CapitalMarketsAdvisors,LLC

Capital Markets News

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S&P Changes to Rating Methodology

S&P Global Ratings recently updated its rating methodology for local governments and school districts to provide for a single scorecard framework and updated weighting for the five key factors associated with credit analysis. S&P now places equal weight to 5 categories comprising a credit profile including: Economy, Financial Performance, Reserves and Liquidity, Management and Debt and Liabilities. Each of the five quantitative indicators are now assigned a 20% weight when establishing an initial credit assessment. Previously, the Economy category was weighted 30% and Debt and Contingent Liabilities was weighted 10%. These quantitative factors are now each weighted equally at 20%. Once an initial assessment based on quantitative factors has been established, S&P will apply qualitative adjustments to establish a final credit rating. S&P reports that the criteria changes were developed to improve consistency in how it looks at ratings across different types of governments while providing a flexible approach when viewing various types of governments versus school districts and special districts. The criteria change resulted in more than 400 issuers placed under criteria observation, though the agency expects minimal rating changes to result. S&P's updated methodology follows on the heels of a change in Fitch Ratings methodology for local governments established earlier in the year and a change to Moody's Investors Service' methodology for local governments implemented in late 2022. Following the financial crisis of 2008, the rating agencies have increased focus on transparency in the rating process, refinement of criteria, surveillance of rated credits and requirements for timely audited financial statements.

Reminder for School Districts to File Final Cost Reports

Critical to the receipt of State building aid for school district capital projects is the timely filing of various forms with the State Education Department ("SED"). If your district filed an SA139 prior to October 1, 2023, and the capital project is closed out, in order to receive a full year of building aid in the 2024-2025 fiscal year, the Final Cost Report or Early Aid Start Request Form must be filed with the SED by December 31, 2024. If the form is filed after December 31, 2024 but before June 30, 2025, the district will receive a half year of building aid in the 2024-2025 fiscal year. Please feel free to reach out to your advisor at CMA should you need assistance filing the various State aid forms.

Recent CMA Client Sale Results

Issuer/Underlying Rating	Issue Type	Par Amount	Sale Date	Term	Rate	Purchaser
Sleepy Hollow Village (Aa3)	BAN	$1,895,842	30 – Oct.	1 yr.	3.50%	Piper Sandler & Co.
Williamsville CSD (Aa1)	BAN	$2,080,775	24 – Oct.	6 mos.	3.76%	TD Securities
Kings Park (Aa2)	TAN	$10,600,000	24 – Oct.	7 mos.	3.27%	Truist Securities
Suffolk County (AA-/A)	Bonds	$158,755,000	17 – Oct.	18 yrs.	3.41%	Jefferies LLC
Amherst Town (Aa3)	Bonds	$5,220,000	17 – Oct.	18 yrs.	2.87%	BNY Mellon
Massapequa UFSD (Aa3)	Bonds	$18,225,000	17 – Oct.	17 yrs.	3.16%	FHN Financial
Depew UFSD (Aa3)	BAN	$29,330,000	10 – Oct.	1 yr.	3.04%	Jefferies LLC
Scarsdale UFSD (Aaa)	BAN	$4,250,000	3 – Oct.	1 yr.	3.08%	TD Securities
Sewanhaka CHSD (Aa3)	TAN	$9,200,000	2 – Oct.	8 mos.	3.13%	Jefferies LLC
Harborfields CSD (Aa2)	Bonds (Txb)	$5,545,000	1 – Oct.	14 yrs	4.38%	Robert W. Baird & Co.

Potential Impact of Presidential and Congressional Elections on Muni Bonds

The outcome of upcoming national and local elections will impact tax policy and the muni bond market as many provisions of the 2017 Tax Cuts and Jobs Act (TCJA) are set to expire at the end of 2025. The Municipal Bonds for America Coalition (MBFA), a group of municipal market participants, has been advocating for the expansion of municipal bond use and infrastructure investment in conjunction with upcoming tax initiatives to be considered by Congress.

The MBFA has advocated for:

- Prioritizing and expanding tax-exemption for municipal bonds;
- Restoring the ability to issue tax-exempt advance refunding bonds in addition to current refunding bonds in order to provide for greater opportunity to generate debt service savings for municipal bond issuers;
- Expanding the use of tax-exempt private-activity bonds, which allow municipalities to partner with private developers in public-private partnerships to fund complex projects;
- Raising the Small Issuer Qualified Tax-exempt Obligation (Bank Qualified) debt limit from $10 million to $30 million, which incentivizes banks to purchase debt of small issuers that often have more difficulty accessing the capital markets; and
- Creating a direct pay bond Federal subsidy option similar to that provided in the former Build America Bond (BAB) program.

As a new Congress will likely be tackling larger tax issues over the next few years, the MBFA has been working to educate current Congressional members on the nuance of the above measures and consequent market impact for local government issuers charged with providing the nation's infrastructure.

General Obligation Tax-Exempt Interest Rates

	November 1, 2024					1 Month Ago - October 1, 2024					1 Year Ago - November 1, 2023				
Term	Aaa	Aa	Insured	A	Baa	Aaa	Aa	Insured	A	Baa	Aaa	Aa	Insured	A	Baa
1 yr.	2.85%	2.89%	2.97%	2.95%	3.32%	2.55%	2.59%	2.67%	2.65%	3.02%	3.74%	3.77%	3.86%	3.86%	4.25%
5	2.70	2.75	2.87	2.88	3.29	2.27	2.32	2.44	2.45	2.86	3.49	3.55	3.66	3.69	4.10
10	3.02	3.12	3.30	3.36	3.85	2.54	2.64	2.82	2.88	3.37	3.58	3.70	3.87	3.92	4.51
15	3.24	3.42	3.60	3.65	4.10	2.81	2.99	3.17	3.22	3.67	4.07	4.31	4.45	4.56	5.06
20	3.58	3.78	3.97	4.01	4.46	3.17	3.37	3.56	3.60	4.05	4.31	4.60	4.74	4.84	5.35

For further information, please contact the following Municipal Advisor Representatives at CMA:

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