

Latest Effort to Bring Back Advance Refundings

If it were up to Illinois Congressman Randy Hultgren, the tax exempt, advance refunding of municipal bonds would once again be legal. The authority for jurisdictions to advance refund their outstanding bonds on a tax exempt basis was eliminated as of January 1, 2018 following President Trump's overhaul of the federal tax code in December of 2017. Hultgren is leading the charge in Congress to have a bill he authored that would reinstate advance refundings, HR 5003, brought up for a vote.

In an *advance* refunding, an issuer of tax exempt bonds sells refunding bonds, typically at lower interest rates than the rates on the outstanding debt, and uses the proceeds from the sale of those *refunding* bonds to purchase a portfolio of US Treasury securities that mature at the right time and in the right amount to redeem outstanding bonds (the *refunded* bonds) at some point *beyond 90 days* of the issue date of the refunding bonds. *Current* refundings, in which the proceeds from the sale of refunding bonds are used *within 90 days* of their issue date to redeem existing bonds, are still permitted. The majority of municipal bonds issued are refunded on their first call date. Extensive lobbying is currently taking in place in Washington, D.C. by leaders of various organizations active in municipal finance including the Government Finance Officers Association, the National Association of Counties and the National League of Cities. During an April luncheon sponsored by the Municipal Analysts Group of New York, the GFOA's Director of the federal liaison office expressed optimism that advance refundings would be restored by Congress but not necessarily anytime soon. This was a position echoed by a Managing Director of the Securities Industry and Financial Markets Association. Important to note are comments made by the Chairman of the House Ways and Means Committee who has stated that his committee won't consider the bill. If advance refundings do return, issuance volume in the tax exempt market will likely soar as this valuable financing tool is sorely missed by investors and issuers alike.

The GFOA has estimated that municipalities saved almost \$12 billion through advance refundings from 2012 to 2016.

MMD GENERAL OBLIGATION INTEREST RATES

Term	June 1, 2018					May 1, 2018					June 1, 2017				
	Aaa	Aa	Insured	A	Baa	Aaa	Aa	Insured	A	Baa	Aaa	Aa	Insured	A	Baa
1 yr.	1.62%	1.64%	1.72%	1.82%	2.09%	1.75%	1.78%	1.86%	1.96%	2.23%	0.81%	0.83%	0.91%	1.00%	1.27%
5	1.99	2.08	2.28	2.40	2.71	2.19	2.29	2.49	2.61	2.92	1.23	1.30	1.51	1.60	1.91
10	2.44	2.63	2.80	2.93	3.28	2.50	2.69	2.86	2.99	3.34	1.90	2.08	2.34	2.43	2.78
15	2.64	2.85	3.01	3.14	3.50	2.77	2.99	3.15	3.28	3.64	2.34	2.56	2.80	2.89	3.25
20	2.80	3.01	3.15	3.30	3.64	2.96	3.18	3.32	3.47	3.81	2.60	2.82	3.03	3.14	3.46

RECENT CMA CLIENT SALE RESULTS

Issuer	Issue Type	Par Amount	Sale Date	Term	Rate	Purchaser
Lancaster CSD	BAN	\$ 43,577,125	31-May	12 mos.	1.73%	JP Morgan Securities
Old Westbury Village	Bonds	\$ 10,000,000	31-May	25 yrs.	3.13%	Roosevelt & Cross, Inc.
Kenmore-Tonawanda UFSD	BAN	\$ 44,372,716	30-May	12 mos.	1.81%	TD Securities; JP Morgan Securities
Williamsville CSD	BAN	\$ 16,804,935	30-May	12 mos.	1.78%	JP Morgan Securities
Kingston City SD	Bonds	\$ 76,000,000	30-May	19 yrs.	3.03%	Bank of America Merrill Lynch
Kenmore Village	Bonds	\$ 2,050,000	23-May	20 yrs.	3.18%	Roosevelt & Cross, Inc.
Island Trees UFSD	BAN	\$ 26,500,000	23-May	12 mos.	1.85%	JP Morgan Securities
Islip Town	Bonds	\$ 26,015,000	16-May	13 yrs.	2.57%	FTN Financial Capital Markets
Evans Town	Bonds	\$ 7,540,500	15-May	15 yrs.	2.94%	SAMCO