

Vast Majority of School Districts to Stay within Cap

Recent analysis prepared by the New York State Association of School Business Officials (ASBO) reveals that the vast majority of New York State's 800+ school districts will be proposing budgets for FY2020-21 that will include real property tax increases that are within the State's tax cap. Only 13 school districts in the State noted that they plan to pierce the cap. Every school district and municipality in New York has its own tax-cap limit based on a formula that was part of the State law passed in 2011. New York State's Property Tax Cap limits increases in local property taxes to two percent a year, or the rate of inflation, whichever is less, with limited exemptions. Real property taxes in Westchester, Nassau and Rockland counties are the highest in New York State and among the highest in the nation.

According to a report issued by Governor Cuomo's office, during the 3 decades preceding the implementation of the property tax cap, local property taxes in the State grew by an annual average rate of 5.7%, while school district taxes grew by an annual average rate of 6.3% and fire districts by 7.0%. During this same time period, the average annual increase in the Consumer Price Index was 3.3%. School districts can adopt budgets that include an increase that is above the cap if 60% of District residents voting at the annual budget vote in May agree to approve the budget with the higher increase. Local governments can increase property taxes above the cap if 60% of their governing boards approve the increase.

Interest Rates Fall as Chinese Slowdown Likely

As shown in the table below, since the beginning of the year interest rates have fallen sharply by about 0.20% for short-term rates and about 0.25% for longer-term rates. The fall in rates coincides with a new disease coming out of Wuhan, China called the Coronavirus which has caused the World Health Organization to declare a global emergency and the Chinese government to cut-off all travel to and from Wuhan, a city of 11 million people. The S&P 500 began creeping lower upon reports of confirmed cases outside of China and finished January flat after starting hot following the bull market of 2019. Fears of a major impact on the Chinese economy (the world's leading exporter and supplier of goods) has led many investors to look towards safer assets by pulling money from the stock markets and putting funds into government bonds and gold causing interest rates to drop.

MMD GENERAL OBLIGATION INTEREST RATES

Term	February 3, 2020					1 Month Ago - January 2, 2020					1 Year Ago - February 1, 2019				
	Aaa	Aa	Insured	A	Baa	Aaa	Aa	Insured	A	Baa	Aaa	Aa	Insured	A	Baa
1 yr.	0.82%	0.85%	0.90%	0.91%	1.20%	1.02%	1.05%	1.10%	1.05%	1.40%	1.61%	1.62%	1.76%	1.86%	2.16%
5	0.84	0.93	1.06	1.11	1.41	1.10	1.19	1.32	1.37	1.67	1.76	1.82	2.04	2.17	2.52
10	1.15	1.30	1.42	1.46	1.78	1.44	1.59	1.71	1.75	2.07	2.17	2.33	2.52	2.65	3.02
15	1.42	1.62	1.72	1.79	2.07	1.71	1.91	2.01	2.08	2.36	2.57	2.77	2.93	3.06	3.45
20	1.61	1.81	1.91	1.98	2.26	1.88	2.08	2.18	2.25	2.53	2.86	3.07	3.20	3.36	3.72

RECENT CMA CLIENT SALE RESULTS

<u>Issuer</u>	<u>Issue Type</u>	<u>Par Amount</u>	<u>Sale Date</u>	<u>Term</u>	<u>Rate</u>	<u>Purchaser</u>
Long Beach City	BAN	\$ 41,645,430	30-Jan	7 mos.	1.23%	Jefferies LLC
Amherst CSD	Bonds	\$ 28,110,000	29-Jan	16 yrs.	1.63%	FHN Financial Capital Markets
Briarcliff Manor Village	Bonds	\$ 8,260,000	28-Jan	16 yrs.	1.57%	Roosevelt & Cross, Inc.
New Rochelle City SD	Ref. Bonds	\$ 12,140,000	23-Jan	4 yrs.	0.80%	BNY Mellon Capital Markets
Bedford CSD	Ref. Bonds	\$ 1,580,000	22-Jan	8 yrs.	0.94%	Fidelity Capital Markets
Suffern Village	Ref. Bonds	\$ 2,935,000	16-Jan	11 yrs.	1.28%	Robert W. Baird & Co.
Jamestown City SD	Ref. Bonds	\$ 5,520,000	15-Jan	7 yrs.	1.17%	Roosevelt & Cross, Inc.
Westchester County	TAN	\$ 200,000,000	7-Jan	4 mos.	1.00%	JP Morgan Securities LLC
Chautauqua Utility District	BAN	\$ 800,000	2-Jan	12 mos.	1.41%	Roosevelt & Cross, Inc.