

Two Savings Opportunities For Outstanding Debt

The Tax Cuts and Jobs Act of 2017 eliminated the ability for school districts and municipalities to advance-refund bonds (issue refunding bonds more than 90 days before the prior bonds' call date) on a tax-exempt basis. This change greatly limits an issuer's ability to refinance its existing debt for savings. While rising interest rates have posed a challenge for traditional refundings, issuers continue to have opportunities to generate savings via economic defeasance and tender offers.

Many bonds sold by public jurisdictions over the past dozen years have been issued with very low interest rate coupons (3% or lower). Under current market conditions, the opportunity exists to "economically defease" those maturities and generate significant savings for the bond issuer. In cases such as these, an issuer could work with CMA and an investment advisor to invest a portion of its available cash in a portfolio of open market Treasury securities, locking in a yield significantly higher than the coupons on its existing bonds, that would mature in the amounts and on the dates necessary to pay some of its existing, low coupon, debt service payments. Depending on the interest rate coupons on the issuer's existing bonds, structuring a laddered investment in this way could generate savings upwards of 10% towards the scheduled debt service payments.

Another technique that permits public jurisdictions to refinance some of their existing high coupon debt is through a tender offer. In a transaction of this type, rather than issuing taxable bonds to refund bonds which are not within the 90-day current refunding window, issuers would invite current holders to tender, or sell, select bonds back to the issuer at a small premium. Bondholders would consider whether to participate in the tender by evaluating secondary market pricing, liquidity concerns, tax consequences, their own cash flow needs and alternate investment opportunities when making a decision on whether to participate in the issuer's tender offer. Participating bondholders would have their bonds redeemed immediately so the new transaction would be considered a tax-exempt, current refunding. Non-tendered bonds would remain outstanding and get paid according to their original terms.

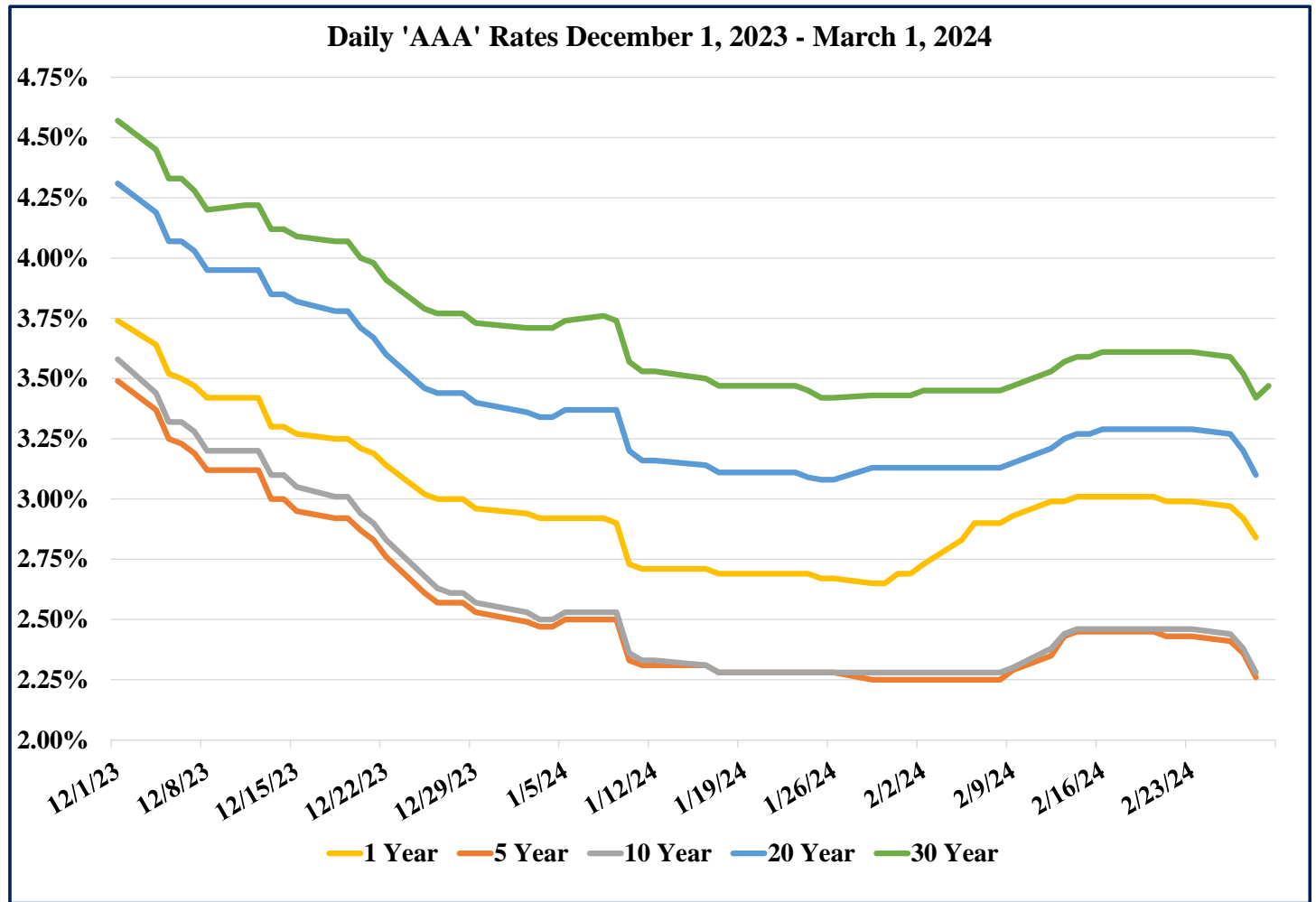
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RECENT CMA CLIENT SALE RESULTS

<u>Issuer</u>	<u>Issue Type</u>	<u>Par Amount</u>	<u>Sale Date</u>	<u>Term</u>	<u>Rate</u>	<u>Purchaser</u>
Pawling CSD (Aa2)	Bonds	\$10,120,000	22 – Feb.	20 yrs.	3.23%	RBC Capital Markets
Valhalla UFSD (Aa1)	BAN	\$375,000	15 – Feb.	4 mos.	4.24%	Greene County Commercial Bank
Rochester City (AA-/A1)	Bonds	\$37,650,000	7 – Feb.	14 yrs.	2.61%	UBS Financial Services FHN Capital Markets;
Yonkers City (A2)	Bonds	\$55,680,000	Negotiated	18 yrs.	3.53%	Ramirez & Co.; Oppenheimer & Co.
Garden City Village (Aaa)	BAN	\$43,583,696	1 – Feb.	1 yr.	3.03%	Jefferies LLC
Brewster CSD (Aa2)	BAN	\$6,000,000	1 – Feb.	1 yr.	3.39%	Oppenheimer & Co.
Hingham Town (Aaa)	Bonds	\$53,830,000	1 – Feb.	29 yrs.	3.63%	Morgan Stanley

When evaluating tender opportunities, one unknown is the amount of bondholder participation that the tender offer will garner. A reasonable target is ~40% and this must be factored in when performing cost benefit analysis of the tender.

CMA is always proactive about identifying money-saving opportunities for our clients. Please contact us if you'd like to know if any of your outstanding debt is a good candidate for either of these two strategies.



GENERAL OBLIGATION TAX-EXEMPT INTEREST RATES

Term	March 1, 2024					1 Month Ago - February 1, 2024					1 Year Ago - March 1, 2023				
	Aaa	Aa	Insured	A	Baa	Aaa	Aa	Insured	A	Baa	Aaa	Aa	Insured	A	Baa
1 yr.	2.97%	2.98%	3.06%	3.04%	3.43%	2.84%	2.85%	2.93%	2.91%	3.30%	3.03%	3.08%	3.18%	3.19%	3.52%
5	2.44	2.46	2.58	2.59	3.02	2.26	2.28	2.40	2.41	2.84	2.64	2.74	2.83	2.88	3.23
10	2.46	2.53	2.71	2.77	3.29	2.28	2.35	2.53	2.59	3.11	2.59	2.77	2.90	2.97	3.49
15	2.91	3.06	3.24	3.29	3.78	2.82	2.97	3.15	3.20	3.69	3.21	3.51	3.61	3.72	4.16
20	3.27	3.44	3.63	3.67	4.17	3.10	3.27	3.46	3.50	4.00	3.38	3.72	3.83	3.93	4.37