

ESG Bonds on the Rise

Many municipal issuers are hoping to appeal to the growing ranks of ESG (environmental, social and governance) investors who look to support sustainable investing by buying “green bonds”. The proceeds from the sale of green bonds are used to fund projects that have environmental benefits including water treatment and solar and wind facilities. One such issuer is the San Francisco Public Utilities Commission, which became the first municipal issuer to list on a foreign exchange when it listed a taxable, green bond issue on the London Stock Exchange on October 29th. The London listing is part of a long-term plan by the Commission to build relationships with new international investors and expand its investor base. The Commission’s CFO was quoted in *The Bond Buyer* as saying “There’s a larger market for green bonds in Europe but many European green bond investors are limited to buying bonds listed on a European exchange. We view listing as an element of a broader strategy for accessing this larger investor market and driving down the cost of capital.”

The credit rating agencies and other municipal market participants are also focusing on ESG, climate change and green bonds in this expanding sector of the market. In December 2019, NASDAQ debuted its Sustainable Bond Network, a global online platform designed to improve transparency in the market for green, social and sustainability bonds. The first green bond was issued in 2008 and there were \$254 billion of green bonds issued in 2019.

COVID-19 Spurs Broadband Infrastructure Growth

As millions of Americans work from home to stop the spread of COVID-19, there is a growing expectation that there will be significant public and private investment in infrastructure to support greater broadband access. Speaking at The Bond Buyer’s California Public Finance Conference on October 28th, a partner at the Bond Counsel firm of Chapman & Cutler noted “COVID has brought a real catalyst and attention to the deficiencies in our infrastructure so hopefully we’ll get people focused here and we get something done.”

One campaign promise of Democratic hopeful Joe Biden is to bring broadband to every household in America. “Broadband is a prerequisite for starting a business, working remotely, accessing government resources, and engaging in public debate,” said Biden. If elected, he plans to direct the federal government to support cities and towns that want to build municipally-owned broadband networks. While public-private partnerships have long been thought of as a quick and efficient way to fund future broadband projects, financing from state and local government issuers will be critical to fund broadband infrastructure in rural areas and small cities where it is needed most. In 2018, President Trump signed two presidential orders to boost “broader, faster – and better internet coverage” in rural areas after addressing the American Farm Bureau Federation’s annual conference in Nashville.

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>
Kingston City SD	BAN	\$ 42,000,000	28-Oct	12 mos.	0.38%	BofA Securities; JP Morgan Securities
Tarrytown Vil.	Ref. Bonds	\$ 4,295,000	27-Oct	11 yrs.	1.05%	Robert W. Baird & Co., Inc.
Mohawk Valley Water FA	Rev. Bonds	\$ 14,920,000	Negot.	12 mos.	2.94%	Raymond James
Suffolk County	Ref. Bonds	\$ 60,195,000	Negot.	11 yrs.	1.50%	Jefferies LLC
Harrison Vil.	Ref. Bonds	\$ 10,425,000	14-Oct	5 yrs.	0.28%	Fidelity Capital Markets
Buffalo Water FA	Ref. Rev. Bonds	\$ 16,850,000	Negot.	10 yrs.	2.17%	Roosevelt & Cross, Inc. & Associates
Manhasset UFSD	TAN	\$ 12,000,000	1-Oct	8 mos.	0.33%	JP Morgan Securities LLC

Rise in Supply in Run-Up to Election

In the weeks leading up to the Presidential election, there has been a flood of municipal debt issuance, both via competitive sale and negotiation, by jurisdictions looking to lock in interest rates prior to the vote on November 3rd. According to *The Bond Buyer*, October saw the second highest muni volume in history with \$65 billion of bonds issued.

Week Ended	Competitive	Negotiated	Total
10/23	\$6,233,157,000	\$14,548,109,000	\$20,771,266,000
10/16	\$6,593,527,000	\$15,479,388,000	\$22,072,914,000
10/09	\$6,623,447,000	\$12,417,597,000	\$19,041,044,000
10/02	\$4,833,269,000	\$10,413,038,000	\$15,246,307,000
09/25	\$4,018,092,000	\$11,668,416,000	\$15,686,508,000
09/18	\$5,170,531,000	\$ 9,495,869,000	\$14,666,400,000
09/11	\$4,699,956,000	\$ 9,605,407,000	\$14,305,363,000
09/04	\$2,549,129,000	\$11,257,801,000	\$13,806,929,000

While the market for these issues remains strong, the sheer amount of supply has driven up interest rates for borrowers over the past few weeks with the issuance of refunding bonds and taxable debt holding steady. Tax exempt yields, though trending upward, have stayed below 1.00% over 10-year issues for credits rated in the high-A category and better.

Nassau School Districts Issuing More TANs

On August 5, 2020, NYS Governor Andrew Cuomo issued an Executive Order 202.55 extending the deadline for the payment of first half 2020-2021 school district taxes in Nassau County from October 1, 2020 to November 1, 2020. The deadline by which the first half 2020-2021 school district taxes may be paid without interest or penalties was changed from November 10, 2020 to December 10, 2020. Payments made after such date to be subject to interest and penalties beginning on December 11, 2020. Such extension will result in a delay in the receipt of taxes collected and paid to school districts by town tax receivers and by Nassau County in accordance with the procedures set forth above. As a result of this delay, several school districts in Nassau County have needed to issue cash flow notes for the first time in years or increase the amount of their annual TAN borrowings.

The issuance of a RAN or TAN requires the preparation of an authorizing resolution by Bond Counsel, which then has to be approved by a school district's Board of Education. Cash flow borrowings also require the preparation of actual and projected, monthly cash flow statements for both the fiscal year in which the note is to be issued as well as the fiscal year in which it is scheduled to mature. Market appetite for note issues remains strong with issuers receiving multiple bids at competitive sale and interest rates ranging from 0.35% to 0.60% depending on the credit quality of the issuer. An issuer of a RAN or TAN should expect the entire process, from authorization, to sale and closing, to take approximately 4 to 6 weeks.

MMD GENERAL OBLIGATION INTEREST RATES

Term	Today - November 2, 2020					1 Month Ago - October 1, 2020					1 Year Ago - November 1, 2019				
	Aaa	Aa	Insured	A	Baa	Aaa	Aa	Insured	A	Baa	Aaa	Aa	Insured	A	Baa
1 yr.	0.21%	0.26%	0.25%	0.32%	1.14%	0.12%	0.17%	0.16%	0.23%	1.15%	1.11%	1.14%	1.19%	1.20%	1.49%
5	0.32	0.42	0.50	0.61	1.43	0.26	0.36	0.44	0.55	1.47	1.16	1.25	1.38	1.43	1.73
10	0.94	1.09	1.17	1.28	2.15	0.87	1.02	1.10	1.21	2.18	1.49	1.63	1.75	1.79	2.11
15	1.28	1.48	1.54	1.71	2.61	1.20	1.40	1.46	1.63	2.63	1.70	1.90	2.00	2.07	2.35
20	1.49	1.70	1.75	1.92	2.82	1.41	1.62	1.67	1.84	2.84	1.88	2.08	2.18	2.25	2.53