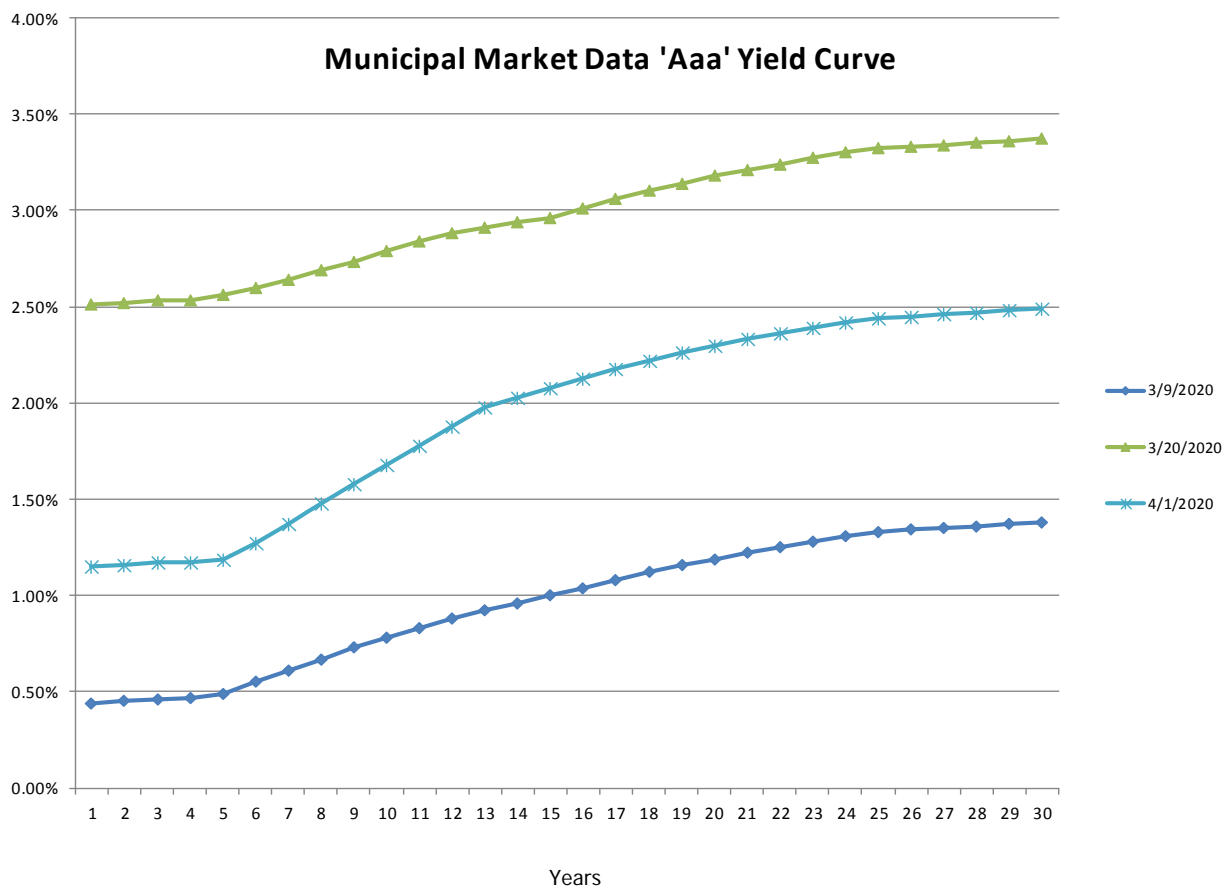


Muni Market Marked by Extreme Volatility and Few Buyers

The first three weeks of March were particularly volatile for the municipal bond market with both long-term and short-term rates up dramatically. Uncertainty in the market caused outflows from municipal bond funds after 60 consecutive weeks of inflows. Many municipal investors sat out altogether with few, if any, bond buyers bidding on new or refunding bonds. Many bond issues slated for sale in March were cancelled with issuers using notes to fund time sensitive capital projects or cash flow needs. Benchmark rates showed significant improvement during the week of March 23rd, but it is too early to draw any conclusions as to rate trends as volatility persists and the bond market has been all but shut down over the past 2+ weeks.



Deficiency Notes an Option for Cash-Strapped Issuers

In addition to TANs and RANs, local governments may also issue Deficiency Notes if revenues received are less than amounts budgeted for the current fiscal year. Deficiency Notes may be issued in amount determined necessary by a jurisdiction's governing board, though such amount shall not exceed 5% of the local government's budget. Deficiency Notes are to mature no later than the close of the fiscal year succeeding the fiscal year in which such notes are issued. However, the notes may mature no later than the close of the second fiscal year after the fiscal year in which they were issued if the notes were authorized and issued after the adoption of the budget for the fiscal year following the year in which they were issued. Deficiency Notes are to be redeemed out of taxes or assessments levied or to be levied for the fiscal year in which they mature or from other legally available revenues of that fiscal year.

DTC No Longer Taking Physical Delivery of Securities

On March 20th, DTC advised underwriters that effective immediately, DTC would not be accepting physical delivery of bonds or notes at its Jersey City, New Jersey address. All closings for transactions affected are to be done on a Letter of Possession basis. That means that the underwriter, in order to close the transaction, must provide to DTC a completed DTC Letter of Possession form, together with a new emergency rider, and a pdf copy of the signed, and sealed, if appropriate, obligations. DTC has also prepared a form in the event that a pdf copy of the signed obligations cannot be provided, but a pdf of the obligations without signature is available and is sent to DTC, with the form, which form is to provide the missing signature.

One way to address this problem, is for issuers of both notes and bonds to use a fiscal agent (a bank or trust company authorized to do business in New York State) to receive and secure an issuer's physical securities and then serve as paying agent and registrar for those securities. Fiscal agents will charge the issuer of the debt a fee of between \$500 and \$750 per year to provide this service.

Feds and State Officials Step into the Fray

New York State is indicating that a revenue shortfall up to \$17 billion may occur as a result of COVID-19, raising concerns that State aid payments will be delayed or reduced. In a statement made on March 27th, Governor Cuomo stated that the novel coronavirus will impact every aspect of the State budget, including school districts. He added, "The state budget will need to dramatically cut expenses, including education aid." One proposed policy solution would be to implement state aid reductions on a quarterly basis based on the decline in actual state revenues received. Governor Cuomo emphasized, "no one's held harmless from reality."

The \$2 trillion Federal relief plan, passed by the US Senate and House, was signed into law on March 27th. The CARES Act (Coronavirus Aid, Relief and Economic Security Act) offers \$13 billion in emergency education funding, financial assistance to individuals, expanded unemployment coverage, aid to struggling corporations, and aid to state and local governments. The emergency education funding is slated to be distributed through states to help school districts implement remote learning, sanitize school buildings, and paying for summer learning programs. The funds are to be distributed both to states and to individual districts based on current Title I funding levels and are expected to ameliorate the economic damage and calm credit markets rattled by the virus.

Implications to Municipal Credits Resulting from Virus Crisis

Rating agencies are assessing the implications to local governments related to the mounting costs of the COVID-19 response and the economic impact of lost tax revenues. A March 19th report by Moody's, discusses potential state and local government impact resulting from the government-imposed shutdown of schools and local businesses. Of note, is Moody's view that school districts are "...unlikely to suffer long term given the strong state support for education generally and the reliability of state funding. States are unlikely to materially reduce school district aid in the three months left in...their fiscal years in response to the crisis. It is possible, however, that states will reduce funding next fiscal year if the crisis lasts." Since the report, NYS has announced reductions in school district aid for FY2021.

MMD GENERAL OBLIGATION INTEREST RATES

Term	Today - April 1, 2020					1 Month Ago - March 2, 2020					1 Year Ago - April 1, 2019				
	Aaa	Aa	Insured	A	Baa	Aaa	Aa	Insured	A	Baa	Aaa	Aa	Insured	A	Baa
1 yr.	1.15%	1.18%	1.21%	1.27%	1.86%	0.68%	0.71%	0.74%	0.75%	1.04%	1.51%	1.52%	1.66%	1.66%	2.01%
5	1.19	1.27	1.39	1.49	2.09	0.69	0.77	0.89	0.94	1.24	1.61	1.67	1.89	1.93	2.32
10	1.68	1.81	1.93	2.02	2.64	0.93	1.06	1.18	1.22	1.54	1.90	2.02	2.25	2.26	2.65
15	2.08	2.26	2.36	2.48	3.06	1.14	1.32	1.42	1.49	1.77	2.25	2.45	2.61	2.68	3.03
20	2.30	2.49	2.58	2.70	3.28	1.33	1.52	1.61	1.68	1.96	2.48	2.68	2.82	2.91	3.26

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>
Evans-Brant CSD	BAN	\$1,463,000	25-Mar	12 mos.	1.55%	Evans Bank
Montgomery Town	BAN	\$3,348,091	20-Mar	12 mos.	1.95%	JP Morgan Chase Bank
East Ramapo CSD	Bonds	\$32,281,850	19-Mar	27 yrs.	4.90%	Huntington Securities
Newburgh City	Bonds	\$15,748,506	18-Mar	13 yrs.	3.29%	Roosevelt & Cross, Inc.
North Hempstead Town	BAN	\$8,392,500	17-Mar	12 mos.	1.28%	JP Morgan Chase Bank
Mount Kisco Village	BAN (Taxable)	\$1,080,000	3-Mar	12 mos.	1.34%	JP Morgan Chase Bank