Bond Case Briefs

Municipal Finance Law Since 1971

S&P U.S. Social Housing Providers: Laying The Groundwork To Address Affordable Housing Needs

Key Takeaways

- S&P Global Ratings expects affordable housing funding gaps will continue to widen as U.S. Department of Housing and Urban Development support had remained stagnant from political deadlock and budgetary impasses in 2024. Future budgetary cuts could occur as part of Congress' proposed spending.
- However, social housing provider ratings will remain stable as a result of strategic competence and operational effectiveness of management teams, as many issuers seek to increase revenue amid inflationary expenditure pressures, including rising insurance costs.
- Debt profiles could weaken in the short term as many issuers execute aggressive growth strategies, including preservation of affordable units with Section 8 conversions under the Rental Assistance Demonstration program.
- Opportunities to increase funding for affordable housing may occur through local ballot measures and proposed federal fiscal policy, but ultimately partisan dynamics could shape outcomes.

Continue reading.

14 Nov, 2024

S&P U.S. Not-For-Profit Transportation Infrastructure 2023 Medians: Demand And Revenue Growth Improved Financial Medians To Post-Pandemic Highs

Key Takeaways

- U.S. not-for-profit transportation infrastructure enterprise (TIE) financial medians improved in fiscal 2023 across the asset classes given continued revenue and activity growth (passengers, tolled transactions, and tonnage) and a combination of management actions such as increasing rates, fees, and charges and reserves.
- S&P Global Ratings expects that stable-to-improving demand and revenue trends and proactive management practices will continue to mitigate the impact of higher debt for larger issuers and of rising operations-and-maintenance (O&M) costs to support financial medians into fiscal 2024.
- Despite 14% median growth in operating expenses attributable to inflationary pressures combined with higher debt outstanding, virtually all TIE medians improved as S&P Global Ratings-calculated median net revenue available for debt service increased, resulting in improved overall coverage, debt capacity, and cash reserves.
- Improved financial metrics contributed to overwhelmingly positive rating actions with 32 upgrades and one downgrade from Sept. 1, 2023, through Sept. 1, 2024.

Continue reading.

12 Nov, 2024

[S&P: Strong Financial Resources And Innovation Are Paving A Path Forward For U.S. Not-For-Profit Cultural Institutions]

Key Takeaways

- Most U.S. cultural institutions have emerged on solid footing from one of the most operationally challenging periods in recent history
- Annual attendance has increased from record lows but very few institutions have seen it recover to pre-pandemic levels
- Greater philanthropic support and heightened endowment draws have helped several institutions ease their reliance on federal support and stabilize operations
- Although financial resources remain a key driver of credit strength, most institutions are cautiously anticipating further market volatility

Continue reading.

12 Nov, 2024

[Resource Explores Local Government AI Use, Offers Advice.]

The National League of Cities released a report this week outlining strategic ways municipalities are using artificial intelligence to better serve constituents. An accompanying toolkit aims to facilitate analysis.

The National League of Cities' (NLC) new AI in Cities report and toolkit illustrates various use cases of [artificial intelligence] in local government.

Amidst the rise of AI use, local governments are [expected to quickly adapt] in order to [successfully implement the technologies]. Some resources already exist to support local government in this work, like a [toolkit] from the National Association of Counties.

NLC's report was created in partnership with Google, with the input of local leaders serving on the NLC AI Advisory Committee. It includes expertise from elected officials, technology innovators and state municipal league staff.

Continue reading.

govtech.com

November 14, 2024 • News Staff

NLC Releases New Report on Local Governments & AI Use.

Washington D.C. – A new report from the National League of Cities in partnership with Google highlights practical ways that local governments are maximizing the use of Artificial Intelligence (AI) to optimize city services. From improving traffic systems to enhancing public safety, the AI in Cities report profiles innovative use of AI in municipalities and includes a toolkit to help local leaders adopt the use of AI effectively and efficiently.

Drafted with input from local leaders serving on NLC's AI Advisory Committee, the report showcases the strategic way that local governments are exploring opportunities to use technology like AI in its many forms to better serve their communities.

"Technology has always been an essential tool to help local governments respond to the changing needs of their residents," said National League of Cities CEO and Executive Director Clarence E. Anthony. "Our Artificial Intelligence report is a collection of both the potential pitfalls and the overwhelming opportunities that exist for our local communities with AI. As part of NLC's centennial celebration, we are focused on helping local officials prepare for the next chapter in local governance."

"We are excited to partner with the National League of Cities, providing tools, resources and expertise to help its members leverage AI in ways that meet the unique needs of their communities," said Karan Bhatia, Vice President & Global Head Government Affairs & Public Policy at Google. "We believe that by working together, we can unlock the transformative power of AI to build a better future for everyone."

NLC was proud to partner with Google and to have them share their expertise with our members who are eager to learn how to navigate this technology and leverage it, where valuable, to make their communities stronger.

National League of Cities

November 13, 2024

Report Details How States Can Implement Reliable, Effective Generative AI.

For generative AI initiatives to be successful, a new report suggests a slow and steady approach to the technology.

A new report highlights how generative AI could impact state operations and offers insights to effectively implement the burgeoning technology.

The explosive debut of generative AI following the 2022 launch of the popular ChatGPT chatbot catapulted the technology into the public sector's eyes, and state officials have since explored its potential to streamline workflows and boost productivity.

Over the next few years, generative AI is expected to take over routine government functions — such as program eligibility determination or policy assessments — and improve employee and customer experience, according to a report released this week from the National Association of State Chief

Information Officers.

Continue reading.

Route Fifty

By Kaitlyn Levinson,
Reporter, Route Fifty

November 15, 2024

State and Local Security Adjusting to Shifting Cyber Threats, Insurance Requirements.

State and local governments are under the radar no more. Although security has always been taken seriously, many governments didn't consider going as far as taking out cybersecurity insurance because they didn't feel they were lucrative enough targets to attract the persistent attention of cyber threat actors.

But any added sense of security from being perceived as relatively inconsequential targets is quickly eroding. The attacks this summer on the City of Columbus, Ohio, and the New Mexico public defender's office were notable on their own, but they also continued a trend. Malware attacks and ransomware incidents targeting state and local governments increased by 148% and 51%, respectively, from 2022 to 2023, and show no signs of slowing down.

At the state level, CISOs are facing this increasingly pernicious threat, with nearly 40% of them saying they don't have the IT budgets or resources to protect systems that are heavy with legacy equipment, according to a report released Sept. 30 by Deloitte and the National Association of State Chief Information Officers (NASCIO).

Continue reading.

Route Fifty

By Paul Underwood,
VP of Security, Neovera

November 12, 2024

What the 2024 Election Could Mean for Transportation Policy.

Local taxes to fund public transit fared well on Election Day. But state and federal election results could alter the outlook for infrastructure investment long term.

In Brief:

- Voters backed most of the local transportation funding measures on ballots last week, approving around $25 billion in revenue for public transit.

- Other election results could signal potential shifts in policies related to electric vehicles and transportation emissions.
- Congress faces longer-term challenges over the solvency of the Highway Trust Fund, which pays for most transportation infrastructure.

Continue reading.

governing.com

Nov. 13, 2024 • Jared Brey

Subways, Buses and Bike Lanes Scored Billions in Local Ballot Wins.

Voters overwhelmingly supported local measures to improve mass transit from Arizona to Tennessee.

While most of the country was transfixed by the presidential vote earlier this month, voters in Nashville quietly supported a major transit plan by a 2-to-1 margin after roundly rejecting a similar one in 2018 by the same margin.

It was part of a wave of mass transit-oriented measures that passed this election season, even as Republicans — who tend to oppose mass transit — won many up-ballot races. Of the 26 transit initiatives, 19 passed for communities including Columbus, Ohio; Maricopa County, Arizona; and metro Denver, Colorado. All told, the initiatives along with other wins earlier this year will raise roughly $25 billion, according to the American Public Transportation Association. The widespread support reflects the broader reality that "people want to have good transit, they want alternatives, they want their workers to be able to get to their jobs reliably," said Beth Osborne, vice president for transportation and thriving communities at Smart Growth America.

Continue reading.

Bloomberg Green

By Kendra Pierre-Louis

November 16, 2024

Munis Tumble Under Republican Regime.

Municipal bonds have taken a significant hit after Donald Trump's election as president, following a sharp selloff in U.S. Treasuries amid concerns over potential deficit-expanding policies and inflationary effects.

Benchmark municipal yields spiked, echoing the Treasury market's movements as investors reacted to the likelihood of Trump's economic plans impacting inflation. Many state and local governments had already rushed to issue bonds before the election, leading to high issuance in October, but new sales were sparse this week.

Despite the volatility, analysts like Lyle Fitterer of Baird predict bond issuance will recover in time, driven by the U.S.'s substantial infrastructure needs. A Republican victory also stirs concerns that tax cuts could reduce demand for tax-exempt municipal bonds, with JPMorgan analysts highlighting the risk to the tax-exemption status itself.

Finsum: It's also worth noting how inflation is going to potentially affect these assets, because there is strong chance inflation will increase under the new regime.

Nasdaq

November 14, 2024

Written by dkorth@finsum.com (FINSUM) for FINSUM ->

SEC to Charter Schools: Use Registered Municipal Advisors - Orrick

The SEC is reminding charter schools to seek advice on municipal securities only from registered municipal advisors.

A bulletin from the SEC's Office of Municipal Securities and Division of Enforcement's Public Finance Abuse Unit follows recent enforcement actions against unregistered municipal advisors in the charter school sector.

Advisors Must Register

The SEC aimed its bulletin at people who make financial decisions for charter schools.

- It warns about consultants, financial advisors, real estate developers and others who may offer financial advice to charter schools on topics that fall under the SEC's purview.
- Many of these individuals are not registered municipal advisors and do not serve as fiduciaries to their clients, the SEC says.

The law considers any group that advises a charter school on municipal securities to be a municipal advisor that must register with the SEC.

Protecting Borrowers

The SEC regulates municipal advisors to protect borrowers from abuses, including "undisclosed conflicts of interest, advice rendered without adequate training or qualifications, and placing their own interests ahead of their clients' interests."

Charter schools that receive inadequate or conflicted advice could experience costlier and less desirable financings.

Check the SEC's list of registered municipal advisors

Orrick, Herrington & Sutcliffe LLP

November 15, 2024

[An Almost Imminent Threat to the Municipal Bond Tax-Exemption is Here.]

Act Now to Preserve This Vital Infrastructure Financing Tool

The Urgent Need to Preserve the Tax-Exemption

The preservation of the municipal bond tax-exemption should be considered a crucial priority for lawmakers in 2025. Tax-exempt bonds serve as a vital infrastructure financing tool for states, local governments, and public entities nationwide.

Continue reading.

advisorhub.com

by Tom Kozlik, HilltopSecurities

November 13, 2024

GFOA 2025 is Open!

Join us from June 29-July 2, 2025, at the Walter E. Washington Convention Center in Washington, DC!

Take advantage of 70+ CPE-accredited sessions, inspiring keynotes, and interactive leadership workshops designed to expand your expertise in government finance.

Conference Homepage

Reminder: GFOA Disclosure Update

Webinar | November 20, 2024 | 1 pm – 3 pm ET

Details:
Issuers of municipal securities have numerous disclosure responsibilities related to their bond transactions. This includes mandated filings of annual financial information and material event notices in the MSRB's EMMA system, and other types of voluntary disclosures. Industry experts will discuss these issues as well as recent SEC activities related to disclosure. A review of GFOA's best practices and the importance of developing and maintaining disclosure policies and procedures will also be addressed.

Click here to learn more and to register.

Orrick: Abilene Christian University Enters EaaS Partnership

Abilene Christian University has entered into a long-term energy-as-a-service (EaaS) partnership with Bernhard, a leader in energy infrastructure, to enhance the university's energy efficiency and sustainability.

Orrick advised ACU as bond and special tax counsel.

THE PARTIES

Abilene Christian University serves a diverse student population of about 6,700 with world-class teaching in a Christ-centered community.

Founded in 1906, this national research university offers online and residential undergraduate and graduate programs. Students choose from 87 baccalaureate majors that include more than 171 areas of study, as well as 71 areas of study in master's degree and specialist programs and four doctoral programs.

ACU's mission is to educate students for Christian service and leadership throughout the world.

Bernhard is an energy infrastructure firm headquartered in New Orleans, Louisiana. Founded in 1919, Bernhard's core services span the U.S. and include engineering, fabrication, construction, asset management and energy-as-a-service for customers in health care, higher education, hospitality, industrial and other market segments. Bernhard has 24 U.S. offices and more than 2,200 full-time employees.

THE IMPACT

The partnership allows ACU to better focus on its core mission of student success and academic excellence, the university said.

Over the past several years, ACU has made significant investments in its central plant, with $15 million recently allocated for upgrades. The partnership will free up significant capital resources to accelerate change and tap into Bernhard's expertise in optimizing energy systems. This agreement ensures the university can complete necessary projects faster and more efficiently, enhancing student comfort and reallocating resources toward academic initiatives.

"Our partnership with Bernhard represents a significant step forward in our commitment to sustainability and operational excellence," said Dr. Phil Schubert, ACU president.

A key component of the project is the installation of an 18 MWac solar array, designed to offset existing utility costs and provide long-term cost certainty.

Also, critical upgrades to the campus's central cooling and heating systems will improve resilience to support ACU's growth. The project also includes operational improvements, such as upgrades to HVAC, building automation and lighting systems, which will enhance energy efficiency and significantly reduce operational costs.

THE TEAM

Charles Cardall led the Orrick team that advised Abilene. The team also included Jerry Kyle. Larry Sobel, Amanda Stephens, Cathleen Chang and Jessica Doherty.

November.11.2024

[A $54,000-a-Year School in Pimco’s Hometown Eyes Own Foray Into Bond Market.]

- **Sage Hill School is taking on $54 million in debt to expand**
  ]The high school is planning to begin teaching middle school

An elite private high school in Newport Beach, California, the home of bond-fund firm Pacific Investment Management Co., is making its own foray into the debt market.

The Sage Hill School, whose board of trustees includes executives from Pimco, Goldman Sachs Group Inc., and video-game maker Activision Blizzard Inc., is selling about $54 million of municipal bonds to build a middle school and new athletic facilities. The school said it’s the biggest capital project since it was founded.

Sage Hill is the latest California private school that’s turning to the public debt market to raise cash, joining the college-like push to keep luring new students with new amenities.

Continue reading.

Bloomberg Markets

By Erin Hudson

November 12, 2024

The Rose Bowl to Refinance Debt With Tax-Free Bonds Ahead of Trump.

- **Pasadena authority to sell bonds to refund taxable BAB debt**
- **The refinancing avoids any tax move that may raise costs**

Managers of the Rose Bowl, the 102-year-old stadium northeast of Los Angeles, head to Wall Street this week to refund taxable Build America Bonds into tax-exempt debt.

The iconic stadium’s municipal guardians are looking to capitalize on favorable market conditions. They also will sidestep any potential tax law changes from the incoming Trump administration that might increase interest costs on bonds from the Obama-era BAB program.

The Pasadena Public Financing Authority is selling about $105 million of lease revenue refunding bonds beginning Wednesday. The negotiated refinancing, led by Stifel Financial Corp. and Raymond James Financial Inc., targets $106.6 million in Build America Bonds issued in 2010 to expand the Rose Bowl’s concourses, build new premium seating and update broadcast facilities.

Continue reading.

Bloomberg Markets

By Maxwell Adler

November 13, 2024

BlackRock, Once Wary of Muni Bonds, Says It's Time to Buy Again.

- **Strategists cite backup in yields, end of election uncertainty**
- **Back a barbell strategy focused on short-, longer-term debt**

BlackRock Inc.'s strategists, who three months ago advised investors to pull back from municipal bonds, now say it's time to shift back in.

The selloff that raced through fixed-income markets last month drove state and local government debt to the steepest loss in over a year, pushing yields higher as strong economic data and the presidential election cast uncertainty over how deeply the Federal Reserve will cut interest rates.

But with yields still elevated — and prices settling from the turbulence set off by Donald Trump's victory last week — BlackRock strategists led by Patrick Haskell said in a note Thursday that it's a good time to lock in the higher yields before the central bank starts nudging rates down further. They suggest a so-called barbell strategy focused on holding both short-dated debt and those with maturities in 15 to 20 years.

Continue reading.

Bloomberg Markets

By Nic Querolo

November 14, 2024 at 11:37 AM PST

University of Texas Launches Center on Muni Market.

Watch video.

Bloomberg Muni Moment

Bloomberg Markets: The Close

November 15th, 2024, 3:02 PM PST

UT Launches Center on Municipal Capital Markets to Train Students on Public Works Funding.

The University launched a new center on Oct. 29 aiming to train students to raise capital to fund public works projects.

The new initiative, called the Center on Municipal Capital Markets, joined the LBJ School of Public Affairs, according to a press release. It will teach graduate students about the process of issuing bonds to finance and build public infrastructure, such as roads, bridges, telecommunications and water systems, Center Director Martin Luby said. As part of the training, students will also advise professionals, such as financial advisors and law firms, about how to complete these transactions.

Luby, an associate professor of public affairs, said public infrastructure has decayed over the past few decades. However, under President Joe Biden's Bipartisan Infrastructure Deal, which invested trillions in transportation and infrastructure nationwide, physical infrastructure received substantial investments. The center will continue that momentum, Luby said.

Continue reading.

The Daily Texan

Laura Rivera, Senior News Reporter

November 14, 2024

- SEC Informational Bulletin: What Charter Schools Should Know About Municipal Advisor Regulation
- Munis Tumble After Trump Victory Ignites Deficit Concerns.
- NFMA Advanced Seminar on Critical Infrastructure for Water/Sewer & Public Power Issuers.
- *Hansard v. Zamora* – In citizen's suit brought against School Board following his challenge to bond election and validation, District Court holds that § 1983 claim against the School Board members did not pass muster because a § 1983 plaintiff who alleges mistreatment at the hands of a group must describe with particularity the actions taken by each of them individually.
- And Finally, We'll Probably Need To Loop In The Fire Marshall is brought to us this week by the National Federation of Municipal Analysts' notice of its Advanced Seminar on Critical Infrastructure for Water/Sewer & Public Power Issuers. While scrolling through the standard-issue list of keynotes, round tables, and task forces, we encountered the following bullet point: "Fireside Chat with Jefferson County, Alabama." Ok. We have questions. And concerns. With a county-wide population of 662,895, are we absolutely sure about the "chat" format? Allocating approximately 3 minutes per comment, will the 331,000 hour comment period include bathroom breaks? Will there be valet parking? And then there's the "fireside" part of the proceedings. We'll have to get back to you on that one.

CONTRACTS - ARIZONA

City of Chandler v. Roosevelt Water Conservation District

Court of Appeals of Arizona, Division 1 - October 31, 2024 - P.3d - 2024 WL 4630924

City filed complaint against state irrigation and water district for breach of contract, breach of the implied covenant of good faith and fair dealing, and declaratory judgment that parties agreement for district to provide city water remained valid and that district had committed material breach, and seeking specific performance of agreement.

The Superior Court denied district's motion for summary judgment on statute of limitations grounds, and granted city's motion for summary judgment. District appealed.

The Court of Appeals held that:

- Doctrine of nullum tempus occurrit regi did not apply to exempt city from statute imposing one-year limitations period for claims against public entity;

- City’s claims accrued no later than when district refused to provide city with water in accordance with city’s letter notifying district of city’s intent to order water; and
- Appellate court would award district appellate attorney fees and costs.

City’s claims against irrigation and water district accrued, and the one-year limitations period began to run, no later than when district refused to provide city with water in accordance with city’s letter notifying district of city’s intent to order water for delivery for the following calendar year, which city sent in response to district’s prior letter repudiating its agreement to provide city water, in city’s action for breach of contract, declaratory judgment, and other relief, alleging district’s unilateral termination of the agreement was a material breach of the agreement.

PUBLIC EMPLOYMENT - CALIFORNIA

Bedard v. City of Los Angeles

Court of Appeal, Second District, Division 3, California - October 31, 2024 - Cal.Rptr.3d - 2024 WL 4634930

Police officer filed petition for writ of mandate seeking to set aside city disciplinary appeals board’s decision to terminate her for failure to comply with condition of employment requiring her to be vaccinated against COVID-19.

The Superior Court, Los Angeles County, denied petition but awarded her back pay based on finding that city violated her due process rights by giving her insufficient time to respond to charges against her. Officer appealed.

The Court of Appeal held that:

- Substantial evidence supported trial court’s finding that officer was terminated for refusal to comply with mandate and thereby violated a condition of employment;
- Board did not abuse its discretion in finding that termination was appropriate remedy; and
- Award of back pay was sufficient remedy for city’s due process violation.

Substantial evidence supported trial court’s finding that police officer was not terminated just because she failed to sign notice enforcing COVID-19 vaccination mandate set forth in city ordinance, but also because she refused to comply with the mandate and thereby violated a condition of her employment, thus supporting city’s disciplinary action, where officer did not apply for religious or medical exemption and disciplinary action occurred just days after she sent her commanding officer and other superiors an e-mail stating she would not be vaccinated for personal reasons.

Police officer’s refusal to comply with COVID-19 vaccination mandate was likely to result in harm to public service, and thus, city disciplinary appeal board did not abuse its discretion in finding that termination was appropriate remedy; officer’s refusal to vaccinate against a deadly disease placed herself, her coworkers, and public with whom she interacted while on duty at significant risk of harm on a daily basis.

Award of back pay for period during which discipline was invalid was sufficient remedy for city’s due process violation in failing to afford police officer the required full 30 days to respond to charges against her for failing to comply with condition of employment requiring her to be vaccinated against COVID-19, and thus, officer was not entitled to reinstatement, given that discharge was justified and what made the discipline wrongful had nothing to do with whether there was legitimate basis for terminating employment.

IMMUNITY - FLORIDA

PEN American Center, Inc. v. Escambia County School Board

United States District Court, N.D. Florida, Pensacola Division - October 18, 2024 - F.Supp.3d - 2024 WL 4527789

Parents, authors, publisher, and literary organization brought action alleging that school board improperly removed or restricted certain library books based on viewpoint discrimination, in violation of First Amendment.

Board moved for protective order to prevent deposition of board members.

The District Court held that:

- Legislative privilege barred board members' depositions, and
- Board did not waive legislative privilege.

School board's actions regarding access to library books pending review of objections and its decision to remove or restrict access to books were legislative in nature, and thus legislative privilege barred school board members' depositions in action alleging that it improperly removed or restricted certain library books based on viewpoint discrimination, in violation of First Amendment; creation of district-wide policy regarding access to challenged books pending completion of review process was legislative decision, board members' votes were preceded by public notice, consideration of input, and debate and discussion by board members, actions had policymaking function and general application, and members were making judgment call and engaging in line-drawing on matter of public concern.

School board did not waive legislative privilege to preclude deposition of its members in action alleging that their removed or restricted certain library books violated First Amendment by producing documents in discovery without making privilege objection; privilege belonged to members, and members were not parties, and were not responsible for responding to document production request.

LIABILITY - GEORGIA

City of Roswell v. Hernandez-Flores

Court of Appeals of Georgia - October 31, 2024 - S.E.2d - 2024 WL 4633588

Pedestrian filed negligence suit against city, seeking to recover for serious head, neck, and leg injuries sustained when pedestrian was struck on the sidewalk by a fleeing suspect's vehicle after suspect swerved to avoid tire-deflating spikes deployed by a city police officer.

The State Court denied city's motion for summary judgment based on sovereign immunity. City applied for interlocutory review, which was granted. The Court of Appeals reversed. On certiorari, the Supreme Court remanded for reconsideration in light of intervening precedent.

On remand, the Court of Appeals held that:

- Officer’s conduct of driving in patrol car to an intersection where high-speed chase being conducted by others was headed, along with officer’s storing of tire-deflating spikes in patrol car trunk and standing behind patrol car as officer deployed the spikes at such intersection, constituted the “use” of patrol car, as could support finding that city’s sovereign immunity was waived as to such use pursuant to statute waiving sovereign immunity for losses arising out of claims for the negligent use of a covered motor vehicle; but
- Pedestrian’s injuries did not “arise out of” officer’s allegedly negligent use of patrol car in following chase on radio and driving to intersection where chase was headed;
- Pedestrian’s injuries did not “arise out of” officer’s allegedly negligent use of patrol car in storing tire-deflating spikes in patrol car trunk; and
- Pedestrian’s injuries did not “arise out of” officer’s allegedly negligent use of patrol car through his conduct of standing behind parked patrol car when deploying tire-deflating spikes.

PUBLIC UTILITIES - OKLAHOMA

City of Oklahoma City v. Oklahoma Corporation Commission

Supreme Court of Oklahoma - November 6, 2024 - P.3d - 2024 WL 4687324 - 2024 OK 77

City filed a petition in error, appealing final order issued by the Oklahoma Corporation Commission which granted an application filed by public utilities division (PUD) seeking a order that, under the February 2021 Regulated Utility Consumer Protection Act, city utility may not bill customers for franchise fees, municipal fees or taxes, and/or gross receipts taxes when such fees and taxes were based upon specific securitized revenue customer payments.

The Oklahoma Municipal League’s request to intervene was granted by the Commission, and the League also filed a petition in error challenging the final order.

The Supreme Court held that:

- Corporation Commission exercised a legislative function when it considered PUD’s application, and
- Commission’s determination that the February 2021 Regulated Utility Consumer Protection Act changed utility’s legal obligations concerning municipal franchise fees and gross receipts taxes was a determination not sustained by law.

The Oklahoma Municipal League possessed standing to participate in the Corporation Commission proceeding brought to prevent utilities from collecting franchise fees and gross receipts taxes based upon specific “securitized revenue”; the League’s members had pecuniary interests which were affected by the Commission’s order affecting utility rates.

Corporation Commission exercised a legislative function when it considered public utilities division’s (PUD) application seeking an order that, under the February 2021 Regulated Utility Consumer Protection Act, city utility could not collect fees or taxes based upon securitization revenue customer payments; language of Commission’s final order was primarily legislative and not judicial when combined with the PUD’s application requesting that the Commission legislate a result consistent with the PUD’s perception of fairness for customers by alleviating them from the PUD’s perceived “windfall” for municipalities.

Corporation Commission’s determination that the February 2021 Regulated Utility Consumer Protection Act changed, amended, or altered utility’s legal obligations concerning municipal franchise fees and gross receipts taxes was a determination not sustained by law; the Act did not give the Commission the authority to determine the legality of a municipal franchise fee or whether a franchise fee liability is legally unenforceable via a utility rate or tariff because of the Act.

BOND VALIDATION - TEXAS

Hansard v. Zamora

United States District Court, W.D. Texas, Pecos Division - September 19, 2024 - Slip Copy - 2024 WL 4249845

In early summer 2022, George and Stacy Hansard became concerned about a $110 million school bond placed on the ballot for the May 2022 election cycle. The Hansards understood that no public funds could be used to advocate for the bond but learned that the Fort Stockton Independent School Board had done so anyway. They expressed these concerns to the bank underwriting the funds who then reached out to the School Board with a demand for all advertisements used in the election. The bond did not pass during the May 2022 election.

When the bond reappeared on the November election ballot, the Hansards sent the Texas Attorney General’s office copies of the advertisements they believed had been paid for with public funds. They also appeared at two open meetings and began expressing their many concerns to the School Board.

Members of the School Board then commenced a truly shocking course of harassment against the Hansards.

The Hansards filed this suit in October 2023, bringing First Amendment retaliation, defamation, slander, slander per se, and libel per se claims under 42 U.S.C. § 1983, as well as federal conspiracy. They also brought three state-law claims for defamation, intentional infliction of emotional distress, and civil conspiracy.

The Magistrate Judge issued his report and recommendation. Both parties filed objections. The Court took up these objections on de novo review.

The District Court denied each of the Hansard’s objections, finding that each highlighted the same misunderstanding of how qualified immunity plays out at the motion to dismiss stage, particularly when a group is alleged to have acted in unison. Where the actions of individuals within a group were previously discoverable, courts may no longer defer ruling on a defendant’s assertion of qualified immunity to allow for such limited discovery.

Here, the Magistrate Judge found George Hansard’s § 1983 claim against the School Board Defendants did not pass muster because “a § 1983 plaintiff who alleges mistreatment at the hands of a group [must] describe with particularity the actions taken by each of them individually.”

ADMINISTRATIVE PROCEDURE - WYOMING

Bienz v. Board of County Commissioners, County of Albany

Supreme Court of Wyoming - September 25, 2024 - 556 P.3d 227 - 2024 WY 102

Property owners and livestock company sought judicial review under the Wyoming Administrative Procedure Act (WAPA) challenging the county board of county commissioners’ amendments to zoning regulations referred to as the Aquifer Protection Overlay Zone (APOZ).

The District Court dismissed the petitions for review, concluding that it lacked jurisdiction because the amendments were legislative acts and not reviewable under the WAPA. Property owners and livestock company appealed.

The Supreme Court held that there is no common law or general statutory exception to judicial review of agency legislative actions; instead, the Wyoming Administrative Procedure Act (WAPA) provisions governing review, well-understood judicial principles, and separation of power principles guide the nature and scope of review; overruling *McGann v. City Council of City of Laramie*, 581 P.2d 1104, and abrogating *Sheridan Plan. Ass'n v. Bd. of Sheridan Cnty. Comm'rs,* 924 P.2d 988.

SEC Informational Bulletin: What Charter Schools Should Know About Municipal Advisor Regulation

The SEC's Office of Municipal Securities and Division of Enforcement, Public Finance Abuse Unit, are issuing this Informational Bulletin to help educate those who make financial decisions on behalf of charter schools—including charter school applicants, charter school administrators, charter school management organizations or operators, and charter school governing boards—on important considerations when working with anyone who provides advice on the issuance of municipal securities (e.g., municipal bonds) or other related topics but is not registered as a "municipal advisor."

Who Are "Municipal Advisors?"

Are you looking to acquire charter school facilities? Are you considering constructing a facility, purchasing a completed facility, or renovating an existing facility? Are you considering refinancing debt previously incurred with respect to a facility?

If so, you may be approached by—and ultimately choose to hire—an outside "consultant," "financial advisor," "real estate developer," support specialist," or other self-described "expert" who says they can help you arrange funding for your charter school facilities. This advisor may provide services such as developing a financing plan and evaluating different financing options and structures, including the use of municipal bonds. If you consider raising funds through the issuance of municipal bonds, this advisor might help you select other parties to a financing such as lawyers and underwriters, prepare a disclosure document describing the terms of the financing, evaluate and negotiate financing terms, or recommend how funds raised through a municipal bond offering should be invested if you do not plan to spend all funds immediately. While not an exhaustive list, any person providing services involving advice with respect to the issuance of municipal securities would be engaging in "municipal advisory activity."

When a person provides you with advice on the issuance of municipal bonds or other related topics (e.g., evaluating different financing options and structures or on the selection of other parties to the financing), they may be considered a "municipal advisor" or "MA"—a category of financial professionals regulated by the SEC under federal law. A municipal advisor owes a fiduciary duty to its municipal entity clients.[1] An MA may provide valuable services to your charter school. The SEC regulates MAs in part to protect both issuers of municipal bonds and those who borrow the proceeds of municipal bonds, including charter schools, from potential abuses such as undisclosed conflicts of interest, advice rendered without adequate training or qualifications, and placing their own interests ahead of their clients' interests, all of which could cause harm to your charter school, including but not limited to increased financing costs.

A Wide Range of People May Be Considered MAs

A person may be considered an MA regardless of the title they use (such as the various titles above), the other professional statuses they may hold, or the type of business they are affiliated with (which may or may not be financial in nature). For instance, a charter school could potentially receive advice—and therefore be dealing with an MA—from a wide range of actors, including: (a) a firm that is not necessarily financial in nature, such as a charter school consulting firm, a real estate development firm, or a construction firm; (b) a financing firm that offers bridge financing, loans, and/or grants to charter schools; or (c) in the most straightforward case, a standalone MA firm that plainly markets itself as a "municipal advisor" or "financial advisor."

The takeaway is this—any person engaging in municipal advisory activities is considered an MA (unless specific exclusions/exemptions apply)[2] and therefore must be registered before engaging in those activities.

Federal Law Requires MAs to Register with the SEC and MSRB

Under federal law, a person must register with both the SEC and the Municipal Securities Rulemaking Board ("MSRB") prior to engaging in "municipal advisory activities." A person generally must register with the SEC by filing forms that disclose a variety of information which may be pertinent to clients or potential clients, such as information about its business and disciplinary history. These forms, each of which include "MA" in the name, are available to the public for review, free of charge, on the SEC's EDGAR website.

MAs are also subject to conduct rules that provide significant protections to their clients, including charter schools. A summary of these rules may be found in the MA client brochure posted on the MSRB website.

Charter Schools Are Strongly Encouraged to Work with Only Registered MAs

A charter school should be concerned about the risks of working with an unlawfully unregistered firm or individual because such unregistered firm or individual:

- Could be operating a business in violation of federal law;
- May have a history of legal violations or conflicts of interest that are unknown to regulators and potential clients; or
- May have not taken or passed the necessary professional qualification exams, may not receive continuing education training, and may not be supervised by qualified personnel.

These risks mean that a charter school working with an unregistered individual or firm might receive inadequate advice and potentially even conflicted advice. This could result in negative outcomes including, but not limited to, a charter school choosing a method of financing that is costlier and less desirable than another option, unfair pricing in a municipal bond issuance, or other financial, reputational, and legal harms.

SEC staff is concerned that charter schools are particularly vulnerable to potential harm from unregistered MAs. Although the requirement to register as an MA has been in place for over ten years, the SEC has filed a number of enforcement actions that involve unregistered firms and individuals who provided MA services to charter schools (see, e.g., summaries of SEC enforcement actions against charter school advisors).

How Can Charter Schools Confirm an Individual or Firm Is a Registered MA?

- Interested parties can find the names of all SEC-registered MAs.
- A list of MSRB-registered MA firms and their associated qualified representatives.

Charter Schools Are Strongly Encouraged to Report Potential Unregistered MA Activity or Other Potential MA Misconduct to the SEC

If you become aware of potential unregistered MA activity or other potential MA misconduct, SEC staff strongly encourages you to submit a tip, complaint, or referral ("TCR") to the SEC by following the instructions. A TCR may lead to a SEC enforcement action and may be submitted anonymously.

Where Can Charter Schools Find More Information About MAs?

More information about the SEC's regulation of MAs is available at the Office of Municipal Securities website.

The MSRB also provides educational material on various topics related to MAs at its Education Center website that may be helpful to charter schools seeking additional information.

For additional information, call the Office of Municipal Securities at 202-551-5680, or email us at Munis@SEC.gov.

This Informational Bulletin represents the views of the staff of the Office of Municipal Securities and the Division of Enforcement, Public Finance Abuse Unit. It is not a rule, regulation, or statement of the Securities and Exchange Commission ("Commission"). The Commission has neither approved nor disapproved its content. This Bulletin, like all staff statements, has no legal force or effect: it does not alter or amend applicable law, and it creates no new or additional obligations for any person.

[1] Charter schools are generally considered municipal entities because they are public schools and derive their charter from a political subdivision of a state. See Registration of Municipal Advisors, SEC Release No. 34-70462 (Sept. 20, 2013), 78 FR 67468, 67486 (Nov. 12, 2013).

[2] These exclusions include but are not limited to: (i) certain public officials and employees providing advice within the scope of their official capacity or employment; (ii) broker-dealers serving as an underwriter; (iii) certain investment advisers providing investment advice; (iv) banks engaging in traditional banking activity; and (v) attorneys offering legal advice or providing services of a traditional legal nature. There is also an exemption for accountants providing audit or other attest services or preparation of financial statements.

S&P U.S. Municipal Water And Sewer Utilities Navigate A New Environment As Performance Drops.

Key Takeaways

- U.S. water and wastewater utilities' median financial performance diminished in fiscal 2023, while downgrades outpaced upgrades in 2024, consistent with S&P Global Ratings' negative sector view.
- Flat-to-declining median financial metrics reflect tightening margins as most utilities were operating in a new-baseline environment, with higher cost-of-service requirements. Balance-sheet metrics were mostly stable, but expense growth continued to pressure operating performance.

- Accelerating capital spending could further pressure margins as utilities address aging infrastructure, asset hardening, investing in new sources of supply, and complying with increasingly stringent regulations.
- Asset resiliency and long-term environmental-risk mitigation will continue to be integral to assessing utilities' financial outlook.

Continue reading.

5 Nov, 2024

Public Pensions and a Chance to Damp Down the ESG Wars.

After a decade of increasing popularity among endowment funds and pensions, its use in investment decisions is coming under increasing political attack. Financial analysts — and perhaps AI — may be able to point the way to a safer middle ground.

The culture wars have invaded public pension boardrooms. What began as a somewhat benign but unproven concept of thinking long-term about the sustainability of portfolio companies' business models in light of environmental, social and governance concerns has hit a brick wall across a swath of red states. A hardball backlash against so-called "woke" ESG investing that ostensibly ignores economic fundamentals and free-market securities valuations has taken hold in conservative corners of many state capitals, with impacts on pension funds and even the otherwise unrelated municipal bond market.

It's increasingly dangerous terrain for pension professionals and muni bond underwriters, although there is now a glimmer of hope on the horizon that a defensible screening process is achievable. And maybe artificial intelligence models can someday help replace doctrinaire belief systems with expert statistical forecasts. But first, some historical context.

Ever since the 1970s' political movements for pension and endowment funds to divest from companies doing business in apartheid South Africa, the concept of social investing has been contentious. In addition to ideological disputes, there was uncomfortable end-game evidence that many public pension funds undertaking "Free South Africa" divesting shot themselves in the foot: When the regime changed, those divestiture stock prices recovered faster than the pension funds were able to reverse their policies, resulting in underperformance relative to their benchmark indexes.

Continue reading.

governing.com

OPINION | Nov. 5, 2024 • Girard Miller

WSJ: Trump Win Dents Muni Bonds

Prices fell Wednesday on bonds sold by state and local governments as investors prepared for a world of lower taxes and higher federal deficits.

Benchmark 10-year municipal bonds were yielding 3.12% in midday trading, compared with 2.96% yesterday before Republican Donald Trump won a second term, according to ICE Data Services. Prices fall as yields rise.

Treasury prices, which often drive moves in munis, fell Wednesday as investors anticipated more inflation and more federal debt. But muni bondholders likely also expect tax cuts could lessen the appeal of munis' tax-exempt interest. Trump has pledged to cut taxes on U.S. manufacturers, for example.

Such promises "could have a considerable impact on the municipal market," Abby Urtz, senior vice president at FHN Financial , wrote Wednesday.

One looming question for the $4 trillion market: The fate of the the $10,000 limit on state and local tax deductions created in 2017 to pay for other Trump tax cuts. That policy supercharged demand for New York and California munis.

The Wall Street Journal

By Heather Gillers

US Voters Back $52 Billion of Borrowing for Schools and Roads.

- **Approvals include California measures for climate, schools**
- **Passage comes as muni-bond sales increased this year**

Americans are poised to approve at least $52 billion of state and local government borrowing measures, according to preliminary vote tallies of S&P Global Market Intelligence data analyzed by Bloomberg.

Measures that appeared to pass include a $238.3 million transportation referendum for Charlotte, North Carolina, and a $240 million authorization for a school district near Columbia, South Carolina, that will finance the construction of a new school and expand several others. Two of the largest measures on the ballot, a pair of $10 billion statewide referendums to finance climate change programs and education improvements in California, also passed.

The referendums come as state and local government borrowers are approaching a record year for municipal bonds sales. Issuers have sold over $442 billion of long-term debt so far, a more than 42% increase from the same period in 2023, according to data compiled by Bloomberg.

Continue reading.

Bloomberg Markets

By Aashna Shah and Nic Querolo

November 7, 2024

NFMA Advanced Seminar on Critical Infrastructure for Water/Sewer & Public Power Issuers.

Save the dates of January 30 & 31 for the next Advanced Seminar to take place in Birmingham, Alabama.

Planned sessions/topics include:

- Keynote Address by Sunny Wescott, Chief Meteorologist, Department of Homeland Security
- Fireside Chat with Jefferson County, Alabama
- Public Power C-Suite Roundtable
- Climate Resiliency & Water Agency Planning for the Future
- Optimizing Rates & Affordability
- Task Force on Nature-Related Financial Disclosure, Disaster Spending Development & Lessons Learned from ESG
- Utility Mandates to Address PFAS & Energy Demands from the Expansion of Data Centers
- Renewable Inergy Projects: Deal Structure, Financing & Development Challenges
  Prepaid Gas

WSJ: Falling Rates, Rising Tax Risk Give Some Shine to Muni Bonds.

State and municipal governments and agencies have increased issuance of debt by 39% this year

Municipal bond issuance in the U.S. is heating up as local governments ramp up borrowing and investors gobble up the low-risk securities.

Industry experts said local governments have needed to borrow more as the massive federal stimulus received during the pandemic wears off. Issuances also are increasing in size, as the cost of projects become more expensive due to rising prices for materials, labor and services. Meanwhile, as the Federal Reserve cuts interest rates, yield-seeking investors have more reason to park their cash in munis.

"We were looking for a decent pick up year over year, the magnitude of the increase is what is a bit surprising," said Sean Carney, chief investment officer of municipal bond funds at BlackRock, which manages about $188.4 billion in the asset class. municipal bonds. "I think we're heading back to kind of the pre-Covid time frame where…we're going to see a period of elevated supply."

State and municipal governments and agencies have issued $447 billion of debt in the first ten months of this year to finance everything from affordable homes to airports to water and power supplies, according to Refinitiv data via the Securities Industry and Financial Markets Association. That is a 39% increase from a year earlier, even as borrowing costs in the period held at a multi-decades high. Sifma data also shows a higher volume of municipal bond trading this year.

Demand has outpaced supply in recent auctions by substantial margins, Carney said. The performance is attracting wider attention to a part of fixed-income markets mostly tapped by deep-pocket investors. "Sometimes we feel like the lost asset class," Carney said.

He estimates this year's issuance will total $475 billion, or around $105 billion above the total of bonds retired or refunded.

Having to pay higher interest rates hasn't been much of a deterrent for local governments. "You can't ask your failing roadway or water system to hang in there until rates fall," Carney said.

Issuers may also have been trying to get ahead of the election, said Chad Farrington, co-head of U.S. municipal bonds at DWS. In fact, some analysts expect issuance to ease after Tuesday's vote, before rebounding next year once markets have a clearer view of government policies.

On the demand side, flows into municipal-bond funds increased to $26.5 billion this year through August, from $8 billion in the same period last year, according to the Investment Company Institute via FactSet.

Fund managers say that munis, like other fixed-income instruments, are increasingly becoming the new destination of funds parked for years in cash-like options such as certificates of deposit, which have lost appeal as the Fed cuts rates.

Then there is the tax factor. Municipal bonds' returns are often exempt from income tax. That feature is getting more relevant as certain provisions enacted in 2017 that benefited wealthy taxpayers are set to expire late next year.

"My clients are looking toward the Tax Cut Job Act expiration in 2025," said Kathleen Grace, chief executive officer of the Fiduciary Family Office. The boutique investment firm has $600 million of assets under management for clients who have an average net worth of $20 million. She said it makes sense for them to increase their holdings of assets offering tax-free returns to minimize the potential increase in federal taxation.

"We think those two factors are causing investors to get into the muni market, you know, [returns in] cash equivalents being lower and the prospects for higher taxes," said Dan Close, who heads Nuveen's $190 billion municipals division.

"If you're of the opinion that there is higher taxes in the future, one of the best ways to position your client's portfolio is to buy these state and local government bonds that finance infrastructure locally" and are exempt from federal and often state and local taxes as well, Close said.

The Wall Street Journal

By Paulo Trevisani

Nov. 5, 2024 12:21 pm ET

Chicago Plans $1.5 Billion Bond Refinancing in Early December.

- **Interest rate savings of $110 million expected with the deal**
- **Munis have been volatile this week because of US elections**

Chicago plans to tap the muni market for $1.5 billion early next month to refinance its debt as it looks to capitalize on the Federal Reserve lowering interest rates.

The city will have $850 million in general obligation bonds available to replace with new debt. The deal, which also includes a debt buyback process, is expected to generate $110 million in savings.

"We are planning on pricing the first week of December," Chicago Chief Financial Officer Jill

Jaworski said in an email on Friday. "We do not have any comments on how day-to-day market movements impact the sale."

Continue reading.

Bloomberg Markets

By Shruti Singh

November 8, 2024

Muni Rally Accelerates Prompting Calls for Year-End Return Surge.

- **After election selloff, munis are rallying for a second day**
- **Strategists advise investors to buy-the-dip for long positions**

Municipal bonds rallied the most in three months on Friday, continuing a recovery that began Thursday after a sharp selloff following the US presidential election.

Benchmark state and local government yields fell by as much as 13 basis points as of 2:00 p.m. New York time. Those on 10-year, top-rated securities fell 10 basis points to 2.98% — the biggest daily decline since August, according to data compiled by Bloomberg. When muni rates climbed after the election —- trading in tandem with a rout in US Treasury securities — investors saw it as an opportunity to put cash to work, strategists said.

"A bullish reversal is underway for the muni market," wrote municipal strategists at Bank of America Corp. in a research note published Friday. "Current levels for all investment-grade munis are good entries for new long positions," according to the group led by Yingchen Li.

Continue reading.

Bloomberg Markets

By Erin Hudson, Sri Taylor, and Aashna Shah

November 8, 2024

Munis Tumble After Trump Victory Ignites Deficit Concerns.

- **Yields on muni bonds jumped as much as 16 basis points**
- **Investors of muni debt tend to take cues from Treasury market**

Municipal bonds plummeted on Wednesday after voters elected Donald Trump as US president. The move followed a rout in US Treasuries, which sold off over concerns that Trump's policies will widen an already bloated budget deficit and cause inflation to surge.

Benchmark municipal-bond yields jumped as much as 16 basis points as of 4 p.m. New York time.

"A Trump win signals to the market that some proposed policies have a chance at sunlight, many of which could re-ignite inflation," said Eric Kazatsky, senior US municipals strategist for Bloomberg Intelligence. "US Treasuries are speaking that fact to the market and dragging munis along for the ride."

Continue reading.

Bloomberg Markets

By Danielle Moran and Lily Meier

November 6, 2024

Economic Outlook Supportive of Municipal Bonds.

The October jobs report, released last Friday, coupled with more downward revisions to monthly employment numbers, spooked some market participants. It also reignited talk about a looming recession. However, some experts believe economic contraction won't come to pass. That could bode well for risk assets as well as lower-risk fare, such as municipal bonds. That indicates ETFs like the ALPS Intermediate Municipal Bond ETF (MNBD) could appeal for income investors.

"Recession fears were triggered when last Friday's (early August) U.S. jobs report for July showed a rise in the unemployment rate to 4.3% from 4.1% and much weaker-than-expected monthly job creation. Those fears have exacerbated a global risk-asset selloff that began last [month. That was driven] by concerns over tech valuations and heightened geopolitical risks," according to BlackRock.

Why It Matters to MNBD

The U.S. economy avoiding a recession is important to municipal bonds and ETFs such as MNBD. That's because periods of economic contraction can weigh on states' and cities' abilities to collect tax revenue. That revenue is the primary source repaying municipal debt obligations.

Fortunately for municipal bond investors, the October jobs report appears to be more of a bump in the road than a harbinger of a recession. Jobs are still being created and other economic indicators are sturdy. That potentially signals opportunity remains with ETFs such as MNBD.

"The unemployment rate is rising, but unlike ahead of past recessions, the main driver is not [layoffs. It] is an immigration-driven increase in labor supply. Job creation is slowing, but averaged a robust 170,000 over the past three months (ending July). Consumer spending, while cooling, remains relatively healthy and Q2 corporate earnings have so far topped expectations," added BlackRock.

However, some investors may not be able to shake the feeling that the U.S. economy could be heading for a pullback. That remains to be seen. But if that scenario arrives, MNBD could hold up well relative to other muni bond ETFs. That's because the ALPS fund is actively managed. That implies MNBD managers can more swiftly react to changing economic conditions and adjust the portfolio to feature allocations to bonds from the sturdiest issuers.

MNBD could also come into focus following Election Day. Depending upon the outcome of the presidential race, the U.S. tax code could be in for significant changes next year. Assuming previous tax cuts expire, investors could flock to tax-advantaged asset classes, including municipal bonds.

etftrends.com

by Todd Shriber

November 5, 2024

[Colorado Water Resources and Power Development Authority: Fitch New Issue Report]

The ‘AAA’ rating reflects the ability of the Colorado Water Resources and Power Development Authority’s combined clean water and drinking water state revolving fund bond programs’ (together, the program) financial structure to absorb hypothetical pool defaults in excess of Fitch Ratings’ ‘AAA’ liability stress hurdle without causing an interruption in bond payments. The program is above average in size at 299 obligors, which results in a pool that is less concentrated than its peers. The program’s cash flows are very strong, as projected minimum annual debt service coverage (DSC) is about 3.5x. Program management adheres to a formal underwriting policy that includes minimum DSC requirements for borrowers.

Access Report

Thu 07 Nov, 2024

Trump Victory Threatens Key Muni Tax Break in Hunt for Revenue.

- **Muni bonds pay interest to investors exempt from income taxes**
- **Eliminating the tax break seen as option to pay for tax cuts**

The tax break offered to municipal bond investors is coming under threat as Republicans are closer to taking control of both the White House and Congress.

President-elect Donald Trump has promised to further cut corporate taxes and even eliminating the federal income tax. If he goes through with those plans, lawmakers will need to find additional revenue to offset the cuts’ trillion-dollar price tag. The muni tax-exemption — estimated to cost the US government less than $40 billion each year — has long been seen as a possible source of funding.

“The likelihood that the tax exemption is materially altered remains low, but the risk is probably at as high a level as it has been in the recent past given the size of projected deficits,” said Adam Stern, co-head of research at Breckinridge Capital Advisors.

With the Tax Cuts and Jobs Act of 2017 set to expire at the end of next year, Republicans will “decide how much they want to spend to extend, expand or make the TCJA permanent,” Andrew Silverman, an analyst at Bloomberg Intelligence, wrote in a note.

If they extend the tax cuts for a limited period, they’ll have more flexibility on whether to fund it by raising taxes or cutting costs, he added.

Back in 2017, the Trump tax cuts eliminated the exemption on bonds sold for a debt refinancing technique, crimping municipal bond sales in the years after that. And earlier this year, the American

Enterprise Institute, a conservative think tank, floated repealing the tax-exemption on muni bonds, calling it an inefficient subsidy for local governments.

The tax exemption of muni bonds, established in 1913, is the defining feature of the US public finance market in which states, cities, towns, school districts, hospitals and other borrowers raise money to finance the bulk of the bridges, roads and tunnels. According to Emily Brock, director of the Government Finance Officers Association's federal liaison center, 75% of infrastructure is built with muni bonds. Investors in such debt generally don't pay taxes on the interest they earn, allowing governments to borrow at lower rates.

State and local governments would need to turn to the taxable-bond market if the exemption is completely eradicated. That could "slow the pace of debt issuance and make the cost of capital more expensive for current tax-exempt borrowers," said S&P Global Ratings analysts in a Nov. 7 report.

Brock said the burden to make up for any shortfall in public financing projects will fall on taxpayers, adding that "we haven't seen evidence that the federal government is capable of meeting local infrastructure needs."

To be sure, there is bipartisan support for the muni tax-break. The House Municipal Finance Caucus includes members of both parties.

"We believe that there's strong political support and justification for the muni tax exemption," said Margot Kleinman, director of research for Nuveen's municipal fixed income team.

As part of the tax overhaul in 2017, Congressional Republicans proposed restricting the sale of tax-exempt muni bonds for private-sector projects. That provision ultimately wasn't included in the legislation.

Mikhail Foux, a strategist at Barclays Plc, said he's not "overly concerned" about the repeal of the tax exemption because the cost of the subsidy is relatively low. But he said it's possible that certain sectors, like education, may see their use of the financing tool curtailed.

"Some parts of the muni market might end up on the chopping block, despite not generating sizable revenues for policymakers," he wrote in a report Friday.

Bloomberg Markets

By Maxwell Adler and Amanda Albright

November 11, 2024

— With assistance from Lily Meier

District of Columbia (DC) Ballpark Revenue Bonds: Fitch New Issue Report

The upgrade of the 2006A & 2006B bonds reflects improved long-term resilience of the structure to very strong levels, as well as growth prospects for pledged District ballpark fees and utility tax revenues in line with inflation following recent volatility. Fitch does not incorporate stadium-related revenues into its analysis given their volatility and unpredictability.

Access Report

Mon 04 Nov, 2024

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

The ‘A’ ratings for the New Jersey Educational Facilities Authority capital improvement fund and higher education facilities trust fund refunding bonds are one notch below New Jersey’s ‘A+’ Issuer Default Rating. New Jersey’s revenue system is very diverse and sensitive to economic trends. Fitch expects natural growth in expenditures over time to be above revenue growth, driven by program spending demands. The long-term liability burden is elevated and higher than those of most U.S. states, reflecting considerable outstanding debt and a large net pension liability. Gap-closing capacity has strengthened significantly in recent years, with ending balances well above historical levels.

Access Report

Thu 07 Nov, 2024

Muni Rally Accelerates Prompting Calls for Year-End Return Surge.

- **After election selloff, munis are rallying for a second day**
- **Strategists advise investors to buy-the-dip for long positions**

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Continue reading.

Bloomberg Markets

By Erin Hudson, Sri Taylor, and Aashna Shah

November 8, 2024

[More Wealth Managers Recommending Muni Bonds.]

In a changing bond market landscape, more wealth managers are recommending municipal bonds. The Federal Reserve is set to ease monetary policy and a new president will take office in 2025. So munis are an ideal option in the event of market volatility.

Regarding duration, advisors are looking to short-term and intermediate options as ideal in a rate-cutting environment. Furthermore, advisors are tipping the bond portfolio scales in favor of munis.

"Advisors are expected to accelerate their extension into short-term and intermediate-term bond portfolios as the Fed continues to cut rates, allocating a greater percentage of their fixed income exposure towards municipal bonds," said Eric Golden, founder and CEO of fixed-income-focused fintech Canopy Capital Group, in Investment News.

Anticipating a 'Notable Uptick'
"While exact figures on allocation increases can vary by advisor and client needs, we anticipate a notable uptick in interest and investment as the 2025 deadline approaches," added Golden.

"We prefer to maintain our fixed income exposure on the short end of the curve," said Stash Graham, managing director & chief investment officer of Graham Capital Wealth Management, also via Investment News. ["And we] do this to limit our interest rate or duration risk. We still believe present and future risks with the long end of the yield curve could rise."

Those looking for broad exposure to munis can consider the Vanguard Tax-Exempt Bond ETF (VTEB). The fund tracks the Standard & Poor's National AMT-Free Municipal Bond Index. This index measures the performance of the investment-grade segment of the U.S. municipal bond market. Overall, this index includes municipal bonds from issuers. Those issuers are primarily state or local governments or agencies whose interests are exempt from U.S. federal income taxes, and the federal alternative minimum tax. It also features a low 0.05% expense ratio.

In terms of credit quality, munis are situated right between Treasury yields and corporate bonds. The fundamentals of munis have improved over the past few years. That makes them an ideal option for fixed income investors looking to balance credit risk and yield.

"Municipal-related credit risks have been mitigated over the last few years, as they were significant beneficiaries of the federal government's COVID-era fiscal policies," said Graham. He added that he tends to focus more on general obligation bonds than revenue bonds back by hospitals.

Shortening Duration on Munis
Given advisors' skew towards short-term bonds, investors may want to opt for the Vanguard Short-Term Tax-Exempt Bond ETF (VTES) if they're looking to shorten duration on their muni exposure. Like VTEB, exposure comes by way of via a low 0.07% expense ratio.

The fund tracks the S&P 0-7 Year National AMT-Free Municipal Bond Index. That index is designed to balance the need for tax efficiency with the need for tax-exempt yield. This balance can translate to potentially higher yields than those afforded by competing strategies, for an appropriate level of duration risk.

etftrends.com

by Ben Hernandez

November 6, 2024

TAX - GEORGIA

Jones v. City of Atlanta

Supreme Court of Georgia - October 31, 2024 - S.E.2d - 2024 WL 4633416

Property owner filed action against city, alleging that ordinances authorizing the city department of watershed management to impose a franchise fee and a payment in lieu of taxes (PILOT) for water and sewer services constituted unlawful taxes under state and federal law and seeking, inter alia, a tax refund.

The Superior Court granted city's motion for judgment on the pleadings, and denied customer's motions for summary judgment. Property owner appealed.

The Supreme Court held that:

- On city's motion for judgment on the pleadings, trial court was required to accept as true property owner's allegations that he paid the disputed charges and that they grossly exceeded the costs of providing the services;
- Genuine issues of material fact precluded summary judgment on property owner's claim that the disputed water and sewer fees were an illegal revenue-producing tax rather than fees for providing services; and
- Property owner's allegations did not establish as a matter of law that the disputed franchise fee was a tax based on the payor's gross revenue.

In property owner's challenge to the legality of city ordinances establishing a franchise fee and payment in lieu of taxes (PILOT) to be collected by city department of watershed management for water and sewer services, trial court was required to accept as true property owner's allegation that he paid the disputed charges for purposes of city's motion for judgment on the pleadings, where there was no conflict between the text of the ordinances and property owner's allegation that his water and sewer bill contained hidden taxes on water and sewer customers, and property owner's payment of the disputed charges to the department of watershed management was payment to the city.

On city's motion for judgment on the pleadings in property owner's challenge to ordinances establishing a franchise fee and payment in lieu of taxes (PILOT) to be collected by city department of watershed management for water and sewer services, trial court was required to accept as true property owner's allegations that the disputed fees grossly exceeded the associated costs of providing the services, and that the city was compensated for the associated costs through other means; recitals in ordinances that expressed city council's intention that the fees be used to compensate the city for costs associated with providing water and sewer services did not restrict the city from using the fees for other purposes or being compensated from other sources.

Property owner's allegations in action challenging city ordinance imposing a franchise fee for water and sewer services did not establish as a matter of law that the disputed fee was a tax based on the payor's gross revenue, where the ordinance imposed a charge based on the gross revenues of city's department of watershed management, which was passed on to property owner as a percentage of his water and sewer bill, which was comprised of a flat base charge and a variable portion based on the services he used and not on his income.

- MSRB Seeks Input on Rate Card Fee-Setting Framework.
- Muni Disclosure: Time to Bring In SEC?
- S&P Sustainability Insights: Rising Insurance Costs And Mounting Affordability Challenges Could Weigh On Some U.S. Governments' Creditworthiness [Risk Factor candidate. Is there some other kind of candidate thingy going down today?]
- CDFA Advanced Tax Increment Finance Course. [Nov 13!]
- Bond Financing for Manufacturers & Non-Profits: CDFA // BNY Development Finance Webcast Series
- Exploring Common Bond Reserve Funds: CDFA // BNY Development Finance Webcast Series
- Arizona Town Ditches Illegal Attempt to Dump $70 Million Debt on Residents.
- State v. Decatur County-Bainbridge Industrial Development Authority – Georgia Court of Appeals holds that state had no basis to appeal trial court's order granting state's petition to validate taxable revenue bonds to fund construction and development of primate breeding facility, and thus, dismissal of state's appeal of order was warranted, where state was party who sought order (based upon alleged newly-discovered defects in the validation petition).
- And Finally, A Truly Warranted Sick Day is brought to us this week by *Morales v. City of Georgetown*, in which Sheriff's Deputy Jaime Morales had a particularly, uh, challenging day on the job. When the court's opinion in your case includes phrases such as, – "threat matrix assessment" "at the Cracker Barrel" "The actual events that transpired that night however, did not unfold according to the *purported* plan" (Ouch. Yeah, I did add that emphasis. What you gonna do about it?) "When the SRT members saw that Reynolds was brandishing a gun, they fired their own weapons, killing Reynolds." "Amid this chaos, however, Morales was also shot in the spine." "The bullet that injured Morales is still lodged in his spine, and therefore unable to be subjected to ballistics testing." ("You can't really dust for vomit.") "made t-shirt to raise money for his recovery" – there's a reasonable likelihood that it has truly been a crap day. Up to and including the shot in the spine business, what truly breaks my heart is the Cracker Barrel part. And maybe also the t-shirt part.

ZONING & PLANNING - CALIFORNIA

JCCrandall, LLC v. County of Santa Barbara

Court of Appeal, Second District, Division 6, California - October 29, 2024 - Cal.Rptr.3d - 2024 WL 4599704

Servient tenement owner petitioned for writ of administrative mandate challenging county's grant of conditional use permit to lessor of dominant tenement estate to cultivate cannabis on property, which required lessor to use easement over servient owner's land to access dominant tenement property.

The Superior Court, Santa Barbara County, denied petition. Servient owner appealed.

The Court of Appeal held that:

- Trial court's application of its independent judgment was proper standard of review;
- California statute providing that cannabis cultivation and transportation were legal in California was preempted by federal Controlled Substances Act; and
- Owner of servient tenement estate could not be forced to allow his property to be used to transport cannabis.

BOND VALIDATION - GEORGIA

State v. Decatur County-Bainbridge Industrial Development Authority

Court of Appeals of Georgia - October 31, 2024 - S.E.2d - 2024 WL 4633664

State petitioned to validate up to $300 million in taxable revenue bonds to fund construction and development of primate breeding facility.

The Superior Court granted petition and validated bond.

Area citizens subsequently moved to intervene in the proceeding, and the State filed a motion for reconsideration or, alternatively, to set aside the bond validation order.

In its motion, the State alleged that based on new information that had recently come to his attention, the district attorney who filed the petition now believed that certain requirements for the project had not been met.

Before the trial court ruled on the motion, however, the State filed a notice of appeal from the bond validation order.

"In the appeal presently before this Court, the State asks us to vacate a bond validation order that was issued pursuant to the State's own request. The State contends that the bond validation proceedings were improper, but the State acknowledges that at the time the trial court issued its order on the petition, the court was unaware of the deficiencies. Indeed, as the State acknowledges, the bond validation petition averred that all the requirements for a bond validation had been met."

The Court of Appeals held that state had no basis to appeal trial court's order, and thus, dismissal of state's appeal of order was warranted.

State had no basis to appeal trial court's order granting state's petition to validate taxable revenue bonds to fund construction and development of primate breeding facility, and thus, dismissal of state's appeal of order was warranted, where state was party who sought order.

IMMUNITY - KENTUCKY

Morales v. City of Georgetown

Supreme Court of Kentucky - October 24, 2024 - S.W.3d - 2024 WL 4576332

Former sheriff's deputy, who served on joint law enforcement group specially trained in tactical operations, brought action asserting negligence claims against city police lieutenant, who was group's co-commander, and city police officer, who also served on group, in their official and individual capacities, and asserting negligence and vicarious liability claims against city and city police department, arising from incident in which deputy was shot and paralyzed during group's operation to apprehend alleged bank robber.

The Circuit Court granted summary judgment for defendants. Deputy appealed. The Court of Appeals affirmed in part and reversed in part. Parties filed cross-motions for discretionary review, which were granted.

The Supreme Court held that:

- City police officer was afforded qualified official immunity with respect to act of firing his service weapon during operation;
- Lieutenant was not afforded qualified official immunity with respect to alleged failure to formulate plan and to remove members from group for missing training;
- Lieutenant was afforded qualified official immunity with respect to alleged failure to adequately supervise his subordinates and ensure his subordinates wore tactical vests;
- Genuine issues of material fact precluded summary judgment as to claims against lieutenant insofar as they were based on alleged breach of duty to formulate plan and to remove members from group for missing training;
- City and city police department were not entitled to immunity with respect to claims of vicarious liability; and
- City and city police department were entitled to immunity with respect to direct negligence claims.

POLITICAL SUBDIVISIONS - LOUISIANA

Police Jury of Calcasieu Parish v. Indian Harbor Insurance Co.

Supreme Court of Louisiana - October 25, 2024 - So.3d - 2024 WL 4579035 - 2024-00449 (La. 10/25/24)

Political subdivision brought action against its domestic property insurers to recover for damage caused by hurricanes. Insurers removed case and filed motions to compel arbitration and stay proceedings based on clauses in foreign insurers' policies.

The United States District Court for the Western District of Louisiana certified questions.

The Supreme Court held that:

- Arbitration is prohibited by statute;
- As a matter of first impression, insurance policy with political subdivision is "public contract" within meaning of statute banning in public contracts any provision which requires suit or arbitration proceeding to be brought in forum or jurisdiction outside of state; and
- Domestic insurer may not use equitable estoppel to enforce arbitration via a foreign insurer's policy.

Statutory amendment which states that ban on insurance policy provisions depriving state courts of jurisdiction or venue of action against insurer do not prohibit forum or venue selection clause in policy form not subject to approval by Department of Insurance does not irreconcilably conflict with the ban and thus does not implicitly repeal it; forum selection clauses primarily concern location where parties can pursue litigation, but arbitration clauses primarily concern method of dispute resolution depriving any court of jurisdiction, and amendment creates limited exception in which forum or venue selection clause is permitted in certain types of insurance contracts and does not plainly indicate arbitration clauses are also permitted.

Insurance policy with political subdivision is “public contract” within meaning of statute banning in public contracts any provision which requires suit or arbitration proceeding to be brought in forum or jurisdiction outside of state or requires interpretation of the agreement according to laws of another jurisdiction.

Domestic insurer may not use equitable estoppel to enforce arbitration via a foreign insurer’s policy; contrary finding would violate state’s positive law prohibiting arbitration in Louisiana-issued insurance policies and invite domestic insurers’ misuse a doctrine of last resort to ceaselessly rely on insurance policies of foreign insurers to compel arbitration.

ZONING & PLANNING - NEW YORK

Bennett v. Troy City Council

Supreme Court, Appellate Division, Third Department, New York - October 24, 2024 - N.Y.S.3d - 2024 WL 4557622 - 2024 N.Y. Slip Op. 05257

Resident who lived adjacent to site for the proposed construction of an apartment complex on a vacant, forested, 11–acre parcel brought article 78 proceeding against city council challenging its decision under the State Environmental Quality Review Act (SEQRA) that the project would not result in any significant adverse environmental impacts and its adoption of an ordinance rezoning the site from single-family residential district to a planned development district.

The Supreme Court dismissed, and resident appealed.

The Supreme Court, Appellate Division held that:

- City council failed to take required hard look before determining project would not result in any significant adverse environmental impacts, but
- City council’s of rezoning ordinance did not involve illegal spot zoning.

City council failed to take the hard look, as required by the State Environmental Quality Review Act (SEQRA), at the significant environmental impact expected from a project to construct apartment complex on vacant, forested, 11–acre parcel before issuing a declaration that the project would not result in any significant adverse environmental impacts; city council’s characterization of project’s archaeological impact as “moderate” unduly minimized historic/archaeological significance of the project site, which contained a Middle to Late Archaic quarry with multiple loci, representing a full range of extraction and production activities, yet council omitted Native American community as a consulting party in formulating any required data retrieval plan.

City council’s adoption of ordinance rezoning the site for proposed apartment complex on a vacant, forested, 11–acre parcel along river from single-family residential district to a planned development district did not involve illegal spot zoning, or the singling out of small parcel of land for use classification totally different from that of surrounding area for benefit of parcel’s owner and detriment of other owners; although city’s planning commission initially rejected the project, record was expanded prior to council’s determination, and project maintained residential use and would establish multi-use trail along the shoreline opening public access to river.

ANNEXATION - UTAH

Erda Community Association Inc. v. Grantsville City

Court of Appeals of Utah - September 12, 2024 - P.3d - 2024 WL 4156722 - 2024 UT App 126

Sponsors for incorporation of new city brought action against neighboring city, seeking to invalidate, under Municipal Land Use, Development, and Management Act (MLUDMA) and state and federal constitutions, neighboring city's annexation of 550 acres of land that would have been part of new city, which annexation occurred before public vote on new city's incorporation.

The Third District Court denied sponsors' motion for summary judgment and granted neighboring city's competing summary judgment motion, finding that sponsors lacked standing, had failed to exhaust administrative remedies, and that annexation occurred within statutory window. Sponsors appealed.

The Court of Appeals held that:

- Sponsors lacked both statutory standing under Annexation Code and legally protectible interest that would allow them to seek declaratory relief for alleged violation of Code under Declaratory Judgment Act;
- Sponsors lacked statutory standing for judicial review under MLUDMA;
- Remand was warranted for district court to determine if sponsors had standing to challenge Code for purported state constitutional violations; and
- Sponsors were not required to exhaust administrative remedies prior to bringing action to challenge Code for purported state constitutional violations.

ZONING & PLANNING - VERMONT

In re Ranney Dairy Farm, LLC

Supreme Court of Vermont - October 25, 2024 - A.3d - 2024 WL 4576460 - 2024 VT 66

Neighbors brought action to challenge town development review board's issuance of subdivision permit to landowner.

The Superior Court affirmed, and neighbors appealed.

The Supreme Court held that:

- Environmental Division had jurisdiction to determine whether easement existed and evaluate evidence of whether a public road had been laid out;
- Environmental Division improperly required only a "threshold showing" of a "right to use" road; and
- Environmental Division's errors were prejudicial.

SIFMA US Municipal Bonds Statistics.

SIFMA Research tracks issuance, trading, and outstanding data for the U.S. municipal bond market.

Issuance data is broken out by bond type, bid type, capital type, tax type, coupon type and callable status and includes average maturity. Trading volume data shows total and average daily volume and has customer bought/customer sold/dealer trade breakouts. Outstanding data includes holders' statistics. Data is downloadable by monthly, quarterly and annual statistics including trend analysis.

YTD statistics include:

- Issuance (as of October) $446.5 billion, +39.3% Y/Y
- Trading (as of October) $13.2 billion ADV, +2.0% Y/Y
- Outstanding (as of 2Q24) $4.1 trillion, +1.8% Y/Y

Download xls

November 1, 2024

S&P U.S. Public Finance Annual Reviews Processed.

S&P Global Ratings has performed annual reviews of the credit ratings of the issuers/issues listed below.

In an annual review, S&P Global Ratings reviews current credit ratings against the latest issuers/issues performance data as well as any recent market developments. Annual reviews may, depending on their outcome, result in a referral of a credit rating for a committee review, which may result in a credit rating action. The below list is not an indication of whether or not a credit rating action is likely in the near future.

The key elements underlying the credit rating can be found in the issuer's latest related publication, which can be accessed by clicking on links below. Additionally, for each issuers/issues listed below, S&P Global Rating's regulatory disclosures (PCRs) can be accessed on the relevant page on www.spglobal.com/ratings by clicking on Regulatory Disclosures underneath the current credit ratings.

Continue reading.

29-Oct-2024 | 07:02 EDT

S&P U.S. Municipal Water And Sewer Utilities Rating Actions, Third Quarter 2024

Overview

S&P Global Ratings took 48 rating actions, revised 22 outlooks, and took four CreditWatch actions within the U.S. municipal water and sewer utilities sector in third-quarter 2024. One hundred and three ratings were maintained with no outlook revisions. Two were removed from CreditWatch, and two were placed on CreditWatch with negative implications.

Negative rating actions exceeded positive actions by two to one. Unfavorable outlook revisions exceeded favorable revisions by thirteen to eight. Bond issuance increased relative to second-quarter 2024 and is stronger compared to the same quarter in 2023.

Continue reading.

29 Oct, 2024

S&P Sustainability Insights: Rising Insurance Costs And Mounting Affordability Challenges Could Weigh On Some U.S. Governments' Creditworthiness

Key Takeaways

- With economic losses from Hurricanes Helene and Milton estimated to exceed $60 billion, S&P Global Ratings expects homeowners' insurance premiums will continue to rise in many regions of the U.S.
- Higher insurance premiums and diminishing coverage and availability could exacerbate existing U.S. housing affordability issues.
- Regions experiencing a spike in the cost of living could be susceptible to demographic and demand shifts that pressure long-term tax base growth and credit stability.

Higher Housing And Insurance Costs Could Constrain Economic Growth And Weigh On Government Credit

Why it matters: By 2022, more than 55% of households earning the median income or lower were spending over 30% of disposal income on housing costs (also known as housing burdened), according to the U.S. Census Bureau's American Community Survey data. Existing affordability challenges are amplified when combined with costs from increasingly frequent and damaging storms and flooding. And weaker economic growth and property value decreases could occur in the long term without offsetting tax-base growth. This confluence of events could lead to a downward credit trend for some U.S. governments.

What we think and why: When higher insurance premiums compound existing housing affordability problems, it can affect location and purchase decisions for homebuyers and employers. If these conditions persist, it could lead to lower taxable property values, affecting local government revenues and long-term growth. Playing catch-up to replace losses keeps governments from pursuing new economic growth and can affect long-term financial stability.

Continue reading.

[FREE REGISTRATION REQUIRED]

31 Oct, 2024

Muni Lender Preston Hollow Is Exploring a Sale.

- **Firm is working with adviser to explore strategic options**
- **Preston Hollow has raised $1.6 billion from investors over time**

Preston Hollow Community Capital, a municipal finance lender, is exploring strategic options including a sale, according to people with knowledge of the matter.

The Dallas-based company is working with an adviser to solicit interest from potential suitors, said the people, who requested anonymity to discuss confidential information. No final decisions have been made and a transaction isn't guaranteed.

Preston Hollow has invested more than $5.2 billion in municipal bonds since its founding in 2014 and has raised $1.6 billion from investors including Stone Point Capital, HarbourVest Partners and Nuveen LLC's TIAA, according to a September release.

Continue reading.

Bloomberg Markets

By Gillian Tan

October 29, 2024

Florida Rail Brightline's Riskiest Munis Lure Investors on Expansion Bet.

- **Railroad's unrated muni bonds gain about 13% since April**
- **John Miller fills First Eagle's muni portfolio with the debt**

Bond investors are snapping up the riskiest chunk of Brightline's debt in a wager on the private railroad as it expands west across Florida.

Investors, drawn by a 12% coupon, have bid up Brightline's $925 million of unrated-tax exempt bonds so much that they're valued at about 105 cents on the dollar. They've returned some 13% since April, when the Fortress Investment Group-backed company refinanced its debt with nearly $4.5 billion in muni bonds and junk notes.

Among the reasons the unrated debt is appealing to investors: collateral. They're secured by a lien on current and future assets including design contracts, permits, and rights-of-way that are earmarked for Brightline's project to stretch its tracks from Orlando to Tampa.

Continue reading.

Bloomberg Markets

By Martin Z Braun

October 31, 2024

Bloomberg: University of Texas Launches New Center Focused on Muni Market.

- **Center to be housed within the public affairs graduate school**
- **Program to meet infrastructure needs due to climate, energy**

The University of Texas at Austin is launching a new center dedicated to the municipal bond market, ahead of an anticipated boom in infrastructure investments.

Dubbed the Center on Municipal Capital Markets, the new initiative will be housed under the institution’s Lyndon B. Johnson School of Public Affairs. It’s part of a broader push by university president Jay Hartzell to address extreme weather as a result of climate change and the energy grid’s transition to renewable power.

“Our future as a growing, resilient society depends upon our ability to wisely invest in infrastructure, especially in the important energy sector,” Hartzell said in an emailed statement. “Tomorrow’s leaders need to understand the role of capital markets in making those investments possible.”

A rush of public projects is anticipated after decades of infrastructure disinvestment and increasing needs driven by climate change, said Martin Luby, a professor of public affairs and the center’s founding director.

“There’s clearly a need for education, training and thought leadership in this area, and I think it’s just even more acute given what we think is going to happen in terms of increased infrastructure investment in the future,” Luby said in an interview. “When we think about capital financing it’s all hands on deck and we’re going to try to cover it as much as possible.”

Municipal bond sales have already surged this year, totaling $426 billion since the start of January, a 41% increase from the same period in 2023, according to data compiled by Bloomberg. Texas issuance is a major chunk of that deluge, with about $60 billion of debt.

That comes as Texas’ public finance market has been in flux for several years after state lawmakers passed two laws targeting Wall Street banks for their policies regarding fossil fuels and firearms — legislation that has reshuffled the muni underwriter rankings in the state.

The new center will train students on how to use the capital markets to strengthen communities and their infrastructure. Starting in September 2025, some students will conduct fellowships with municipal-finance firms including Moody’s Corp. and Public Financial Management, Inc, according to Luby.

The center will also produce research and policy reports, as well as host an annual conference and outreach events for issuers. The first research report is slated for publication next year and examines the reserves needed for certain borrowers to absorb shocks related to natural disasters including wildfires, tornadoes, hurricanes and drought.

Continuing education courses for public finance professionals are expected to launch in the 2026-2027 academic year.

Luby said the center is looking to bring on a new hire with experiencing raising money in the muni market to focus on fundraising.

“Whether that’s someone who’s a former investment banker or CFO-type — that wants to transition into higher ed and help us build out this program,” he said.

The center’s advisory council includes industry professionals including Municipal Securities Rulemaking Board’s chief executive Mark Kim.

Bloomberg Markets

By Erin Hudson

October 29, 2024

New Training and Research Center to Leverage Private Capital for Public Infrastructure Launches at University of Texas.

AUSTIN, Texas — One of the nation's only university-based centers to focus on capital market financing for public infrastructure projects will strengthen the ability of communities to build schools, roads and hospitals and make critical infrastructure, including energy systems, more resilient. The Center on Municipal Capital Markets (CMCM), launched by the LBJ School of Public Affairs at The University of Texas at Austin, will provide specialized training and research so that government entities can effectively leverage private capital for these public needs.

The center will train graduate students and host programs to educate professionals about how to leverage markets to have sufficient funding for projects they are pursuing. The importance of leveraging government resources for infrastructure development and maintenance has grown as recent federal initiatives aim to revitalize infrastructure after years of disinvestment.

"Our future as a growing, resilient society depends upon our ability to wisely invest in infrastructure, especially in the important sectors of health care, transportation and energy. Tomorrow's leaders need to understand the role of capital markets in making those investments possible," said UT President Jay Hartzell. Hartzell holds degrees in economics and finance and has expertise in corporate finance. "The LBJ School will equip both governmental leaders and capital market participants with the expertise to think creatively to solve the financial challenges of infrastructure development and maintenance, and to ultimately change the world for generations to come."

Municipal capital markets allow government entities to raise funds for essential public infrastructure projects — such as schools, highways, hospitals, water, wastewater and energy systems — by selling bonds to private investors. These investments enhance the quality of life in communities and promote long-term economic growth by ensuring access to vital services. They also improve community resilience by preparing public systems to withstand challenges such as extreme weather while ensuring sustainability and reliability over time. This makes municipal capital markets a crucial tool for financing large-scale infrastructure projects that would otherwise be unaffordable through traditional funding methods.

CMCM will focus on four key areas:

- Undergraduate, graduate and continuing education for emerging and seasoned public finance professionals.
- Hands-on training and experiential learning.
- Applied research.
- Public outreach.

The foundation for CMCM was built during an event in December 2023, where more than 100 leaders from various public finance organizations, convened by LBJ School professor and the center's inaugural director, Martin Luby, in collaboration with the Bond Dealers of America, discussed innovative approaches to infrastructure finance.

“Developing the next generation of professionals and advancing research and dialogue on the municipal capital markets is especially salient given the huge infrastructure needs we have in the United States,” said Luby, who teaches public and municipal finance courses at UT. “The Center on Municipal Capital Markets will address how such capital investments affect the macroeconomy, the local economies of state and local governments, as well as the day-to-day lives of all citizens.”

Luby has published widely on innovative government financial instruments, federal financing techniques, regulation of the municipal securities market, and the role of financial intermediaries in state and local government financings. He also has extensive banking, consultant and advisory experience with many state and local governments, as well as with the federal government. In addition to his research and advising, Luby has been at the forefront of initiatives to cultivate talent for the public finance sector, teaching more than 1,000 students and developing opportunities for research, education and experience in the public finance field.

CMCM has constituted a 16-member advisory council composed of national leaders in the municipal capital.

“I am honored to serve on the inaugural advisory council for the launch of the Center on Municipal Capital Markets at the LBJ School of Public Affairs,” said Mark Kim, CEO of the Municipal Securities Rulemaking Board. “I applaud CMCM’s dual mandate of teaching undergraduate and graduate students about the critical role of the municipal securities market in financing this nation’s public infrastructure, as well as empowering government finance professionals with a greater understanding of the capital markets through continuing education, training opportunities and academic research.”

CMCM has already introduced a Certificate in State and Local Finance for LBJ School students and is producing technical reports for clients on municipal finance.

“We are not only exploring solutions to the world’s most pressing problems but also developing innovative financing strategies for these solutions,” said LBJ School Dean JR DeShazo. “I am thrilled about the career opportunities this center will create and the impactful solutions our students will develop.”

Oct 29, 2024

Arizona Town Ditches Illegal Attempt to Dump $70 Million Debt on Residents.

Taxpayers in Payson, Ariz., are no longer on the hook for a massive debt after the Goldwater Institute and local residents raised concerns about the legality of the town’s inclusion of a so-called “emergency clause” for the sale of $70 million in bonds.

Payson officials had authorized the sale of $70 million in municipal bonds in August, using an “emergency” clause to bypass the democratic process and deny residents the opportunity to put the controversial bond measure to a popular vote. The purported “emergency” was nothing more than the Town Council’s desire to secure a bond quickly, as officials speculated that interest rates might slightly increase in the coming months.

The Goldwater Institute filed a lawsuit challenging the sham “emergency” measure on behalf of a local resident, pointing out that the Arizona Constitution and state statute guarantee the right of referendum—that is, voters’ rights to refer a bill, ordinance, or resolution to the ballot and vote on it.

The case is currently on appeal, but in the meantime, Payson voters and taxpayers have already received some great news. Last week, the Town Council voted to repeal the problematic resolution, cancelling the “emergency” bond sale.

The court battle against governments’ abuse of emergency clauses isn’t over—indeed, local governments throughout the state routinely bypass democratic accountability using “emergency” clauses. We’re fighting back to ensure government can’t steamroll its own citizens and deny them rights afforded under Arizona’s constitution.

You can read more about the case here.

The Goldwater Institute

by John Thorpe

October 30, 2024

John Thorpe is a Staff Attorney at the Goldwater Institute.

Hollywood Alma Mater Harvard-Westlake Taps Munis for New Campus.

- **Expanded grounds will house athletic facilities, public park**
- **$88 million in bonds will bridge the project’s fundraising gap**

Harvard-Westlake School, one of the country’s most exclusive private schools famous for educating generations of Hollywood stars, is tapping the public debt markets for the first time.

The school plans to borrow nearly $90 million of municipal bonds to finance a new athletic campus in Los Angeles’ Studio City. The project, which is years in the making, will transform the former site of a neighborhood tennis and golf facility into a sprawling park that will house state-of-the-art spaces for Harvard-Westlake’s 90 sports teams, according to bond documents. The undertaking — mostly funded through donations — will feature an Olympic-sized swimming pool, eight tennis courts, a club house and putting green.

“We’re so limited with space on this campus,” Beth Slattery, head of Harvard-Westlake’s Upper School, told the school’s student newspaper earlier this year. “This really frees us up to be able to do things and I’m excited about it.”

Continue reading.

Bloomberg Markets

By Erin Hudson

October 29, 2024

Muni Disclosure: Time to Bring In SEC?

After decades of what investors see as inadequate disclosure from cities, towns and states, it's time to consider a fundamental change in the $4 trillion municipal bond market: direct federal oversight.

That's the argument from a pair of market veterans who admit it's a provocative position for a market that is famously distinctive in its power of self-regulation.

Issuers and their bond counsel, unsurprisingly, are dead set against the proposal.

In a pair of articles posted on University of Chicago Booth School of Business academic journal Promarket, public finance attorney David Dubrow, a partner at ArentFox Schiff, and former director of the Office of State and Local Finance at the U.S. Treasury Kent Hiteshew lay out their case for why it's time for the Securities and Exchange Commission to step in and directly oversee issuer disclosure or, at the least, expand its anti-fraud powers over underwriters to include specific disclosure requirements.

The first piece, published Oct. 22, is titled "Decades of Regulatory Exemptions Have Been to the Detriment of the Municipal Bond Market," and outlines the history of issuer exemption and the later adoption of indirect regulation through underwriters.

The second piece, published Oct. 23, is titled "The Case for Modernizing Municipal Bond Disclosure Transparency," and outlines an argument for increased oversight, either through Congress or the SEC, and offers guidelines to enhance consistency and transparency and bring muni disclosure "into the modern era."

"We understand some of the things we said will be controversial," Hiteshew said. "But we have, in the span of several years, the largest defaults ever in Detroit, Jefferson County [Alabama] and Puerto Rico, and we've had no discussion of whether improved disclosure may be appropriate," he said. "We thought it would be a good time to have that conversation."

They sent the articles to the SEC and Municipal Securities Rulemaking Board.

The debate over disclosure by government entities issuing municipal bonds stretches back decades. While the muni market has been partially exempt from Securities and Exchange Commission oversight since the commission's creation in 1933, there have been tweaks along the way to increase oversight.

Most of the changes came in the wake of high-profile troubled municipal events, Dubrow and Hiteshew noted in their article.

It was New York City's near default in 1974 that created the Municipal Securities Rulemaking Board as a self-regulatory body. The Washington Public Power Supply System's bankruptcy and default on $2.2 billion of bonds in 1983 prompted the SEC to use its anti-fraud powers for indirect regulation through the creation of Rule 15c2-12 requiring underwriters to impose disclosure requirements, which was amended in 1994 to include continuing disclosure.

In addition to the defaults, " the municipal market has changed a lot," Dubrow said. One-third of the market now consists of private activity bonds issued for borrowers who often act more like private entities than traditional muni issuers, said Dubrow, who works on restructurings, workouts and bankruptcies.

"That's a big deal in the sense that the disclosure and requirements in the municipal market are different than when these private entities go to market in the corporate market, and so there's certain advantages to using the muni market, but the disclosure requirements really shouldn't be different," he said.

Increasing oversight could either come through Congress repealing the Tower Act, which restricts direct SEC and MSRB authority, so the two bodies could directly regulate issuer offering statements, or by expanding the SEC and MSRB anti-fraud regulatory authority over broker-dealers to include specified disclosure requirements within Rule 15c2-12.

Dubrow and Hiteshew prefer the statutory route. "That's very straightforward and they'd be passing a law that would require issuers to do these things," Dubrow said.

Congress could direct the SEC to differentiate between different issuers, they proposed. "For example, conduit borrowers should be treated more akin to the corporate-like issuers they truly represent and subjected to more rigorous standards consistent with their much higher default experience. In addition, small, infrequent governmental issuers might be afforded more abbreviated standards than larger, regular governmental issuers."

The pair outline eight guidelines for enhancing transparency in offering documents, including readability, robust risk sections, and timely audits.

From the perspective of the local governments and states who issue bonds, and the bond counsel who represent them, direct regulation is an unnecessary overreach of federal power.

Repeal of the Tower Amendment "is a nonstarter for us," said Jason Akers at Foley & Judell, LLP, president of the National Association of Bond Lawyers, in an email.

"We recognize the need for disclosure practices to evolve with changes in the market, but we don't need to burn the existing system to the ground to foster greater transparency," Akers said. "It would be more productive to have inclusive industry discussions about if and how we move toward some of these guidelines, rather than asking Congress or regulators to force it upon such a sizeable and diverse market," he said. "Market practices are constantly evolving and improving, and industry efforts within the existing regulatory paradigm have led to some of the most positive developments in municipal disclosure over the years."

Issuers themselves are well aware of the importance and market benefits of solid disclosure and work hard at meeting best practices, said Emily Brock, federal liaison for the Government Finance Officers Association.

The GFOA's best practices ranges "from primary through continuing and to voluntary disclosure practices and are practiced by issuers throughout the United States," Brock said. "The articles fail to acknowledge the voluntary work issuers have already done and will continue to do to move the needle forward on municipal disclosure."

As someone who has been tracking the disclosure debate since the 1980s, Rich Ciccarone, president emeritus of Merritt Research Services, said while some disclosure areas, like accessibility and comparability, have improved, others, like timeliness, remain a big problem. States like Illinois and California have still not filed their 2023 audits, he noted.

"That creates a serious vulnerability in the integrity of the municipal bond market," said Ciccarone, who penned an article for the Wall Street Journal in 1987 titled "Municipal bondholders need more information."

"The history of self-regulatory improvements have met a lot of our expectations and created a very substantial framework to complete the job," he said. "But I would say right now that I think a measured response from the regulatory arena is in order."

By Caitlin Devitt

BY SourceMedia | MUNICIPAL | 11/01/24 11:29 AM EDT

Presidential Election Puts Muni Bonds in Focus.

It's not yet clear who will occupy the White House in 2025. It's also not known what the makeup of the two chambers of Congress will look like. With the Tax Cut & Jobs Act (TCJA) set to expire next year, changes in the tax code are likely afoot. The mere specter of higher taxes could be an impetus for advisors and investors to more closely examine muni bonds and ETFs like the ALPS Intermediate Municipal Bond ETF (MNBD).

In any environment, muni bonds offer tax benefits. And those perks could be amplified should various TJCA provisions be eliminated next year.

Muni bonds, including those held by MNBD, could be further supported by additional interest rate cuts by the Federal Reserve. That's expected to happen over the course of 2025. Plus, state- and city-level tax collections should remain sturdy, further bolstering the case for munis.

Politics Could Benefit MNBD
Bonds have disappointed following the Fed's September rate cuts as Treasury yields remained stubbornly high,. But MNBD has traded mostly sideways since then. And muni bonds may have found support from money managers looking to prepare for 2025 tax changes.

"Eric Golden, founder and CEO of fixed income-focused fintech Canopy Capital Group, says advisors on his platform are likely to increase their allocations to municipal bonds as the TCJA approaches its sunset in 2025. The rationale behind this shift is rooted in the potential for higher taxes, which would turn up the spotlight on the tax-exempt nature of municipal bonds," reported Gregg Greenberg for Investment News.

Some advisors are already boosting exposure to munis. And that buying, particularly if it increases, could boost passive muni ETFs and active funds such as MNBD. Additionally, some advisors are hinting their pre-election buying of muni bonds and funds won't stop after Election Day. Rather, they expect to continue embracing the asset class over the course of next year.

"Similarly, Stash Graham, managing director & chief investment officer of Graham Capital Wealth Management, foresees increasing his allocation to tax-free municipal bonds. Still, he is waiting on a host of factors before making a [move. Those include] the result of the Presidential Election, the yield curve's shape, credit quality, and the direction of interest rates are in general," added Greenberg in his Investment News piece.

etftrends.com

by Todd Shriber

November 1, 2024

When to Consider Munis From Outside Your Home State.

A major benefit of municipal bonds, or "munis," is that the interest they pay is generally exempt from federal income taxes. They're also generally exempt from state income taxes if the issuer is from the investor's home state. That may seem like a compelling argument for sticking with in-state munis. However, many muni investors may benefit by diversifying outside of their home state, even if it results in a higher state tax bill.

We've identified five factors when it could make sense to consider munis from other states. After considering all five, we think that muni investors in all states, with the exception of two high-tax states—California and New York—could benefit from investing in a national, not state-specific, portfolio of muni bonds. Even investors in California who are not in a high state tax bracket could achieve higher after-tax yields by diversifying nationally.

1. You live in a state with low or no state income tax.

If you live in a state with low or no state income tax, you will likely benefit from diversifying your muni portfolio with munis from issuers outside your home state.

Continue reading.

advisorperspectives.com

by Cooper Howard of Charles Schwab, 10/31/24

What Does the Expiration of Washington's Tax Cuts Mean for Munis?

Nicholos Venditti, senior portfolio manager at Allspring Global Investments, sits down with InvestmentNews anchor Gregg Greenberg to offer his outlook for municipal bonds and the sunsetting of the Tax Cuts and Jobs Act (TCJA).

Watch podcast

investmentnews.com

October 30, 2024

Wealth Managers Eyeing Municipal Bonds Ahead of Tax Cut Sunsets.

Some advisors are waiting for the election before adding more muni-bonds. Others are getting a head start.

The Tax Cut and Jobs Act (TCJA) enacted by President Trump in 2017 increased the standard deduction and eliminated personal exemptions. It lowered marginal income tax rates across the scale. It imposed a $10,000 cap on the deductibility of state and local taxes (SALT). It increased the tax credit for each child under 17 from $1,000 to $2,000. It provided a 20 percent deduction for small businesses and also hiked the AMT exemption.

It's also sunsetting in 2025 leaving financial advisors with some big portfolio decisions to make. One of the bigger ones being whether to raise their clients' municipal bond allocations and, if so, by how much.

Munis are tax free, you know.

Continue reading.

investmentnews.com

By Gregg Greenberg

OCT 31, 2024

Election-Related Tax Concerns Looming? Look to Muni Bond ETF TAXF.

With U.S. elections just under a week from now, many investors may be tuning in with questions about taxes. Overlapping with a time of year when many advisors look to mitigate tax impacts for clients, it may be worth considering ETFs to help. A muni bond ETF, for example, can provide a way to move assets into more tax-efficient holdings. The American Century Diversified Municipal Bond ETF (TAXF) provides an option therein that can particularly intrigue.

TAXF charges 29 basis points for its active investing approach. The fund combines investment-grade and high-yield muni bonds to offer both income and tax benefits. The active muni bond ETF invests up to 35% of its portfolio to "riskier" municipal bonds.

That active approach can help the fund parse the sometimes-complicated world of bonds. Where passive ETFs must track a list of bonds and can't adapt, active funds can scrutinize bonds more closely. That fundamental analysis can make a big difference especially when diving into riskier muni bond areas.

The muni bond ETF has returned 10.8% over the last year, per American Century Investments data, outperforming the S&P National AMT-Free Municipal Bond Index. Having launched in 2018, the strategy's AUM is very close to half a billion, per YCharts data. It offers a weighted average coupon of 4.8% as of Sept.30, with a 3.89% yield to maturity, as well.

Should U.S. elections project higher taxes, adding muni bonds could provide a helpful countermeasure. A strategy like TAXF, with its active muni bond approach, may provide performance, income, and yield on top of its tax advantages. Especially for those moving out of fixed income mutual funds or looking to tax loss harvest, TAXF can appeal.

etftrends.com

by Nick Peters-Golden

October 30, 2024

[Bloomberg: JPMorgan, Baird Keen on Muni Bonds Ahead of Election Sale Dip.]

- **Munis are attractive as yields have climbed after a selloff**
- **Supply expected to drop in the first two weeks of November**

Some investors are eager to buy municipal bonds before supply tapers off because of the elections.

Supply is expected to drop next month: JPMorgan Chase & Co. strategists see tax-exempt issuance declining 70% to $7 billion in the first two weeks of November from the last two weeks of October.

Since muni bonds have been offering higher yields after a recent selloff, investors may want to take advantage of the elevated issuance this week, the strategists led by Peter DeGroot said. Municipal benchmark bond yields inched up again on Tuesday, rising as much as four basis points. The JPMorgan strategists expect yields to drop by the end of 2024 — making this week a good time to buy.

Continue reading.

Bloomberg Markets

By Lily Meier

October 29, 2024

Passive Indexing Takes a Backset to Active: Bloomberg Masters of the Muniverse

Not a new theme but a continual one in that passive strategy start ups seem to be taking a back seat to sexier active strategies. In the latest Masters of the Muniverse episode of our FICC Focus podcast, Eric Kazatsky and Karen Altamirano are joined by Alex Petrone, Managing Director and Director of Fixed Income for Rockefeller Asset Management. We discuss Rockefellers views on the municipal marketpkace, how quickly the fixed income asset management space is changing and what 2025 may bring us.

Watch video.

Bloomberg

Oct 29, 2024

Private-Jet Boom Comes to Muni Market With High-Yield Bond Deal.

- **Muni market sees return of fixed-base operator company**
- **Million Air to expand facility in Austin that opened in 2019**

Million Air, a luxury aviation company catering to the ultra-rich and high-flying executives, is borrowing $120.5 million from Wall Street to expand its operations in Austin to meet pent-up demand for hangar space to park private jets.

Originally founded for the Mary Kay Inc. cosmetics company, a wholly-owned subsidiary of Million Air's parent company plans to tap the municipal debt market in November. Proceeds from the sale will be used to roughly double the size of Million Air's facilities at the Austin-Bergstrom International Airport, which is among the top 25 busiest in the US for business jet operations.

Some of the bond money will also go toward adding enhancements to the company's facilities in Marathon, Florida. Raymond James is underwriting the unrated bond offering.

Continue reading.

Bloomberg Wealth

By Erin Hudson and Amanda Albright

October 28, 2024

CDFA Advanced Tax Increment Finance Course.

November 13, 2024 | 9:00 AM – 4:00 PM Eastern | Baltimore, MD

The Advanced Tax Increment Finance Course builds upon curriculum from the Intro Tax Increment Finance Course by focusing more concretely on structuring the deal and developing short- and long-term policies. Attendees will also learn about performance monitoring, feasibility analysis, and using TIF in conjunction with other development finance tools.

This course is taking place as part of CDFA's 2024 National Development Finance Summit. Learn more about the National Summit here.

This course qualifies for the CDFA Training Institute's Development Finance Certified Professional (DFCP) Program. Join us in Baltimore, and start down the road to personal and professional advancement today.

Click here to learn more and to register.

Bond Financing for Manufacturers & Non-Profits: CDFA // BNY Development Finance Webcast Series

Tuesday, November 19, 2024 | 2:00 PM – 3:00 PM

Tax-exempt bond financing offers a powerful tool for manufacturers and 501(c)(3) organizations to fund essential capital improvements at lower interest costs. During this installment of the CDFA // BNY Development Finance Webcast Series, panelists will tap into the core principles of tax-exempt financing for manufacturers and 501(c)(3) organizations, covering key aspects such as eligible issuers, assets, and projects, private business use test, and best practices.

Click here to learn more and to register.

Exploring Common Bond Reserve Funds: CDFA // BNY Development Finance Webcast Series

Tuesday, December 17, 2024. | Tue 2:00 PM – 3:00 PM

Through Common Bond Reserve Funds, development finance agencies can issue tax-exempt or taxable revenue bonds on behalf of private borrowers to provide lower interest rates on long-term financing, providing credit enhancement for businesses and projects in need of affordable rates. During this installment of the CDFA // BNY Development Finance Webcast Series, local practitioners will present their Common Bond Reserve Fund program models to demonstrate the potential of this innovative pathway for increasing access to capital.

Click here to learn more and to register.

SEC Division of Examinations 2025 Exam Priorities - a Focus on Artificial Intelligence, Private Funds, and Cybersecurity: MoFo

On October 21, 2024, the U.S. Securities and Exchange Commission's ("SEC") Division of Examinations ("EXAMS") announced its 2025 Examination Priorities (the "2025 Priorities"), highlighting areas that it expects to target during examinations in 2025. The 2025 Priorities reinforce many of the same areas of focus as the 2024 priorities, including investment advisers to private funds, conflicts of interest disclosures, Regulation Best Interest ("Reg BI"), cybersecurity, and crypto assets. The 2025 Priorities also signal heightened attention to emerging areas of concern, including the use of artificial intelligence ("AI") and client exposure to commercial real estate.

Registered investment advisers ("RIAs"), registered investment companies ("RICs"), and broker-dealers should carefully review the 2025 Priorities to ensure their compliance systems and policies are up to date, monitored, and enforced. Indeed, given the SEC's history of pursuing enforcement actions in areas highlighted in prior years as Examination Priorities, appropriate attention to the 2025 Priorities today could save regulated entities considerable resources down the road.[1]

> **Ed. Note:** "The 2025 Priorities note that EXAMS will continue to focus on:
>
> Municipal advisors, including whether they have met their fiduciary duty to municipal entity clients, as well as whether municipal advisors have complied with MSRB Rule G-42, which establishes the core standards of conduct and duties applicable to non-solicitor municipal advisors."

Continue reading.

Morrison & Foerster LLP – Kelley A. Howes, Sarah Y. Hanni, Derek N. Steingarten, Michael D. Birnbaum, Haimavathi V. Marlier, Val Dahiya and Aaron J. Russ

November 1 2024

[SEC Division of Examinations Announces 2025 Exam Priorities: Mayer Brown]

Priorities Include Artificial Intelligence and Other Emerging Technologies, Complex Products, Reg BI, Cybersecurity, Outsourcing, Private Funds and Compliance with New and Amended SEC Rules

On October 21, 2024, the Division of Examinations ("EXAMS" or the "Division") of the U.S. Securities and Exchange Commission ("SEC") released its examination priorities (the "2025 Priorities") for fiscal year 2025 (which started October 1, 2024).1 Over the course of 2025, the Division intends for its examinations to focus on the use of artificial intelligence ("AI") and other emerging technologies (including digital engagement practices ("DEPs")), complex products, cybersecurity, outsourcing, private fund advisers, and compliance with new and amended SEC rules, such as the recent amendments to Regulation S-P and SEC rule changes relating to the securities industry's transition to a T+1 standard settlement cycle for most securities transactions.

In this Legal Update, we provide a brief overview of the 2025 Priorities, with a focus on topics relevant to broker-dealers and investment advisers.

> **Ed. Note:** "Please see Additional areas for examination include broker-dealers' trading practices associated with trading in pre-IPO companies, sales of private company shares in secondary markets, and execution of retail orders. Regarding retail order execution, the Division's reviews will include: (1) whether retail orders are marked as "held" or "not held," and the consistency of such markings with retail instructions, and (2) *the pricing and valuation of illiquid or retail-focused instruments such as variable rate demand obligations, other municipal securitie*s, and non-traded real estate investment trusts (REITs). Finally, in relation to Regulation SHO, the Division will review whether broker-dealers are appropriately relying on the bona fide market making exception, including whether quoting activity is away from the inside bid/offer."

Continue reading.

Mayer Brown LLP – Steffen Hemmerich, Adam D. Kanter, Timothy B. Nagy, Anna T. Pinedo, Stephen Vogt, Mark X. Zhuang and Leslie S. Cruz

November 4 2024

[MSRB Seeks Input on Rate Card Fee-Setting Framework.]

Initiative Reinforces MSRB's Focus on Financial Transparency and Stakeholder Engagement

Washington, D.C. – The Municipal Securities Rulemaking Board (MSRB) has issued a Request for Information (RFI) seeking input on its fee-setting process to evaluate potential modifications to its rate card model. The RFI follows extensive stakeholder dialogue and engagement efforts throughout 2024 to better understand the perspectives of market participants, specifically related to the impact of market volatility on fees. The RFI seeks further input from regulated entities, issuers, investors and the public to better inform MSRB's retrospective review of the rate card process.

"MSRB's primary objectives in establishing the rate card model has been to increase transparency, maintain an equitable balance of fees among regulated entities and mitigate the impact of market volatility on MSRB's revenues, all while managing the MSRB's reserves to target levels," MSRB CEO Mark Kim said. "Through our retrospective review of the rate card model and the RFI released today, MSRB looks forward to receiving public comments to help inform improvements to our fee-setting process to responsibly fund the future of regulation, while advancing MSRB's Congressional mandate."

The rate card model applies to the establishment of the underwriting, transaction, and trade count fees for dealers under MSRB Rule A-13, and the municipal advisor professional fee under MSRB Rule A-11, with such rate card fees anticipated to be set generally on an annual basis.

MSRB will not file a new set of rate card fees for calendar year 2025. Instead, it plans to leverage input from the RFI to determine whether any modifications to the model are warranted so that any changes can be instituted, and new rate card fees can be established for calendar year 2026 if necessary or appropriate.

MSRB seeks input on the following topics:

- Rate-setting process for dealers;
- Rate-setting process for municipal advisors;
- Fee distribution across regulated entities; and
- Management of organizational reserves

Responses to the RFI are due January 31, 2025.

Read the Request for Information.

Date: October 30, 2024

Contact: Aleis Stokes, Chief External Relations Officer
202-838-1500
astokes@msrb.org

- GFOA Disaster Finance Resource Center.
- S&P U.S. Brief: Hurricane Milton And Extraordinary Optional Municipal Bond Redemptions

- Public Finance Impact of Hurricanes' One-Two Punch is Still Taking Shape.
- Impact of Shorter T+1 Settlement Cycle on US Markets More Severe than Expected, Citi Survey Finds.
- NFMA Comments on FDTA.
- SEC Charges Municipal Advisor and its Managing Director with Failing to Timely and Fully Disclose Material Conflicts of Interest to Charter School Clients.
- Public Utility Accounting Virtual Training.
- Energy As a Service and Municipal Bonds: What You Should Know – Orrick Webinar
- And Finally, Bit Of A Misunderstanding is brought to us this week by *Sanders v. New Mexico Corrections Department*, in which Christopher Blattner was serving a 7-year sentence until the New Mexico Department of Corrections, "erroneously processed his release from the facility three years early and prior to the completion of his sentence." Following his untimely release, Mr. Blattner did the usual newfound freedom routine of cheeseburger/new phone/murder the neighbor. If only Mr. Blattner had kept better records he could have reminded the NMDC that some premature jocularity was afoot and everyone could have had a good chuckle before returning to their respective cubicles/cells. Oh, well. But look who's chuckling now! (We're not exactly sure who's chuckling, but we do know it's not Katherine Paquin!)

LIABILITY - ARIZONA

City of Mesa v. Ryan in and for County of Maricopa

Supreme Court of Arizona - October 17, 2024 - P.3d - 2024 WL 4509603

Bicyclist, who was struck by city police officer while driving patrol car during multi-vehicle accident, brought personal-injury action against officer and city.

The Superior Court denied defendants' motion to dismiss for deficient notice of claim. Defendants filed petition for special action review, which was accepted. The Court of Appeals reversed and remanded with directions. Review was granted.

The Supreme Court held that bicyclist's offer to settle claims for the greater of $1 million or applicable insurance policy limits did not constitute "specific amount," for purposes of notice-o--claim statute's requirement that notice of claim contain specific amount for which claim could be settled.

Bicyclist's offer to settle personal-injury claims that were asserted against city and city police officer and that arose from multi-vehicle accident that occurred when officer was driving patrol car, which struck bicyclist, for the greater of $1 million or applicable insurance policy limits did not constitute "specific amount," for purposes of notice-of-claim statute's requirement that notice of claim contain specific amount for which claim could be settled; city's risk management claims analyst was unable to determine from notice of claim whether bicyclist was willing to settle for city's self-insured retention limit of $3 million, automobile-liability policy's $1 million limit, or excess-carrier policy's limit of $10 million to $50 million.

ZONING & PLANNING - MAINE

[Moreau v. Town of Parsonsfield]

Supreme Judicial Court of Maine - October 22, 2024 - A.3d - 2024 WL 4537133 - 2024 ME 75

Landowner filed zoning appeal against town and neighbor, seeking to vacate town zoning board of appeals' (ZBA) decision setting aside town planning board's approval of permit for landowner to operate automotive repair shop on his lot in residential district.

The Superior Court, York County, vacated ZBA's decision. Neighbor appealed.

The Supreme Judicial Court held that:

- An appealable decision, triggering time to appeal, occurred at second of two ZBA meetings;
- Administrative decision on review was that of planning board;
- Commercial use of lot was not grandfathered in as a nonconforming use; and
- Commercial road standards for private access roads serving a business on a rear lot applied to shop.

EMINENT DOMAIN - NEVADA

[Mass Land Acquisition, LLC v. First Judicial District Court of in and for County of Storey]

Supreme Court of Nevada - October 17, 2024 - P.3d - 2024 WL 4510338 - 140 Nev. Adv. Op. 67

Investor-owned public utility brought eminent domain action, seeking to acquire easement for natural gas pipeline as well as immediate occupancy.

The District Court denied landowner's motion to dismiss and granted utility's motion for immediate occupancy. Landowner petitioned for writ of mandamus or prohibition, and filed motion to stay, which the District Court denied.

The Supreme Court held that:

- Petition was not moot, although pipeline had been constructed;
- Nevada Constitution did not preclude investor-owned public utility from exercising its delegated power of eminent domain to take easement across property; and
- Landowner lacked any right to a jury trial on issue of whether the Nevada Constitution allows a privately owned public utility to take an easement across private land for a natural gas pipeline.

Landowner's petition for traditional writ relief and advisory mandamus to challenge investor-owned public utility's taking of gas pipeline easement by eminent domain and immediate occupancy was not moot, although pipeline had been constructed; issue presented an unsettled question of statewide importance that qualified for advisory mandamus, and landowner had potential remedies of ejectment or restoration and reversion.

Supreme Court would deny landowner's request that it grant writ relief from the district court's order denying landowner's motion for a stay of grant of immediate occupancy which was issued to investor-owned public utility in underlying eminent domain action in which utility acquired a natural gas pipeline easement over landowner's property; landowner's remedy was to seek a stay from the Supreme Court, which it waived when it withdrew its motion for a stay from the Supreme Court before it could be decided.

ZONING & PLANNING - NEW HAMPSHIRE

Rod v. Town of Peterborough

Supreme Court of New Hampshire - October 25, 2024 - A.3d - 2024 N.H. 61 - 2024 WL 4575912

Gun club, which had reoriented outdoor shooting range from east-west to north-south, appealed zoning board of adjustment's affirmance of examining officer's decision that the club did not have a lawful nonconforming use, the board's denial of club's special exception application, and the planning board's denial of the club's site plan application.

The Superior Court affirmed and denied club's motion for reconsideration. Club appealed.

The Supreme Court held that:

- Gun club's reoriented outdoor shooting range was not a continuation of its lawful, existing nonconforming use;
- Zoning board of adjustment did not act unlawfully or unreasonably in denying shooting club's request for a special exception for a nonconforming use; and
- Statute prohibiting application of an ordinance limiting shooting range activities to a range "in operation" prior to the date of the ordinance required lawful operation, and thus did not prevent application of town's ordinance requiring shooting ranges to be indoors to gun club's reoriented shooting range.

IMMUNITY - NEW MEXICO

Sanders v. New Mexico Corrections Department

Supreme Court of New Mexico - October 10, 2024 - P.3d - 2024 WL 4456675

Victim's estate brought wrongful death action against New Mexico Corrections Department (NMCD), its secretary, and its bureau records chief, alleging that victim was killed by inmate that NMCD erroneously released.

The District Court granted defendants summary judgment on basis that they were immune from suit under Tort Claims Act (TCA). Victim's estate appealed. The Court of Appeals affirmed in part, reversed in part, and remanded. Defendants petitioned for review, which was granted.

The Supreme Court held that:

- There is no basis to conclude that there is a geographical limit on the location of an injury that would preclude the application of the building waiver of the TCA as a matter of law, abrogating *Archibeque v. Moya*, 116 N.M. 616, 866 P.2d 344, and
- Estate's claims were not barred simply because the death did not occur on or adjacent to NMCD's premises.

There is no basis to conclude that there is a geographical limit on the location of an injury that would preclude the application of the building waiver of the Tort Claims Act (TCA), which permits tort claims against governmental entities for damages resulting from wrongful death by the negligence of public employees while acting within the scope of their duties in the operation or maintenance of any building, as a matter of law, abrogating *Archibeque v. Moya*, 116 N.M. 616, 866 P.2d 344.

Wrongful death claims brought by estate of victim killed by an inmate that had been erroneously released by New Mexico Corrections Department (NMCD) were not barred simply because the death did not occur on or adjacent to NMCD's premises; Tort Claims Act's (TCA) building waiver extended to negligence occurring beyond the physical premises.

LIABILITY - NEW YORK

Minahan v. New York City Transit Authority

Supreme Court, Appellate Division, First Department, New York - October 17, 2024 - N.Y.S.3d - 2024 WL 4508114 - 2024 N.Y. Slip Op. 05140

Pedestrian brought negligence action against city transit authority and metropolitan transit authority, alleging that she was tripped and fell on sidewalk grate due to crack in nearby sidewalk that abutted building.

The Supreme Court, New York County, denied pedestrian's motion for partial summary judgment and granted transit authorities' cross-motion for summary judgment. Pedestrian appealed.

The Supreme Court, Appellate Division, held that:

- Transit authorities were not bound by deemed admission relating to ownership of sidewalk grade, such that legal duty of care was conferred upon them, and
- Transit authorities did not owe a legal duty to pedestrian to maintain perimeter around grate.

Failure of transit authorities to respond to pedestrian's notice to admit did not prejudice pedestrian, and thus, defendants were not bound by deemed admission relating to ownership of sidewalk grate, onto which pedestrian allegedly tripped and fell due to crack in nearby sidewalk that abutted building, such that legal duty of care was conferred upon transit authorities, in pedestrian's negligence action against defendants; defendants' failure to respond was inadvertent, given that they had not admitted allegation of ownership in their answer, notice to admit was served by email at onset of pandemic shutdown and was not raised by pedestrian as outstanding discovery item at subsequent preliminary conference, and court took judicial notice of pedestrian's second suit relating to accident.

City and metropolitan transit authorities did not own sidewalk grate onto which pedestrian allegedly tripped and fell due to a crack in nearby sidewalk that abutted building, and thus did not owe a legal duty to pedestrian to maintain perimeter around grate; grate was not a subway grate that could have been owned or leased to defendants.

NLC City Fiscal Conditions 2024.

In its 39th year, City Fiscal Conditions provides a comprehensive analysis of the financial health of municipalities across the United States. This year's report underscores the adaptability of cities during significant economic shifts. Explore how cities shifted during the pandemic, strengthening their resilience to major economic disruptions, and emerging strong and ready for the post-pandemic economy.

Executive Summary

This year's report reveals that municipalities are making the necessary shifts to continue to meet the fiscal needs of their community. This includes maintaining historical investments and managing revenue streams.

Local governments are ensuring that their communities remain resilient, even in the face of declining federal aid through the American Rescue Plan Act. Analysis shows strong growth in revenues and reliable expenditures resulted in a 6.7 percent increase in spending and a 4.9 percent increase in general fund revenues.

Revenue & Spending Trends

In reviewing fiscal trends, compared to FY 2022, average spending by cities in 2023 saw a 6.7 percent increase. FY2024 spending levels continue to increase but at a lower level than between 2022 and 2023.

Continue reading.

National League of Cities

October 17, 2024

GFOA Disaster Finance Resource Center.

Responding to emergencies and disasters might not be part of a financial professional's official job description, but many GFOA members find themselves playing this type of role for the communities they serve, especially right now in the aftermath of hurricanes Helene and Milton. GFOA is in the early stages of compiling resources, including best practices, relevant research, and ways you can volunteer to help.

Read more

S&P U.S. Brief: Hurricane Milton And Extraordinary Optional Municipal Bond Redemptions

Florida municipal bonds face risks from recent hurricanes. Municipal bonds backed by Florida-based obligors are facing optional redemption risk following two recent Category 3 and above hurricanes in the state.

What's Happening

Within the span of two weeks, two hurricanes, Helene and Milton, struck Florida's coast as Category 4 and Category 3 storms, respectively. S&P Global Ratings currently rates 90 variable-rate municipal bonds that are supported by Florida-based obligors (see chart). Although the damages are still being assessed, some issuers have early redemption options for projects that were severely affected by the hurricanes.

Why It Matters

Severe damages could lead to early redemptions

- Municipal bond issuers have the option to redeem bonds if the projects that support them have been severely damaged or destroyed, according to extraordinary optional redemption.
- Bonds are subject to extraordinary optional redemption in whole at a redemption price of 100% of the outstanding principal plus accrued interest to the redemption date.
- The variable-rate bonds are supported by credit facilities provided by rated financial institutions. On the redemption dates, the bond trustees will draw on these facilities for the amounts due.
- Our ratings on the bonds reflect the likelihood that the credit facility will honor a draw upon an extraordinary optional redemption.

What Comes Next

Downgrades may affect jointly applied ratings. We currently rate nine Florida-based variable-rate municipal bonds that benefit from joint support between the bond obligor and the credit facility. We will continue to monitor the credit impact the hurricanes have had on these obligors, including the jointly applied ratings on the variable-rate municipal bonds, and take rating actions as we deem necessary, which may include downgrades.

21 Oct, 2024

Public Finance Impact of Hurricanes' One-Two Punch is Still Taking Shape.

As the people in the path of Hurricanes Helene and Milton continue to dig out from the damage, the municipal bond market continues to assess the storms' impact on public finance in the Southeast.

Hurricane Helene made landfall on the Florida Panhandle Sept. 26 and tracked north, where it did its worst damage in the Appalachian Mountains of western North Carolina and eastern Tennessee.

Milton hit Florida Oct. 9 in Sarasota County on Florida's Gulf coast, moving east across the peninsula. It spawned tornadoes far from the center of the storm itself, doing extensive damage on the state's Atlantic seaboard.

S&P Global Ratings put three utilities' ratings on credit watch negative Tuesday citing Helene's impact. The action affects Asheville, North Carolina's AA-plus-rated water system bonds; Greeneville, Tennessee's A-rated water system revenue and sewer system revenue bonds; and Erwin Utilities Authority, Tennessee's A-rated water and sewer system revenue bonds.

"We will resolve the CreditWatch placement when there is greater clarity regarding the extent of the utilities' infrastructure damage, how federal and state support is deployed, the projected pace of the rebuild, and the influence of these factors on each utility's operational integrity and financial health," said S&P Global Ratings Credit Analyst Jenny Poree.

"While FEMA and other agencies are doing the best they can with the resources they have, multiple co-occurring disasters are straining resources and increasing program debt," said Sadie Frank, co-founder and CEO of ENES, which develops and uses prediction models for solutions to climate risks to supply.

"Local governments in Hurricane Milton's path, despite having considerable financial resources, will face significant credit challenges because of the heavy reliance on state and federal disaster recovery assistance and the high costs of public infrastructure repairs," said Moody's Senior Analyst Valentina Gomez.

"The issue of flooding becomes even more prominent," said Joseph Krist, publisher of Muni Credit News. "The lack of flood insurance in the case of these storms is likely the biggest obstacle to rebuilding ? Will it drive people away?"

"Clearly there will be short term pressures but much of the work done to clear roads and remove debris will be reimbursable," Krist said.

"I would anticipate that few ratings will change barring some catastrophic impacts from the events," said John Hallacy, president of John Hallacy Consulting LLC, in a LinkedIn post.

In a just-released report, S&P said the North Carolina state government had set aside $273 million to help recovery from Helene. The agency says the government, which it rates AAA, had been projected to increase its rainy-day fund to $4.88 billion in fiscal 2025. The state has a "consistent record of replenishing reserves after one-time use."

Asheville and the surrounding area still feel the impacts of Helene almost three weeks later. The city utility is still working to restore water to its entire service area, and most customers who are getting water are under orders or advisories to boil it before drinking.

"In the short term, ironically, the hurricanes will generate some economic boosts – from rebuilding and the flood of disaster relief funds," said David Victor, professor of innovation and public policy at the University of California, San Diego.

The inflow of federal and private relief funds after disasters can cause municipal revenues to spike, Frank said.

Moody's RMS Event Response, a catastrophe modeling firm, estimated U.S. private market insured losses from the two hurricanes to be $35 billion to $55 billion. Morningstar DBRS said insured losses range from $45 billion to $60 billion and Fitch Ratings put Milton's insured losses alone from $30 billion to $50 billion.

These impacts would make the combined storms' insured property damage somewhere from the seventh, if $35 billion, to the second, if $60 billion, largest in U.S. hurricane history, adjusted for inflation, according to Insurance Business and J.P.Morgan.

The inflow of "private relief funds" means private insurance money, and this can have negative as well as positive impacts on local municipal bonds in the short and long term.

In the short term some of these losses will be picked up by reinsurers, Morningstar (MORN) said. Since one of those reinsurers is Florida Hurricane Catastrophe Fund, which is partly funded through municipal catastrophe bonds, this could hypothetically hit bondholders in the near term. However, Florida Division of Bond Finance Director Ben Watkins said Oct. 10 the fund was in a “very good position.”

Watkins said he thought Helene might cost the fund about $100 million. He expects to have a preliminary estimate of Milton’s draw on the fund in the next few days. But the hurricanes’ impact on the fund would have to exceed $6 billion before any municipal bondholders would lose any money and as of last week, he thought that very unlikely.

“Extensive damage to transportation and utility infrastructure from Hurricane Helene could complicate local government’s recovery efforts in some of the hardest-hit area, potentially delaying the restoration of services and recovery of economic activity. This creates uncertainty about the storm’s impact on long-term credit quality for some local governments,”
S&P said in a report.

“Helene and Milton are another wake-up call for Southeast states that climate change is and will radically reshape individual lives and the economy of the entire region,” Frank said. “We’re currently seeing the impacts of this most acutely on insurance markets.”

Victor said the storms’ most important long-term impact on Florida would be their potentially negative impact on property values, particularly because of increasing property and casualty insurance costs. These insurance “markets are already driving costs higher; a big loss year will amplify that trend.”

Such a prospective decline in property values, and/or declines in the tax base and emigration from the state potentially “adds up to a public finance problem since debt repayment is variously linked to tax revenue potential,” Victor said.

As yet that has not materialized; Florida’s population rose 4.7% from 2020 to 2023, reaching 22.6 million according to the U.S. Census, as the nation’s population grew 1%.

“Stress in the home insurance market ? which is particularly acute in Florida, is already becoming a national issue,” Frank said. “If insurance markets are forced to full price risk, which the National Flood Insurance Program has made baby steps towards, this will likely lead to (1) individuals dropping coverage and therefore requiring additional post-hoc assistance and/or (2) negative impacts to city and county finances as tax bases are hollowed out from climate mitigation.”

S&P said less than 1% of households in path of Helene had flood insurance through the National Flood Insurance Program.

In the long run, climate change means Florida communities will face higher costs, which will lead residents to debate whether money should be used for infrastructure or operating expenses, Victor said.

The hurricanes will convince participants in the municipal bond market to pay closer attention to climate change, Victor said.

Helene was unusual in wreaking substantial damage well away from the Atlantic Ocean or the Gulf of Mexico, S&P said in a report. “A shift to inland damage from where the storms make landfall could require greater storm preparedness in such areas, adding to the region’s need for storm hardening.” That could bring additional debt and pressure issuers’ fixed costs, the rating agency said.

“Where damage to infrastructure and core services is catastrophic, or where property insurance becomes unaffordable or unavailable, some entities could see lasting declines in population and economic activity that impact revenue generation," S&P continued in the report.

While FEMA has historically provided 75% to 90% of the coverage for disaster-related costs, this may change in the future because of the federal government's "ongoing budget issues and the escalating costs of disaster relief," S&P said.

FEMA's post-disaster aid is one of the factors that "prevent municipal bond markets from fully internalizing the impacts of climate change on cities and counties, which can ? leave communities actually more vulnerable to future risk," Frank said.

"Over the long term, this pattern of destroy, rebuild, repeat will become unsustainable, from a human and a financial cost perspective. We're already seeing cracks that indicate this cycle is breaking," Frank said.

"Over the course of the past 50 years, the tendency of Americans to move from the coldest places ("snow belt"), which have become warmer, to the hottest places ("sun belt"), which have become hotter, has steadily declined," the Federal Reserve Bank of San Francisco said in a working paper published in July.

"The first question that needs to be asked is whether building should be permitted in flood zones or in areas where natural hazards are likely to have a greater incidence of adverse events," Hallacy said.

"Changes in the composition of the municipal market, the more modest use of bond insurance, and more frequent and severe climate related events suggest that climate-related bond impairments and defaults are likely to rise," Municipal Market Analytics said in its Weekly Outlook Monday. "In the near-to-medium term, bonds reliant upon the revenues of a single-site project or a narrow revenue stream are more likely to face longer lasting stress and an increase in impairments and defaults."

Issuance of debt backed by single-site projects and other complex structures has increased in 2024 compared to 2005, MMA said.

By Robert Slavin

BY SourceMedia | MUNICIPAL | 10/17/24 08:27 AM EDT

Climate Change Reshapes Cities, Both Environmentally and Financially.

In thousands of U.S. towns and cities, worsening climate threats — largely due to fossil fuels — trap cities in a paradox.

Big cities like Houston and Tampa, Fla., and smaller ones like Port Arthur, Texas, and New Bedford, Mass., require proactive, ambitious investment to survive rising seas and temperatures.

But just as adaptation becomes urgent, climate change is undermining the financial and built infrastructure needed for such changes, risking a financial death spiral for communities housing tens of millions of Americans.

Continue reading.

thehill.com

by Saul Elbein

10/25/24

[Catastrophe-Bond Funds Suffered Virtually No Losses From Hurricane Milton.]

- **The bonds continue to deliver market-beating returns**
- **Performance follows big insured losses from two US hurricanes**

After two weeks of number-crunching, it now seems clear that investors in catastrophe bonds emerged from Hurricane Milton relatively unscathed.

In fact, holders of the bonds may be looking at returns of as much as 12%, according to Zurich-based asset manager and catastrophe-bond specialist Plenum Investments AG.

Before Milton struck just south of Tampa on Oct. 9 as a Category 3 hurricane, the market for catastrophe bonds had been bracing for losses as steep as 15%, dwarfing those triggered by Hurricane Ian two years earlier. In the event, losses from Milton will likely be closer to 1%, possibly even less.

“The underlying dynamic means that spreads stay at high levels,” said Dirk Schmelzer, managing partner at Plenum, which oversees more than $1.2 billion in insurance-linked securities and insurance debt, including about $900 million of catastrophe bonds.

And with this year’s hurricane season now unlikely to deliver more losses, the outlook is for “very attractive returns over the next 12 months,” he said during a webinar on Thursday. November hurricanes tend to hit in the lower latitudes and the chances of a major storm making landfall in the US “is next to zero,” Schmelzer said.

Catastrophe bonds, or cat bonds as they’re often called, are issued by insurers and reinsurers in order to hand some of their risk over to the capital markets. Investors in the bonds make money if a predefined disaster doesn’t occur, but can lose much of their capital if it does.

So far this year, the Swiss Re global cat-bond index is up more than 13%, as investors emerge largely unscathed after what meteorologists had warned would be one of the most active hurricane seasons in recent memory.

Market-beating returns are a recurring theme in the market for cat bonds. Last year, the instruments underpinned the most profitable hedge fund strategy of them all, namely insurance-linked securities, according to Preqin, which provides data on the alternative-asset management industry.

The parameters that determine cat-bond payouts are unlikely to become softer in the future, according to analysts monitoring the market. Morgan Stanley analysts said earlier this year that they expect cat bonds “to adjust the triggering criteria for a payout to cover only the most severe types of storms.”

Bloomberg Green

by Gautam Naik

Thu, October 24, 2024

S&P U.S. Not-For-Profit Health Care Outstanding Ratings and Outlooks as of Sept. 30, 2024

View the S&P Ratings and Outlooks.

S&P U.S. States' Fiscal 2023 Liabilities: Stable Debt, With Pension And OPEB Funding Trending Favorably

Key Takeaways

- Based on our 50-state survey, total U.S. state net direct debt decreased 1.3% in fiscal 2023, while the combined state share of net pension and OPEB liabilities declined 8.8% compared with fiscal 2022.
- On average, state debt metrics remain low to moderate compared with most economic and state budgetary measures and will likely remain so as states took advantage of federal funding and pursue paygo funding for capital needs that have traditionally been debt-funded.
- Pension funded ratios improved slightly in fiscal 2023 relative to fiscal 2022 and we expect continued improvement in fiscal years 2024 and 2025.

Continue reading.

23 Oct, 2024 | 17:51

State of California: Fitch New Issue Report

The state of California's 'AA' Long-Term IDR incorporates the state's large and diverse economy, which supports strong, albeit cyclical, revenue growth prospects, a solid ability to manage expenses through the economic cycle and a moderately low level of long-term liabilities. Strong fiscal management, institutionalized across administrations and demonstrated through the buildup of the budgetary stabilization account (BSA) and elimination of past budgetary borrowing, allows the state to withstand economic and revenue cyclicality.

Access Report

Wed 23 Oct, 2024

[More States are Planning for the Coming Retirement Surge.]

Increasingly, states are turning to automated savings programs to help their constituents—and budgets.

A record number of Americans are reaching retirement age this year, marking the start of an unprecedented surge in Americans turning 65 that will last through roughly 2027, and bringing issues related to life after work to the forefront for individuals and policymakers. Financial security is of particular concern. Although the retirement savings gap—the difference between what workers have set aside for retirement and what they will need—has improved in recent years, studies have consistently found that most Baby Boomers haven't saved enough and will probably have to rely primarily on Social Security and Medicare as they age.

The wave of people leaving the workforce also affects the public sector, with the associated fiscal and policy strains increasingly viewed as a present-day crisis. The Pew Charitable Trusts estimates that by the end of 2040, insufficient retirement savings will have cost states and the federal government a combined $1.3 trillion since 2021 in increased public assistance spending, administrative costs and reduced tax revenue. Meanwhile, the working-age population, which provides most of the tax revenue needed to pay for such costs, is unlikely to keep pace with the workforce losses, growing only modestly over time.

[Continue reading.]

Route Fifty

By Alexandre Fall

October 23, 2024

[Fitch: Reversal of Pension Benefit Actions Could Pressure State Liabilities]

Fitch Ratings-New York-21 October 2024: Recently adopted and proposed modifications to state pension benefits could slow pension funding progress and pressure long-term liability burdens over time, according to Fitch Ratings. Enacted and proposed actions that offer more generous benefits will lead to higher required contributions and liabilities in the short term and could affect long-term credit stability if states adopt additional rollbacks to the early 2010s pension benefit revisions over the next few years.

Many states revised government pension benefits following the Global Financial Crisis, which saw average state pension fund returns plummet 7.7% in 2008 and 17.9% in 2009. Changes included higher employee contributions, increased retirement eligibility age and service requirements, modifications to benefit calculations, shifts to defined-contribution or hybrid plans, and reductions or suspensions of cost-of-living adjustments (COLAs). These measures have resulted in compounded savings, improving pension funded ratios and reducing growth of actuarially determined employer contributions.

Recent events prompted the reconsideration of these decade-old pension actions. Pandemic disruptions and an aging workforce led to a surge in public sector retirements, and a sharp rise in inflation in 2021 and 2022 eroded retirees' purchasing power, particularly for plans that had curtailed COLA-linked automatic benefit increases. A tight labor market and flexible remote and hybrid working arrangements in the private sector have challenged public sector job recruitment and retention. Pension funded statuses have improved due in part to healthy long-term investment returns and, in some states, substantial supplemental pension contributions.

New York rolled back several changes over the past three budgets for workers hired after April 1, 2012, known as Tier 6. The legislature reduced the minimum vesting period from 10 years to five, costing the state and local governments $61 million annually, and changed the final average salary calculation period from five years to three, increasing annual contributions by $377 million. These changes increase the net present value of state and local pension benefits by over $4.3 billion, but Fitch expects that New York's long-term liability burden will remain low due to the state's history of conservative pension funding practices.

Rhode Island's fiscal 2025 budget included enhancements to retiree benefits to counteract inflation. Pension benefits are now based on the highest three consecutive years of earnings instead of five. The state also repealed the suspension of full annual COLAs for state employees who retired before 2012 and lowered the funding threshold for reinstating COLAs to 75% from 80% for those who retired after July 1, 2012. These changes will increase Rhode Island's required state pension contributions by $27.5 million in fiscal 2025 and add about $434 million to the state and local unfunded pension liability, increasing the state's long-term liability metrics in the near term. However, we expect the long-term liability burden to resume a general downward trend, absent additional legislative actions.

In Illinois, pension changes have been proposed over concerns about whether Tier 2 benefits meet IRS safe harbor requirements for a Federal Insurance Contributions Act tax exemption. While policies addressing this issue might not affect Illinois' credit quality, broader enhancements to Tier 2 benefits, applicable to employees hired after Jan. 1, 2011, could raise liabilities and negatively affect the state's credit rating.

Benefit enhancements have been proposed in at least two states where past reforms have meaningfully supported credit quality. New Jersey's legislature has repeatedly introduced bills in recent years that would revisit the 2011 suspension of COLAs until an 80% funded ratio is achieved. In Alaska, legislative proposals would reopen its long-closed pension plans. Both states have elevated pension liability burdens relative to state medians, but credit concerns have been partly mitigated by state policy actions to curtail liability growth.

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

Overview

California school districts entered fiscal 2025 in a position of financial strength, partly as a result of record per pupil funding and unprecedented one-time state and federal stimulus through the years following the peak of the pandemic. These extraordinary fiscal supports have thus far helped mitigate the challenges of broad school-age population declines and rising fixed costs. However, in S&P Global Ratings' view, key challenges could lead to credit pressure over the near term, including the risk that state aid will fail to keep up with rising fixed costs and increased expenditures. We also expect California school districts' reserve positions will weaken over the next year as districts focus on aligning continuously growing expenditures with revenue in the absence of Elementary and Secondary School Emergency Relief (ESSER) funding.

S&P Global Ratings evaluates the ratings on 687 school districts across California, including school facilities improvement districts. In the period from Aug. 24, 2023, to Aug. 12, 2024, we raised ratings on 16 school districts (2% of the total) and lowered nine (1%). Furthermore, we revised the rating outlook on 15 districts (2%), putting six (1%) on positive and nine (1%) on negative. The rating outlooks on the remaining 672 districts (98%) remained stable during this period. Following the release of our "Methodology for Rating U.S. Governments," published Sept. 9, 2024, on RatingsDirect, we placed 63 California school district ratings under criteria observation (UCO), signaling that we could affirm the ratings or change them as a result of the application of new criteria. For more information on the UCO designation and our plan for reviewing ratings under the new criteria, see the UCO list and "FAQ: A Closer Look At The New Methodology For Rating U.S. Governments," published Sept. 9, 2024.

Continue reading.

22 Oct, 2024

Municipal Bond Infrastructure Sales Near $250 Billion to Smash Record.

- **New money municipal-bond sales surged so far this year**
- **Economic confidence, interest-rate stability help boost sales**

A new bridge in Lake Charles, Louisiana, a 26-story patient tower for the Children's Hospital of Philadelphia and two high schools in the heart of Texas' oil country are just a handful of projects financed by what's poised to be a record year of municipal bond sales.

Since January, state and local government borrowers have tapped investors for nearly $250 billion of debt sold exclusively for new infrastructure developments, the most since at least 2013, according to data compiled by Bloomberg. The sum is up 30% over the same period last year, the data shows.

"We have major infrastructure repair needs and growth needs," said Elaine Brennan, executive vice president of the public finance department at Roosevelt & Cross Inc., a broker-dealer specializing in municipal finance. Governments have more confidence in the economy and the trajectory of interest rates these days, she said.

Continue reading

Bloomberg Markets

By Lily Meier

October 21, 2024

New York City Transitional Finance Authority: Fitch New Issue Report

The 'AAA' rating on the subordinate future tax-secured (FTS) revenue bonds reflects solid long-term growth prospects for pledged revenue and the bonds' highly resilient structure. Fitch Ratings anticipates the bond structure can withstand changes in economic cycles and maintain solid debt service coverage.

[Access Report](#)

Tue 22 Oct, 2024

[Municipal Utilities and the Persistent Push to Privatize.](#)

Given tax-exempt financing and other advantages, continued municipal ownership would seem the way to go. But other pressing public needs can make cashing out these valuable assets seem attractive. A new wave of privatization efforts will give localities a lot to think about.

Economics textbooks always have a subchapter on “natural monopolies,” situations where the owner of a business or a service has essentially captured the market and nobody else can effectively compete. In local government, these are most commonly associated with utility operations that were set up long ago to provide water, sewerage and electric service. Some of these operations are run better than others, but in general they reliably provide essential services at a fair cost, and often the lowest possible sustainable cost.

Nevertheless, there have always been advocates for privatizing these assets. Sometimes the motives involve local politics, sometimes operating efficiency, and sometimes financial desperation. Putting aside sheer anti-government ideology that private owners are inherently better operators, the most common justifications for private ownership are economies of scale — spreading fixed and overhead costs over a large customer base — or raising cash to pay for replacement facilities or unrelated costs like unfunded pensions. Look for these arguments to come up time and time again.

[Continue reading.](#)

governing.com

by Girard Miller

Oct. 22, 2024

[Biden Administration Doles Out $4.2 Billion for Big-Ticket Infrastructure Projects.](#)

A new Boston rail bridge, a California high-speed rail station, electric dock equipment in Miami and a safer highway interchange in Iowa are among the 44 projects selected for funding.

Boston’s transit agency will receive $472 million from the federal government to replace a century-old rail bridge, as part of $4.2 billion for 44 major infrastructure improvements announced by the Biden administration Monday.

Other projects that received awards include replacing a two-mile bridge in the Florida Keys, untangling a busy intersection in Arizona, electrifying port equipment in Miami, and replacing a highway bridge that collapsed in Providence, Rhode Island.

The federal money, which comes as a result of the 2021 infrastructure funding law, comes from two grant programs that fund large projects, the so-called “Mega” grants for outsized projects that are too complex for most federal grant programs, and the INFRA program, which go to highway and multimodal projects that speed freight delivery and promote other economic benefits.

Continue reading.

Route Fifty

By Daniel C. Vock,
Senior Reporter,

October 21, 2024

Muni Bankers Shrug Off Citi’s Exit and Celebrate Deal Bonanza.

In San Francisco this week, municipal-bond bankers weren’t fretting about industry concerns or the departure of giant Citigroup Inc. earlier this year.

Instead, they were celebrating the deals they’ve picked up amid a record pace of new state and local government bond sales this year.

“We have new players coming into the industry with fresh eyes and fresh ideas,” said Leonard Jones, head of public finance at Blaylock Van LLC, in a panel discussion at the Bond Buyer’s California Public Finance Conference in San Francisco on Friday. “We have a lot of regional and minority firms that are growing, and I don’t see much to be negative about.”

Issuers have sold $423 billion of long-term municipal bonds so far this year, a more than 40% increase from the same period in 2023, according to data compiled by Bloomberg. If that pace holds for the rest of the year, the market would post an annual record, the data shows.

The tone was upbeat throughout the conference. At a panel Thursday, some panelists estimated more than $500 billion worth of muni-bond sales in 2025.

The surge in supply indicates Citigroup may have pulled out of the market at the wrong time, said Cameron Parks, managing director at Truist Financial Corp. and a former Citi banker. “Citi exits and this becomes a record volume year. Their timing on that part wasn’t that great,” he said on the panel.

Smaller firms have been making inroads in the muni market after Citigroup and UBS Group AG largely pulled out of the market. Truist, for example, has surged in the muni underwriting rankings this year.

Jones said the remaining firms in the industry have increased resources to help bridge the gap. He detailed that Blaylock doubled the size of its sales and trading desk after Citi left, increasing the bank’s secondary market trading and competitive bidding capacity from “pretty much zero.”

“That’s us stepping up and trying to provide some liquidity to the market,” Jones said.

Still, borrowers remain concerned about fewer liquidity providers and banking relationships. Bankers often pitch issuers on potential financings or new structures.

"As an issuer, this has been an area of concern, we're concerned about liquidity," said Nikolai Sklaroff, capital finance director at the San Francisco Public Utilities Commission. "My most important concern is the liquidity of ideas."

Bloomberg Markets

By Danielle Moran and Maxwell Adler

October 25, 2024

[Jefferies, Truist Surge on Competitive Muni Bond Deals.]()

- **Jefferies reaches third in competitive sales from 12th in 2021**
- **Truist ranks seventh after winning 37 muni auctions this year**

Jefferies Financial Group Inc. and Truist Financial Corp. are winning a larger number of muni bond sales up for auction this year, the latest evidence of the shake up in the market after large banks like Citigroup Inc. pulled back.

So far this year, Jefferies was third among competitive managers, up from twelfth three years ago, according to data compiled by Bloomberg. Truist has jumped to seventh after winning more than three dozen deals this year.

In competitive auctions, state and local governments sell their bonds to the lowest bidder. That's in contrast to so-called negotiated transactions where a manager is selected ahead of time. In an era of shrinking margins, underwriters are scrutinizing which types of deals to manage.

Continue reading.

Bloomberg Markets

By Shruti Singh

October 23, 2024

Barclays, JPMorgan Say Munis' Worst Week in 2024 Is Time to Buy.

This week's muni market selloff has opened a window to buy, according to strategists at Wall Street firms.

Muni yields surged dramatically earlier this week, following a selloff in US Treasuries as signs of a strong economy caused investors to pare back expectations for interest-rate cuts. On Thursday, muni bonds rallied.

But as of Friday morning, the 10-year benchmark yield was still 26 basis points higher than where it started this week. Muni bonds are poised for their worst week of performance in a year, according to Bloomberg indexes.

[Continue reading.](#)

Bloomberg Markets

By Amanda Albright

October 25, 2024

ESG Compliance in Managing State & Municipal Public Pension Assets - Eversheds

Navigating the complexities of ESG legislation, regulations and investment policy statements

One investment attorney offers his expertise and insights on the complexities surrounding ESG investment policies within state and municipal retirement plans

We spoke to Ethan Corey, a Senior Counsel at Eversheds Sutherland, about the nuances of various policy statements, the impact of state legislations, and the necessity of thorough review to grasp how investment policies are implemented and have evolved across different states.

Corey provides a comprehensive understanding of the challenges and considerations asset managers and proxy voting providers face in navigating the ever-changing landscape of investing in mandates that incorporate one or more environmental, social & governance (ESG) objectives.

Continue reading.

Thomson Reuters

October 23, 2024

Muni Rout Sends Prices Plunging With Worst Day in Two Years.

Municipal bonds are dropping for a fourth straight day as bets on less aggressive Federal Reserve rate cuts are causing a rout that is reverberating throughout fixed income markets.

Top-rated 10-year municipal bond yields climbed 18 basis points on Wednesday, their worst day in over two years. The unusually strong selloff in the typically staid state and local government debt market comes after rates on 10-year benchmark debt climbed 8 basis points on Tuesday. That index now stands at 3.02%, the highest since June, according to data compiled by Bloomberg.

Ryan Henry, a municipal strategist at FHN Financial, said that buyers stepped away in the last few days as muni bonds became expensive compared to Treasuries. “I think everyone was a bit blindsided by the treasury move,” he said. “Munis were outperforming and today was the tipping point.”

Continue reading.

Bloomberg Markets

By Aashna Shah and Amanda Albright

October 23, 2024

IRS Increases LIHTC, Bond Caps for 2025.

The amount used to determine the state housing credit ceiling hits $3 multiplied by the state population.

The amount used to determine the low-income housing tax credit ceiling will increase to $3 multiplied by the state population in 2025, announced the Internal Revenue Service (IRS).

That's a 10-cent hike over this year's figure and marks the first time the per-capita multiplier hits $3. The state minimum is set to rise to $3,455,000 in 2025, up from $3,360,000 this year.

On the private-activity bond side, the amounts used to calculate the state ceiling will be the greater of $130 multiplied by the state population or $388,780,000. That's an increase from this year's $125 per capita multiplier and the $378,230,000 state minimum.

The IRS reported the volume caps were reported in Rev. Proc. 2024-40.

Affordable Housing Finance

By AHF Staff

Oct 22, 2024

Philadelphia, Pennsylvania: Fitch New Issue Report

Fitch Ratings considers the monthly residential water and sewer bill affordable for about 76% of the service area population based on standard monthly usage of 7,500 gallons for water and 6,000 gallons for sewer. The midrange service area is characterized by average income levels, a moderate unemployment rate relative to the nation and midrange customer growth. In fiscal 2023, the system's operating cost burden was considered very low at $2,805 per million gallons (mg), consistent with the operating risk assessment. The life cycle ratio is elevated at 48% in fiscal 2023. The system had moderate leverage of 8.3x as of fiscal 2023, slightly below the 8.7x average of the prior four fiscal years. The Philadelphia Water Department provides potable water to all of the approximately 1.6 million residents of the city and accounts in neighboring Montgomery and Delaware counties per a wholesale agreement.

Access Report

Tue 22 Oct, 2024

State of Washington: Fitch New Issue Report

The State of Washington's 'AA+' Long-Term IDR and GO bond ratings reflect its broad and growing economy, with solid long-term revenue growth prospects, and the state's demonstrated commitment to maintaining fiscal balance. The ratings also reflect long-term liabilities that place a low burden on the economic resource base. The 'AA+' ratings also incorporate the state's very strong financial resilience, which is supported by a statutory requirement for a balanced four-year budget and formulaic funding of the budget stabilization account (BSA); the latter has led to the accumulation of solid fiscal reserves. Education poses continued spending pressure for the state given steady population growth and the state's role as the primary funding source for K-12 public schools.

Access Report

Wed 23 Oct, 2024

Barclays, JPMorgan Say Munis' Worst Week in 2024 Is Time to Buy.

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But as of Friday morning, the 10-year benchmark yield was still 26 basis points higher than where it started this week. Muni bonds are poised for their worst week of performance in a year, according to Bloomberg indexes.

"Similar to last October, and obviously influenced by election year dynamics, we believe that investors can find value at current adjusted market levels this week and next, particularly given strong market technicals in November and through the new year," JPMorgan Chase & Co. strategists led by Peter DeGroot wrote in a note on Friday.

Continue reading.

Bloomberg Markets

By Amanda Albright

October 25, 2024

SEC Charges Municipal Advisor and its Managing Director with Failing to Timely and Fully Disclose Material Conflicts of Interest to Charter School Clients.

October 24, 2024 – The Securities and Exchange Commission today charged that Hamlin Capital

Advisors, LLC (Hamlin Advisors) a registered municipal advisor, and its associated person and Managing Director, Michael Ferrell Braun, failed to timely and fully disclose material conflicts of interest and engaged in related violations including violations of Municipal Securities Rulemaking Board (MSRB) rules and that Hamlin Advisors breached its fiduciary duty with respect to its disclosure violations. Hamlin Advisors and Braun agreed to settle the charges without admitting or denying the SEC's findings.

According to the SEC's order, from September 2017 to at least April 2022, Hamlin Advisors and Braun provided advice to certain charter schools (directly or indirectly through related borrower entities) on the issuance of municipal bond offerings totaling over $500 million in aggregate principal amount. The SEC found that, in each of these issuances, Hamlin Advisors's affiliate, a registered investment adviser ("Hamlin Affiliate"), purchased either all or a substantial portion of the offered bonds. In most instances, Hamlin Affiliate also acted as compensated bondholder representative. According to the order, this affiliate relationship created a material conflict of interest which was not timely disclosed to the charter school clients until several days or sometimes weeks after Hamlin Advisors began advising on the structure, timing, and terms of the particular offerings at issue. The SEC found that Braun provided the advice to the clients and was responsible for providing the conflicts disclosure and the agreements for municipal advisory services. The SEC also found that when Hamlin Advisors and Braun did disclose that a material conflict of interest existed because of Hamlin Advisors's affiliation with Hamlin Affiliate, the disclosure was inadequate because it only disclosed that the firms had certain common ownership and both firms could "receive fees." It did not disclose that Hamlin Advisors had a financial incentive that was opposed to the interests of the clients, due to its affiliation with the Hamlin Affiliate. Further, the SEC's order found that Hamlin Advisors's disclosure was inadequate because it did not adequately describe the nature, implications, and potential consequences of the conflict, and did not disclose how it planned to manage and mitigate the conflict. In addition, the SEC found that, in their advisory agreements with the clients, Hamlin Advisors and Braun did not accurately describe the scope of Hamlin Advisors's municipal advisory services for the deals at issue. Finally, the SEC's order found that Hamlin Advisors's written supervisory procedures were not reasonably designed to achieve compliance with the applicable securities laws and regulations, including the applicable MSRB rules.

Hamlin Advisors and Braun consented to the SEC's cease-and-desist order censuring them and finding that they violated Section 15B(c)(1) of the Exchange Act by violating MSRB Rules and that they violated MSRB Rules G-17 and G-42, and finding that Hamlin Advisors violated Section 15B(c)(1) of the Exchange Act by violating its fiduciary duty and that it violated MSRB Rule G-44. Hamlin Advisors also agreed to pay a civil penalty of $200,000 and Braun agreed to pay a civil penalty of $75,000.

The SEC's investigation was conducted by Michael J. Adler and was supervised by Peter J. Diskin of the Enforcement Division's Public Finance Abuse Unit and the SEC's Atlanta Regional Office.

File No. 3-22274

Last Reviewed or Updated: Oct. 24, 2024

Why Muni Bond ETFs Make Sense in 2025.

The Internal Revenue Service has announced new tax brackets for 2025. This makes now an ideal time to revisit the benefits of muni bond ETFs.

The IRS on Tuesday announced it raised the income thresholds for each bracket, which applies to returns filed in 2026 for tax year 2025. Additionally, the IRS increased figures for other provisions including long-term capital gains brackets and eligibility for the earned income tax credit.

Investors in high tax brackets are positioned to benefit most from the tax advantages of muni bond ETFs. However, investors in lower tax brackets may also benefit from an allocation to muni bonds. The primary reason that people invest in munis is for tax-free income.

As their name suggests, muni bonds are issued by municipalities. Their interest payments are generally exempt from federal taxes and potentially state and local income taxes too.

It's important to note that muni bonds generally come with a low risk of default. Additionally, they tend to have less volatility than corporate bonds, which may be considered riskier.

Muni Bond ETFs

The five largest muni bond ETFs, as measured by assets under management, include the $39.2 billion iShares National Muni Bond ETF (MUB), the $34.9 billion Vanguard Tax-Exempt Bond ETF (VTEB), the $8.7 billion iShares Short-Term National Muni Bond ETF (SUB), the $3.7 billion SPDR Nuveen Bloomberg Short Term Municipal Bond ETF (SHM), and the $3.6 billion SPDR Nuveen Bloomberg Municipal Bond ETF (TFI).

Muni bond ETFs have seen strong flows in 2024. VTEB and MUB have taken in $3.2 billion and $2.3 billion, respectively, in net flows in 2024 through Oct. 22. VTEB and MUB's success in garnering significant investor assets may be due to the fact that the funds are the cheapest offerings in the category. Each fund charges just 5 basis points.

In comparison, SUB charges 7 basis points, SHM charges 20, and TFI charges 23.

For more news, information, and analysis, visit VettaFi | ETF Trends.

etftrends.com

by Elle Caruso

October 23, 2024

The Case for Modernizing Municipal Bond Disclosure Transparency.

In this second installment of a two-part series, David Dubrow and Kent Hiteshew propose reforms to improve disclosure standards in the municipal bond market, exploring both legislative and regulatory approaches. They outline eight key guidelines for enhancing transparency and consistency in municipal offering statements, aiming to bring these disclosures into the modern era and better protect investors.

Part one recounted the history of how the municipal bond market was exempted from regulation under the Securities Acts adopted in the 1930s and how the SEC, beginning in the 1970s, used its anti-fraud powers over broker-dealers to partially overcome the statutory exemption. Notwithstanding these efforts, municipal bond disclosure remains ungoverned by uniform disclosure standards.

As noted in Part one, the only two major municipal regulation efforts followed significant market failures: the 1975 Amendments and creation of the MSRB following New York City's financial crisis; and, Rule 15c2-12 following the WPPSS default in the 1980s. So, it is particularly noteworthy that there has been virtually no relevant federal legislation enacted or SEC regulations issued in the wake of the far larger investor losses experienced by municipal investors after the historic Detroit and Puerto Rico bankruptcies of the last decade. In fact, with the exception of a single broker-dealer affiliate's closed-end bond funds, there have been virtually no SEC enforcement actions brought against any of the Detroit or Puerto Rico parties. Accordingly, it may be an appropriate time to revisit the unique exemption from uniform disclosure standards of the Securities Acts that continues to plague the municipal bond market.

Continue reading.

promarket.org

By David Dubrow and Kent Hiteshew

October 23, 2024

Decades of Regulatory Exemptions Have Been to the Detriment of the Municipal Bond Market.

Two municipal market veterans, David Dubrow and Kent Hiteshew, delve into the history and current state of disclosure practices in the municipal bond market, highlighting the flaws in the current system. In a follow up, the authors will explore potential paths to reform and key components of a uniform standard of disclosure for municipal securities.

While consistent with applicable securities laws, the customs and practices for preparing offering statements for tax-free municipal securities are functionally and practically flawed. This reality is to the detriment of the municipal bond market and its investors.

The four trillion dollar United States municipal bond market comprises a dizzying array of governmental issuer types and credit structures. These range from simple general obligation bonds of state and local governments to revenue bonds issued by government conduits and secured by real estate projects or certain other private enterprises granted access to tax-free debt by the federal tax code. Other than the applicability of the anti-fraud provisions of federal securities laws, however, offering statements for new municipal securities are exempt from uniform disclosure standards. This is distinctly different from corporate securities which are regulated under federal law. Consequently, while disclosure is required to be materially accurate, it is too often not user friendly and negatively affected by motivations of critical market participants. Inconsistent and confusing disclosure contributes to market opacity and illiquidity and prevents investors from being able to properly evaluate the full risks of their potential purchases.

Unregulated municipal disclosure practices can be adversely influenced by a number of factors. Issuers may view their disclosure as a marketing device to promote the sale of their bonds rather than an objective description of the security and its risks. Underwriters may not be sufficiently critical of proposed disclosure for fear of losing future business opportunities with the issuer. Appraisers and market experts hired by issuers or conduit borrowers may produce overly-optimistic reports to satisfy the needs of those that hire them. And lawyers, who draft offering statements, may be overly motivated by protecting themselves from legal liability thereby quoting dense legal documents rather than summarizing such documents in plain English. Overly legalistic document drafting is reinforced by cost pressures and over-reliance on precedent.

Continue reading.

promarket.org

By David Dubrow and Kent Hiteshew

October 22, 2024

The Fed Is Cutting Rates: It's Bonds' Time To Shine - J.P. Morgan

Investors often employ bonds to play the role of income generators and diversifiers against equity market volatility. After more than a decade of low base rates that kept all-in yields fairly uninspiring following the Global Financial Crisis, many investors have renewed their interest in the asset class following the pandemic-era rate hiking cycle. But now that central banks are embarking on rate cutting paths, here are three reasons to consider core bonds today:

- **All-in yields look attractive.** Yields on bonds with duration of one year or longer have bounced off of their lows over the past month, refreshing bond investors' entry point for the better. The investment grade corporate bond Index and municipal bond index (on a tax-equivalent basis) have starting yields that beat that of 3-month Treasury Bills, which we use to proxy the yield on cash.
- **As an investment asset, bonds tend to beat cash.** Federal Reserve rate cuts are underway, and history suggests that core bonds tend to outperform cash when that's the case. Over the past 12 cutting cycles, core bonds have generated an average return of 17% versus 7% for cash. We have been advocating for investors to right-size their liquidity positions all year, and it's not too late – if you're holding onto more cash than you need to cover day-to-day expenses, three to six months' worth of emergency savings and expenditures expected over the next year or so, consider if it makes sense to extend duration on the excess.
- **If things go awry, the Fed might cut faster.** Given resilience in economic data, markets are currently pricing in a gradual path of rate cuts (i.e., just about 1% point of rate cuts over the next four meetings, or less than 25 basis points per meeting). It's important to note, however, that the Fed's focus has started to shift away from inflation and towards keeping the labor market healthy. Therefore, if employment data comes in weaker than expected going forward due to disruptions from recent hurricanes and labor strikes, the Fed is likely to cut faster. Decreases in yields translate to increases in prices of bonds, supporting a bond investor's total return.

Continue reading.

J.P. Morgan

Elyse Ausenbaugh
Head of Investment Strategy, J.P. Morgan Wealth Management

Published Oct 16, 2024

ICE Launches Climate Transition Risk Solution for Municipal Bond, MBS, Real Estate Segments.

Financial technology and data services provider and exchange operator Intercontinental Exchange (ICE), announced the launch of a new climate transition risk solution targeted at underserved segments of fixed income including municipals, securitized mortgage-backed securities (MBS) and real estate.

According to ICE, the new solution will provide emissions estimates and portfolio analytics across various fixed income asset classes, covering Scope 1, Scope 2 and Scope 3 emissions for municipal bonds, MBS, and real estate, expanding ICE's existing coverage of sovereign, corporate equity, and private companies to help enable clients to assess and benchmark financed emissions across a comprehensive range of fixed income asset classes in one integrated offering.

Larry Lawrence, Head of ICE Climate, said:

> "Our clients increasingly need quality transition risk data for underserved segments, particularly mortgage-backed securities, where we have applied physics-based simulations with building energy models and ICE's data to provide emissions insights for RMBS and CMBS. Mortgages and mortgage securities can represent more than 20 percent of bank balance sheets, leading to a growing need for data to help meet regulatory disclosure and support stress testing to inform decision-making."

ICE said that the new solution will "address gaps in emissions data by covering underserved sub-asset classes, such as residential mortgage-backed security, commercial mortgage-backed security, and private corporates," as well as municipal bonds.

ICE's multi-asset class transition risk solution provides financed emissions data based on criteria of the Partnership for Carbon Accounting Financials, which provides financial institutions with data on compliance with aspects of the Paris Climate Agreement, encompassing over 110 million US properties and more than 4.2 million fixed income securities globally. ICE's methodologies, customized for each asset class, provide comprehensive emissions tracking, including Scope 1, 2, and 3 estimates, as well as carbon intensity metrics, which organizations need to meet climate regulatory reporting requirements, the company said.

by ESG Today Writing Staff

October 15, 2024

Public Utility Accounting Virtual Training.

November 6 – 19, 2024 | 12:00pm – 3:00pm Eastern

Part one of the three-part Accounting Fundamentals Series. Learn the basics of how the electric utility business works, get a grasp on the ins-and-outs of FERC accounting, and review practical examples of how you can use the FERC USoA. Get up-to-speed on how to use the language of the

FERC USoA for accounting, how the system is organized, and how it can serve as a reference guide for your work.

Click here to learn more and to register.

publicpower.org

Energy As a Service and Municipal Bonds: What You Should Know - Orrick Webinar

View the webinar.

Hosted by The Bond Buyer and Orrick

October.17.2024

Maximizing Returns With Long-Dated Municipal Bonds in a Normalizing Yield Curve.

After what feels like forever, the yield curve has reverted to its normal direction, with longer-dated bonds now yielding more than shorter-dated ones. For income seekers, this is significant, as it means the days of finding 5%+ yields in short-term securities are now.

But that doesn't mean that there aren't good income opportunities out there — especially when you factor in taxes.

Right now, and thanks to the yield curve returning to normal, long-dated municipal securities could offer some of the best total return elements of any fixed-income asset class around. The ability to generate high tax-free yields alongside capital gains makes them a compelling choice for investors.

Continue reading.

dividend.com

by Aaron Levitt

Oct 28, 2024

Private-Jet Boom Comes to Muni Market With High-Yield Bond Deal.

- **Muni market sees return of fixed-base operator company**
- **Million Air to expand facility in Austin that opened in 2019**

Million Air, a luxury aviation company catering to the ultra-rich and high-flying executives, is borrowing $120.5 million from Wall Street to expand its operations in Austin to meet pent-up demand for hangar space to park private jets.

Originally founded for the Mary Kay Inc. cosmetics company, a wholly-owned subsidiary of Million Air's parent company plans to tap the municipal debt market in November. Proceeds from the sale will be used to roughly double the size of Million Air's facilities at the Austin-Bergstrom International Airport, which is among the top 25 busiest in the US for business jet operations.

Some of the bond money will also go toward adding enhancements to the company's facilities in Marathon, Florida. Raymond James is underwriting the unrated bond offering.

Continue reading.

Bloomberg Markets

By Erin Hudson and Amanda Albright

October 28, 2024

Impact of Shorter T+1 Settlement Cycle on US Markets More Severe than Expected, Citi Survey Finds.

The transition to a shorter settlement cycle for US securities transactions has had a more profound impact than anticipated, according to a recent Citigroup survey.

Implemented in May, the new timeline reduced the settlement period for equities, corporate bonds, and municipal bonds from two business days to one, known as T+1.

While this acceleration was designed to enhance market efficiency, it has introduced unforeseen challenges for global market participants.

Citigroup's Securities Services Evolution survey, conducted in June with nearly 500 institutions, reveals that 44% of buy- and sell-side firms found the shift to T+1 to be "more impactful than expected."

This finding highlights the broader implications of the accelerated settlement cycle on the trading ecosystem.

Continue reading.

msn.com

Story by Vatsala Gaur

NFMA Comments on FDTA.

On October 21, 2024, the National Federation of Municipal Analysts submitted comments to the SEC on the proposed rule, FDTA, the Financial Data Transparency Act Joint Data Standards. To read the NFMA's comment letter, click here.

To view the comment letters from other industry stakeholders, go to SEC.gov and/or the Federal

Register.

MSRB Advances Important Initiatives at Quarterly Board Meeting.

Washington, D.C. – The Board of Directors of the Municipal Securities Rulemaking Board (MSRB) met on October 23-24, 2024, holding the first quarterly meeting of fiscal year 2025 and the first meeting under the direction of Board Chair Warren "Bo" Daniels and Vice Chair Jennie Bennett. The Board discussed its FY2025 regulatory agenda and priorities, key market structure and market transparency initiatives, and other actions necessary to advance its FY 2022-2025 Strategic Plan.

"The progress the Board made during our first quarterly meeting—not only setting our priorities but also taking several key actions—establishes a robust regulatory agenda for the year ahead," Daniels said. "MSRB's highest priority is to fulfill our congressional mandate to protect investors, issuers and the public interest by promoting a fair and efficient municipal market, and I am confident this Board will do just that."

Market Regulation

The Board discussed regulatory matters and acted on several ongoing initiatives including:

- **Rate Card:** Discussed the forthcoming Request for Information (RFI) regarding MSRB's rate card and fee-setting process to evaluate potential modifications to the model.
- **Rule D-15:** Approved the issuance of a Request for Comment on the definition of sophisticated municipal market professionals (SMMPs).
- **Rule A-12:** Approved filing an amendment with the SEC to enhance the collection of information related to bank dealer associated persons.
- **Rule G-27:** Discussed industry feedback in connection with remote supervisory obligations.

Market Structure
The Board continued its on-going discussion of pre-trade municipal market data. The Board discussed feedback received in a series of meetings with market participants following its initial approval of the publication of a concept release in July and agreed to continue an open dialogue with stakeholders as the concept release is finalized.

Market Transparency
The Board received a live demonstration of a "beta" version of the modernized Electronic Municipal Market Access (EMMA) website. The modernized EMMA features myriad stakeholder-driven enhancements to the user interface and experience, including a more powerful search engine and the ability to customize user-generated dashboards, among other improvements.

MSRB Leadership Update
Tangie Davis was promoted to serve as the MSRB's Chief of Staff, having served MSRB most recently as Deputy Chief of Products and Services. Tangie has been with MSRB since 2011. In her new role, she reports to MSRB CEO Mark Kim and oversees the organization's information technology services, finance, human resources, and administration functions.

"I am delighted to welcome Tangie to MSRB's senior leadership team," Kim said. "Tangie is a trusted partner who brings deep experience and knowledge of MSRB and our technology operations in particular, and I look forward to working closely with her in her new role."

Date: October 25, 2024

Contact: Aleis Stokes, Chief External Relations Officer
202-838-1500
astokes@msrb.org

- GASB Issues Guidance on Disclosure of Certain Capital Assets.
- MSRB Announces Discussion Topics for Quarterly Board Meeting.
- S&P: Hurricanes Helene And Milton Add To U.S. Public Finance Issuers' Climate And Financial Challenges
- Asheville, Other North Carolina Communities May Get Cut by S&P Over Helene.
- Bank of America Sees Record $520 Billion of Muni Sales in 2025.
- *Ambac Assurance Corporation v. Bank of New York Mellon* – District Court denies bond insurer's claims against trustee for alleged breaches of contractual and common-law duties due to the gross negligence standard imposed upon trustee in the indenture.
- And Finally, Oh The Ironing is brought to us this week by *Orellana v. Town of Carmel*, in which the Superintendent of Highways for the Town of Carmel rose early, got in his vehicle and engaged in a comprehensive, hands-on inspection of his fiefdom following a snowstorm. After calling in various orders to his team, he proceeded to carefully drive back to the office and – you guessed it – failed to look both ways in an intersection and collided with Ana Orellana's vehicle. While "irony" is a word that gets tossed around rather loosely, now and again it smashes into your car.   Go Ask Alanis. And a black fly in your chardonnay is just, you know, an insect in your beverage. Don't you think?

EMINENT DOMAIN - GEORGIA

YKH Realty, LLC v. Georgia Department of Transportation

Court of Appeals of Georgia - October 8, 2024 - S.E.2d - 2024 WL 4440461

Department of Transportation (DOT) issued declarations of taking for two parcels due to road construction and deposited estimated just compensation for the takings.

Holders of security interests in the parcels moved to set aside the takings and, as an alternative, to consolidate the DOT's petitions, which occurred by consent order, and also challenged the DOT's valuation by timely filing an appeal.

Record landowner filed an untimely notices of appeal contesting the valuation in each pre-consolidation case. The Superior Court granted the DOT's motion to dismiss the untimely appeal, and granted DOT's motion for partial summary judgment on claims for consequential damages. Record landowner and secured parties appealed.

The Court of Appeals held that:

- Secured parties' appeal preserved record landowner's valuation challenge for appeal, even though landowner did not file a timely notice of appeal or join the secured parties' appeal;
- DOT's removal of a 12-foot paved access lane did not result in any special damages to condemnees;
- Genuine issue of material fact regarding whether and to what degree the installation of curbing which allegedly narrowed entrance portals substantially impeded access to property precluded

summary judgment; and
- Genuine issue of material fact as to whether or not the increased slope and grade of entrances to property amounted to a substantial impairment of access precluded summary judgment.

REFERENDA - MARYLAND

Maryland State Board of Elections v. Ambridge

Supreme Court of Maryland - October 10, 2024 - A.3d - 2024 WL 4456563

Voters of city filed petition for judicial review of ballot question that was to be included on general election ballot and that asked voters whether to amend certain provision of city's charter, and voters subsequently amended the petition to add a claim under statute allowing registered voters to seek judicial relief from any act or omission relating to an election.

After a hearing, the Circuit Court determined that ballot question violated state constitution in that it was not proper charter material and violated statute governing content of ballots. City's mayor and city council were allowed to intervene, and then the State Board of Elections, mayor, and city council appealed.

The Supreme Court held that statute providing for judicial review of the content and arrangement of a ballot, or to correct any administrative error on the ballot, was not a proper mechanism to challenge either whether proposed charter amendment was proper charter material or whether the language of proposed charter amendment comported with statute requiring a ballot to be easily understandable by voters.

NEGLIGENCE - NEW YORK

Orellana v. Town of Carmel

Court of Appeals of New York - October 17, 2024 - N.E.3d - 2024 WL 4505721 - 2024 N.Y. Slip Op. 05131

Motorist brought negligence action against town and its superintendent of highways, seeking to recover for personal injuries she sustained as result of motor vehicle accident and alleging superintendent was negligent in failing to look both ways before entering intersection and causing collision.

The Supreme Court granted defendants' motion for summary judgment dismissing negligence claim and denied motorist's cross-motion for summary judgment as to liability on that claim, and the Supreme Court, Appellate Division, affirmed. Court of Appeals granted motorist leave to appeal.

The Court of Appeals held that superintendent was not actually engaged in work on highway at time he collided with another motorist.

Town superintendent of highways was not actually engaged in work on highway at time he collided with another motorist, and thus superintendent and town were not exempted from liability for ordinary negligence, pursuant to statute that indicated traffic regulations applicable to drivers of vehicles owned or operated by town did not apply to people while actually engaged in work on highway, in negligence action brought by motorist; accident occurred after superintendent had completed assessment of roadway conditions and mobilized team to salt roads, at time of accident superintendent was returning to work, and although superintendent saw snow accumulation shortly before collision, he took no action in response.

PUBLIC RECORDS - OHIO

State ex rel. Grim v. New Holland

Supreme Court of Ohio - October 9, 2024 - N.E.3d - 2024 WL 4446174 - 2024-Ohio-4822

Public records requester, proceeding pro se, brought action against village, seeking writ of mandamus ordering village to allow requester to inspect and copy certain public records, as well as statutory damages and court costs.

After mediation proceedings, village filed answer. Supreme Court granted alternative writ.

The Supreme Court held that:

- Requester's mandamus claim was moot;
- Requester did not waive claim for statutory damages;
- Requester was not entitled to statutory damages in connection with 22 purported requests for records made verbally;
- Purported request asking how the village handled its filings constituted request for information, not request for records, for purposes of calculating statutory damages under Public Records Act;
- Statutory damages were available for six requests for records submitted via email; but
- Requester failed to show by clear and convincing evidence dates on which he received public records he requested for which statutory damages were available, for purposes of calculating amount of damages; and
- Requester was not entitled to court costs.

PUBLIC UTILITIES - PENNSYLVANIA

Conyngham Township v. Pennsylvania Public Utility Commission

Commonwealth Court of Pennsylvania - October 4, 2024 - A.3d - 2024 WL 4395153

Township filed petition challenging orders of the Public Utility Commission (PUC) finding PUC lacked jurisdiction to review township's petition requesting that PUC order borough's sanitary sewer authority to cease providing wastewater treatment and disposal services in township without certificate of public convenience, granting authority's exceptions, dismissing township's complaint, and denying reconsideration. Authority intervened.

The Commonwealth Court held that PUC had jurisdiction to review township's petition.

Public Utility Commission (PUC) had jurisdiction to review township's petition requesting that PUC order borough's sanitary sewer authority to cease providing wastewater treatment and disposal services in township without a certificate of public convenience issued by PUC, and that authority return all collected monies to the residents until it obtained a valid certificate, even though the Municipality Authorities Act (MAA) granted the court of common pleas exclusive jurisdiction to determine questions involving utility rates or service; the issue in township's petition did not involve rates or service.

BONDS - PUERTO RICO

[Ambac Assurance Corporation v. Bank of New York Mellon]

United States District Court, D. Puerto Rico - September 24, 2024 - Slip Copy - 2024 WL 4277670

Ambac Assurance Corporation brought an action seeking to recover damages against Bank of New York Mellon (BNYM) for BNYM's alleged "grossly negligent breach" of its contractual and common-law duties as trustee for certain bonds – insured by Ambac – that were issued by the Puerto Rico Sales Tax Financing Corporation (COFINA).

In essence, Ambac alleged that BNYM's failure to officially declare an Event of Default – although many events of default had in fact occurred – damaged Senior Bondholders and, consequently, Ambac itself.

The COFINA indenture included the release of Ambac's relevant breach of duty claims against BNYM other than those premised on claims of gross negligence, willful misconduct, or intentional fraud.

BNYM argued that Ambac's complaint failed to state gross negligence claims and, therefore, must be dismissed.

The District Court agreed, holding that the COFINA indenture preserved only Ambac's relevant ability to make claims premised on gross negligence, and that Ambac had failed entirely to state such a claim upon which relief may be granted.

While the District Court noted that Ambac had raised potentially colorable claims concerning BNYM's breach of contractual duties, pre- and post- default common law duties, and the covenant of good faith and fair dealing, none of these alleged breaches rose to the level of gross negligence.

"Beyond the ordinary negligence elements, a plaintiff must also allege facts plausibly suggesting that the defendant's conduct evinces a reckless disregard for the rights of others or smacks of intentional wrongdoing."

"Recklessness in the context of a gross negligence claim means an extreme departure from the standards of ordinary care, such that the danger was either known to the defendant or so obvious that the defendant must have been aware of it."

"A claim of gross negligence requires a plaintiff to prove that the defendant failed to exercise even slight care, scant care, or slight diligence, or that the defendant's actions evinced a reckless disregard for the rights of others."

"A mistake or series of mistakes alone, without a showing of recklessness, is insufficient for a finding of gross negligence."

PUBLIC EMPLOYMENT - WASHINGTON

U.S. Sportsmen's Alliance Foundation v. Smith

Supreme Court of Washington, En Banc - October 17, 2024 - P.3d - 2024 WL 4509254

Wildlife-conservation organization brought action against member of Washington Fish and Wildlife (WFW) Commission, who was also a member of county planning commission, alleging member was statutorily prohibited from holding both positions concurrently.

On cross-motions for summary judgment, the Superior Court entered judgment in favor of organization. Commission member sought direct review, which was granted.

The Supreme Court held that:

- Term “office,” as used in statute providing that persons eligible for appointment as members of WFW Commission shall not hold another state, county, or municipal elective or appointive “office,” means a position of authority, duty, or responsibility conferred by a governmental authority for a public purpose or to exercise a public function, and
- Position of commissioner on county planning commission was an “office” under such statute.

Term “office,” as used in statute providing that persons eligible for appointment as members of Washington Fish and Wildlife (WFW) Commission shall not hold another state, county, or municipal elective or appointive “office,” means a position of authority, duty, or responsibility conferred by a governmental authority for a public purpose or to exercise a public function, rather than only positions that independently exercise part of the government’s sovereign power.

Position of commissioner on county planning commission was an “office” under statute providing that persons eligible for appointment as members of Washington Fish and Wildlife (WFW) Commission shall not hold another state, county, or municipal elective or appointive “office,” and therefore member of WFW Commission was precluded from being a WFW Commission member and a county planning commissioner concurrently; county planning commission’s authority was conferred by a governmental authority, it was created for a public purpose, serving on county planning commission was an appointed position, and county planning commission was authorized, and sometimes required, to hold public hearings in exercise of its duties.

NASBO: Key Differences Between State and Federal Fiscal Processes

What are the key characteristics of state budgeting and how do they contrast with federal budget practices? How do the fiscal roles of federal, state, and local governments vary and interact in our federalism system, and what are the implications for budget processes? Why is it important for the federal government to understand how state governments manage their finances and what can they learn from states? These questions and others are addressed in a recently released paper, Fiscal Contrast: An Analysis of State and Federal Fiscal Processes, a joint project of the Kem C. Gardner Policy Institute and NASBO published this month in the Gardner Business Review.

State and Federal Practices Differ

Under the U.S. Constitution, states and the federal government both hold sovereign fiscal powers to spend, tax, and borrow. However, the processes they follow for employing these powers differ in fundamental ways. States typically balance their budgets over a one- or two-year cycle, adopt budgets on a predictable schedule with most spending subject to standard appropriation processes, and practice proactive planning to prepare for an economic downturn or other contingencies, such as building up rainy day funds and conducting stress testing. States' use of debt is generally limited to capital purposes. Meanwhile, the federal government practices routine annual deficit spending using a ten-year budget window, with most spending happening outside of a regular annual appropriations process, and primarily relies on debt as its contingency management tool.

Continue reading

Going into 2025, Cities Plan for Leaner Budgets.

A survey of city finance officials found that at least half are wary of the coming year and are forecasting more conservative revenue estimates.

A new report from the National League of Cities shows that city officials are preparing for a tougher budget situation, despite many indicators that local governments are in good financial health.

Nearly two-thirds of city finance officials surveyed by the group last year said they were in better shape going into 2024 than they had been entering 2023. But going into 2025, only half of the financial officers surveyed reported a similar improvement.

That wariness has led cities to use more conservative revenue estimates for the coming year, as inflation-adjusted revenue increases have started to level off after booming in the immediate aftermath of the COVID-induced recession.

Continue reading.

Route Fifty

by Daniel C. Vock

October 18, 2024

Fitch Community Development Financial Institution Sector Monitor.

Fitch Ratings' second annual Community Development Financial Institution (CDFI) Sector Monitor summarizes the results of comparative financial information and ratios for a group of 40 CDFI loan funds (see the Participating CDFIs section for the full list). This report covers financial information for fiscal 2023 and the previous four fiscal years. The financial information included in this report was compiled based on Fitch's review of CDFI audited financial statements.

Access Report

Wed 16 Oct, 2024

Fitch: U.S. CDFIs Set for Headwinds as Pandemic Aid Fades Away

Fitch Ratings-Chicago/San Francisco/New York-16 October 2024: Balance sheets for U.S. community development financial institutions (CDFIs) will continue to grow while leverage is kept largely in check as sources of funding change and pandemic stimulus runs out, according to Fitch Ratings in its latest annual report for the sector.

CDFI balance sheets have demonstrated substantial growth in equity over the past five years, with an average annual increase of 8.8% in loans outstanding outpacing the smaller increase in outstanding debt. Pandemic-related aid has helped keep growth strong, though Senior Director Karen Fitzgerald expects the trajectory to slow. “The end of federal stimulus programs, higher interest rates, and reduced private funding will cause growth to slow, though the solid financial profiles of CDFIs equip them to handle current economic pressures,” said Fitzgerald.

Similar to last year’s update, Fitch anticipates that CDFIs will increasingly turn to bond markets to raise capital as philanthropic funds are less readily available and interest rates remain high for private sources of funding. What is likely to change is sources of funding, which have shifted following the end of pandemic aid. Additionally, federal regulators issued a final ruling to modernize Community Reinvestment Act (CRA) regulations, which, once it goes into effect, could result in more favorable treatment of loans to and investments in CDFI loan funds by banks.

CDFIs’ balance sheets will change as the sector works through the impacts of diminishing stimulus funding and higher interest rates. “While loan performance may deteriorate from current levels, loan losses will remain manageable as CDFIs maintain strong asset quality,” said Fitzgerald.

Fitch’s latest ‘CDFI Sector Monitor’ is available at www.fitchratings.com.

Wed 16 Oct, 2024

[Fitch: 2024 Election’s Impact on U.S. Healthcare Ratings]

Fitch Ratings does not foresee immediate credit implications from the November 2024 elections despite the wide-reaching nature of federal policy within healthcare. The policies being discussed are less dramatic than those in 2016 when Republicans were focused on repealing the Affordable Care Act (ACA) and in 2020 when Democrats focused on universal healthcare. Social Policies’ Important First-Order Effects Healthcare could be affected by potential social policy reforms, though meaningful changes are less likely absent Republicans sweeping Congress. More Republican control increases the chance of changes to entitlement programs, the ACA and the Inflation Reduction Act (IRA). The latter would be a moderate credit positive for pharmaceutical manufacturers should the drug price elements be repealed whereas changes to Medicaid and the ACA could pressure provider margins. Protectionism’s Second-Order Effects Loom Fitch believes the responses by countries adversely affected by heightened protectionist policies could have a larger impact on the credit profiles of U.S. healthcare companies than the direct effects. Insurers and providers are the most insulated from geopolitical disputes whereas pharmaceutical manufacturers, medical device manufacturers, diagnostics companies and the healthcare supply chain have significant upstream and downstream exposure. Fitch believes companies in these sectors could be adversely affected by countries’ responses to tariffs and legislation.

[Access Report]

Wed 16 Oct, 2024

Fitch: U.S. Healthcare Credits Likely Unaffected by Upcoming Elections

Fitch Ratings-Austin/New York/Toronto/Chicago-16 October 2024: Fitch Ratings expects limited immediate credit implications for the U.S. healthcare sector from the outcome of the November 2024 elections, as proposed healthcare policies are narrower in scope than those in 2016 and 2020. Longer-term changes are incrementally more likely if either party sweeps the White House and Congress.

The policies of and leadership at agencies such as the Federal Trade Commission (FTC), Food and Drug Administration, and Centers for Medicare and Medicaid Services will influence near-term credit fundamentals more than legislative changes. For example, the FTC has been focused on competition in healthcare. This could shift in the event of a leadership change, reducing the time and uncertainty currently associated with mergers and acquisitions.

The most important legislative items impacting U.S. healthcare credit profiles that will result from the election are protectionism, immigration, expiring subsidies related to the Affordable Care Act, and potential changes to the Inflation Reduction Act.

Pharmaceutical and medical device manufacturers and the associated supply chain are exposed to trade protectionism and potential retaliation by affected countries, given certain markets' importance upstream and downstream. Healthcare providers are also exposed to immigration policies that would affect availability of foreign-educated nurses.

Healthcare providers' volumes and margins could be negatively affected should expanded insurance subsidy premiums expire at the end of 2025. Fitch views this risk to be material, given the size of the expenditure and limited bipartisan efforts in the past, unless there is a Democratic sweep.

If the Inflation Reduction Act were repealed in its entirety, this would be a modest credit positive for pharmaceutical manufacturers given the first cohort of drugs subject to the price negotiations are set to go into effect in 2026. However, drug pricing has bipartisan voter support, making significant changes to this element of the law less likely.

Fitch U.S. and Canadian Ports - Peer Review (Attribute Assessments, Metrics and Ratings)

This Fitch Ratings report highlights the operating and financial performance of Fitch-rated ports in the U.S. and Canada. This is an annual, point-in-time assessment of these ports. Ratios for each issuer are determined using audited information or additional information received from the issuer and circumstances unique to the credit.

Access Report

Fri 18 Oct, 2024

Fitch: US and Canadian Ports Able to Withstand Recent Disruptions

Fitch Ratings-New York-18 October 2024: Ratings and medians for U.S. & Canadian ports remain steady heading into next year despite sector disruptions, according to Fitch Ratings in its latest sector peer review.

As cargo volumes began to revert to more normalized levels relative to pandemic highs, East Coast ports were hit by the March 2024 collapse of Baltimore's Francis Scott Key Bridge. The collapse triggered an uptick in volumes and short-term rerouting congestion for neighboring ports. However, the ports withstood fallout from the bridge crash with little impact on their ratings or operating performance.

The outcome of ongoing labor contract negotiations between the International Longshoremen's Association and United States Maritime Alliance remains to be seen. The January 2025 deadline for extended negotiations is approaching, raising the possibility of resumed port strikes.

"Despite a few months of breathing room, East and Gulf Coast ports will face increased focus. A resumption of the strike could slow volume growth or force shippers to reroute cargo to West Coast ports," said Associate Director Jennie Mu.

Fitch's latest medians show continued stability for the sector. During its 2024 review cycle, Fitch upgraded two ports (Florida's Port Canaveral and Port Tampa Bay), revised the Rating Outlook for one to Positive from Stable (Texas' Port of Galveston) and did not take any negative rating actions. Fitch also affirmed the rating for Canada's Montreal Gateway Terminals with a Stable Outlook. This is good news for the Quebec and Ontario markets serviced by the terminal operator at the Port of Montreal.

The report summarizes the operating and financial performance of Fitch-rated ports in the U.S. and Canada, as well as an overview of rating changes since the last publication of the peer study in 2023. Fitch has also released a corresponding data comparator tool for standalone U.S. and Canadian port credits. Both are available at www.fitchratings.com.

Fri 18 Oct, 2024

TAX - TEXAS

South Texas Independent School District v. Busse

Court of Appeals of Texas, Corpus Christi-Edinburg - August 1, 2024 - 696 S.W.3d 773

Taxpayers and consolidated independent school district that overlapped with another independent school district that primarily served persons with disabilities brought action for declaratory and injunctive relief against the independent school district that primarily served persons without disabilities, seeking declarations that its levy and expenditure of annual ad valorem taxes collected in the county for its maintenance and operation violated the contract with the voters doctrine and constituted ultra vires conduct.

The 197th District Court denied school district's plea to the jurisdiction. School district filed interlocutory appeal.

The Court of Appeals held that:

- Taxpayers lacked standing to bring action for declaratory and injunctive relief against independent school district that primarily served persons with disabilities, and
- Consolidated independent school district lacked standing to bring action for declaratory and injunctive relief against independent school district that primarily served persons with disabilities.

Taxpayers lacked standing to bring action for declaratory and injunctive relief against independent school district that primarily served persons with disabilities, alleging that it unlawfully levied and expended public funds because voters only agreed to be taxed for the limited purpose of maintaining and operating a rehabilitation district for persons with disabilities, not an independent school district that primarily served persons without disabilities; school district had been operating for 40 years, had made countless maintenance and operational decisions with expectation that it would collect ad valorem taxes to partially fund its short- and long-term obligations, and expectations of other taxpayers who were served by school district took root several decades ago and had become firmly fixed over multiple generations.

Consolidated independent school district that overlapped with another independent school district that primarily served persons with disabilities lacked standing to bring action for declaratory and injunctive relief against the independent school district that primarily served persons with disabilities, alleging that the property tax of the independent school district that primarily served persons with disabilities impaired its own ability to raise its own taxes; tax rate of independent school district that primarily served persons with disabilities had no legal impact on consolidated independent school district's ability to set its own tax rate, and consolidated independent school district was already levying the highest possible maintenance and operation tax rate allowed under law without seeking voter approval.

S&P: Hurricanes Helene And Milton Add To U.S. Public Finance Issuers' Climate And Financial Challenges

Why this matters. Less than two weeks after Hurricane Helene made landfall along Florida's Big Bend as a Category 4 storm, Hurricane Milton came ashore near Sarasota, Fla., on Oct. 9, 2024, as a Category 3. While coastal residents in the Southeastern U.S. are accustomed to major storms during hurricane season, Helene in particular resulted in inland devastation that was significantly different. In some parts of Western North Carolina and Eastern Tennessee the effects of Helene from damaging winds and flooding are still being assessed weeks after the storm, and some local governments remain unable to quantify both the damage and repairs necessary. Hurricane Milton continued across Florida, leading to flooding and nearly 120 tornadoes that destroyed properties along the state's east coast.

What we think and why. In S&P Global Ratings' view, a shift to inland damage from where the storms make landfall could require greater storm preparedness in such areas, adding to the region's need for storm hardening. Although federal and state disaster relief funds may partly offset the expenditures, costs for infrastructure investments could require additional debt and pressure issuers' fixed costs. Furthermore, where damage to infrastructure and core services is catastrophic, or where property insurance becomes unaffordable or unavailable, some entities could see lasting declines in population and economic activity that impact revenue generation.

Continue reading.

[Free registration required]

15 Oct, 2024 | United States of America

[Is Flooding Protection Infrastructure Worth It?]

When Hurricane Francine hit Louisiana last month, much of Terrebonne Parish lost power and some roads and houses flooded, but most flood-protection measures held strong.

When Hurricane Francine hit Louisiana last month, about 60,000 homes and businesses in Terrebonne Parish lost power.

But other damage was far less than anticipated — largely because of flood-protection projects.

Francine struck with 100-mile-per-hour winds and an 11-foot storm surge. Some roads flooded but few houses did, according to officials. The only overtopped levee in Terrebonne was near Montegut, a town on a narrow road that strings into the coastal marshes, separating land from the Gulf of Mexico.

Continue reading.

governing.com

Oct. 18, 2024 • Mark Ballard, The Advocate, TNS

[Ensuring Resilient Water Infrastructure Requires Creative Financing.]

Meeting the water challenges of today and the future will require federal spending as well as new financial models and revenue streams to ensure equity, climate change adaptation and sustainability.

Lawmakers in Congress are currently negotiating spending levels on water systems, and some proposals would include significant cuts. As communities around the U.S. confront aging drinking water infrastructure often unprepared for climate change and population growth, federal sources of financing are more critical than ever.

Building and maintaining water infrastructure, including pipelines, treatment plants, and stormwater and wastewater systems, require substantial financial outlays. Emerging contaminants like per- and polyfluoroalkyl substances, also known as forever chemicals, present additional burdens. Addressing these pollutants requires advanced treatment technologies and comprehensive monitoring, which are expensive to implement and maintain.

Continue reading.

Route Fifty

By Chelsea Kolb, Sara Stullken and Sara Hughes

October 18, 2024

TAX - WYOMING

State v. Uinta County Assessor

Supreme Court of Wyoming - October 9, 2024 - P.3d - 2024 WL 4448731 - 2024 WY 106

State petitioned for review of State Board of Equalization's decision upholding county board of equalization's determination that state land that Board of Land Commissioners managed for benefit of state hospital and that Board leased to private corporation for operation of truck stop was not exempt from taxation.

The District Court affirmed. State appealed.

The Supreme Court held that:

- Land was not used primarily for a government purpose under tax exemption criteria, and
- No implied exemption existed based on statute precluding tax-exempt status for private or commercial improvements on leased state land.

State land that Board of Land Commissioners managed for benefit of state hospital and that Board leased to private corporation for operation of truck stop was not used primarily for a government purpose, and thus the land was not exempt from taxation, even though Board leased the land to generate revenue.

Board of Land Commissioners' statutory obligation to manage land for the benefit of state hospital did not trigger tax-exempt status for land that Board leased to private corporation for non-governmental purpose of operation of truck stop; nothing in statutory mandate required Board to manage the land in a manner that maintained its tax-exempt status.

Statute precluding tax-exempt status for improvements placed on state lands by lessees for private or commercial use did not impliedly give tax-exempt status to state land that Board of Land Commissioners managed for benefit of state hospital and that Board leased to private corporation for non-governmental purpose of operation of truck stop; allowing an implied exemption would have been directly contrary to statutory directive that all property in state was subject to taxation except as prohibited by Federal or State Constitutions or expressly exempted.

S&P Charter School Brief: Texas

Overview

As of Oct. 17, 2024, S&P Global Ratings maintains 36 public ratings on Texas charter schools, which, along with California, top its list of states with the most rated charter schools. Texas is home to more than 900 charter schools, serving more than 375,000 students, with another 66,000 students on waitlists statewide. The Texas Legislature enacted its charter school law in 1995, and in fall 1996 the state's first charter schools opened their doors.

Continue reading.

17 Oct, 2024

[Muni-Bond Sales Surge by the Most Since Last US Election Rush.]

- **Activity driven by borrowers avoiding post-election volatility**
- **Sales this year at a record-setting pace at about $400 billion**

With the US elections less than three weeks away, the sale of local and state government debt is surging.

The 30-day supply of municipal bonds rose to about $22.9 billion as of Wednesday, the highest since October 2020, another period when sales was elevated due to looming elections, according to a Bloomberg index of scheduled sales over the next month.

That figure could be even higher since the data represents a fraction of what comes to market. Many muni-bond sales are announced with less than a month's notice.

Continue reading.

Bloomberg Markets

By Amanda Albright

October 16, 2024

[Museum of Natural History Seeks Bond Buyers to Help Fund Rebound.]

- **$85 million sale helps pay for Gilder Center, cuts debt costs**
- **Pandemic-era deficits get whittled as attendance on upswing**

The Covid-19 pandemic brought New York City's American Museum of Natural History, home to 30 million prized artifacts, its first deficits in decades. The institution plans to tap the municipal bond market for an $85 million boost.

Proceeds from the debt sale will help the 155-year-old museum lower its interest expenses and recover costs from building the Gilder Center, a major 21st Century addition. The offering by the Trust for Cultural Resources of The City of New York is expected to price on Oct. 17, according to investor roadshow documents.

The sprawling landmark on the Upper West Side of Manhattan welcomed 5 million visitors last year, second only to the city's Metropolitan Museum of Art among US museums. But the pandemic had hit hard, forcing the venue's closure between March and September 2020, and cutting average annual paid attendance by 37% that year.

Continue reading.

Bloomberg Markets

By Erin Hudson and Aashna Shah

October 16, 2024

[Texas' Booming Finance Hub Confronts a $19 Billion Pension Bill.]

- **Tax revenue from building boom helps with bigger payments**
- **Officials still look to cut costs, mull sale of public land**

Dallas is part of America's fastest-growing metropolitan area, a burgeoning powerhouse for finance jobs that's in the midst of a construction boom.

And yet, as flush as it appears to be, the city of 1.3 million still faces some hard choices as it grapples with how to tackle roughly $19 billion in projected pension payments over the next 30 years, including shoring up a police and fire retirement system that ranks among the nation's worst-funded.

It's a dilemma almost two decades in the making that's coming to a head now because of a state mandate to adopt and submit a plan by Nov. 1 to plug the funding gap in the first responders' pension within 30 years.

Continue reading.

Bloomberg Markets

By Erin Hudson

October 17, 2024

[Asheville, Other North Carolina Communities May Get Cut by S&P Over Helene.]

North Carolina municipalities such as Asheville and Blowing Rock and communities in Tennessee may see a credit downgrade in the wake of Hurricane Helene, S&P Global Ratings said in a report on Thursday.

The company placed the rating of a dozen municipalities on CreditWatch with negative implications. All have investment-grade ratings — the city of Asheville has a AAA mark. The storm unleashed flooding across the US South late last month.

S&P said it wasn't worried about disruptions to debt payments, but "potential long-term implications could impair credit quality."

Continue reading.

Bloomberg Markets

By Amanda Albright

October 17, 2024

Bank of America Sees Record $520 Billion of Muni Sales in 2025.

- **Strategists also revised forecast for this year up by 15%**
- **Issuance in 2024 so far is strong rising to $409 billion**

Strategists at the municipal-bond market's biggest underwriter are forecasting a very busy year for state and local government debt bankers.

Bank of America Corp analysts led by Yingchen Li and Ian Rogow anticipate state and local governments will sell $520 billion of debt in 2025, a record sum, the group said in a research note on Friday. The strategists also revised their forecast for this year to $460 billion from $400 billion.

"Positive factors for munis remain in place," they wrote, citing "well-controlled muni/Treasury ratios and compressing muni credit spreads."

Continue reading.

Bloomberg Markets

By Lily Meier

October 18, 2024

Brave New World of Active Muni ETFs: Bloomberg Masters of the Muniverse

While muni ETFs still only make up a small portion of the overall muni market holdings, record growth in the muni-focused funds and more specifically, actively managed ETFs, has led to more innovative alternative strategies. In the latest Masters of the Muniverse episode of our FICC Focus podcast, Eric Kazatsky and Karen Altamirano are joined by Harley Bassman, Managing Partner at Simplify Asset Management. We discuss Simplify's alternative strategies in ETFs and how option selling can improve portfolio risk-adjusted returns.

Continue reading.

Bloomberg MuniMoments

Oct 18, 2024

NJ Transportation Agency Raises $3.2 Billion in Muni Sale Surge.

- **NJ, other issuers are rushing to borrow ahead of US election**
- **A state trust fund will invest billions to modernize transit**

A New Jersey agency that finances road, bridge and mass transit infrastructure, joined the debt spree spurred by municipal issuers rushing to raise cash before the Nov. 5 US election.

The New Jersey Transportation Trust Fund Authority sold $3.2 billion in tax-exempt and taxable bonds Thursday to refinance its higher cost debt. The authority is fine-tuning its obligations as the state's finances improve despite a turbulent year for NJ Transit riders who have been bombarded with service meltdowns and disruptions.

The deal comes amid a surge in municipal bond sales, as borrowers seek to lock in financing ahead of a potential uptick in market volatility ahead of the US presidential election. The new bonds are backed by appropriations from lawmakers and carry an A rating from Fitch Ratings and an A- rating from S&P Global Ratings Inc., one level lower than their respective grades on New Jersey's general obligation debt.

Continue reading.

Bloomberg Markets

By Martin Z Braun and Sri Taylor

October 18, 2024

GASB Issues Guidance on Disclosure of Certain Capital Assets.

Norwalk, CT, October 17, 2024 — The Governmental Accounting Standards Board (GASB) issued guidance today that establishes requirements for certain types of capital assets to be disclosed separately for purposes of note disclosures.

GASB Statement No. 104, *Disclosure of Certain Capital Assets*, also establishes requirements for capital assets held for sale and requires additional disclosures for those capital assets.

Recent GASB pronouncements like Statement Nos. 87, *Leases,* 94, Public-Private and *Public-Public Partnerships and Availability Payment Arrangements*, and 96, *Subscription-Based Information Technology Arrangements*, created certain types of capital assets, which are described as "right-t--use" assets. In light of the recognition of those new types of assets, the Board decided to consider whether existing disclosure requirements for capital assets should be more prescriptive.

Based on input from financial statement users during the research phase of the project, Statement 104 requires certain types of assets be disclosed separately in the note disclosures about capital assets. This is designed to allow users to make informed decisions about these and to evaluate accountability.

Guidance Requires Separate Disclosure of Four Types of Capital Assets

Statement 104 addresses four types of capital assets that would be disclosed separately in the notes:

1. Lease assets reported under Statement 87, by major class of underlying asset
2. Intangible right-to-use assets recognized by an operator under Statement 94, by major class of underlying asset,
3. Subscription assets reported under Statement 96, and
4. Intangible assets other than those listed in items 1-3, by major class of asset.

Capital Assets Held for Sale

Statement 104 establishes requirements for capital assets held for sale. Under the guidance, a capital asset is a capital asset held for sale if: (a) the government has decided to pursue the sale of the asset, and (b) it is probable the sale will be finalized within a year of the financial statement date. A government should disclose the historical cost and accumulated depreciation of capital assets held for sale, by major class of asset.

The requirements of Statement 104 are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement 104 is available on the GASB website, www.gasb.org.

[MSRB Announces Discussion Topics for Quarterly Board Meeting.]

Washington, DC – The Board of Directors of the Municipal Securities Rulemaking Board (MSRB) will meet on October 23-24, 2024, holding the first quarterly meeting of fiscal year 2025. The Board will discuss its priorities for the next fiscal year to advance its FY 2022-2025 Strategic Plan. This will be the first meeting under the direction of MSRB's new Board Chair Warren "Bo" Daniels. Highlights of the Board discussion will include:

Rate Card RFI

The Board will discuss issuing a Request for Information (RFI) regarding MSRB's rate card and fee-setting process to evaluate potential modifications to the model.

Market Regulation

The Board will discuss regulatory matters and receive updates on several ongoing initiatives including:

- Rule D-15: Defining a sophisticated municipal market professional (SMMP).
- Rule A-12: Enhancing information related to bank dealer associated persons.
- Rule G-27: Discussing industry feedback in connection with remote supervisory obligations.

Market Transparency and Market Data

The Board will also receive an update on the modernization of the Electronic Municipal Market Access (EMMA) website, including a demonstration of stakeholder-driven updates that will enhance the user interface and experience on EMMA, as well as preview a newly redesigned EMMA website which is scheduled to be launched before the end of 2025.

Date: October 16, 2024

Contact: Aleis Stokes, Chief External Relations Officer
202-838-1500
astokes@msrb.org

The Municipal Securities Rulemaking Board (MSRB) protects and strengthens the municipal bond market, enabling access to capital, economic growth, and societal progress in tens of thousands of communities across the country. MSRB fulfills this mission by creating trust in our market through informed regulation of dealers and municipal advisors that protects investors, issuers and the public interest; building technology systems that power our market and provide transparency for issuers, *institutions, and the investing public; and serving as the steward of market data that empowers better decisions and fuels innovation for the future. MSRB is a self-regulatory organization governed by a board of directors that has a majority of public members, in addition to representatives of regulated entities. MSRB is overseen by the Securities and Exchange Commission and Congress.*

- GFOA 2024 Annual Governmental GAAP Update.
- GFOA: Stand-Alone Financial Reporting for Government Departments
- GASB Requests Input on Infrastructure Assets Proposals.
- Curious About Bond Ratings? Don't Miss the Next CDFA // BNY Development Finance Webcast Series!
- Hurricane Milton Threatens $30 Billion of Muni Debt in Florida.
- And Finally, Damned If You Do / Damned If You Don't – Boys Locker Room Edition is brought to us this week by *Aldridge v. South Tippah County School District*, in which poor, poor coach Coach Roberts was faced with a bit of a conundrum. Remain in the boys locker room while his players change into their basketball gear, which is creepy as [bleep]. Or stay in the gym and prepare for practice, while one of his boys FATALLY STABS A TEAMMATE. (And for his troubles he gets sued.) Suppose it kinda puts those struggles from the free-throw line in perspective.

PUBLIC MEETINGS. - FLORIDA

Moms for Liberty - Brevard County, FL v. Brevard Public Schools

United States Court of Appeals, Eleventh Circuit - October 8, 2024 - F.4th - 2024 WL 4441302

Parents group and its members filed § 1983 action alleging that school board's rules prohibiting abusive, personally directed, and obscene speech during public comment period of board meetings violated First Amendment facially and as applied.

The United States District Court for the Middle District of Florida entered summary judgment in board's favor, and plaintiffs appealed.

The Court of Appeals held that:

- Organization had standing to bring action;
- Plaintiffs had standing to seek prospective relief;
- Policy permitting board's presiding officer to interrupt speech that he or she deemed "abusive" violated First Amendment;
- Policy disallowing speakers from addressing or questioning board members individually was unreasonable restriction on speech as applied;
- Policy allowing presiding officer to stop speaker when speaker's remarks were "personally directed" at anyone not on board was facially unconstitutional; and
- Policy prohibiting obscene speech during public comment period violated First Amendment as applied.

ENVIRONMENTAL - HAWAI'I

[Aloha Petroleum, Ltd. v. National Union Fire Insurance Company of Pittsburgh, PA]

Supreme Court of Hawaiʻi - October 7, 2024 - P.3d - 2024 WL 4431797

Insured petroleum company brought action against commercial general liability (CGL) insurers for declaratory judgment that they had duty to defend suits by city and county over greenhouse gas emissions from insured's gasoline.

The United States District Court for the District of Hawaiʻi certified questions.

The Supreme Court held that:

- "Accident" as used in definition of "occurrence" included company's allegedly reckless conduct in producing fossil fuels contributing to climate change, but
- As a matter of first impression, carbon dioxide from burning gasoline was "contaminant" and thus "pollutant" within meaning of pollution exclusion.

"Accident" as used in commercial general liability (CGL) policy's definition of "occurrence" included petroleum company's allegedly reckless conduct in producing fossil fuels contributing to climate change; awareness of risk differed from awareness of certain harm, negligence and accident would be mutually exclusive if "accident" meant an event where the harm was unforeseeable, including recklessness in an "accident" honored fortuity, and principle of fortuity was more about concept of chance than insured's culpability.

Carbon dioxide from burning petroleum company's gasoline was "contaminant" and thus "pollutant" within meaning of total pollution exclusion of company's commercial general liability (CGL) policy; greenhouse gases contaminated atmosphere and were traditional environmental pollution, exclusion was unambiguous as applied to greenhouse gases, and company could not reasonably expect products liability coverage for pollution.

HIGHWAYS - MARYLAND

[Bay City Property Owners Association, Inc. v. County Commissioners of Queen Anne's County]

Appellate Court of Maryland - October 2, 2024 - A.3d - 2024 WL 4368287

Subdivision owners association brought action for declaratory judgment and to quiet title to intersection in subdivision.

Neighboring landowner, which sought to use the intersection for access to proposed development, alleged establishment of a public road by prescription.

The Circuit Court entered judgment for neighboring landowner, and association appealed.

The Appellate Court held that:

- Evidence was sufficient to support finding that disputed intersection in subdivision had been in continuous public use for at least 20 years, and

- Evidence was sufficient to support finding that the public's use disputed intersection was adverse, rather than permissive.

Evidence in subdivision's quiet title action was sufficient to support finding that disputed intersection in subdivision had been in continuous public use for at least 20 years, as required to establish a public right to use the intersection; several witnesses testified that they, and other members of the public, traveled freely through the intersection without having to request permission, and testimony and exhibits demonstrated that the county had improved and maintained the intersection, including construction, resurfacing, and plowing, for decades.

Evidence in subdivision's quiet title action was sufficient to support finding that the public's use of disputed intersection in subdivision was adverse, rather than permissive, as required to establish a public road by prescription; there was some evidence that members of the public had traversed the intersection in conjunction with their use of road whenever they saw fit and without asking leave of subdivision, there was no evidence in the record of any member of the public asking permission, paying a fee, or believing permission could be withheld with regard to their use of the intersection, and there was evidence that no public use had ever been restricted through signage or barricades.

SCHOOLS - MISSISSIPPI

Aldridge v. South Tippah County School District

Court of Appeals of Mississippi - August 20, 2024 - So.3d - 2024 WL 3870492

Mother of minor student brought negligence action against high school district for injuries he sustained when he was stabbed in locker room while coach was in gym.

The Circuit Court granted district's motion for summary judgment. Mother appealed.

The Court of Appeals held that coach had no duty to be present in locker room while students were changing into their practice attire.

Statute addressing educators' responsibilities to hold pupils to strict account for disorderly conduct, state educator ethics code, and basketball coach's usual procedure for supervising his classroom did not create duty for coach to be present in locker room while students were changing into their practice attire, and, thus, his failure to follow his usual practice of staying in locker room did not establish breach of duty by school district to provide appropriate supervision, in mother's negligence action against district for injuries sustained by student who was stabbed by another student; students were friends, neither coach nor district had notice of animosity between students or reason to believe that altercation between them would occur, and no one knew that other student had knife.

EMINENT DOMAIN - OHIO

State ex rel. Gideon v. Page

Supreme Court of Ohio - October 10, 2024 - N.E.3d - 2024 WL 4454448 - 2024-Ohio-4867

After Court of Common Pleas granted city's motion to vacate its dismissal of eminent domain action without prejudice due to parties purportedly having reached settlement agreement, and city moved to enforce settlement, property owner brought original action in Court of Appeals for writ of prohibition to prevent trial court judge from conducting any further proceedings in underlying case.

City and Judge filed motions to dismiss. Property owner filed objections to magistrate's report and recommendations. The Court of Appeals overruled the objections, granted the motions to dismiss, and denied the writ of prohibition. Property owner appealed, and filed motion for oral argument.

The Supreme Court held that:

- Court would deny motion for oral argument, and
- Judge did not patently and unambiguously lack jurisdiction to hear city's motion.

Supreme Court would deny property owner's motion for oral argument on direct appeal from the denial of property owner's writ of prohibition alleging that trial court judge lost jurisdiction over eminent domain case and could not schedule hearing on whether to enforce settlement agreement with city, as case did not involve complex issues, a matter of great public importance, a substantial constitutional issue, or a conflict among courts of appeals.

Court of common pleas judge did not patently and unambiguously lack jurisdiction to hear city's motion for relief from judgment and vacate dismissal without prejudice of eminent domain action; no statute removed the court's jurisdiction, at a minimum, judge had jurisdiction to determine whether grounds for relief from judgment existed, and, while motion did not cite rule governing relief from judgment, city argued at hearing that judge could vacate the dismissal under rule or her inherent authority.

PUBLIC UTILITIES - OHIO

In re Letter of Notification Application of Columbia Gas of Ohio, Inc.

Supreme Court of Ohio - October 3, 2024 - N.E.3d - 2024 WL 4375867 - 2024-Ohio-4747

Adjacent landowner appealed decision of the Power Siting Board which approved an accelerated application for the construction of a natural-gas-distribution pipeline less than five miles long.

Gas company intervened.

The Supreme Court held that:

- Record did not support claim that pipeline application required a permanent easement with a minimum width of 50 feet along the entire pipeline route, and
- Board did not give "artificial deference" to pipeline company regarding safety concerns.

Record on appeal of Power Siting Board's approval of accelerated application for natural gas pipeline did not support adjacent landowner's claim that pipeline application required a permanent easement with a minimum width of 50 feet along the entire pipeline route; while pipeline company stated in one part of its application that the project would require a 50-foot-wide permanent easement and a 50-foot-wide temporary easement, those applied only to the pipeline route running through identified areas of ecological concern, attachment to the accelerated application indicated that construction rights-of-way would "typically" consist of a 50-foot-wide permanent easement and a 50-foot-wide temporary construction easement but that the easement widths would vary based on the circumstances, and the construction-plan drawings attached to the application depicted easements of varying widths.

Power Siting Board did not give "artificial deference" to pipeline company regarding safety concerns when considering accelerated application for natural gas pipeline; Board conditioned approval of the accelerated application on company complying with all relevant rules and regulations, including pipeline-safety standards established by the Pipeline and Hazardous Materials Safety Administration, Board also adopted staff's report, which required company, prior to beginning construction, to obtain and provide "on the case docket" copies of all permits and authorizations required by federal and state laws and regulations in areas that require such permits and authorizations, and pipeline was subject to the condition that issuance of the construction certificate "shall not exempt the facility from any other applicable and lawful local, state, or federal rules or regulations."

Corporate and Municipal CUSIP Request Volumes Slow in September.

NORWALK, Conn., Oct. 11, 2024 (GLOBE NEWSWIRE) — CUSIP Global Services (CGS) today announced the release of its CUSIP Issuance Trends Report for September 2024. The report, which tracks the issuance of new security identifiers as an early indicator of debt and capital markets activity over the next quarter, found a decrease in request volume for new corporate and municipal identifiers.

North American corporate CUSIP requests totaled 7,160 in September, which is down 5.8% on a monthly basis. On a year-over-year basis, North American corporate requests closed the month up 4.3%. The monthly decline in volume was driven by a 7.7% decrease in request volume for U.S. corporate equity identifiers and a 10.0% decrease in request volume for Canadian corporate identifiers. Request volumes for short-term certificates of deposit (-5.4%) and longer-term certificates of deposit (-19.1%) also fell in September.

The aggregate total of identifier requests for new municipal securities – including municipal bonds, long-term and short-term notes, and commercial paper – fell 10.2% versus August totals. On a year-over-year basis, overall municipal volumes are up 7.2%. Texas led state-level municipal request volume with a total of 167 new CUSIP requests in September, followed by New York (134) and California (69).

"While CUSIP request volume is down across most asset classes, this month, that is largely a reflection of difficult comparisons to last month, where we saw a significant surge in new issuance activity," said Gerard Faulkner, Director of Operations for CGS. "On an annualized basis, we're seeing a positive trend in CUSIP request volume as we turn the corner to the fourth quarter."

Requests for international equity CUSIPs fell 9.5% in September and international debt CUSIP requests rose 13.2%. On an annualized basis, international equity CUSIP requests are down 2.4% and international debt CUSIP requests are up 100.3%.

To view the full CUSIP Issuance Trends report for September, please click here.

GFOA: Stand-Alone Financial Reporting for Government Departments

Recent GFR articles have examined primary government reporting, including component units. However, stand-alone departmental reports can improve transparency by providing detailed insights into specific services and resource use. This article explores the factors influencing these reports' selection and content.

[Read more.]

[Fitch: Pressure Mounts for U.S. Colleges As Students Head Back to School]

Fitch Ratings-Chicago-11 October 2024: A modest uptick in fall enrollment will not be enough to stem intensifying pressure for many U.S. colleges heading into next year and likely beyond, according to Fitch Ratings analysts during a webinar yesterday.

A closer look at overall steady enrollment expectations for 2024-2025 reveals clears winners and losers, according to Senior Director Emily Wadhwani and Head of Fitch's U.S. Public Finance Higher Education and Nonprofit group. "For example, some flagship public institutions, selective private institutions, and HBCUs are achieving record enrollment numbers," said Wadhwani. "Conversely, many smaller, less selective colleges continue to see their enrollment decline."

Demand for college is pressured from a rising number of high school and traditional college students questioning the value of pursuing a four-year college degree. Lower demand will also keep tuition increases in check, with more colleges carefully weighing the pros and cons of raising prices. Of note, institutional discounting levels have ticked up. "Discounting is at its steepest for every incoming freshman class, which then becomes a trailing reference point as those students head towards gradutation," said Wadhwani.

Institutions are also devoting more attention to recruiting non-traditional college populations, such as older adults and international students, who have different cost and value expectations. These schools are also shoring up retention of existing students.

Macroeconomic factors are also at play. Fitch forecasts that consumer spending growth is likely to slow next year, while noting that debt levels are on the rise. This environment has mixed implications for the sector, according to Wadhwani. The most acute of the sector's expense challenges continue to center around labor cost pressures. While cooling wage and employment growth could be a plus, slowing consumer spending and rising debt-to-income levels could squeeze household tolerance and capacity for additional student loans. Investment portfolio performance, and energy cost volatility in an era of increasing energy needs and geopolitical instability are other macroeconomic pressures the sector faces.

While most Fitch-rated colleges maintain Stable Outlooks, downward Outlook revisions have risen over the last several quarters. This could indicate more downgrades are ahead, particularly for colleges unable to maintain positive operating performance, as well as erode financial resources. Rating Outlooks vary by geographic region, with far less stress evident in the South compared to the Midwest and Northeast.

[A Recipe for Getting the Finances Right.]

COMMENTARY | Cities across the country are currently finalizing their budgets. But budgeting is just one ingredient in a city's financial success.

In a 1957 speech, Dwight D. Eisenhower shared a lesson he'd learned in the Army that he said worked for the whole of government. "Plans are worthless," the president said, "but planning is everything."

Like so much about Ike, there was a lightness to what he was saying that made the central paradox a little easier to digest. The fact is governments often have to change their plans on the fly. And that means long-range plans tend to fall by the wayside, putting leaders in a reactive position rather than the driver's seat.

You can see this indirectly in the way arguments over city budgets seem to suck up all the oxygen in the room. For the past several months, mayors and city councils have been going back and forth over budgets. Right now, in Minneapolis, Mayor Jacob Frey and the city council are butting heads over a $1.5 million grant for a homeless advocacy group. In Houston, policymakers are debating whether to raise property taxes to help close a $129 million deficit. And in Seattle, Mayor Bruce Harrell has released his proposed budget to close a $250 million budget gap.

Continue reading.

Route Fifty

By Mark Funkhouser

October 9, 2024

S&P: Interconnection Queue Backlog Adds Risks For U.S. Not-For-Profit Power Sector

Key Takeaways

- The not-for-profit power sector is currently in flux as a result of the phasing out of fossil-fuel-based generation, changing demand, and growing delays in interconnection approvals as small-scale renewable generators seek to enter the market.
- Growing credit risks for not-for-profit electric utilities related to approval and buildout delays compound escalating costs, including capital plan investments, which could pressure rate-making flexibility, cost recovery, and financial metrics.
- Delays also complicate power-supply planning for load-serving not-for-profit electric utilities and challenge their ability to achieve timely decarbonization goals and meet their obligations of energy reliability.
- Replacing generation retirement to meet demand growth is uniquely challenging to the not-fo--profit power sector, which maintains heightened responsibility to procure sufficient power for the end-use customers.
- S&P Global Ratings believes that reliability will remain a prominent concern for policymakers, who have already shown an inclination to extend the operating lives of aging units slated for retirement.

Continue reading.

8 Oct, 2024

Short-Dated Muni Bonds Swoon as Fed Rate-Cut Bets Revised.

- **State-, local-debt market usually takes its cues from US bonds**
- **Uptick in muni supply expected ahead of presidential election**

The shortest-dated municipal bonds sold off after a blowout jobs report caused investors to recalibrate the odds of another big interest-rate cut from the Federal Reserve.

On Friday, yields on three-month AAA municipals shot up 29 basis points — the biggest one-day jump since 2022 — after labor data showed a still strong US economy. That puts yields on the ultra-short securities higher than AAA municipal bonds maturing in 16 years — deepening once again, an already pronounced inversion of the muni curve.

Short-term state and local debt yields have been elevated compared to longer term debt for over two years. The muni curve inverted after the Federal Reserve started on its rate hiking regime in 2022. That relationship was just starting to return to normal — until the too hot jobs data shook traders' conviction in the scope of the Fed's future policy easing.

Continue reading.

Bloomberg Markets

By Lily Meier and Sri Taylor

October 7, 2024

Private Equity-Backed Texas Housing Development Taps Muni Market.

- **Muni authority seeking debt for residential development**
- **Developers are planning to build more than 1,000 homes**

In suburban Texas, a neighborhood complete with an amphitheater, dance hall and goat farm is scheduled to be erected 40 miles from Houston's downtown — providing municipal-bond investors a window to bet on one of the fastest-growing areas of the US.

In a transaction that priced this week, a municipal authority sold high-risk, tax-exempt bonds to finance infrastructure associated with a housing development dubbed Two Step Farm. The planned community stretches more than 2,000 acres in Houston's sprawling metropolis. The first phase will have more than 1,000 homes priced between $350,000 and $1 million, as well as parks and amenities.

The bonds are backed by future revenues generated by the project, meaning investors are wagering that the development will be built out and populated. Texas metros are seeing the most sustained population growth of all the nation's major cities this year, according to US Census Bureau data. Houston added nearly 140,000 people to its population this year, following closely behind Dallas. San Antonio and Austin also ranked in the top 10 of the largest increases in new residents.

Continue reading.

Bloomberg Markets

By Sri Taylor

October 4, 2024

[Municipal Revenue Bonds Offer Low Cost Way to Fund Fiber Networks.]

- **Incumbents don't like municipal networks and claim they shouldn't use taxpayer money to compete**
- **But municipal revenue bonds don't require any taxpayer investment**
- **And they offer a low-cost way to fund new fiber broadband networks**

At this week's Broadband Nation Expo, a panel will discuss financing fiber networks. And Fletcher Kittredge, chief strategy officer at the service provider GWI, plans to share his expertise, more specifically, on financing public networks with municipal revenue bonds.

"No taxpayer money is involved in municipal revenue bonds, and it's a really low-cost way for munis to fund networks," he said.

Whereas a general obligation bond is secured by and paid for by taxes, a municipal revenue bond is secured by and paid for by the revenue of the network. And while incumbents may complain and even sue towns and cities that try to fund a broadband network with taxpayer money, incumbents don't have that argument when it comes to municipal revenue bonds.

Continue reading.

fierce-network.com

By Linda Hardesty

Oct 9, 2024

GFOA 2024 Annual Governmental GAAP Update.

GFOA eLearning Course | November 14, 2024 1pm – 5pm ET

Participants in the 2024 Governmental GAAP Update will:

Get last-minute pointers on standards being implemented now, including GASB 100, *Accounting Changes and Error Corrections* and GASB 101, *Compensated Absences*

Be prepared for upcoming implementations of new GASB Statements, including:

- GASB 102, *Certain Risk Disclosures*
- GASB 103, *Financial Reporting Model Improvements*
- GASB 104, *Classification of Nonfinancial Assets* [anticipated]

Learn about the [anticipated] Preliminary Views document on Infrastructure Assets on which you can provide comments to GASB

Get updates about other ongoing GASB standard-setting projects, including several with due process documents expected to be issued in late 2024:

- Going Concern/Severe Financial Stress
- Subsequent Events
- Implementation Guidance Update for 2025

Click here to learn more and to register.

From the Edge of Bankruptcy to a Decade of Surpluses - Wayne County, MI

Wayne County, Mich., nearly filed for bankruptcy in 2014. It just posted its tenth budget surplus in a row.

In Brief:

- Wayne County, Mich., adopted a $2.23 billion budget last month, its tenth balanced budget in a row.
- The county was on the verge of bankruptcy in 2014, when its current county executive, Warren Evans, was elected.
- Renegotiated pension benefits and increases to property values have helped stabilize the county's finances.

In 2013, Detroit became the biggest city in the country ever to file for bankruptcy. A year later, it looked like Wayne County, Mich., the city's home county, was headed in the same direction.

The county had posted a string of annual budget deficits, with a structural deficit of about $52 million, according to Warren Evans, the Wayne County executive who was elected in 2014. Its pension fund was only about 45 percent funded, threatening its ability to fulfill its commitment to retiring public workers. And its bond rating had been lowered to junk status, making it more difficult to borrow money for public infrastructure and other obligations.

Continue reading.

governing.com

by Jared Brey

Oct. 10. 2024

Munis on the Rise: Better State Finances and High Yields Offer a Bond Market Win

Municipal bonds have long been seen as a safe haven in the bond market. After all, their credit quality and repayment are driven by the state's and the local government's ability to raise taxes and/or support from the underwritten projects. This cash flow pays investors and provides the steady returns of muni bonds.

And it looks like municipal bond investors have something to cheer about heading into next year.

State tax revenues are set to increase, while rainy day funds remain plump. At the same time, budget and spending cuts even in the worst-off states have less cash flow risks for many municipalities. For investors, it’s just another sign that munis are a top bond variety for their portfolios.

Taxes, Taxes, Taxes

Municipal bonds are issued by state and local governments to fund their operations, launch special projects, and provide their citizens with various programs. To pay for those bonds, it’s often taxes–payroll, sales, and property–that help pay the interest and pay off debt. This is where some problems have emerged over the last year.

Continue reading.

dividend.com

by Aaron Levitt

Oct 08, 2024

Bloomberg Muni Moment: Florida CFO on Rebuilding After Hurricane

Florida CFO Jimmy Patronis says the state will bounce back while discussing the rebuilding efforts in the wake of Hurricane Milton. He speaks on “Bloomberg The Close.”

Watch video.

Muni Moment – Bloomberg Markets: The Close

October 10th, 2024

Hurricane Milton Threatens $30 Billion of Muni Debt in Florida.

- **Debt sold to finance hospitals, senior living in storm’s path**
- **Muni bond impairments possible in a ‘worst-case scenario’**

As Hurricane Milton barrels toward Florida threatening massive storm surges in the Tampa Bay area, roughly $30 billion of municipal debt is at risk, according to an analysis from Bloomberg Intelligence.

That includes bonds sold to finance hospitals, utility systems and senior living homes. Florida borrowers have raced to the state and local government debt market this year on the heels of a population surge that required updated infrastructure. The Bloomberg Intelligence analysis identified tax-backed and revenue-supported debt sold by localities within the most at-risk evacuation areas.

"A worst case scenario could cause impairment issues across the municipal spectrum, especially for those credits who have limited financial cushion already," said Eric Kazatsky, senior US municipals strategist at Bloomberg Intelligence.

Continue reading.

Bloomberg Markets

By Maxwell Adler

October 9, 2024

Curious About Bond Ratings? Don't Miss the Next CDFA // BNY Development Finance Webcast Series!

View the Webcast Series.

CDFA | Oct. 8 | Bond Finance | Webcasts

S&P: Florida State Finances And Insurance Mechanisms Help Absorb The Blow Of Another Major Storm

Key Takeaways

- Hurricane Milton is the second major hurricane to make landfall in the State of Florida this year, with 51 counties placed under the pre-emptive disaster declaration that authorizes the Federal Emergency Management Agency to coordinate all disaster relief efforts and provide assistance to individuals in need.
- Florida (AAA/Stable) entered hurricane season with exceptionally high reserves totaling approximately 33.4% of operating revenue. In addition, it has a well-embedded emergency response apparatus to support short-term localized needs and enhance rebuilding efforts.
- The scale of damage remains highly uncertain from hurricanes Milton and Helene, but it could be substantial, leading to significant insured losses that are likely to place near-term pressure on the state's statutorily created entities: Citizens Property Insurance Corp. (not rated), Florida Hurricane Catastrophe Fund (AA/Stable), and Florida Insurance Guaranty Assn. (A/Stable [FIGA]).
- We continue monitoring how these events will affect Florida's general credit and insurance landscape, and if these entities will need to take additional measures (e.g., draws on pre-event bond proceeds, levying assessments, or new debt issuance) to help stabilize the property insurance market.

Continue reading.

10 Oct, 2024

Chicago to Issue $1.6 Billion of Municipal Bonds to Refinance O'Hare Airport Debt.

The City of Chicago plans to sell $1.6 billion of bonds to refinance outstanding debt sold to pay for improvements at O'Hare International Airport.

The issuance will be split into four tranches, according to roadshow material posted Tuesday on MuniOS.

The General Airport Senior Lien Revenue Refunding Bonds will be divided into $515.7 million in Series 2024 C and $840.1 million in Series 2024 D. The General Airport Senior Lien Revenue Bonds will include $158.4 million in Series 2024 E and $61.3 million in Series 2024 F debt. Series C and Series E are subject to the alternative minimum tax, while Series D and Series E are exempt.

Preliminary pricing information wasn't available. Pricing is scheduled for Oct. 17 and closing on Oct. 30, with both of those subject to change.

The Series 2024 C and 2024 D bonds will mature between 2025 and 2046. The Series 2024 E and 2024 F mature between 2025 and 2032.

Proceeds will be used to refund outstanding obligations, among other expenses. The bonds are backed by a pledge of revenue earned from airport's operations. Most of that money comes from the rental payments, fees and charges collected under airline use and lease agreements, according to the preliminary official statement posted to MuniOS. Series E and Series F debt is also backed by a subordinate pledge of revenue collected from a passenger facility charge.

About 36.6 million people boarded flights at O'Hare in 2023, up 7.3% from the prior year, with 82% of those passengers boarding domestic flights. The total number of people boarding flights was up 9.2% this year through Aug. 31. O'Hare was the fifth-largest airport in the country for both originations and destinations and total connecting passengers.

The debt is expected to receive a rating from S&P Global Ratings. Fitch Ratings has assigned the bonds a rating of A+.

"The rating reflects the strong air trade service area, Chicago's strategic location as a hub and the demonstrated importance of the airport to both United Airlines, Inc. and American Airlines, Inc.," Fitch said in a report Wednesday. "The rating also reflects risks related to the very sizable capital programs with overall escalated costs estimated at $12 billion over the next decade requiring around $9 billion of bond funding, including the recent series 2024A&B bonds."

J.P. Morgan and Jefferies are lead underwriters on the sale.

Provided by Dow Jones

Oct 9, 2024 9:31am

By Paulo Trevisani

Morgan Stanley On How Natural Disasters Could Impact the US Municipal

Bond Market.

Craig Brandon of Morgan Stanley discusses the U.S. municipal bond market as the market is experiencing a record issuance year and the natural disasters are adding uncertainties to the market.

Watch video.

cnbc.com

Wed, Oct 9 2024

GASB Requests Input on Infrastructure Assets Proposals.

Norwalk, CT, October 10, 2024 — The Governmental Accounting Standards Board (GASB) has issued a Preliminary Views (PV) for public comment on proposals associated with accounting and financial reporting for infrastructure assets.

The PV, *Infrastructure Assets*, is intended to set forth and seek comments on the Board's current views at a relatively early stage of the project. The objective of the project is to reexamine issues associated with accounting and financial reporting for infrastructure assets and consider improvements to existing guidance. These improvements relate to recognition and measurement, note disclosures, and required supplementary information.

Pre-agenda research showed that financial statement users want better information about the condition of infrastructure assets and how the government is maintaining those assets than what is currently available in financial statements. The PV presents the Board's current thinking on how to provide users with that information.

The Board's Early Views

Under the Board's preliminary views, *infrastructure assets* would be defined as individual assets that may consist of multiple components that are part of a network of long-lived capital assets that are utilized to provide a particular type of public service, that are stationary in nature, and that can be maintained or preserved for a significant number of years. Typical examples include roads, bridges, and tunnels.

The PV proposes to carry forward existing recognition and measurement requirements for infrastructure assets that allow for governments to measure infrastructure using historical cost net of accumulated depreciation unless the government elects to use the modified approach. The document proposes that governments reporting infrastructure assets measured at historical cost net of accumulated depreciation periodically review estimated useful lives and salvage value. The document also proposes that governments separately depreciate each component of an infrastructure asset that is significant to the total cost of the asset if the useful lives of these components are different.

The PV also proposes that governments electing to report infrastructure assets using the modified approach have processes in place to document that the condition of the assets is being preserved at a level established by the government.

The document proposes to remove some of the existing note disclosures related to infrastructure assets. It also proposes to add four new note disclosures, including a disclosure of maintenance or preservation expenses and another disclosure of assets reported using historical cost net of accumulated depreciation that have exceeded 80 percent of their estimated useful lives. A related schedule of maintenance expenses over the past 10 fiscal years is also proposed to be included in required supplementary information.

Share Your Views

Stakeholders are asked to review and provide input on the document by January 17, 2025. Comments may be submitted either through a comment letter or an electronic input form.

A series of public hearings and user forums on the PV has been scheduled to enable stakeholders to share their views with the Board. Additional information on the public hearings and user forums is available in the document.

Third Quarter 2024 Municipal Securities Market Summary.

View the Market Summary.

10/9/24

- SEC Resolution Spotlights Implications of Self-Reporting and Violations of Firm Communications Policies: Sullivan & Cromwell
- The SEC's Recent Off-Channel Communications Settlements Create More Uncertainty: Morgan Lewis
- WSJ: Why Investors Are Putting More Money in State-Specific Muni ETFs
- BLX/Orrick 2024 Post-Issuance Compliance Workshop (NEW!)
- Alabama College Reaches Deal With Nuveen After Bond Stress.
- *Luebke v. Indiana Department of Local Government Finance* – Tax Court upholds validity of sale-leaseback arrangement to finance construction of new jail; also upholds taxpayer standing to challenge the project. [Interesting discussion of taxpayer standing in public finance transactions.]
- And Finally, Shhh! The Shipping Container Can Hear You! is brought to us this week by *Griswold v. City of Homer*, in which the Supreme Court of Alaska found that, "property owner's shipping container was incidental and subordinate to mobile home." We struggle to envision a scenario in which being "incidental and subordinate to a mobile home" could possibly be construed as a positive. Regardless, please help us verify this conjecture by referring to everyone in your orbit as "incidental and subordinate to a mobile home" (it's actually a rather creative insult) and tracking their reactions. Partners, spouses, children, pets. We look forward to your letters.

ZONING & PLANNING - ALASKA

[Griswold v. City of Homer]

Supreme Court of Alaska - September 20, 2024 - P.3d - 2024 WL 4246636

Neighbor of property owners who placed shipping container on their property to use as a vacation home sought judicial review of city board of adjustment's decision upholding city planning commission's decision upholding zoning permit issued to property owners.

The Superior Court affirmed and granted city's motion for attorney fees and costs. Neighbor appealed.

The Supreme Court held that:

- Board's interpretation of zoning code provisions to mean that a detached accessory dwelling unit that was a single-family residence was permitted without a conditional use permit was reasonable;
- Board had reasonable basis to conclude that property owner's shipping container was incidental and subordinate to mobile home, and thus constituted an "accessory detached dwelling unit" that did not require a special use permit;
- Board had reasonable basis for concluding that shipping container used by property owners as vacation home was not a nuisance;
- Zoning code requirement of stating the zoning use classification on an application for a zoning permit was "directory," rather than mandatory, such that only substantial compliance with the requirement was required;
- Owners' application for zoning permit substantially complied with requirement that applications state the zoning code use classification under which the permit is sought;
- City's decision to impose fine on property owners for failing to obtain permit before placing shipping container on their property, rather than denying zoning permit, did not constitute a prohibited waiver of the zoning code requirements; and
- Neighbor failed to show that member of city's planning commission held a disqualifying partiality against him.

PUBLIC LAWSUITS ACT - GEORGIA

[Clay v. Morgan County]

Court of Appeals of Georgia - September 30, 2024 - S.E.2d - 2024 WL 4341890

Residents who owned, leased, and lived on property zoned for agricultural and residential use in county brought action against county, seeking declaratory and injunctive relief regarding project to build electric vehicle manufacturing facilities on state-owned property that was leased by multi-county joint development authority, which leased property to private manufacturer, asserting that project would violate local zoning ordinances.

After being permitted to intervene, state and authority filed motion to dismiss for lack of jurisdiction, and county filed separate motion to dismiss. The Superior Court dismissed action, rejecting defendants' argument that action was barred by Public Lawsuits Act but dismissing on other grounds. Residents, state, and authority appealed.

The Court of Appeals held that:

- Action was "public lawsuit" under Public Lawsuits Act;
- Resident's prior lawsuit regarding project was "commenced" when it was filed with the court, for purposes of Act's section prohibiting filing of other lawsuits against public improvement project

after public lawsuit had been commenced; and
- Dismissal of current action, not residents' other nearly identical action that was pending in different county, was warranted under Act.

County residents' action seeking declaratory and injunctive relief regarding project to build electric vehicle manufacturing facilities on state-owned property that was leased by joint development authority, which leased property to private manufacturer, was "public lawsuit" under Public Lawsuits Act, which limited number of lawsuits that could be brought against public improvement project, though authority, in its bond resolution, stated that project was not public project under Local Government Public Works Construction Law and that statutes requiring contractors on certain public contracts to participate in federal work authorization program did not apply; residents alleged that project would violate local zoning laws, Act applied to broader array of projects than Construction Law, and statutes had no bearing on Act.

In the interest of judicial economy, Court of Appeals would exercise its discretion to decide question of law as to whether county residents' prior lawsuit was a "public lawsuit" under Public Lawsuits Act, which limited number of lawsuits that could be brought against public improvement project, even though it was voluntarily dismissed without prejudice, rather than remanding for trial court to address issue in the first instance, when reviewing dismissal of residents' action seeking declaratory and injunctive relief regarding project to build electric vehicle manufacturing facilities on state-owned property that was leased by joint development authority, which leased property to private manufacturer, on ground that project would violate local zoning laws; material facts were undisputed.

County residents' prior lawsuit regarding project to build electric vehicle manufacturing facilities on state-owned property that was leased by joint development authority, which leased property to private manufacturer, was "commenced" when it was filed with the court, for purposes of section of Public Lawsuits Act prohibiting filing of other lawsuits against public improvement project after public lawsuit had been commenced, as supported conclusion that residents' subsequent lawsuit seeking declaratory and injunctive relief on ground that project would violate local zoning laws was barred under Act, even though prior lawsuit was voluntarily dismissed without prejudice prior to any ruling on its merits.

Under Public Lawsuits Act, which limited number of lawsuits that could be brought against public improvement project, dismissal of county residents' action seeking declaratory and injunctive relief regarding project to build electric vehicle manufacturing facilities on state-owned property that was leased by joint development authority, which leased property to private manufacturer, on ground that project would violate local zoning laws, not residents' other nearly identical action that was pending in different county, was warranted; other action was not before court, other action was filed earlier, and allowance of one public lawsuit was fulfilled before current action was filed.

SALE LEASEBACK - INDIANA

Luebke v. Indiana Department of Local Government Finance

Tax Court of Indiana - September 13, 2024 - N.E.3d - 2024 WL 4182290

Coalition of Allen County taxpayers objected to the Allen County Board of Commissioners' plan to build a new jail, challenging the legality of a lease approved by the Department of Local Government Finance (the "DLGF").

The new jail was projected to take at least three years to build, with an estimated cost of roughly $320 million. The Commissioners undertook several steps to move this project forward. For instance, they established the "Allen County, Indiana Building Corporation" to assist the County in financing its facilities by acquiring, owning, constructing, renovating, and leasing both existing and new county buildings. In addition, they planned to convey the historic Courthouse to this newly formed entity, which would then lease the property back to the County during the new jail's construction. The sale-leaseback plan for the Courthouse sought to reduce overall costs by avoiding approximately $28 million in capitalized interest expenses during the initial construction period, thereby lowering the lease payments for the new jail. The Building Corporation and the Commissioners executed a lease-purchase agreement ("the Lease") to implement the sale-leaseback plan and formalize the terms for leasing the new jail.

The objecting taxpayers contended that the lease was unlawful because the statutory framework for county leases did not permit the sale-leaseback of historical buildings long owned by the county, such as the Allen County Courthouse. They further argued that the jail's construction could not proceed because the resolution lacked the statutorily required determination of need for the Courthouse sale-leaseback.

The Commissioners argued that the taxpayers had not established an injury sufficient to confer standing because they had focused solely on the use of the Courthouse as a financing method for the new jail and that and that the lease and resolution comply with the law.

The Tax Court affirmed the final determination of the DLGF, holding that:

- The objecting taxpayers had standing to challenge the lease and the resolution; but
- The lease was legally valid under Indiana Code section 36-1-10-7(c).

"The Commissioners suggest that the Objectors have not been injured by the sale-leaseback of the Courthouse, when viewed as a separate, unrelated transaction from the jail project. However, they have provided no reason to consider these transactions in isolation. On the contrary, the Commissioners have consistently emphasized that the sale-leaseback of the Courthouse is integral to the new jail project. Indeed, the sale-leaseback is designed to generate revenue that will reduce lease payments by avoiding millions in capitalized interest during the new jail's construction. This demonstrates that the construction of the new jail and the sale-leaseback of the Courthouse are inherently interrelated, with the financing and execution of one directly impacting and supporting the other."

"An examination of the relationship between the sale-leaseback of the Courthouse and the new jail project confirms the Objectors' standing in this case. The sale-leaseback of the Courthouse is a means of funding the new jail project that directly impacts each of the Objectors individually as taxpayers and property owners. The Commissioners and the Building Corporation executed a single lease encompassing both the Courthouse and the new jail, creating a unified funding structure. The sale-leaseback is not merely an isolated transaction, but plays a critical role in generating substantial revenue to reduce the overall financial burden on other funding sources. The funds required to cover lease payments are sourced from the Jail LIT, economic development revenues from a local income tax and, if necessary, the County's property tax. Without this revenue stream, any shortfall would likely be offset by increasing reliance on the Jail LIT, economic development funds, or property taxes, directly affecting the taxpayer Objectors. Thus, the sale-leaseback and new jail project are not just parallel transactions, but form an interdependent funding framework that materially impacts the taxpayers and property owners of Allen County."

"The Commissioners' own arguments demonstrate that the sale-leaseback of the Courthouse is designed solely to fund the new jail project. Similarly, the Objectors challenge to the legality of the sale-leaseback, inherently involves the entire financing structure, which directly relies on taxpayer contributions, including the Jail LIT and potentially the County's property tax. As taxpayers and property owners, the Objectors are directly impacted by the commitment of their tax liabilities in support of this funding arrangement. Thus, their challenge is not just to the isolated transaction of the sale-leaseback of the Courthouse, but to a funding scheme that imposes a personal and imminent financial burden. Consequently, the Court finds that this impact constitutes a personal and direct injury, satisfying the requirement for standing."

ZONING & PLANNING - WASHINGTON

King County v. Friends of Sammamish Valley

Supreme Court of Washington, En Banc - September 19, 2024 - P.3d - 2024 WL 4231188

County appealed corrected determination by regional panel of growth management hearings board that most of county ordinance that amended land use code governing winery, brewery, and distillery facilities did not comply with the Growth Management Act (GMA) and the State Environmental Policy Act (SEPA).

The Superior Court transferred the appeal to the Court of Appeals pursuant to the Administrative Procedure Act (APA), and the Court of Appeals reversed and remanded for finding of compliance. The Supreme Court accepted review.

The Supreme Court held that:

- Amendment did not comply with the GMA, and
- Determination of nonsignificance (DNS) which county issued for amendment did not comply with the State Environmental Policy Act (SEPA).

County's amended land use code governing winery, brewery, and distillery facilities in rural and agricultural areas, which county determined was a nonproject action and made a threshold determination of nonsignificance (DNS), did not comply with the Growth Management Act (GMA); development of rural and agricultural land with no environmental review failed to maintain the natural resource industries and failed to protect water quality, while county's DNS checklist did not address any potential environmental impacts and concluded no potential environmental impacts existed, and ordinance allowed accessory uses of wine tasting and large-scale events with no adequate regulations and adequate setbacks to prevent conflicts with agricultural activities.

Threshold determination of nonsignificance (DNS) which county issued for amendment of land use code governing winery, brewery, and distillery facilities in rural and agricultural areas did not comply with the State Environmental Policy Act (SEPA); amendment created opportunities for new and existing businesses to open or expand operations within land classified as rural and agricultural, and it was very probable that the affected land, which was in a popular winery destination area, would be used in that manner, and SEPA checklist which county used did not disclose potential environmental impacts from the potential expansion of facilities in the area.

SIFMA US Municipal Bonds Statistics.

SIFMA Research tracks issuance, trading, and outstanding data for the U.S. municipal bond market. Issuance data is broken out by bond type, bid type, capital type, tax type, coupon type and callable status and includes average maturity. Trading volume data shows total and average daily volume and has customer bought/customer sold/dealer trade breakouts. Outstanding data includes holders' statistics. Data is downloadable by monthly, quarterly and annual statistics including trend analysis.

YTD statistics include:

- Issuance (as of August) $381.2 billion, +35.5% Y/Y
- Trading (as of August) $13.0 billion ADV, +3.6% Y/Y
- Outstanding (as of 2Q24) $4.1 trillion, +1.8% Y/Y

Download xls

October 2, 2024

Obligate It or Lose It! Preparing for the Upcoming ARPA SLFRF Obligation Deadline.

The passage of the American Rescue Plan Act (ARPA) in 2021 provided a lifeline for local governments through its State and Local Fiscal Recovery Funds (SLFRF) program, which awarded every municipality a portion of $65.1 billion in funding. June 2024 marked three years since initial disbursement, and the next three months are the home stretch for cities, towns and villages to obligate the funding they received under the SLFRF program. ARPA regulations require local governments to return grant funding that remains unobligated beyond the end-of-year deadline to the U.S. Department of Treasury, rendering this deadline one of the most important for cities, towns and villages. With three months left until the Dec. 31, 2024 obligation deadline, local governments must obligate funding now or risk potential clawbacks of these funds.

To assist municipal government with remaining unobligated fiscal recovery funds, NLC and the U.S. Treasury hosted a webinar to clarify and answer questions related to the obligation deadline. Local leaders and grant administrators can watch the webinar here. Other resources include the Obligation Interim Final Rule (IFR), the U.S. Treasury's FAQ with updated obligation answers and Obligation IFR Quick Reference Guide.

How do you know if you've obligated your funds?

The US Code of Federal Regulations defines "obligation" as "an order placed for property and services and entering into contracts, subawards, and similar transactions that require payment." The U.S. Treasury has further clarified that "similar transactions that require payment" may include certain interagency agreements and, under certain circumstances, payroll expenses for recipients' employees. Consequently, municipalities must do more than budget their SLFRF dollars — they must allow extra time to place orders and negotiate contracts. Finalizing obligations, including funds used for revenue replacement, includes reporting the obligation through the normal reporting process. Subrecipients are not subject to the Dec. 31, 2024 obligation deadline. Subrecipients and contractors do not need to take additional steps to obligate funds after entering a subaward or contract with the recipient.

Continue reading.

National League of Cities

By: Patrick Rochford, Julia Bauer & Michael Wallace

October 1, 2024

Fitch Ratings Updates Criteria for U.S. Public Finance Prerefunded Bonds.

Fitch Ratings-New York/Chicago-04 October 2024: Fitch Ratings has published an updated criteria report titled "U.S. Public Finance Prerefunded Bonds Rating Criteria." It updates the prior report published on Dec. 14, 2020.

No changes to Fitch's underlying methodology were made, and the key elements of Fitch's prerefunded bonds rating criteria remain consistent with those of its prior criteria report.

The full report is available at www.fitchratings.com.

Fitch: US Public Finance Credits Resilient Amid Hurricane Helene Recovery

Fitch Ratings-New York-03 October 2024: U.S. public finance issuers affected by Hurricane Helene will require time to recover from severe flooding, substantial property damage and the tragic loss of life, Fitch Ratings says. However, these issuers' ratings should largely remain stable amid challenges posed by the devastation. While the full extent of property damage in the Southeast will not be known for weeks, Fitch is monitoring various U.S. public finance credits affected by the hurricane, which was one of the largest storms to ever hit the U.S.

Federal relief funds, state support, insurance claims and private resources will help rebuild and drive post-disaster economic activity. We expect the pace of recovery to be slow due to the extensive devastation, compounded by uncertainty related to uninsured homeowners and businesses. Standard homeowners' insurance does not typically cover flood damage.

We expect state and local government ratings to remain stable throughout the recovery. Timely federal intervention, primarily through the Federal Emergency Management Agency (FEMA), is key to supporting fiscal stability for governments affected by the storm. The most affected states (Florida, Georgia, Tennessee, North and South Carolina) all have ample dedicated operating reserves totalling over several billion dollars each, as well substantial additional resources to cover short-term recovery and rebuilding costs.

Most Fitch-rated local municipalities have a high degree of fiscal resilience and robust reserves to manage storm expenses as they await reimbursement from federal and state disaster aid programs. Certain issuers will be more challenged as recovery costs could weaken reserves, and extensive property damage could lead to higher property tax delinquencies. Tax bases could also be affected if hurricane damage leads to permanent relocations or if increased insurance costs or insurance unavailability discourage homeowners and businesses from rebuilding.

Our insurance team has initially estimated an insured loss range from $5 billion to $10 billion. Florida's state-owned property insurer Citizens Property Insurance Corporation (AA/Stable), the insurer of last resort, has leading market share in both personal and commercial lines. Both Citizens and the Florida Hurricane Catastrophe Fund (AA/Stable), the state-sponsored reinsurer, have ample liquidity to address initial claims or reimbursements. They can also issue debt and levy emergency assessments on nearly every property and casualty insurance policy in the state for as long as debt is outstanding to cover claims volume. However, the potential for significant leverage on the assessed base could weigh on residents and businesses.

Power utility lines were heavily damaged in areas across the Southeast, and there are still nearly one million customers without power. Extensive mutual aid agreements among utilities outline the framework for assistance and cooperation to get power restored as quickly and safely as possible, but it will likely take time in areas with extensive damage. Power utilities typically manage costs associated with extreme weather events through robust cash reserves and liquidity facilities designed to bridge the timing between restoration costs and reimbursement by FEMA. FEMA typically reimburses around 75% of restoration costs.

Most Fitch-rated water and sewer utilities affected by the hurricane have robust liquidity and should be able to absorb initial storm costs. However, storm surges and flooding can overwhelm systems, causing sewer overflows that may result in water quality issues. Fitch is still assessing the full impact of the storm on utilities.

While we are still monitoring our rated not-for-profit hospital and life plan community (LPC) portfolio, most facilities appear to have avoided significant damage. Nevertheless, necessary repairs or clean up could cause business interruption. Hospitals and LPCs will benefit from FEMA aid and business interruption insurance, although receipt of these funds could take time.

S&P U.S. And Canadian Public Port Facilities Ratings And Outlooks As Of Oct. 1, 2024

View the S&P Ratings and Outlooks.

S&P U.S. Community College District Fiscal 2023 Medians: A Reason For Optimism As A New School Year Gets Under Way

Key Takeaways

- U.S. community college demand metrics are showing signs of rebounding following material declines in recent years, spurred by the impact of the pandemic.
- Despite the exhaustion of federal relief funds, community colleges posted relatively consistent margins for fiscal 2023 compared with pre-pandemic levels, while strengthening liquidity in the same year due to improved state funding and prudent management.
- Financial resource ratios have remained relatively consistent over the past three years while debt levels and leverage ratios indicated modest increases likely due to higher construction costs and market conditions over the same time horizon.

Continue reading.

1 Oct, 2024

[Alabama College Reaches Deal With Nuveen After Bond Stress.]

- **Deal requires Spring Hill to raise $5 million by Oct. 31**
- **Leadership is evaluating options to divest noncore real estate**

Spring Hill College, the oldest Catholic educational institution in the southeast of the US, has struck a deal with its biggest creditor Nuveen that gives it more time to shore up its finances and overcome a default.

The Mobile, Alabama-based college entered into what's known as a forbearance agreement with UMB Bank — the trustee for bondholders like Nuveen — after breaching a covenant, according to an Oct. 1 regulatory filing.

As part of such agreements, bondholders can agree to hold off on steps like lawsuits to give distressed borrowers more time to right their finances.

Continue reading.

Bloomberg Markets

By Amanda Albright and Nic Querolo

October 2, 2024

[Columbia Is the Latest Ivy League School to Tap Muni Debt Market.]

- **Ivy League schools have borrowed $2.8 billion so far this year**
- **Colleges are rushing to sell bonds to spruce up campuses**

Columbia University is expected to tap investors to borrow $500 million of debt, joining a boom of elite colleges that have issued in the capital markets this year.

The Ivy League university is poised to sell both tax-exempt and taxable securities this week to raise money for projects across its campus in Manhattan. A portion of the bond proceeds will be used to pay for improvements to multiple dorms, the addition of chemistry and quantum physics lab-space in academic buildings, furnishing the law school's library and upgrades to the college's medical center campus.

The deal marks one of the latest debt offerings from a US college, which have surged this year as the direction of interest rates stabilized and investor demand increased. Universities broadly have sold $24 billion of municipal debt so far in 2024, with sales from Ivy League schools climbing to nearly $3 billion, an increase of more than 650% from the same period a year ago, according to data compiled by Bloomberg.

Continue reading.

Bloomberg Markets

By Lily Meier

October 1, 2024

[Small Water Utilities Cannot Achieve PFAS Cleanup On Their Own.]

COMMENTARY | Limited budgets, smaller customer bases and skeleton crews put a heavier PFAS burden on rural systems; polluters should be held accountable.

In the United States, 95% of all public water systems have less than 10,000 customers (79% serve fewer than 500 people), and nearly 85% of those systems have three or fewer full-time employees. With such small staffs, many historically have suffered from “management limitations, lack of long-term planning, and difficulty understanding current and future regulations.”

The Environmental Protection Agency has now released final Maximum Contaminant Levels (MCLs) for PFAS (per- and polyfluoroalkyl substances, aka “forever chemicals”) in drinking water. The regulation targets six specific compounds and has two key deadlines: initial monitoring for these PFAS by April 2027 and mitigation of these PFAS, if detected above the MCLs, by April 2029.

The costs of meeting these two deadlines may include: monitoring and testing; piloting, designing and installing a treatment system; operator training; operation and maintenance of the treatment system; disposal and/or destruction of PFAS-contaminated filter media; and public notification regarding PFAS levels and violations. The EPA has estimated that the costs of monitoring, communication and treatment alone could reach as high as $1.5 billion per year. The costs of not meeting these deadlines may include penalties and liability.

Continue reading.

Route Fifty

By Mike DiGiannantonio,
SL Environmental Law Group

September 30, 2024

[WSJ: Why Investors Are Putting More Money in State-Specific Muni ETFs]

These exchange-traded funds could be especially attractive if tax cuts aren’t extended at the end of 2025

Against a backdrop of falling interest rates and tax uncertainty with 2017’s tax law set to expire next year, individual investors are turning to state-specific muni ETFs.

ETFs offer investors lower taxes than mutual funds or individual munis because they rebalance and reinvest with the goal of keeping taxable events at a minimum. ETFs also allow investors to get started in municipal bonds at a low cost and exit relatively easily if they wish. Mutual funds, by contrast, tend to have higher minimum investments and trade only once a day.

“We are seeing a significant shift in preference among investors,” says Alex Petrone, director of fixed income for Rockefeller Asset Management, which issues state-specific muni ETFs.

State-specific ETFs

ETFs’ tax efficiency and investment flexibility could come in handy if certain provisions of 2017’s Tax Cuts and Jobs Act expire at the end of 2025, as is currently set.

Historically, tax-exempt municipal bonds become more popular if personal income taxes increase. If the current tax cuts fully expire at the end of 2025 and personal income-tax rates revert to pre-2017 levels, taxes will increase across all tax brackets. Interest payments from tax-exempt municipal bonds are tax-free at the federal level, which can help offset increases in income tax.

What’s more, the fate of the $10,000 cap on state and local tax deductions—the so-called SALT deduction—could stoke more demand for state-specific muni ETFs. Democrats have indicated they will let the cap expire if it can be offset by increases in other tax revenue. The Republican position is less clear; former President Donald Trump said recently he is open to eliminating the cap, marking a shift from his previous position to keep it. Congressional Republicans have supported keeping the cap in place in the past as well.

If the SALT cap is retained or lowered, muni pros say that could make in-state bond investments more attractive over the long term as interest payments from in-state bonds are generally tax-exempt if the investor is local. The cap is already giving a boost to these bonds, but they could look better on a relative basis if personal income-tax rates rise but the SALT cap is retained.

While passive state-specific muni ETFs have been around since at least 2007, issuers have been launching more of them thanks to increased investor interest. Since 2023, at least eight new funds have launched, bringing in more than $500 million in investments.

So far these funds focus on California and New York, which along with Texas, are the largest issuers of municipal bonds, accounting for about 40% of total issuance.

These funds are actively managed, which tends to make them more expensive than passive funds. They have expense ratios ranging from 0.35% to 0.55% compared with 0.05% to 0.10% for passive funds.

Timeline matters

Investing in state-specific ETFs may also be one way to diversify a municipal-bond portfolio. These ETFs have bonds that when considered together are of intermediate time to maturity—about 10 years. Longer-term bonds have different risk profiles than short-term bonds. If interest rates continue to go down and bond prices rise, investing in bonds with a longer time to maturity means that investors could lock in the higher prices for longer if they start to adjust their portfolios now.

Matthew Hage, municipal-bonds portfolio manager at investment manager MacKay Shields, says that as interest rates rose in recent years, both taxable and tax-exempt bonds had higher yields with shorter maturities because they were trading at a higher price. Now that interest rates are falling again, it may be time for investors to change how they invest in bonds. Hage says if investors are willing to invest in longer-term bonds, those bonds will have higher yields, which means higher income.

“The reinvestment window sneaks up on you pretty quickly if you are reaching it every three to six months with short-dated maturities,” he says. “There is an opportunity now to lock in higher yields for a longer duration and protect against downside risk.”

The Wall Street Journal

By Bailey McCann

Oct. 4, 2024 10:00 am ET

What State Hiring Trends, Fed Rate Cuts Mean for Munis.

Cooper Howard, Schwab Center for Financial Research’s director of fixed income strategy, discusses recent trends in state and local government hiring and what Federal Reserve rate cuts means for municipal bond issuance in 2025. He speaks on “Bloomberg The Close.”

Watch video.

Bloomberg Markets: The Close – Muni Moment

October 4th, 2024, 10:19 AM PDT

Private Equity-Backed Texas Housing Development Taps Muni Market.

- **Muni authority seeking debt for residential development**
- **Developers are planning to build more than 1,000 homes**

In suburban Texas, a neighborhood complete with an amphitheater, dance hall and goat farm is scheduled to be erected 40 miles from Houston’s downtown — providing municipal-bond investors a window to bet on one of the fastest-growing areas of the US.

In a transaction that priced this week, a municipal authority sold high-risk, tax-exempt bonds to finance infrastructure associated with a housing development dubbed Two Step Farm. The planned community stretches more than 2,000 acres in Houston’s sprawling metropolis. Once built out, the development will have more than 1,000 homes priced between $350,000 and $1 million, as well as parks and amenities.

The bonds are backed by future revenues generated by the project, meaning investors are wagering that the development will be built out and populated. Texas metros are seeing the most sustained population growth of all the nation’s major cities this year, according to US Census Bureau data. Houston added nearly 140,000 people to its population this year, following closely behind Dallas. San Antonio and Austin also ranked in the top 10 of the largest increases in new residents.

Continue reading.

Bloomberg Markets

By Sri Taylor

October 4, 2024

S&P: California Utilities Enter Period Of Significant Capital Spending That May Strain Water And Sewer Rate Affordability

Key Takeaways

- Rising costs and affordability risks will be increasingly meaningful to municipal utility credit quality in California, particularly as they adapt to more extreme weather patterns, bolster supply resiliency, and invest in storage, which we expect will raise debt levels but reduce operating risks.
- California utilities' capital plans and needs far exceed those of its national peers, given their outsized exposure to water contaminants, strict wastewater discharge requirements, and substantial renewal and replacement costs.
- Rating downgrades in California outpaced upgrades in 2024, a trend we expect will continue through 2025, consistent with our negative sector outlook.

Continue reading.

3 Oct, 2024

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