds, with a significant portion designated as “social bonds,” reflects Atlanta’s unwavering commitment to funding projects that yield substantial social benefits. A total of $369 million of the $410 million raised were earmarked as social bonds, a first for the city. This strategic allocation underscores our dedication to channeling investments into areas crucial for civic development—including recreational facilities, transportation infrastructure, public safety and more.

The financed projects under this bond include impactful endeavors such as the renovation of parks and recreational facilities, modernization of greenhouse structures and construction of buildings for fire/rescue and emergency medical services. These initiatives are strategically designed to serve our city’s diverse populations, significantly enhancing public safety, equity and mobility.

The Bond Buyer, in its 22nd year of recognizing excellence in municipal finance, considered various factors for this award, including creativity, the ability to execute complex transactions under challenging conditions, the potential to serve as a model for other financings, and the public purpose of the deal’s proceeds. Read more about The Bond Buyer’s 2023 Deal of the Year finalists at https://www.bondbuyer.com/news/bond-buyer-announces-finalists-for-2023-deal-of-the-year

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Mayor’s Office of Communications
55 Trinity Avenue, Suite 2500 • Atlanta, Georgia 30303

Bond Investors Largely Ignore NYC’s $7 Billion Deficit.

- **Demand is high for bonds that yield more than 3% tax free**
- **NYC GO bonds and AAA-rated muni debt spread will likely widen**

Bond investors have piled into New York City’s tax-exempt bonds, lured by their relatively high yields.
To Evercore Wealth Management’s Howard Cure, the risk of holding city debt outweighs the reward.

He points to the city’s looming $7 billion budget deficit, exacerbated in part by spiraling costs of sheltering asylum seekers and other migrants that have sought refuge in New York. Declining Wall Street profits and job cuts at major investment banks will put pressure on city tax revenue, dimming

New York’s fiscal outlook. That suggests the city’s general obligation bonds aren’t particularly attractive at current valuations.

Continue reading.

Bloomberg Markets

By Martin Z Braun

November 21, 2023

New York’s Era of Overspending Ends With a Shudder.

After years of heady spending, the budget cuts announced by Mayor Eric Adams last week hit New York City like a punch to the gut: Most libraries would be closed on Sundays. The expansion of the city’s signature prekindergarten program would be delayed. So would efforts to improve New York’s notoriously dirty streets and keep rats at bay. The city’s police force would be pared down in coming years.

Fiscal reality has caught up with a stunned city. The brutal cuts come as Mr. Adams scrambles to fill a $7 billion budget deficit in the next year. The Citizens Budget Commission, a nonpartisan watchdog group, estimates that the budget gap could be significantly higher, closer to $10.6 billion. New Yorkers may want to brace themselves. Much deeper cuts to city services could be ahead.

How did the nation’s largest city get into this fix? Over the past decade, city government grew significantly, as did the size of its budget. Former Mayor Bill de Blasio hired tens of thousands of workers, expanding government services after years of relative austerity under former Mayor Michael Bloomberg during the Great Recession. Some of this spending went to important investments, like creating the city’s free prekindergarten program. Other funds were put to far more questionable use, like a disastrous $1 billion mental health initiative that never got off the ground. Mr. Bloomberg had also left office with unsettled labor contracts in the city’s municipal work force. Mr. de Blasio settled them, giving the workers significant raises.

Continue reading.

The New York Times

by Mara Gay

Nov. 24, 2023

Los Angeles, California: Fitch New Issue Report

The city’s ‘AA’ Long-Term Issuer Default Rating reflects the city’s strong operating performance with solid revenue growth largely outpacing managed expenditure growth. The city also benefits from a moderate debt burden and superior gap-closing capacity. Revenue Framework: ‘aa’: Historically, revenue growth has been solid, below national GDP growth but above inflation, reflecting the ability to capture revenues from across its wide range of economic activity. Although property taxes remain the largest and most stable of the city's general fund revenues, the city is also exposed to a number of economically sensitive revenue sources. Expenditure Framework: 'a': Over time, Fitch expects the natural pace of expenditure growth to be roughly in line with, to marginally above, the city's solid revenue growth given rising employee compensation costs and public demand for service enhancements. Long-Term Liability Burden: 'aa': The long-term liability burden is moderate relative to personal income with net pension liabilities and overlapping debt making up the bulk of liabilities. Operating Performance: 'aaa': The city demonstrates superior gap-closing capacity relative to expected revenue volatility.

ACCESS REPORT

Fri 17 Nov, 2023

Puerto Rico Sales-Tax Boon Means $400 Million Windfall for Bondholders.

- **CVIs offer no interest but have provision for annual payments**
- **The securities made their second annual payout on Nov. 1**

Puerto Rico's bankruptcy created some debt securities that don't pay interest, but still managed to deliver an almost $400 million windfall to investors this month.

Called contingent-value instruments, or CVIs, they're what investors received in March 2022 as part of a debt restructuring deal that cut $22 billion of the commonwealth's outstanding bonds down to $7.4 billion.

The CVIs are taxable securities that resemble zero-coupon bonds — except they do offer investors a chance to collect interest-like payments before the debt expires. This is because they include a provision that calls for holders to receive a payout in November if sales-tax collections for the prior fiscal year surpass projections. So far they have: CVI holders received $362 million in 2022 and $388.7 million on Nov. 1.

Continue reading.

Bloomberg Markets

By Michelle Kaske

November 20, 2023

Storms, Rising Seas and Salty Drinking Water Threaten Lower Louisiana.

Where the Mississippi River ends, the compounding threats of drought and climate change put pressure on communities that feel forgotten.

First, the flowers and vegetables in Cherie Pete's backyard in Venice, La., began to die. Then she had to take sweet tea off the menu at her roadside snack shop as saltwater coursed out of her faucets.

“There’s no way I’m serving that to my customers,” said Ms. Pete, 59. “I’m not making people sick.”

All through a sweltering Louisiana summer and into the fall, people in Ms. Pete’s corner of Plaquemines Parish, a marshy strip of land southeast of New Orleans dominated by fishing and the oil industry, endured salty showers and avoided drinking from the tap. Their water comes from the Mississippi River, which runs through the parish like a central nerve.

Continue reading.

The New York Times

By Jacey Fortin

Nov. 15, 2023

State of Washington: Fitch New Issue Report

The State of Washington’s ‘AA+’ Long-Term Issuer Default Rating and GO bond ratings reflect the state’s broad and growing economy, with solid long-term revenue growth prospects, as well as the state’s demonstrated commitment to fiscal balance and long-term liabilities that place a low burden on resources. Revenue performance over time has exceeded U.S. GDP growth, and Fitch Ratings expects this to continue to support strong growth prospects. The state has complete independent control over taxation, with an unlimited legal ability to raise operating revenues as needed. Washington possesses ample expenditure flexibility, with statutory commitments, broad responsibility for education and infrastructure spending offset by low carrying costs. Washington also benefits from the broad expense-cutting authority common to most U.S. states. The combined burden of debt and net pension liabilities is low as a percentage of personal income but above the median for U.S. states. Debt ratios incorporate the funding of substantial capital needs, particularly for transportation, but are offset by a moderate net pension liability and an expanding economic resource base. Washington maintains very strong gap-closing capacity and budget flexibility with solid reserves. The state has prudently built up its fiscal reserves in times of economic recovery and expansion despite spending pressures linked to education and other pressing needs.

ACCESS REPORT

Thu 16 Nov, 2023

Palm Beach County School Board, Florida: Fitch New Issue Report

The ‘AA’ Issuer Default Rating (IDR) reflects the Palm Beach County School Board’s (or the school district) solid revenue growth prospects and expenditure flexibility, low long-term liability burden, sound reserves and significant budgetary flexibility, which provide for very strong gap closing ability throughout economic cycles. The ‘AA-‘ rating on the COPs is one notch below the IDR, reflecting the slightly higher degree of optionality associated with lease payments subject to appropriation.

ACCESS REPORT

Wed 22 Nov, 2023

Rivian Lines Up $15 Billion of Imaginary Bonds to Snag Tax Break.

- **Electric-vehicle maker to build campus outside of Atlanta**
- **The company promises new plant will create thousands of jobs**

Electric-vehicle maker Rivian Automotive Inc. released what would usually be a startling announcement for the municipal-finance market: A potential $15 billion bond for a Georgia campus, that would in theory be the largest ever muni sale and nearly the size of the company's market cap.

Except, the bonds aren't real.

The debt is structured as what's known as "phantom bonds" that are used by companies to get a property tax break in Georgia, and involve no real financial or accounting impact for the company involved, according to a report by law firm Smith, Gambrell & Russell LLP. In Rivian's case, it's a workaround because the state doesn't have legislation allowing for companies to get abatements that provide such relief.

The massive — yet essentially fictitious — sale is necessary as part of what's one of the largest economic development projects in Georgia's history. It's also indicative of the fierce arms-race states embark on to land massive manufacturing deals that promise high-paying jobs and an economic boon. The company says it will create 7,500 jobs and that once up and running, the facility will eventually produce as much as 400,000 vehicles per year.

The Irvine, California-based Rivian makes electric trucks and sport utility vehicles and is seen as a front-runner chasing market incumbent Tesla Inc. After a blockbuster initial-public-offering in 2021, the company struggled with supply chain challenges and ramping production. It has since managed to accelerate its output from a sole operational plant in Illinois over the course of this year.

The details of the Rivian deal are complicated. The bonds are essentially pseudo-issued through a four-county agency, known as the JDA, located 40 miles from Atlanta, which works to bring economic development to the area.

Under the agreement, the JDA issues the bonds to get a legal title for the project, which it will rent back to Rivian. Then, over the next 25 years, the company will make payments to local governments instead of the full property tax amount, though the payments do take into account local tax rates.

"The whole concept is set up for a break on the ad-valorem taxes," John Shakarjian, Rivian's associate general counsel for real estate and construction, said in an interview. "There's no cash changing hands, there's no cash being generated, there's no movement of money."

Shakarjian said Georgia's system for economic development projects was unusual among US states and even among countries abroad. He noted it's common for companies in Georgia to use the phantom-bond structure.

The bonds simply act as a "vehicle" to provide the tax break to Rivian, said Andrew Capezzuto, chief administrative officer and general counsel for the Georgia Department of Economic Development. He said countless phantom bond deals have been done to provide incentives.

"A lot of other states have the statutory authority to issue abatements and that just doesn't exist in Georgia," he said. "So some clever lawyers came up with this way in which they can do it — by transferring title of the asset to a tax exempt entity."

EV Windfall

Rivian has agreed to make payments-in-lieu-of-taxes — known as a PILOT — of $1.5 million that will gradually increase to $20.4 million by 2047. The company guaranteed it will pay at least $300 million, though that could increase if Rivian spends more than its initial commitment.

Currently, the area that will be home to Rivian's new factory generates tax revenue of only about $80,000, according to the state.

The reason why such deals are known as phantom bonds is that no actual debt service payments are made, unlike traditional transactions. As part of this structure, Rivian's rent will always equal the debt service costs and because Rivian is the sole bondholder, money doesn't change hands.

"Since the company is both the tenant and bondholder, such principal and interest payments may be constructively made and may be deemed to be made when due," the securities filing reads.

So far, $5 billion of phantom bonds have been issued as part of the agreement as Rivian kicks off the project, according to Shakarjian, the company's lawyer. If costs rise, Rivian can request that the JDA increase the bond's size to shield those costs from higher property taxes, he said. The JDA has authority for as much as $15 billion of Rivian's project costs to be abated.

Georgia's economic development agency has said that the deal is similar to agreements put in place for other companies like Kia Corp. and SK Innovation.

The deal faced controversy and a legal challenge in the state. But in August, a judge validated the bond agreement. One local resident in a 2022 column in the Morgan County Citizen said the EV company was being given a "free ride" by Georgia.

Capezzuto, the counsel for the state's economic development arm, said that Rivian isn't being taxed at full value but it's akin to sacrificing a few slices of pie.

"But Rivian might have chosen to go somewhere else," he said. "If Rivian chose to go somewhere else, we would have no pie at all."

Bloomberg Markets

By Amanda Albright

November 15, 2023

–With assistance from Martin Z. Braun and Ed Ludlow.

Rivian to Issue Up to $15 Billion of Debt for Georgia Plant.

- **EV maker will start construction on factory next year**
- **Bonds will be issued through joint county agency near Atlanta**

Electric-car maker Rivian Automotive Inc. plans to borrow as much as $15 billion of taxable bonds to help finance a manufacturing plant in Georgia.

The bonds will be issued through the Joint Development Authority of Jasper, Morgan, Newton &

Walton Counties, a municipal agency, according to an Nov. 9 agreement, disclosed in a securities filing. The bonds will be backed by rental payments made by Rivian as part of an incentive package to woo the carmaker.

Rivian will purchase the bonds as they are issued, according to the filing. A representative for Rivian didn't immediately respond to a request for comment.

Continue reading.

Bloomberg Markets

By Martin Z Braun and Edward Ludlow

November 13, 2023

Texas Battles Wall Street Over Muni Market.

A week before the annual conference of the Municipal Advisory Council of Texas, the state's embattled Republican attorney general had threatened to bar eight banks from municipal bond deals in Texas simply because of their commitment to cut greenhouse gas emissions. JPMorgan's Jamie Dimon said the fight puts Texas' business-friendly reputation at risk. Danielle Moran has more on "Bloomberg Markets: The Close."

Watch video.

Bloomberg Markets: The Close – Muni Moment

November 15th, 2023

Texas Battles Wall Street in Threat to State's Muni Market.

Attorney General Ken Paxton wants to put a check on which big banks win business from the state and its municipalities.

The annual conference of the Municipal Advisory Council of Texas is typically a pretty low-key affair, with bond industry folks gathering at a sumptuous hotel for cocktails, golf and a bit of networking to help grease the wheels of future deals. But at this year's event, the dining rooms, deck chairs and fairways of the Las Colinas Resort just outside Dallas were abuzz with speculation about the future of big Wall Street firms in the state. And the name on everyone's lips: Ken Paxton.

A week before the Oct. 26-27 conference, the state's embattled Republican attorney general had threatened to bar eight banks from municipal bond deals in Texas simply because of their commitment to cut greenhouse gas emissions. That threat spurred concern on New York trading desks about losing access to the state's $50-billion-a-year debt market, where business is booming even as high interest rates crimp dealmaking elsewhere. JPMorgan Chase & Co.'s Jamie Dimon, whose bank is among those Paxton has targeted, gave a rare rebuke, saying the fight puts Texas' business-friendly reputation at risk. "I urge them to be very careful," Dimon said in an interview on Nov. 1. "It may hurt the ability to raise money."

The conflict dates to 2021, when the Texas legislature enacted a pair of laws that effectively accuse big financial companies of being too woke, specifically when it comes to oil and guns. The laws restrict state and local government contracts for companies that “boycott” the energy industry or “discriminate” against firearms entities. As attorney general, Paxton signs off on almost all muni bonds issued in Texas, so his approval is key to infrastructure financing in the state. “We want as many banks that want to do business with our state to be here,” Paxton said in an interview on Nov. 13. “We just want them to follow the law while they’re doing it.”

Continue reading.

Bloomberg Markets

By Amanda Albright and Danielle Moran

November 14, 2023

Bank of America’s $1.5 Billion Deal Casts Doubt on Texas Energy ‘Boycott’ Label.

Bank of America Corp. led a $1.5 billion natural gas bond sale for oil-giant BP Plc just as Texas politicians are deciding whether to punish certain Wall Street banks by labeling them as “energy boycotters” for their climate change policies.

At first blush, the deal might provide evidence that the bank doesn’t shun the oil and gas industry as the label suggests. In fact, Bank of America has been named by environmental groups as one of the biggest financiers of fossil fuels in the world.

The bank served as senior manager last week on the $1.5 billion municipal-bond deal in Texas with BP, one of the biggest oil and gas companies in the world. The pre-paid gas bonds allow government agencies to purchase long-term supplies of natural gas and can help save utilities money. BP served as the guarantor on the bond sale. BP Energy Co. will provide the natural gas.

Continue reading.

Bloomberg Markets

By Amanda Albright and Danielle Moran

November 13, 2023

Texas AG Ken Paxton Says Banks Need to Avoid Politics to Win State Business.

- **Texas AG probing firms on whether they ‘boycott’ oil industry**
- **Banks ‘don’t get to decide what the law is,’ Paxton says**

Texas Attorney General Ken Paxton defended state laws that punish banks for limiting work with the firearms or fossil-fuel industries, saying that Wall Street should stay out of the political sphere.

"The founders were very fearful about large banks controlling how this country went," Paxton said in an interview Monday. "It's part of the tension of democracy that states can push back on the big corporations and the big banks and say, 'Wait a minute, you guys don't get to decide what the law is in this country.'"

The firebrand Texas Republican, just weeks after being acquitted in an impeachment trial, has escalated a battle with Wall Street over what he says are policies that don't align with the state's conservative culture.

Continue reading.

Bloomberg Politics

By Danielle Moran and Julie Fine

November 13, 2023

State of Illinois: Fitch New Issue Report

The upgrade of Illinois' Issuer Default Rating (IDR) to 'A-' from 'BBB+' reflects the state's ability to execute on significant planned reserve contributions and maintain improvements in budget management including normalized accounts payable, thereby improving the state's overall operating profile.

ACCESS REPORT

Tue 14 Nov, 2023

Disney Buys TV Ads to Pitch Its Importance to Florida After DeSantis Fight.

- **The theme-park giant employs 82,000 people in the state**
- **Company lost control of Disney World's municipal district**

Walt Disney Co. will air a commercial on TV and online to promote its importance to Florida, the latest move in a battle with the governor and legislators that's gone on for more than a year.

The company, which owns the 25,000-acre Walt Disney World resort outside of Orlando, released an economic impact study Tuesday saying that it accounts for one out every 32 jobs in Florida, with 263,000 people either working for Disney or connected to it in some fashion. Some 82,000 are employed directly by the company in the state.

Disney said it contracts with 2,500 small businesses in Florida. The company's four theme parks, 24,000 hotel rooms, cruise ships and other operations contributed $40.3 billion to the local economy and $6.6 billion in taxes in 2022, according to the report, which was produced by Oxford Economics.

Continue reading.

Bloomberg Markets

By Christopher Palmeri and Thomas Buckley

November 14, 2023

[State of Washington: Fitch New Issue Report]

The State of Washington's 'AA+' Long-Term Issuer Default Rating and GO bond ratings reflect the state's broad and growing economy, with solid long-term revenue growth prospects, as well as the state's demonstrated commitment to fiscal balance and long-term liabilities that place a low burden on resources. Revenue performance over time has exceeded U.S. GDP growth, and Fitch Ratings expects this to continue to support strong growth prospects. The state has complete independent control over taxation, with an unlimited legal ability to raise operating revenues as needed. Washington possesses ample expenditure flexibility, with statutory commitments, broad responsibility for education and infrastructure spending offset by low carrying costs. Washington also benefits from the broad expense-cutting authority common to most U.S. states. The combined burden of debt and net pension liabilities is low as a percentage of personal income but above the median for U.S. states. Debt ratios incorporate the funding of substantial capital needs, particularly for transportation, but are offset by a moderate net pension liability and an expanding economic resource base. Washington maintains very strong gap-closing capacity and budget flexibility with solid reserves. The state has prudently built up its fiscal reserves in times of economic recovery and expansion despite spending pressures linked to education and other pressing needs.

ACCESS REPORT

Thu 16 Nov, 2023

[Los Angeles, California: Fitch New Issue Report]

The city's 'AA' Long-Term Issuer Default Rating reflects the city's strong operating performance with solid revenue growth largely outpacing managed expenditure growth. The city also benefits from a moderate debt burden and superior gap-closing capacity. Revenue Framework: 'aa': Historically, revenue growth has been solid, below national GDP growth but above inflation, reflecting the ability to capture revenues from across its wide range of economic activity. Although property taxes remain the largest and most stable of the city's general fund revenues, the city is also exposed to a number of economically sensitive revenue sources. Expenditure Framework: 'a': Over time, Fitch expects the natural pace of expenditure growth to be roughly in line with, to marginally above, the city's solid revenue growth given rising employee compensation costs and public demand for service enhancements. Long-Term Liability Burden: 'aa': The long-term liability burden is moderate relative to personal income with net pension liabilities and overlapping debt making up the bulk of liabilities. Operating Performance: 'aaa': The city demonstrates superior gap-closing capacity relative to expected revenue volatility.

ACCESS REPORT

Fri 17 Nov, 2023

Texas Passes New Funds to Support Power and Water Developments.

In 2023, Texas passed two pieces of legislation designed to address concerns about the Texas water supply and the reliability of the state's electric grid. These bills would establish the Texas Water Fund and the Texas Energy Fund to provide state support for water and generation projects. Both measures required constitutional amendments, which passed on November 7 as Proposition 6 (water) and Proposition 7 (dispatchable generation).

Proposition 6 and the Texas Water Fund

Proposition 6 calls for $1 billion to be appropriated to the Texas Water Fund. The fund will be administered by the Texas Water Development Board (TWDB), which may direct the money to any number of these programs: New Water Supply for Texas Fund (which will receive $250 million); the State Water Implementation Fund for Texas (and its supporting State Water Implementation Revenue Fund for Texas); the Clean Water or Drinking Water State Revolving Funds; the Rural Water Assistance Fund; the statewide water public awareness account; the Texas Water Development Fund II financial assistance program; and the Texas Water Development Fund II state participation account. In particular, the New Water Supply Fund is authorized to support public-private partnerships, which may serve an increasing role as a solution to the issues facing the global freshwater supply according to a book by Stanford Law Professor and O'Melveny attorney Barton H. Thompson, Jr. titled *Liquid Asset: How Business and Government Can Partner to Solve the Freshwater Crisis.*

Continue reading.

O'Melveny & Myers LLP

November 10, 2023

Voters in Deep Red Texas Oil Patch Pass $1.4 Billion School Bond.

- **Oil bosses backed largest-ever bond in Midland, Texas, history**
- **Improved schools could help draw oil workers to Permian Basin**

Voters approved a $1.4 billion bond sale to refurbish and expand the aging, overcrowded school system in Midland, Texas, the unofficial shale-oil capital of the US, preliminary results show.

The school spending package — the largest ever in the district's history — was approved by a 56%-to-44% margin Tuesday, according to the Midland County website.

The initiative had backing from many of the area's biggest oil companies, including Chevron Corp., Diamondback Energy Inc. and Pioneer Natural Resources Co., which Exxon Mobil Corp. is buying in its largest takeover in more than two decades.

Continue reading.

Bloomberg Markets

By Mitchell Ferman

November 7, 2023

[Oil Bosses Try to Sell Tax-Leery Texans $1.4 Billion School Bond.]

With better infrastructure, the desert city of Midland, Texas, would have a better chance of drawing workers to the continent's most productive shale fields.

When Sam Sledge walked the halls of Robert E. Lee High School in the early 2000s, the aging West Texas campus had already seen better days. Dozens of small, portable trailers littered the grounds to house student overflow, the chief of ProPetro Holding Corp. recalls, and Phys Ed was downright brutal in an un-airconditioned gym.

The institution has since dropped the Confederate general's name, but the physical structures at the rebranded school and others in the district have seen scant improvement, imperiling companies' ability to lure talent to the rural, oil-rich desert. Desperate to change that, drillers are urging voters on Nov. 7 to approve the biggest-ever school bond in Midland, Texas, history: a $1.4 billion package to expand and refurbish its aging, overcrowded school system.

Midland, like countless Texas municipalities, is outgrowing its infrastructure as companies expand their presence in the Lone Star State. A lucrative fracking industry in the Permian Basin — which pumps about 46% of the country's oil, spawning generations of extraordinary wealth and prompting supermajor Exxon Mobil Corp. to recently announce a $60 billion deal to become the basin's biggest player — requires a large, skilled workforce that's hard to retain given the sorry state of its hospitals, roads and educational system.

Continue reading.

Bloomberg CityLab

By Mitchell Ferman and Nic Querolo

October 25, 2023

[Judge Tosses Out Petition to Repeal Public Funds for Athletics Stadium in Las Vegas.]

Will the voters of Nevada have a say in whether taxpayer money should be used to help the Oakland Athletics build a new ballpark in Las Vegas?

Not as of now, based on a judge's ruling Monday.

The petition that would have been circulated to voters was "legally deficient," Nevada District Court Judge James Todd Russell declared. Russell said he expected an appeal to the state supreme court.

If the petition qualifies for the ballot, a referendum would ask voters whether to repeal some of the $380 million in public funding for the stadium. Bradley Schrager, an attorney representing a coalition that includes the A's, told Russell the legal deficiencies "could be remedied," meaning the petition could be reworded to address objections about whether it properly explained to voters the precise law that would be changed by the referendum and the effects of the changes.

“Looks like we will have to appeal to the Supreme Court or refile our petition,” said Chris Daly of the Nevada State Education Assn., the teachers’ union sponsoring the petition.

If the referendum were to pass, it would not stop the A’s from moving to Las Vegas but would add to team owner John Fisher’s share of the stadium costs, now at $1.1 billion.

Major League Baseball owners are expected to approve the A’s planned move at their meetings next week. MLB Commissioner Rob Manfred said at the World Series that “an adverse development with respect to that referendum” would be “a significant development.”

The Oakland City Council is expected to approve a resolution Tuesday that would affirm the proposed waterfront ballpark there “remains viable” and “further affirms that, contrary to statements by the Commissioner of Baseball, the City has proposed a viable, detailed, and mutually beneficial proposal for the Project when the A’s walked away from negotiations.”

During testimony before the Nevada legislature, Las Vegas Convention and Visitors Authority President Steve Hill said he believed the A’s would not return to Oakland if the Las Vegas deal fell apart but would instead look to move elsewhere. Portland, Ore., and Salt Lake City would be among the likely suitors.

Yahoo Sports

by Bill Shaikin

Mon, Nov 6, 2023

Nevada Judge Tosses Teachers Union-Backed Petition to Put A's Stadium Funding on 2024 Ballot.

CARSON CITY, Nev. (AP) — A Nevada judge threw out a proposed ballot referendum backed by a statewide teachers union that would give voters the final say on whether to give $380 million in public funding for a proposed $1.5 billion Oakland Athletics stadium on the Las Vegas Strip.

The Monday ruling from Carson City District Court Judge James Russell sided with two lobbyists affiliated with trade unions that favor the public financing for the A’s stadium. Russell sent the teachers union-backed Schools over Stadiums political action committee back to the drawing board in their attempts to thwart the public funding that the state Legislature approved this year.

In an interview Tuesday, Schools over Stadiums spokesperson Alexander Marks said the organization’s leadership will likely both appeal the decision to the Nevada Supreme Court and refile the referendum petition.

“While the decision is disappointing, it’s not uncommon. Educators overcome obstacles every day, especially in a state ranked 48th in the nation,” Marks said in a press release immediately after the ruling, referencing the state’s recent low ranking in education funding. “We’re undeterred and still committed to giving Nevada voters the opportunity to decide whether their tax dollars are used to subsidize a billionaire’s stadium” — a reference to A’s owner John Fisher.

The stadium financing debate in Nevada [mirrors those happening nationwide] over whether public funds should be used to help finance sports stadiums.

A's representatives and some Nevada tourism officials have said the public funding could add to Las Vegas' growing sports scene and act as an economic engine. But a growing chorus of economists, educators and some lawmakers had warned that it would bring minimal benefits when compared to the hefty public price tag.

The Nevada State Education Association has been among the most vocal opponents of public stadium funding, saying public schools need more investment and pointing to Nevada's low rankings in school funding as a reason not to put forth the $380 million, which would largely be paid for by transferable tax credits and county bonds over 30 years.

Bradley Schrager, the attorney for the two plaintiffs, argued that the language on the petition was too broad, confusing and misleading.

"Nevadans deserve ballot measures that are conducted under the law," Schrager said in a Tuesday interview. "And this one, at least for the moment, was not."

The statewide teachers union had [filed paperwork] in September to start gathering signatures in hopes of getting a referendum to repeal the funding in front of voters on the 2024 general election ballot.

The group needed to gather about 100,000 signatures, or about 10% of the ballots cast in the last general election, to get the question in front of voters. Marks said they had not started gathering signatures yet in anticipation of Monday's court ruling.

Associated Press

Tue, November 7, 2023

[Petition Opposing A's Stadium Struck Down, Lawyer Says.]

LAS VEGAS (KLAS) — An effort to force a vote on public financing for the A's baseball stadium on the Strip has lost in court, according to attorney Bradley Schrager.

Schrager told 8 News Now a Carson City judge struck down the ["Schools Over Stadiums" petition] on multiple grounds, and told organizers they can't collect signatures for it. Schrager's law firm, Bravo Schrager, [filed a lawsuit to stop the petition] in late September.

The effort to get state public financing removed from the stadium project was pushed by the Nevada State Education Associations. A social post on X Monday evening by @EduOverStadiums indicated the organizers intend to file an appeal or refile the petition. The complete statement appears at the bottom of this story.

[Continue reading.]

Yahoo

by Greg Haas

Mon, November 6, 2023

[Financial Advisor on Pawtucket Soccer Stadium Deal Resigns Over "Concerns"]

GoLocal has received a copy of a letter to the City of Pawtucket and the Pawtucket Redevelopment Agency from its municipal advisor announcing its resignation over concerns about the stadium deal and the bond offering.

In a letter to Pawtucket Mayor Donald Grebien and Bianca Policastro, the executive director of the Pawtucket Redevelopment Agency, three top Hilltop Securities executives notified the city of the firm's resignation.

"As you know we have detailed concerns about the proposed stadium transaction and bond offering. As a fiduciary to the City of Pawtucket and its development agency…we must do what we believe is in the City's and PRA's best interest," said the letter.

Continue reading.

golocalprov.com

Friday, November 10, 2023

State of Missouri: Fitch New Issue Report

The 'AA+' rating on the mega projects bonds primarily reflects the state's annual appropriation pledge, as evidenced by the financing agreement entered into between MHTC and the state. The 'AAA' ratings on the MHTC's outstanding first lien, second lien, and third lien state road bonds reflect the security structure's very strong resilience driven by improving debt service coverage (despite limited growth prospects) and MHTC's debt management policy limiting future leverage. Fitch Ratings expects resiliency to remain very high even as debt servicing costs increase in the short term. Policy actions taken by the state of Missouri to raise its statewide motor fuels tax, a key component of pledged revenues, ensure strong near-term coverage. Fitch's analysis on bonds of the first four liens focuses primarily on SRF revenues, which are not subject to annual legislative appropriation.

ACCESS REPORT

Fri 10 Nov, 2023

Great Lakes Water Authority (Water System), Michigan: Fitch New Issue Report

The 'A+'/'A' bond ratings on the Great Lakes Water Authority's (GLWA, or the authority) senior and subordinate bonds, respectively, and the 'a' SCP consider the system's strong financial profile within the context of very strong revenue defensibility and operating risk profiles, both assessed at ‘aa’. Leverage, measured by Fitch Ratings as net adjusted debt to adjusted funds available for debt service (FADS), was approximately 10.2x in fiscal 2022, a modest increase from 10.0x in fiscal 2021. Moving forward, projected increases in capital spending and associated debt issuances are anticipated to move leverage incrementally higher, but overall it should remain in line with the current rating.

ACCESS REPORT

Thu 09 Nov, 2023

Great Lakes Water Authority Sewage Disposal System, Michigan: Fitch New Issue Report

The upgrades to ‘AA-‘ and ‘A+’ on the Great Lakes Water Authority’s (GLWA, or the authority) senior and subordinate bond ratings, respectively, are based on sustained improvements in leverage, measured as net adjusted debt to adjusted funds available for debt service, over the past several years due to amortization of existing debt and savings from bond refinancings. The maintenance of the Positive Rating Outlook is based on the leverage trend, which Fitch Ratings expects will stabilize near current levels of about 8.5x to 9.5x. Yet, Fitch would like greater clarity on upcoming capital spending, as the system’s capital improvement plan (CIP) has increased more than 20% yoy, due largely to inflation.

ACCESS REPORT

Thu 09 Nov, 2023

Fitch: San Francisco’s BART Recovery Trails NYC’s MTA Given Lower Tax Support

Fitch Ratings-New York/San Francisco-08 November 2023: New York City’s Metropolitan Transportation Authority (MTA) has achieved a stronger recovery than San Francisco’s Bay Area Rapid Transit (BART) following the decimation of ridership during the pandemic, Fitch Ratings says. The MTA’s current financial plan eliminates previously reported budget gaps, due in part to additional tax revenue support from the State of New York. However, BART continues to struggle with rebalancing its budget in a fundamentally lower demand environment.

MTA ridership has recovered to approximately 70% of pre-pandemic levels and is on track to reach its “new normal” ridership forecasts of 80% of pre-pandemic levels by 2027, while BART has only recovered to 43% as of September 2023. The prevalence of remote work and hybrid office policies suggest ridership levels for most mass transit systems will not recover to pre-pandemic levels for an extended period, if at all.

Continue reading.

Wed 08 Nov, 2023

[Atlanta, Boston Budgets Most Sensitive to Office-Market Stress.]

- **Moody's report analyzes US cities' property-tax bases**
- **Some big municipalities rely more on the revenue than others**

Remote work and rising interest rates have battered office values, a potential worry for city officials and the investors who count on property-tax revenue to help repay some of the municipal debt they buy.

But a Moody's Investors Service analysis shows the impact of the upheaval in the commercial real estate market will vary from city to city depending on two key variables: the percentage of cities' tax dollars derived from property taxes and the share of the tax base made up by commercial property.

By these metrics, Atlanta and Boston's budgets are most sensitive to a decline in office, retail and hotel values among the 14 cities analyzed, while Phoenix and Philadelphia are best positioned. In Atlanta, commercial property makes up 48% of assessed value and property taxes comprise almost 40% of city revenue. By contrast, in Phoenix, commercial property accounts for about a quarter of assessed value, but real estate taxes make up just 9% of city revenue.

Continue reading.

Bloomberg Markets

By Martin Z Braun

November 7, 2023

[Jamie Dimon Warns Texas to Stop Pushing Anti-Business Laws.]

- **JPMorgan doesn't discriminate against any industry, Dimon says**
- **Lender is adding local bankers across US, including in Texas**

Jamie Dimon said Texas risks undermining its business-friendly reputation with laws designed to punish Wall Street banks for policies that limit work with the gun and fossil fuel industries.

"Texas is a wonderful, welcoming place" for business, the longtime JPMorgan Chase & Co. chief executive officer said Wednesday in an interview in Frisco, Texas. "The government's done a magnificent job and that's why you have the growth, why unemployment is so low, why people are moving companies and jobs here."

"I think it's a mistake to damage it even a little way," said Dimon, who runs the nation's largest bank.

Texas Republicans picked a fight with Wall Street over investment policies on firearms and oil in 2021, passing two laws that restricted public contracts with financial firms that "boycott" the fossil fuel sector or "discriminate" against gunmakers. The laws have upended bond deals and led to multiple probes into corporate policies, the latest of which was launched by Attorney General Ken Paxton last month to review 10 financial companies, including JPMorgan.

Continue reading.

Bloomberg Business

By Danielle Moran

November 1, 2023

Maine Proposal Would Force Buyout of Power Companies

A ballot initiative proposes creating a consumer-owned utility by using eminent domain to take over private electricity providers.

A measure on the November ballot seeks to overhaul how Maine residents get their electricity with a novel proposition: Create a consumer-owned utility by forcing a buyout of the state’s two largest power companies.

Ballot Question 3 comes out of a grassroots campaign to ease costs and improve accountability in a system they say neglects the interests of Maine residents. Its supporters include national environmental groups and Senator Bernie Sanders. But a coalition of local businesses, labor unions, politicians and the power companies themselves say the proposal is too pricey and runs the risk of doing more harm than good.

The ballot initiative would replace the state’s two largest power companies with a nonprofit utility, issuing bonds to force the purchase of Versant Power and Central Maine Power (CMP) — a move that would likely open up years of legal disputes over the use of eminent domain.

Continue reading.

Bloomberg CityLab

By Guillermo Molero

November 2, 2023

S&P Charter School Brief: Florida

View the S&P Brief.

30 Oct, 2023

S&P Charter School Brief: Arizona

View the S&P Brief.

1 Nov, 2023

[Calpers Weighs a $53-Billion Increase in Climate Investments.]

- **Fund seeks to balance returns with harder line on polluters**
- **Lawmakers have been debating cuts to oil and gas holdings**

The largest US pension fund is considering a $53 billion increase in its climate-related investments by 2030 along with new guidelines for exiting or reducing its holdings in polluters.

The climate push would roughly double the fund's exposure to areas such as wind, solar and carbon capture, bringing the total to $100 billion, according to a policy proposal published Friday by the California Public Employees' Retirement System. The divestment rules would be aimed at assets that pose a fiduciary risk because they "fail to present a credible net zero plan" for emissions.

The $444 billion fund is weighing the changes as California's Democratic supermajority seeks to balance calls for a hard line on major carbon emitters with concerns that poorly timed divestments could threaten returns. While legislation to force Calpers and the California State Teachers Retirement System to divest an estimated $15.1 billion was paused earlier this year after fierce opposition from the funds, the bill is expected to be taken up again soon.

Continue reading.

Bloomberg Markets

By Eliyahu Kamisher

November 3, 2023

Investors Like New York Subways. San Francisco's BART? Not So Much.

New funding bolsters transit bonds in some cities, while others struggle as pandemic aid runs dry

Wall Street is betting on a messy and divided recovery for U.S. city mass transit systems.

Some cities are facing budget crises due to dwindling Covid aid and lower ridership as many people continue to work from home. Others have found new revenue streams to power their buses and trains.

That has bifurcated the outlook for municipal transit bonds, an $84 billion market, according to Citigroup. New York subway bonds are trading at higher prices and lower yields relative to top-rated municipal debt, while San Francisco's Bay Area Rapid Transit District is staring down a decade of budget deficits. Boston- and Atlanta-area mass transit had their credit upgraded by ratings firms, while the Washington Metropolitan Area Transit Authority's bonds are in danger of being downgraded.

Continue reading.

The Wall Street Journal

By Heather Gillers

Oct. 27, 2023

How Public-Private Partnerships are Fueling Growth in Orlando.

The city of Orlando is the center of a growing, thriving metropolis that is home to more than two million residents. While theme parks and resorts attract tourists from across the globe and help fuel the economy, another growth engine in the form of public-private partnerships is strengthening economic development opportunities and improving the quality of life.

Public-private partnerships, also known as PPPs or P3s, involve collaboration and cooperation between government entities and private sector entities to jointly plan, finance, develop and manage projects. P3s are often used for utility and transportation infrastructure projects but today are expanding to social infrastructure projects such as hospitals, schools and community centers.

Benefits of public-private partnerships

Local governments use public-private partnerships to help move large scale community projects forward unlocking a wide range of benefits in the areas of:

- **Efficiency and innovation.** P3s leverage public and private sector expertise by effectively allocating responsibilities and scope of work. This combination drives innovation and increases efficiency in every stage of project development from planning, design and construction through operations and management.
- **Financial resources.** The ability to access private capital is key benefit of P3s. Tapping into the wide range of private sector financing tools reduces financial burdens on governments and frees up public funds for investment in other areas of need. Injection of private capital also provides the benefit of accelerating the development of projects, especially certain social infrastructure projects where public financing may be more limited.
- **Shared risk.** P3s are also beneficial when it comes to risk. In these types of partnerships, public and private entities allocate the risk associated with a project, thereby reducing risk for both parties.
- **Economic growth.** P3s are also transforming regions across America, stimulating economic growth, creating jobs and increasing competitiveness. Typically, P3s generate an outsized economic impact as compared to what the municipality could have achieved on its own.

Building a future-ready city with public-private partnerships

The city of Orlando and Mayor Buddy Dyer are leveraging all these benefits of P3s and more to become America's "future-ready" city. From urban infill mixed-use development to electric vehicles to a world-class performing arts center, P3s are solidifying Orlando as one of the best places in America to live, work and raise a family.

Creative Village is one of the P3 projects transforming the city's downtown. The city partnered with the master developer, Creative Village Development LLC. This $2 billion dynamic mixed-use project is designed to support a synergistic mix of uses including up to 900,000 square feet of office/creative space, 800,000 square feet of higher education space, 2,000+ residential units, 1,500 student housing beds, 100,000 square feet of retail/commercial space and 225 hotel rooms. Creative Village is anchored by the University of Central Florida and Valencia College downtown campus with more than 7,000 students.

Showcasing best practices in responsible development, Creative Village is centered around education and transit, including SunRail, Central Florida's commuter rail service. With Phase 1 of the project completed and Phase 2 underway, the completed project will be the largest transit-oriented development project in Central Florida, significantly expanding educational opportunities in downtown Orlando and providing substantial economic impact to the city.

A P3 project is also helping make Orlando ready for the future by ensuring that everyone experiences the benefits that electric mobility options can bring. The city of Orlando recently partnered with Hertz Electrifies to meet the city's goal of accelerating adoption of electric vehicles and expanding charging infrastructure. The Hertz Electrifies program is aimed at reducing emissions that harm public health, bolstering climate change resilience, and increasing access and affordability for all communities.

The [Dr. Phillips Center for the Performing Arts] in downtown Orlando was also developed through a P3. Located on almost nine acres and spanning two blocks in the heart of the city, across from city hall, this venue was constructed as a public-private partnership between the Dr. Phillips Center for the Performing Arts, the city of Orlando, and Orange County. Opened in 2014, the multi-theater facility is now a hub for the best international, national and local artists, and serves as a community gathering place and center for arts education. It attracts more than 750,000 visitors annually.

Orlando's successful public-private partnership projects demonstrate that P3s are a win/win for everyone. Under the leadership of Mayor Dyer, the city of Orlando is leveraging the full potential of P3s to improve the quality of life in Orlando and Central Florida, strengthen economic development opportunities, and support the revitalization of downtown.

americancityandcounty.com

Written by Craig Ustler

3rd November 2023

Craig Ustler, MAI, CCIM is the president of Ustler Development Inc. At Creative Village in Downtown Orlando, Ustler leads the master development team and has executed numerous vertical development projects across a variety of property types.

Chicago Is Luring Bond Buyers on Improved Ratings, Market Tone.

- **City's $513 million Midway refunding bonds see good demand**
- **Chicago schools to sell $600 million but park district on hold**

Chicago institutions are borrowing more than $1 billion this week, helped by Wall Street's improved outlook on the city and a bright spot in a bleak year for the municipal bond market.

The third-largest US city sold $513.5 million in refunding bonds for Midway International Airport on Tuesday after investor interest allowed bankers to reprice the debt at lower yields than initially offered. Next comes the Chicago Board of Education's sale of $600 million in debt on or about Thursday.

"Both have their credits trending positive with air travel helping Midway International Airport and improved budgeting helping the board of education," said Daniel Solender, director of tax free fixed income for Lord, Abbett & Co., which holds $30 billion in muni assets. "The first one found strong demand. If the second is priced correctly, it should also do well. Overall, muni bond yields have reached very attractive levels."

Continue reading.

Bloomberg Markets

By Shruti Singh

October 25, 2023

Promise of Free Money Backfires on California Community Colleges.

- **Schools terminate deals after funding fails to materialize**
- **Canadian investment firm says schools didn't meet requirements**

Some community colleges in California are learning a hard lesson about free money.

The schools signed up to sell municipal securities whose debt service would be entirely covered by the loan and whose principal would be forgiven at maturity. They would never have to write a check.

Now at least two schools are facing the legal costs of terminating the transactions as well as pursuing alternative financing for almost $500 million in construction projects ranging from new classrooms to libraries to student housing, at a time when borrowing costs have climbed to the highest levels in decades.

Continue reading.

Bloomberg Markets

By Joseph Mysak Jr

October 24, 2023

Investors Like New York Subways. San Francisco's BART? Not So Much.

New funding bolsters transit bonds in some cities, while others struggle as pandemic aid runs dry

Wall Street is betting on a messy and divided recovery for U.S. city mass transit systems.

Some cities are facing budget crises due to dwindling Covid aid and lower ridership as many people continue to work from home. Others have found new revenue streams to power their buses and trains.

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Citigroup. New York subway bonds are trading at higher prices and lower yields relative to top-rated municipal debt, while San Francisco's Bay Area Rapid Transit District is staring down a decade of budget deficits. Boston- and Atlanta-area mass transit had their credit upgraded by ratings firms, while the Washington Metropolitan Area Transit Authority's bonds are in danger of being downgraded.

Continue reading.

The Wall Street Journal

By Heather Gillers

Oct. 27, 2023

Wall Street Worries About Losing Texas Deals Over Ken Paxton's Green Energy Probe.

- **State AG's review of bank energy policies disrupts borrowings**
- **AG 'has put a strain on municipalities,' Houston official says**

Texas Attorney General Ken Paxton is sending shock waves through the state's booming municipal-bond market, leaving borrowers and bankers alike on edge.

At least two banks, RBC Capital Markets and Wells Fargo & Co., were dropped from underwriting muni deals since Paxton said last week that he was probing the energy policies of a group of finance companies given commitments they've made to cut greenhouse gas emissions.

The review by Paxton, a rising star in the state's Republican Party, targets eight Wall Street bond underwriters, including JPMorgan Chase & Co., Morgan Stanley, RBC and Wells Fargo. The group has handled more than a quarter of the $51 billion of muni sales from Texas cities and localities in 2023, data compiled by Bloomberg show. Those banks are now at risk of losing business in the Lone Star State.

Continue reading.

Bloomberg Markets

By Amanda Albright, Nic Querolo, and Danielle Moran

October 27, 2023

Delta's Bonds for LaGuardia Terminal Draw Eager Muni Investors.

- **Yield is equivalent to 12% on taxable bonds for NYC's rich**
- **Investors placed orders for seven to nine times bonds on offer**

Delta Air Lines sold about $875 million in municipal bonds to help finance the completion of its new terminal at LaGuardia Airport. And the yields on the debt are exciting investors.

The bonds, issued through New York State's Transportation Development Corp. so investor returns are tax exempt, mature in 2035 and were priced to yield 5.6%, with securities maturing in 2040 priced at a 5.85% yield.

To match those yields, a New York City taxpayer in the $1 million per year tax bracket would need to get 11.6% to 12% on equivalent taxable corporate debt.

Investor orders totaled seven to nine times the amount of securities available, people familiar with the transaction said. The bonds carry Delta's corporate ratings of BB+ from S&P Global Ratings Inc. and Baa3 from Moody's Investors Service.

Citigroup Inc. managed the sale and the bonds have an optional par call in 2031.

Bloomberg Markets

By Martin Z Braun

October 25, 2023

Arizona Sports Complex Bondholders All But Wiped Out in Deal.

- **Investor agrees to pay $25.5 million for complex near Phoenix**
- **Holders of $280 million debt get $2.2 million cash, 11% equity**

Mutual funds that purchased $280 million of municipal debt to finance a 320-acre youth-sports complex near Phoenix would be virtually wiped out under a preliminary deal struck in the bankruptcy case.

Miami-based Burke Operating Partners agreed in principal to purchase Legacy Park for $25.5 million, with most of the proceeds going to building contractors for unpaid work. Bondholders would receive $2.2 million in cash and 11% of preferred equity in a new company that would own the facility according to an agreement outlined in a bankruptcy court hearing late Tuesday. It would need to be approved in the bankruptcy process to take effect.

Legacy Park has enough cash to remain open while the parties work to close the deal by the end of the November, said Keith Bierman, the complex's chief restructuring officer.

Legacy Cares filed for bankruptcy in May, saying construction setbacks, labor shortages and supply-chain delays amid the pandemic led to the park's delayed opening and resulted in lost revenue. Mutual funds including the Vanguard Group and AllianceBernstein Holdings LP hold the $280 million of Legacy Cares bonds issued by an Arizona agency. The bonds last traded on Aug. 23 for 10 cents on the dollar.

In addition to labor shortages, Legacy Park was also plagued by poor execution of restaurant and concession operations. In all, Legacy Park brought in just $27.7 million in 2022, far short of its nearly $100 million projection. It was losing more than $1 million a month on operations alone.

Legacy Park was the brainchild of Randy Miller, a former professional baseball player, who created Legacy Cares to finance the complex in the tax-exempt bond market. Miller, who had no experience in developing and managing sports facilities, resigned from Legacy Cares before the Arizona Industrial Development Authority approved the first $250 million tranche of bonds in March 2020.

Legacy Cares hired Miller's for-profit company Legacy Sports to develop and manage the complex.

The attorney for Legacy Cares proposed that a hearing be held on Nov. 20 to weigh the proposed sale.

Bloomberg Markets

By Martin Z Braun

October 25, 2023

Oil Bosses Try to Sell Tax-Leery Texans $1.4 Billion School Bond.

With better infrastructure, the desert city of Midland, Texas, would have a better chance of drawing workers to the continent's most productive shale fields.

When Sam Sledge walked the halls of Robert E. Lee High School in the early 2000s, the aging West Texas campus had already seen better days. Dozens of small, portable trailers littered the grounds to house student overflow, the chief of ProPetro Holding Corp. recalls, and Phys Ed was downright brutal in an un-airconditioned gym.

The institution has since dropped the Confederate general's name, but the physical structures at the rebranded school and others in the district have seen scant improvement, imperiling companies' ability to lure talent to the rural, oil-rich desert. Desperate to change that, drillers are urging voters on Nov. 7 to approve the biggest-ever school bond in Midland, Texas, history: a $1.4 billion package to expand and refurbish its aging, overcrowded school system.

Midland, like countless Texas municipalities, is outgrowing its infrastructure as companies expand their presence in the Lone Star State. A lucrative fracking industry in the Permian Basin — which pumps about 46% of the country's oil, spawning generations of extraordinary wealth and prompting supermajor Exxon Mobil Corp. to recently announce a $60 billion deal to become the basin's biggest player — requires a large, skilled workforce that's hard to retain given the sorry state of its hospitals, roads and educational system.

Continue reading.

Bloomberg CityLab

By Mitchell Ferman and Nic Querolo

October 25, 2023

Texas Launches New Review of Big Banks Over Energy Policies.

- **State probe targets members of a climate change group**
- **Companies can lose state business if found to violate law**

Texas Attorney General Ken Paxton's office said it's reviewing whether 10 financial companies, including Bank of America Corp. and JPMorgan Chase & Co., violate a Republican-backed state law that punishes firms for restricting their work with the oil and gas industry because of climate change concerns.

The probe pertains to companies that are members of groups seeking to reduce greenhouse gas emissions, the office said in a letter to bond lawyers on Tuesday. The office announced that it was reviewing companies that are members or affiliate members of the Net Zero Banking Alliance, Net Zero Insurance Alliance, Net Zero Asset Owner Alliance, or Net Zero Asset Managers.

"This office is reviewing whether companies or any affiliates that are members of a Net Zero Alliance are companies that boycott energy companies in violation of Senate Bill 13," Leslie Brock, assistant attorney general, said in the letter.

Continue reading.

Bloomberg Politics

By Amanda Albright and Danielle Moran

October 17, 2023

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

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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
