

## State Budgeting in the Time of the Pandemic

In a Sector Comment released earlier this week, Moody's Investors Service noted that while most states enacted full-year budgets for their 2021 fiscal years, five states, including New York, adopted partial year spending plans due to the ongoing uncertainty arising from the COVID-19 pandemic. The ability to develop and adopt a timely budget that matches projected revenues to expenditures is viewed as a credit positive event by both rating analysts and investors and reflects well on management while delayed budget adoption is often considered a sign of weakness. In adopting New York State's FY2021 budget a few days after its April 1st deadline, Governor Cuomo reserved the right to make up to \$8 billion in spending cuts as the year progresses. A significant portion of those cuts, if necessary, are expected to be made in the area of education. The uncertainty of potential, mid-year cuts in the State's budgets could wreak havoc on the spending plans on the State's local jurisdictions and when, where and how much to cut becomes more difficult with each passing day as these underlying municipalities and school districts have to adjust their spending to get through their own fiscal years. Some additional relief may be on the way from the Federal government via the Health and Economic Recovery Omnibus Emergency Solutions (HEROES) Act, which passed the House in mid-May. It would provide an additional \$500 billion to state governments, with an additional \$375 billion in aid that would flow directly to local governments.

## Refunding Anyone?

With MMD yields on 10-year bonds rated in the triple and double-A categories hovering within a few basis points of 1.00%, many jurisdictions have issued refunding bonds to reduce future debt service payments and provide budgetary relief during these challenging times. Since the beginning of 2020, CMA has identified over 50 refunding bond opportunities for its clients and, to date, has closed on close to two dozen issues, saving millions of dollars in future interest expense. Most recently, CMA advised Bethlehem Schools (AA-rated), Town of Haverstraw (Aa2) and Spackenkill Schools (Aa3) on refundings bond issues that sold at competitive sale on June 16<sup>th</sup> and 17<sup>th</sup> at true interest costs of 0.69%, 1.71% and 0.49%, respectively, for issues with terms of 9, 17 and 5 years, respectively. Each of these issues will generate savings each and every year that the refunding bonds will be outstanding without extending beyond the term of the refunded debt. All costs of issuance for each issue were funded with a portion of the proceeds from the sale of the refunding bonds and paid by the trustee for each issue shortly after each issue closed. CMA routinely runs refunding analysis on all of the bond debt for which it served as financial advisor. For an update on the status of any potential refunding candidates in your jurisdiction, please contact your advisor at CMA.

### MMD GENERAL OBLIGATION INTEREST RATES

Term	Today - July 1, 2020					1 Month Ago - June 1, 2020					1 Year Ago - July 1, 2019				
	Aaa	Aa	Insured	A	Baa	Aaa	Aa	Insured	A	Baa	Aaa	Aa	Insured	A	Baa
1 yr.	0.25%	0.30%	0.33%	0.44%	1.44%	0.16%	0.21%	0.24%	0.35%	1.35%	1.24%	1.25%	1.39%	1.36%	1.66%
5	0.41	0.51	0.63	0.78	1.78	0.38	0.48	0.60	0.75	1.75	1.31	1.37	1.59	1.60	1.92
10	0.90	1.05	1.17	1.31	2.36	0.84	0.99	1.11	1.25	2.30	1.64	1.76	1.99	1.97	2.31
15	1.23	1.43	1.53	1.72	2.80	1.23	1.43	1.53	1.72	2.80	1.92	2.10	2.28	2.29	2.59
20	1.43	1.64	1.73	1.93	3.00	1.44	1.65	1.74	1.93	3.01	2.12	2.30	2.46	2.49	2.79

### RECENT CMA CLIENT SALE RESULTS

Issuer	Issue Type	Par Amount	Sale Date	Term	Rate	Purchaser
Brewster CSD	Bonds	\$ 36,033,842	30-Jun	13 yrs.	1.19%	Mesirow Financial Services
Niagara Falls City SD	BAN	\$ 29,000,000	25-Jun	12 mos.	0.55%	BNY Mellon Capital Markets, LLC
Haverstraw Town	Ref. Bonds	\$ 16,070,000	16-Jun	17 yrs.	1.72%	Citigroup Global Markets
East Meadow UFSD	BAN	\$ 17,000,000	9-Jun	12 mos.	0.49%	TD Securities (USA) LLC
Albany County	Ref. Bonds	\$ 7,350,000	4-Jun	8 yrs.	0.60%	JP Morgan Securities LLC
Corning City SD	BAN	\$ 20,088,000	3-Jun	12 mos.	0.30%	JP Morgan Securities LLC
Kenmore Village	Bonds	\$ 8,948,000	2-Jun	15 yrs.	1.50%	Roosevelt & Cross, Inc.