

Requirement of Good Faith Deposits for Competitive Deals May Change

The NYS GFOA Legal and Legislative Committee is spearheading an effort to modify the good faith deposit requirement for bond sales in New York State. Currently, bidders on municipal bond issues offered at competitive sale in New York are required to provide the issuer of the debt with a good faith deposit as a precondition to their bid being considered. The amount of the good faith deposit is typically 1% to 2% of the par amount of the bonds being offered for sale. Bidders wire the required deposit to the issuer prior to the sale. If their bid is accepted, the issuer retains the winning bidder's good faith deposit and deducts that amount from the total due at closing. Unsuccessful bidders have their good faith deposits wired back following the sale. A bill, drafted by Bill Jackson at Hawkins Delafield & Wood, has been introduced in the State Senate by Senator Martinez (S. 900). If enacted, the new law would only require a good faith deposit from the winning bidder following the award of the bonds to such bidder. CMA strongly supports this proposed change and is hopeful that this bill will advance and become law in 2025.

2024 Is Record Year for Debt Issuance

With funding from Federal pandemic relief programs running out and election-year anxiety running high, The Bond Buyer reported that 2024 marked a record year for municipal debt with issuance outpacing the previous record of \$484.6 billion set in 2020 by more than \$20 billion. While the opportunity to refund "traditional" tax exempt debt by local municipalities remained elusive, issuers of Build America Bonds used extraordinary redemption provisions to refinance many of those outstanding bonds. After two years of low issuance in 2022 and 2023, market watchers expected issuance to be up in 2024 and they weren't disappointed. Tax-exempt issuance rose 36% from 2023 while refundings were up 64%. While negotiated deal volume was up 59.6%, competitive sales decreased by 33.4%. More deals were insured in 2024 than in recent years. Robust issuance is expected to continue in 2025 as pent-up demand for capital projects remains strong and interest rates are likely to remain at historic lows.

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>
Mount Vernon City (A2)	TAN	\$6,500,000	Neg.	1 yr.	4.66%	Roosevelt & Cross, Inc.
Rockland County SWMA (Aa3)	Rev. Bonds	\$18,000,000	Neg.	30 yrs.	4.60%	BofA Securities
Suffolk County (AA-/A)	Ref. Bonds	\$46,390,000	12 – Dec.	4 yrs.	2.58%	BofA Securities
Suffolk County (AA-/A)	TAN	\$350,000,000	12 – Dec.	7 mos.	2.94%	Multiple Winners
East Fishkill Town (A1)	BAN	\$10,800,000	5 – Dec.	1 yr.	2.96%	Oppenheimer & Co.
Center Moriches UFSD (Aa3)	BAN	\$345,000	4 – Dec.	1 yr.	3.75%	Greene County
Dover UFSD (AA-)	Bonds	\$2,950,000	3 – Dec.	16 yrs.	3.13%	StoneX Financial

GENERAL OBLIGATION INTEREST RATES

<u>Term</u>	<u>January 2, 2025</u>					<u>1 Month Ago - December 2, 2024</u>					<u>1 Year Ago - January 2, 2024</u>				
	<u>Aaa</u>	<u>Aa</u>	<u>Insured</u>	<u>A</u>	<u>Baa</u>	<u>Aaa</u>	<u>Aa</u>	<u>Insured</u>	<u>A</u>	<u>Baa</u>	<u>Aaa</u>	<u>Aa</u>	<u>Insured</u>	<u>A</u>	<u>Baa</u>
1 yr.	2.83%	2.86%	2.94%	2.92%	3.30%	2.70%	2.73%	2.81%	2.79%	3.17%	2.65%	2.66%	2.74%	2.72%	3.11%
5	2.86	2.90	3.02	3.06	3.45	2.58	2.62	2.74	2.75	3.17	2.25	2.28	2.39	2.40	2.81
10	3.06	3.17	3.31	3.41	3.89	2.76	2.85	3.03	3.09	3.59	2.28	2.35	2.53	2.55	3.11
15	3.32	3.51	3.65	3.74	4.18	2.97	3.14	3.32	3.37	3.83	2.85	3.00	3.18	3.23	3.72
20	3.66	3.87	4.02	4.10	4.54	3.31	3.50	3.69	3.73	4.19	3.13	3.30	3.49	3.53	4.03