GFOA TODAY

PUBLISHED BY THE BOND BUYER

Wednesday, July 21, 2021 www.bondbuyer.com

INSIDE

Buttigieg pushes Gateway tunnel urgency
Page 10

Infrastructure Financing Authority opposed by municipal securities groups
Page 14

Survey finds state budgets have largely recovered from the pandemic
Page 22

Michael Bryant set to lead GFOA

BY KYLE GLAZIER

New Government Finance Officers Association President Michael Bryant brings a lifetime of public service to the job at a critical moment for municipal governments, as former President Marion Gee moves on after a presidency defined by a once-in-a-century pandemic.

Bryant, an assistant county manager in Mecklenburg, North Carolina, assumes the job after having been chosen as president-elect at the GFOA's business meeting a year ago. Gee, director of finance for the Metropolitan St. Louis Sewer District, will become chair of GFOA's nominating committee. While Gee helmed GFOA through dark times of economic shutdown, Bryant takes the wheel as finance officers are managing recoveries and looking to put to work huge sums of federal aid money.

"This is a critical time for finance officers," Bryant said. "We hope and pray that the height and the worst of the pandemic is behind us. But our work is just getting started."

Bryant has been a GFOA member for 15 years and served on GFOA's Executive Board from 2017 to 2020. In his role at Mecklenburg County, which includes Charlotte, Bryant provides executive oversight of the finance department. Prior to his current role, Michael was the Director of the Office of Management & Budget and was responsible for the development, management, and execution of the county's $2 billion operating budget.

"Public service is very important to me," Bryant said. "It is in the fabric of what I do, what I believe in."

Originally from Fayetteville, North Carolina, Bryant earned a bachelor's degree in criminal justice and a master's degree in public administration from North Carolina Central University, a historically Black university in Durham.

Bryant started out at Mecklenburg County as an entry-level budget analyst, and was able to move up the chain over the years.

"I've been very fortunate to advance my career," he said.

Bryant said he has a focus on three

"We hope and pray that the height and the worst of the pandemic is behind us. But our work is just getting started."

– **Michael Bryant,** President
Government Finance Officers Association

continued on page 4

GFOA News

Standing Committee Deadline is July 30

An excellent opportunity for GFOA members to contribute their experience and knowledge to the entire membership is by serving on a standing committee. GFOA's seven standing committees typically meet twice each year and develop best practices, advisories, and policy statements for the approval of the Executive Board and membership. Apply at gfoa.org/committee-application.

Have You Joined GFOA's Member Community?

- **Buyer's Guide Community Forum.** The Forum is a place for discussion where GFOA members can interact with vendors. It's open to GFOA members and sponsors and exhibitors who are GFOA Associate members. Join at community.gfoa.org.
- **Member Communities.** Start a discussion on public finance topics. Access the community by visiting community.gfoa.org and log in with your GFOA username and password. Any GFOA member who joins either the General GFOA Forum or the COVID-19 Forum and signs up for the daily digest email will be entered in a drawing for a chance to win a laptop. We'll draw a winner on July 23. Anyone who has already joined a community is automatically entered to win.

Virtual Conference Updates

- **Sponsors and Exhibitors.** Provide your organization with top resources by visiting the sponsor and exhibitor tiles on GFOA's learning management system (LMS). The site will be live through October.
- **Evaluations.** CPE credit will be awarded for the live sessions you participate

continued on page 4

Readers:

Welcome to a special edition of GFOA TODAY, exclusively for GFOA members and virtual conference attendees.

The Bond Buyer has partnered with the GFOA to deliver timely, exclusive, on-site coverage of the annual GFOA conference for many years. We're proud to continue that tradition virtually for the second straight year, providing the same great content you're used to every year–timely coverage of the event and relevant content from behind our paywall that helps you do your jobs better.

These are challenging times for state and local governments, and that makes The Bond Buyer engagement with the issuer community more important than ever. To that end, we are launching a special subscription offer exclusively for new subscribers in the issuer community, offering our best rates for issuers–ever. Click here to learn more and take advantage of this new offer.

With that, please enjoy this year's edition of GFOA TODAY, and I look forward to convening in person again next year in Austin.

Sincerely,

Mike Scarchilli
Editor in Chief, The Bond Buyer

GFOA TODAY
Published By The Bond Buyer

Editors Michael Scarchilli, Gary Siegel, Rich Saskal, Lynne Funk

Washington Bureau Chief Kyle Glazier

Regional Editors Yvette Shields, Richard Williamson, Paul Burton, Keeley Webster, Chip Barnett

Reporters Christine Albano, Robert Slavin, Aaron Weitzman

Senior Project Manager Julia Micallef

Designer Neesha Haughton

Publisher Michael Ballinger

One State Street Plaza, New York, New York 10004 | 212-803-8200 | www.arizent.com

Building up your infrastructure? Start by knocking down your financing costs.

Join the more than 15,000 issuers who have reduced borrowing costs over the years by adding Assured Guaranty bond insurance to more than $850 billion of municipal and P3 capital market financings.

We offer investors a compelling value proposition based on our unconditional guaranty of timely principal and interest payments, disciplined credit selection and underwriting, long-term surveillance, and the potential for greater market liquidity and lower price volatility.

As a result, an issuer obtains the immediate benefit of a lower interest rate on its borrowing, which will limit taxpayers' debt burden for the life of the bonds, and may also find it easier to price and launch, even in an unsteady market.

Find out whether our financial strength and three decades of experience can help your community build more at less long-term cost.

Learn more at AssuredGuaranty.com.

ASSURED GUARANTY®

A STRONGER BOND

ASSURED GUARANTY MUNICIPAL CORP. – ASSURED GUARANTY CORP. – NEW YORK, NY

Michael Bryant set to lead GFOA

continued from page 1

"Ps": people, process, and policy.

"One of the things this pandemic has taught us is we need to readdress our continuity of operation plans," Bryant said. Going forward, he continued, local governments need to do a "deep assessment," to identify their risks and mitigate them. One such risk he identified was cybersecurity, an area where multiple municipal issuers have proven vulnerable to hackers and cybercriminals looking to steal information or even hold systems for ransom.

"Cybersecurity is a huge threat," Bryant said. "And it changes at the speed of light."

Finance officers play a critical role in many areas, Bryant said, noting that they will be especially involved in reporting to the federal government on how coronavirus relief funds are spent. The U.S. Treasury has released guidance on allowable uses for the relief funds, and finance officers are on the front lines of deploying that money.

GFOA is undertaking a major project to rethink budgeting, and Bryant will be the president as that moves forward. He said he is also focused on meeting the needs of current GFOA members as well as recruiting future ones by maintaining scholarships and establishing GFOA student chapters at universities. He helped establish one at UNC Charlotte.

"I was really proud of the way the GFOA staff stepped up to the plate to advocate on behalf of the members."

"I'm not just speaking, I'm doing my part in seeing that through," Bryant said.

Bryant said he is very committed to diversity, and that he is proud of establishing partnerships with groups representing minority professionals, such as the National Forum for Black Public Administrators.

Bryant will serve for one year, after which President-Elect Terri Velasquez, director of finance for the City of Aurora, Colorado, will become president.

Gee described his recently-ended presidency as a story of overcoming serious challenges.

"The biggest challenge was the pandemic itself, but I think the GFOA was well-positioned to handle that," he said.

During Gee's term, GFOA updated its fiscal first aid research and provided critical education to members wrestling with historic challenges.

Gee Credited the GFOA Federal Liaison Center's advocacy in Washington, DC for advocating for members as Congress passed legislation to respond to the pandemic.

"I was really proud of the way the GFOA staff stepped up to the plate to advocate on behalf of the members."

In his new role chairing the nominating committee, Gee will help select the next GFOA president. **GFOA**

GFOA News

continued from page 1

in during the Virtual Conference. Each session shows the amount of credit for that particular event. In order to receive CPE credits, you must complete the survey posted to each session on the LMS (you have up to thirty days to submit each survey).

- **CPE Credits.** Keep track of your credits as you go along by checking the CPE Transcript/Certificate page on the LMS. At the conclusion of conference on that same page, you'll be able to generate a certificate totaling all of your credits that you can save and/or print for your records.

Please Note:

- CPE credits are not awarded for viewing archived session recordings.
- Polling participation or lack thereof has no bearing on achieving CPE credits for a session.
- If you miss a session because of timing or technical issues, there are plenty of other sessions to attend during the Virtual Conference to make it up.
- CPE credits are not awarded for attending the GFOA Annual Business Meeting, Relief and Recovery Infrastructure Panel, or Large and Complex: The Challenges of Today's Urban Government.
- Session Recordings. The sessions are being recorded and will be posted one week after the live session has taken place. Follow the same process to log in as you do to access the live sessions on the LMS. View the recordings through October.
- Raffles. GFOA has been hosting a daily raffle of backpacks with GFOA gear for attendees during the Virtual Conference. Winners will be contacted to confirm shipping address. **GFOA**

Save the Date

We look forward to gathering in-person for GFOA's 116th Annual Conference, June 5-8, 2022, at the Neal Kocurek Memorial Austin Convention Center in Austin, Texas. Keep watch for registration updates in the Fall.

WITH THE RIGHT CAPITAL SOLUTIONS, THE COMMUNITIES YOU SERVE ARE READY FOR TODAY.

PUBLIC FINANCE | PNC offers the size and capabilities of a major national bank combined with the values and community focus of a Main Street bank. Whether you need insight on credit products, treasury management or capital markets, we can deliver comprehensive solutions with a collaborative, relationship-oriented approach. When the communities you serve have the right financial foundation, they're ready for today. **For more information, please visit pnc.com/publicfinance.**

FINANCING | CAPITAL MARKETS | TREASURY MANAGEMENT | RISK MANAGEMENT | INVESTMENT MANAGEMENT

PNC is a registered mark of The PNC Financial Services Group, Inc. ("PNC").

Bank deposit, treasury management and lending products and services, and investment and wealth management and fiduciary services, are provided by PNC Bank, National Association ("PNC Bank"), a wholly-owned subsidiary of The PNC Financial Services Group, Inc. ("PNC") and **Member FDIC**. Foreign exchange and derivative products (other than commodity derivatives) are obligations of PNC Bank. Equipment financing and leasing products are provided by PNC Equipment Finance, LLC, a wholly-owned subsidiary of PNC Bank. Merchant services are provided by PNC Merchant Services Company. Investment banking and capital markets activities are conducted by PNC through its subsidiaries including PNC and PNC Capital Markets LLC. Services such as public finance investment banking services, securities underwriting, and securities sales and trading are provided by PNC Capital Markets LLC. PNC Capital Markets LLC is a registered broker-dealer and member of FINRA and SIPC.

PNC Bank, N.A. and PNC Capital Markets LLC are not registered as municipal advisors under the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Act"). Investment management and related products and services provided to a "municipal entity" or "obligated person" regarding "proceeds of municipal securities" (as such terms are defined in the Act) will be provided by PNC Capital Advisors, LLC, a wholly-owned subsidiary of PNC Bank.

Investments: Not FDIC Insured. No Bank Guarantee. May Lose Value.

©2021 The PNC Financial Services Group, Inc. All rights reserved.

CIB PF PDF 0621-015-1847701

A focus on ESG...in its original asset class

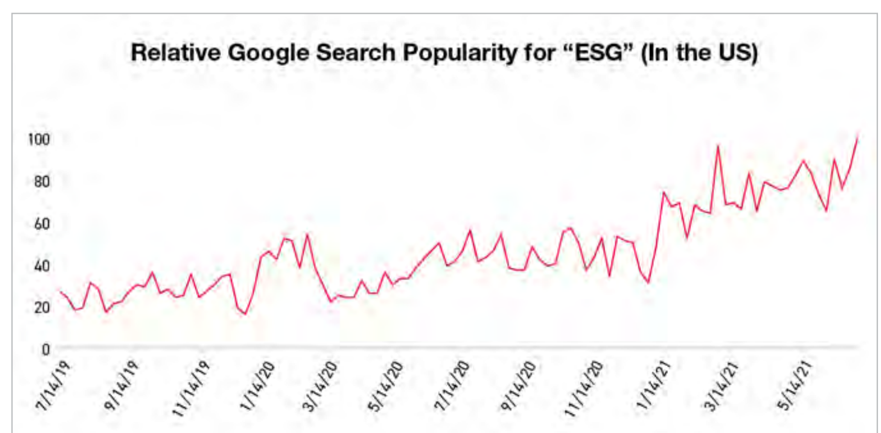
BY MARK PRICE, HEAD OF MUNICIPAL ESG STRATEGIES

When we assess the growing interest in ESG (Environmental, Social and Governance) over the past several years based on Google searches, a few trends emerge. First, search interest for ESG is at its two-year peak. Second, interest regarding social bonds, based on searches, has averaged higher than that for green bonds. And third, though ESG opportunity/investment is still garnering a high amount of search interest, the concept of ESG risk identification and management is steadily rising in the search statistics.

As the head of ESG Strategies for UBS's Public Finance Department, I have experienced these trends firsthand with increasingly more conversations about ESG with municipal issuer clients. Additionally, over the course of this year, my colleagues and I have noticed two shifts. One is that the conversations regarding issuing ESG-related bonds are now more often about social and sustainability (green + social) bonds rather than green bonds. The other is that more recently, our ESG discussions with clients are less centered around ESG-related issuance than on ESG risk identification, management and disclosure. Certainly, this has been driven by a few factors including: investors querying their money managers about ESG risk assessment; regulatory action, especially in the European Union with policies such as Sustainable Finance Disclosure Regulation and, closer to home, the SEC convening a Climate and ESG Task Force; and finally, more acceptance of ESG as a framework to uncover existing risks that surfaced recently, such as extreme weather events that have impacted the southwest and pacific northwest.

In terms of addressing ESG risk for municipal issuers, we are finding heightened recent action and reporting from the rating agencies on the topic and note that the agencies are in two camps – those with scoring systems (Moody's and Fitch) and those that incorporate ESG factors without formal scoring (S&P and Kroll). Scoring or not scoring aside, the agencies are reviewing aspects that are relevant to each of the E, S and G categories to determine what impact, if any, as well as, positive or negative, those factors may ultimately have on ratings. While currently there seems to be limited situations for issuers where the ESG assessment has a rating impact, the evolving focus would seem to indicate that there is potential for the number of these situations to increase in the future.

We also think it is important to note that the focus on ESG expands beyond just the E (Environmental). As witnessed more acutely this past year, social risk for municipal issuers has taken on new dimensions with issues of racial justice as well as challenges to police action, with resulting social unrest driven in part by the inequities amplified by the global pandemic. In such an environment, governmental entities may have a unique opportunity to demonstrate the awareness of these issues and how operational and capital investments are linked to an overall sustainability plan that incorporates not only issues of climate resiliency, but also social equity.



Shifting gears, and though risk and disclosure seem to be more prevalent in recent ESG discussions, ESG-related issuance continues to increase and remains an important consideration for municipal issuers. We still hear debates on the value of designation and whether the "if you designate, the ESG premium will come" notion shall ever come to pass. What is clear, however, is that the amount of investment assets under management ("AUM") dedicated to sustainable investing continues to increase, with a 22% 15-year compounded annual growth rate of AUM for funds managed by signatories of the United Nations Principles of Responsible Investment, indicating substantial growth in the demand for sustainable investments. Interestingly enough, many funds with dedicated ESG mandates state that they make their own internal determination of whether a bond issue is ESG-related, whether the issuer has designated or not. With the municipal bond market continuing to offer a diversity of securities, with nearly $4 trillion of outstanding debt as of the end of 1Q 2021 and weekly new issue volume in 2021 averaging $9 billion, ESG designated bonds provide a helpful filter for investors seeking particular product.

In some respects, the municipal bond market is the original ESG asset class. Even as the conversation shifts more towards identifying and disclosing ESG risk, the reality is that much of what municipal bonds finance has always been and continues to be projects that by their very nature can address ESG considerations. These projects include those for climate resiliency, educational facilities, affordable housing, public transportation, just to name a few. And if we look at these purposes through an ESG lens it is possible that the municipal issuer community can uncover and craft a narrative that aligns with the current chatter. Whether bonds are being designated as ESG-related or not, issuers and investors alike can benefit from explicitly connecting the dots of the purpose of the transaction by ESG considerations, as well as by categorizing existing disclosure items by ESG risk in an effort to improve everyone's sight lines. GFOA

For whatever is in front of you

The right people are behind you

With a national footprint, extensive public financing experience, and a keen understanding of investors, we can help you achieve your development goals for today—and tomorrow.

ubs.com/fs | 212-821-3604

© UBS 2021. All rights reserved. UBS Financial Services Inc. is a subsidiary of UBS AG. Member FINRA/SIPC. 2021-449950, Exp.: 06/30/2022

Bond insurance uptick driven by COVID concerns, taxable growth

Bond insurance has seen an uptick in usage over the past year and a half, partly fueled by COVID-19 credit concerns and the growth of taxable bonds that have taken a larger share of total municipal volume and opened up the investor base internationally.

A total of $17.8 billion of par has been wrapped by bond insurance through June of this year, compared to $14 billion through the end of the first half last year.

The par-amount insured in 2020 totaled $34.45 billion, the highest since 2009, when there was $35.40 billion at the tail end of the Great Recession. Insurance hit its peak in 2005, when $232.98 billion was insured, the highest year dating back to 1986.

"COVID helped spur usage – as states and local governments were expected to have a hard time balancing their budgets," said Howard Cure, director of municipal bond research for Evercore Wealth Management.

While some of the uncertainty has lifted, with federal aid and the increase in vaccination rates clearing the way for re-openings across the country, certain sectors are still struggling.

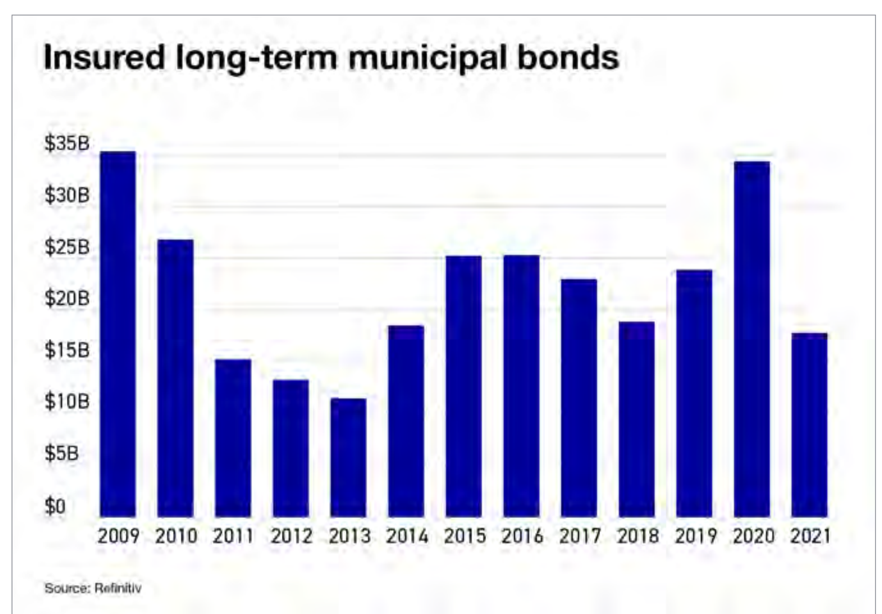
"Deals with bond insurance have become more popular, as it covers credit concerns and provides liquidity," Cure said.

Taxable municipal bond issuance has also increased the past few years and with that comes a broader investor base. International investors are taking a stronger interest in munis without the institutional knowledge of issuer credit profiles.

Build America Mutual has seen significant increases in utilization on taxable new issues over the past couple of years, according to the mutual U.S.-only bond insurer. "The trend accelerated after the initial spread of COVID-19 last spring, and has been sustained since then," BAM officials said.

BAM's taxable insured par-amount totaled $1.8 billion through May, 31, 2021, making up 28% of its total insured par. That is up from $914 million through May 2020, and 19% of BAM's insured par amount was the taxable variety through May 31, 2020. These figures do not include secondary market insurance.

"If the market gets more taxable deals and/or we see some sort of Build America Bond-type structure coming back to our market, we may see more use of insurance," according to Nat Singer, partner and senior managing director at Swap Financial Group. "Taxable buyers, to an extent they are not situated in the same



fund family as some of the tax-exempt funds, often don't have the resources to do sufficient credit research in the muni market. With an insurance wrap, they get the benefit of both belts and suspenders on the deal from a credit standpoint, as well as an independent blessing on the structure of the deal."

Singer added that as an advisor, he considers the potential use of bond insurance for every deal he works on. It won't work on AA, AAA credits, he said, but he always thinks about it on lower-rated credits because it provides economic benefit to his clients.

And while a recent $275 million deal for the University of California Davis, on which Swap Financial was the advisor and BAM insured, would have been successful without insurance, Singer said "it was even more successful with insurance."

"For a Baa3 credit, demand would have been sufficient to clear the deal at aggressive levels from investors searching for yield," he said. "When we added the insurance, it served to expand the group of investors, giving the issuer even more pricing leverage. Ultimately, the cost of insurance was just a fraction of the incremental spread benefit we saw."

Bond insurance is "especially beneficial to smaller investors and smaller sized deals as seeing bond insurance provides comfort that someone else is taking a look at structure and credit and signing off on it, other than the underwriters and financial advisors," Singer said. GFOA

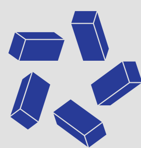
Excerpted from *The Bond Buyer*

United We Build

Investing in America's infrastructure creates opportunities for all of us. It strengthens our country's backbone and connects us through essential investment in local communities.

At Build America Mutual we work with our member-issuers to maximize the safety and stability of investing in U.S. municipal bonds... to build a brighter future for American communities and investors' portfolios.

BuildAmerica.com/United



BAM[SM]
Build America Mutual

AA STABLE S&P Global Ratings

NLC NATIONAL LEAGUE OF CITIES

Buttigieg pushes Gateway tunnel urgency

BY PAUL BURTON

To emphasize the need for new tunnels connecting New York and New Jersey, U.S. Transportation Pete Buttigieg held up a heavy piece of corroded wiring at his Penn Station press conference.

"This entire technology is really outdated," he told reporters on Monday. "Pieces of it can literally blow."

Buttigieg and members of congressional delegations from both states on Monday toured the tunnels related to the $11.6 billion Gateway project, then touted safety and the economy in their final push for funding.

The tunnels are roughly 110 years old and saltwater damage from Hurricane Sandy in 2012 worsened their condition.

U.S. Sen. Chuck Schumer, D-NY, said officials hope to begin construction one year ahead of schedule.

"The building plan is now sometime in 2023. We're trying to get it moved up to 2022," he said. Once primary construction starts, the project could take seven years.

"If we let it continue, it could be seven years, it could be five years, it could be 10 years, but this tunnel will not last. So we are full-speed ahead to get Gateway done."

Backing from President Biden, a passenger rail advocate, and possible funding through a $1.2 trillion infrastructure bill before Congress could push the tunnel rebuilding project to the finish line.

Yet despite Biden's approval last week of what he called a bipartisan framework for the American Rescue Plan, partisan bickering in Washington could temper any new optimism for this long-delayed project.

Tom Kozlik, had of municipal strategy and credit for Hilltop Securities, said a bipartisan agreement that passes the House of Representatives and Senate is still unlikely. In addition, Democrats "also have a long way to go before they can get something done through budget reconciliation," Kozlik said.

"This entire technology is really outdated," said U.S. Transportation Secretary Pete Buttigieg. *Bloomberg News*

Federal funds under request total $5.5 billion, or about 47% of the estimated cost of the project. Amtrak and the Port Authority of New York and New Jersey have committed roughly $1.3 billion and $2.1 billion respectively, while New York and New Jersey would split the balance with state funds.

New York Gov. Andrew Cuomo has said he worries about writing a blank check for his state's portion, echoing the concerns of former New Jersey Gov. Chris Christie a decade ago.

"The state also has other pressing infrastructure needs such as East Side access, Second Avenue subway, congestion pricing, and infrastructure in our upstate cities," Cuomo said Monday.

"It is imperative that we use our state funds in a cost-effective manner to do as much work as possible. We look forward to working with our federal partners and expect to see a smart, fair, cost-effective plan to get the Gateway tunnel project completed."

The Federal Railroad Administration and Federal Transit Administration, both U.S. Department of Transportation units, approved the project last month through a final environmental impact statement and a record of decision on the project. That allows pre-construction activities such as real estate acquisition and utility relocation.

Buttigieg had promised to remove any unnecessary barriers.

"It's vitally important to New York, New Jersey and the entire northeast corridor, but the impacts of this corridor are so great that if there were a loss of service, if one of these tunnels were to go out of service, you would be feeling the economic impact all the way back in Indiana where I come from," said Buttigieg, a former South Bend mayor.

Former President Donald Trump's administration had stalled the project, holding up environmental approvals and dropping the project on the U.S. Department of Transportation's priority list.

The undertaking is vital to Northeast Corridor train traffic. The tunnels are adjacent to New York's Penn

continued on page 14

Supporting Local Governments
As You Support Your Communities
Providing infrastructure and working capital financing,
market insight, and distribution expertise.
STIFEL | Public Finance
Visit our website to view our national presence and local expertise.
www.stifel.com/publicfinance
Stifel, Nicolaus & Company, Incorporated | Member SIPC & NYSE | www.stifel.com

Buffalo Sewer Authority closes on largest U.S. environmental impact bond

BY CHIP BARNETT

The Buffalo Sewer Authority in New York has closed on a $49 million municipal environmental impact bond deal, the largest such deal so far in the United States.

The tax-exempt bonds, priced by Morgan Stanley, will finance green infrastructure and stormwater mitigation projects across the city and are linked to stated performance goals.

"The city of Buffalo is delighted to successfully bring the bond issuance to a close," Mayor Byron Brown said in a statement. "Thus far, along with being the largest EIB in the country, it is also the largest investment any Great Lakes city has made in green stormwater infrastructure, which has proven to be an effective climate resilience measure. The investment also will lead to approximately 700 family-sustaining jobs in our community."

The Buffalo Sewer Authority bonds will finance green infrastructure and stormwater mitigation projects across the city. *Bloomberg News*

Morgan Stanley priced the $49.16 million of Series 2021 sewer system environmental impact revenue green bonds on June 4 to yield from 0.06% with a 3% coupon in 2022 to 1.29% with a 4% coupon in 2036. A 2049 maturity was priced a step coupon bond at par to yield 1.75% while a 2051 term bond was priced to yield 1.83% with a 4% coupon.

The deal received an underlying A-plus rating from S&P Global Ratings; the 2030 to 2036 maturities are insured by Build America Mutual and rated AA by S&P.

The deal garnered widespread interest across the muni market, sources said. Investor interest was not limited to New York State residents, but was also seen across the country by institutions and retail.

Among ESG-centered buyers alone the deal was 1.87 times oversubscribed while among the wider market the offering was oversubscribed multiple times. Retail buyers, one source noted, were not limited to only high net worth individuals placing $1 million+ orders – there were numerous mom and pop investors putting in their orders for the bonds in much lesser amounts, and the broad-based demand helped drive the pricing.

EIBs are supported by verified third-party evaluations on whether key stated environmental goals were achieved by bond-financed projects.

Arcadis N.V. is the independent third-party validator and will inspect each green infrastructure project site and perform measurements to determine whether the stated outcomes have been achieved.

They are different from traditional green bonds, which support climate and environmental projects but don't require the same high level of measurement, reporting and outcome as EIBs do. This bond issue qualified as both as an EIB and as green bond under the International Capital Market Association's Green Bond Principles.

"The Buffalo Sewer Authority's willingness to undertake resiliency projects and measure and report on the outcomes positions the authority as a leader in the green and sustainability bond marketplace," Joe Abramson, vice president in public finance at Morgan Stanley, told The Bond Buyer Friday.

The authority said the idea for an EIB issuance came after the Ralph C. Wilson Jr. Foundation and the Community Foundation for Greater Buffalo provided funding to Environmental Consulting & Technology Inc. to come up with alternative financing options for the Greater Buffalo region.

ECT worked with Quantified Ventures, which had previously supported innovative and successful outcome-based financings. In 2016, Quantified Ventures and the District of Columbia Water and Sewer Authority created the first EIB to address stormwater challenges in the nation's capital.

The Buffalo Climate Vulnerability Assessment estimates that by 2050 the city may see up to four inches of additional rainfall annually, increasing the risks of heavy flooding. Building green infrastructure can help mitigate the impact of heavy rains by constructing preventive measures.

continued on page 14

Now More Than Ever
Knowledge, Experience and Insight
Matter to The Municipal Market
Fitch analysts have always provided the world's largest institutional investors in-depth analysis, comprehensive research, and forward looking ratings and are constantly working to meet the changing needs of the credit markets in this period of uncertainty and volatility. We are committed to providing insightful commentary and transparency to our credit ratings.
Located across the country to cover all areas of U.S. Public Finance, our senior analysts have an average of 16 years of industry experience. They are attuned to local legislative and legal issues and are poised to address the specific needs of regional markets.
Visit www.fitchratings.com/us-public-finance for our latest research, weekly ratings actions, commentary, videos and events.
Key Business and Relationship Management Contact:
Ann Flynn, Managing Director
Global Head of Public Finance and
Infrastructure & Project Finance
212-908-9152
ann.flynn@fitchratings.com
FitchRatings
fitchratings.com

Buffalo Sewer Authority closes on largest U.S. environmental impact bond

continued from page 12

As part of the authority's "Rain Check 2.0" program, the bond proceeds will go toward the design and construction of green infrastructure that will capture stormwater and reduce combined sewer overflows.

"In Buffalo, we see a well-managed utility that provides an essential service. The authority has a substantial capital program to support their long-term efforts to reduce combined sewer overflows, but they are well positioned to afford it," Howard Spumberg, a managing vice president in BAM's East Region public finance group, told The Bond Buyer. "In reviewing the transaction and the projects that will be funded as part of the 'Rain Check 2.0' program, we verified that they align with the International Capital Market Association's Green Bond Principles, so this issue was included in the BAM 'GreenStar' program."

The issue incorporated several new and innovative features.

"Influenced by sustainability-linked bonds in the corporate bond market, this transaction innovatively ties the call date and price to the authority's ability to achieve an outcome threshold subject to external verification," Abramson said. "The novel structure highlights the authority's commitment to a more sustainable and equitable community and helped reduce financing costs to historically favorable levels."

The EIB includes an option to refinance or retire the bonds in seven years or more if 200 new acres of impervious surface area financed with the bond proceeds is built. This could give the authority financial flexibility and lower debt service costs if the threshold is met. If the authority does not meet it by 2028, it can still call the bonds, but at a higher cost.

The authority was advised by Capital Markets Advisors while Barclay Damon LLP was bond counsel.

"Morgan Stanley is very pleased to have led this successful and cutting-edge financing in the U.S. muni market," said Zachary Solomon, executive director and head of Morgan Stanley's public finance project finance and sustainable infrastructure group. "We applaud the authority and the investors who participated for their creativity and commitment to driving impact. The transaction certainly represents the evolving nature of ESG and impact integration in the muni market."

Advocates of EIBs say they can help some municipalities finance green infrastructure projects that will reduce pollution, grow the economy and improve quality of life for residents and that EIB issuance will only increase in the future. **GFOA**

Buttigieg pushes Gateway tunnel urgency

continued from page 10

Station, which is undergoing its own massive renovation.

A companion project, at about $1.8 billion, involves the rebuilding of the Portal North Bridge across the Hackensack River in Kearny, New Jersey. The bridge carries Amtrak and NJTransit trains.

U.S. Sen Cory Booker, D-NJ, said the tunnels now create a chokepoint that affects a northeast region where 20% of the nation's economy circulates.

"This clogged artery must be cleared," he said.

The work, a joint undertaking among the Gateway Planning Development Corp., Amtrak, NJTransit and the Port Authority of New York and New Jersey, would include constructing a dual-track tunnel under the Hudson River and rehabilitating existing tubes to double-rail capacity.

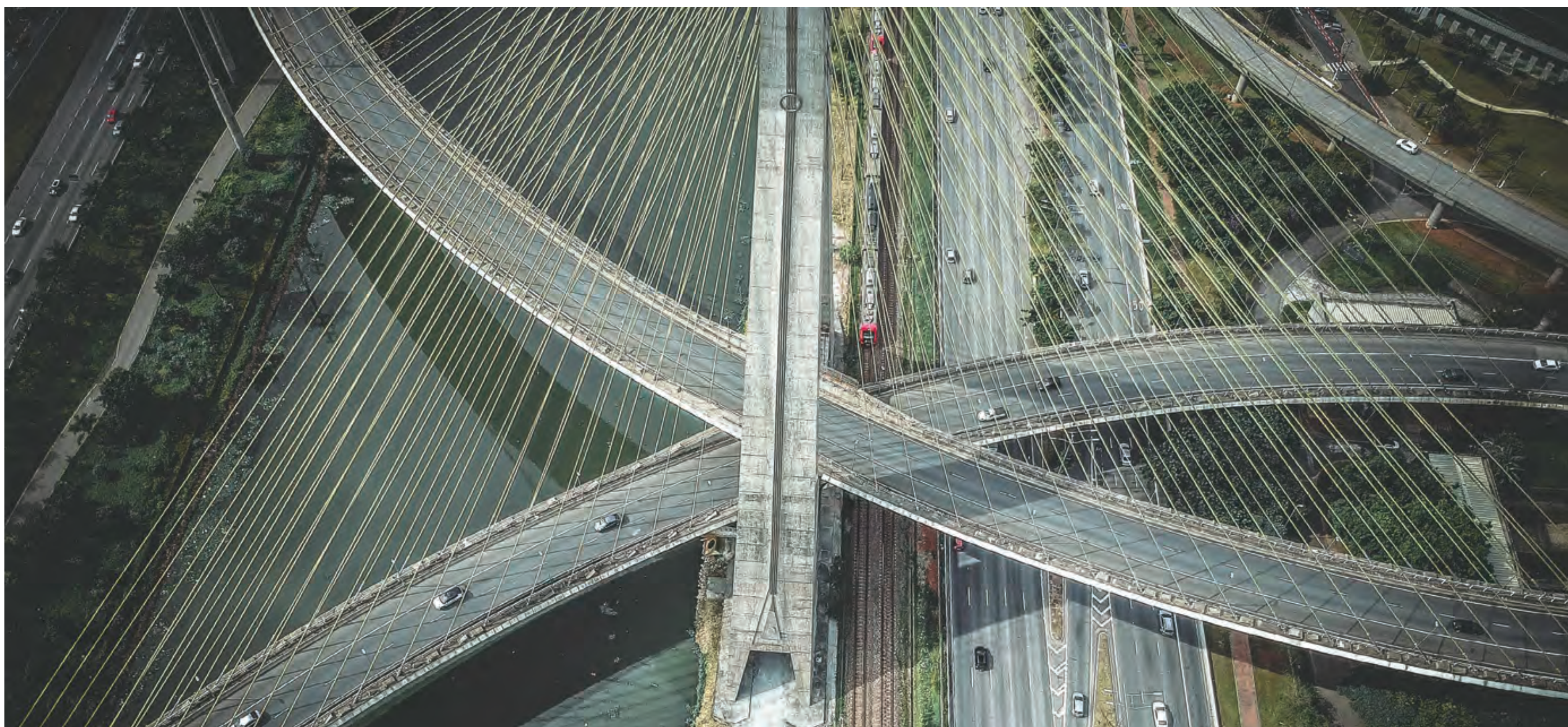
An Amtrak train from New York City emerges from a Hudson tunnel into New Jersey. Bloomberg News

The estimated tab for the tunnel project and companion Portal North Bridge across the Hackensack River in Kearny, New Jersey, is about $11.6 billion.

Costs from other projects range from nearly $2 billion to fix the old tunnel and, on a broader scale, a further $11 billion for the so-called Penn Station South, to enable more trains into Manhattan. New Jersey is also in store for $9.3 billion of related projects.

Cuomo's plans for the so-called Empire Station Complex, which would include a series of skyscrapers around Penn Station, are on hold after an amendment to the state fiscal 2022 budget limited a $1.3 billion allocation to transportation and infrastructure improvements. **GFOA**

Navigate Complexity with Confidence



In today's complex markets, you need information about credit risk that is based on in-depth market knowledge, forward-looking analyses and transparent criteria.

Our ratings analysts provide a point of view that combines a deep understanding of markets with sector-specific experience.

Visit spglobal.com/uspublicfinance to learn how our perspective can help you make better-informed financing decisions.

Team Lead
Kate Boatright
+1 (214) 871-1420
kate.boatright@spglobal.com

Northeast
Anthony Ivancich
+1 (212) 438-5060
anthony.ivancich@spglobal.com

South Central and Southeast
Michelle Smithen
+1 (214) 871-1423
michelle.smithen@spglobal.com

Midwest
Melanie Shaker
+1 (312) 233-7065
melanie.shaker@spglobal.com

West
Marc Hughes
+1 (415) 371-5012
marc.hughes@spglobal.com

S&P Global
Ratings

Infrastructure Financing Authority opposed by municipal securities groups

BY BRIAN TUMULTY

Municipal securities dealer groups said Friday they are opposed to the creation of a $20 billion Infrastructure Financing Authority as part of a $1.2 trillion bipartisan infrastructure framework announced Thursday.

Other public finance groups have varying positions.

National Association of Counties spokesman Paul Guequierre said in an email, "Counties support federal investments in infrastructure using a variety of financing tools, including but not limited to, a national infrastructure bank."

The National Association of Health & Educational Facilities Finance Authorities has not taken a position, said Charles Samuels of Mintz Levin of Mintz Levin, who serves as the group's legal counsel.

"In my personal opinion it's of marginal uncertain value," said Samuels. "I don't know what the gap is in current state and local financing that this is supposed to fill."

Samuels said he agrees with state and local government groups that the focus should be on reinstating tax-exempt advance refunding bonds and expanding the current financing tools.

Other state and local government groups did not immediately announce their positions.

Emily Brock, director of the federal liaison center for the Government Finance Officers Association, said she was trying to determine whether there will be room for inclusion of the other municipal financing priorities in the package.

Some of the measures are not big-ticket items and the framework announced Thursday does not yet have legislative language.

An increase for small issuers to $30 million from $10 million of the amount of tax-exempt bonds they can sell to banks can buy under favorable terms as bank-qualified would cost only $118 million over 10 years, according to an estimate last year by the nonpartisan congressional Joint Tax Committee. Bank qualified debt, also known as BQ debt and bank eligible, allows the bank to deduct the carrying cost of that debt as a business cost.

The framework announced by President Biden and a bipartisan group of senators has $312 billion for transportation. *Bloomberg News*

The framework announced by President Biden and a bipartisan group of senators has $312 billion for transportation. It includes $109 billion for roads and bridges, $11 billion for safety, $49 billion for public transit, and $66 billion for passenger and rail freight.

That's $16 billion more for road, rail and transit spending than the transportation bill passed by the House Transportation and Infrastructure Committee, according to an analysis by the independent Eno Center for Transportation.

There's also $25 billion for airport infrastructure, $16 billion for ports and waterways, $7.5 billion for electric vehicle charging stations, and $7.5 billion for electric buses and other transit.

Other areas of infrastructure spending include $73 billion for electric grid, $65 billion for broadband, $55 billion for water projects, $47 billion for resilience, $21 billion for environmental remediation, and $5 billion for Western water storage.

It was not immediately clear how the categories listed by the White House compare to legislation the House and Senate are working on. For instance, the bipartisan agreement lists $55 billion for water projects. The Senate recently voted overwhelmingly to approve the $35 billion Drinking Water and Wastewater Infrastructure Act of 2021. And the House version of the water bill is for $50 billion.

The House Democratic leadership, meanwhile, is sticking with its plan to move its own surface transportation bill. House Majority Leader Steny Hoyer, D-Md., said Thursday the Democrats' INVEST in America Act will be brought to a floor vote the week of June 28.

The House bill includes $343 billion for roads, bridges and safety, another $109 billion for transit and $95 billion for freight and passenger rail.

Despite the apparently higher spending in Biden's deal with the bipartisan Senate group, the proposal for a new federal financing bureaucracy met

continued on page 18

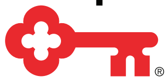
Unique financial services for governmental entities.

Use the red key.®

Municipal Bond Underwriting | Syndicated Finance | Direct Placement | Commercial Payments – Prepaid Card Products

For more information, contact **Kim Monson** at **206-343-6962**, or visit **key.com/publicsector**.

KeyBanc
Capital Markets



KeyBanc Capital Markets Inc. is not acting as a municipal advisor or fiduciary and any opinions, views or information herein is not intended to be, and should not be construed as, advice within the meaning of Section 15B of the Securities Exchange Act of 1934.

KeyBanc Capital Markets is a trade name under which corporate and investment banking products and services of KeyCorp and its subsidiaries, KeyBanc Capital Markets Inc., Member NYSE/FINRA/SIPC, and KeyBank National Association ("KeyBank N.A."), are marketed. Securities products and services are offered by KeyBanc Capital Markets Inc. and its licensed securities representatives, who may also be employees of KeyBank N.A. Banking products and services are offered by KeyBank N.A.
Key.com is a federally registered service mark of KeyCorp. ©2020 KeyCorp. 200618-823965

Infrastructure Financing Authority opposed by municipal securities groups

continued from page 16

with immediate and strong opposition from Municipal Bonds for America, the Bond Dealers of America and the American Securities Association.

"By nationalizing federal investment in local infrastructure via an infrastructure bank, the provision would minimize a centuries-long partnership among federal, state and local governments in infrastructure investment," said BDA and Municipal Bonds for America in a joint statement.

The two groups said that Congress and the administration instead should empower state and local governments to make additional investments by "reinstating tax-exempt advance refundings, expanding private activity bonds, raising the limit of bank qualified debt and creating a new direct pay bond, the American Infrastructure Bond exempt from sequestration."

ASA CEO Chris Iacovella said the proposed federal financing authority is based on a misguided bill called the Repair Act (S. 1499) authored by Sen. Mark Warner, D-Va.

Warner's bipartisan bill would create a new federal entity to finance projects of regional or national significance, including the construction, consolidation, alteration, or repair of airports and air traffic control systems, highway facilities, and transmission or distribution pipelines.

Cosponsors include three Republicans led by Sen. Roy Blunt of Missouri.

"Rather than creating a centralized bureaucracy to dictate funding from Washington, the federal government should instead promote and encourage the use of taxable municipal bonds for infrastructure projects," Iacovella said in a press statement. "ASA's regional financial services members have a long history of successfully financing 'hard' infrastructure investments and are more than ready to do so again."

The bond financing provisions of the Moving Forward Act that was advanced by House Democrats last year totaled $83.9 billion over 10 years, so the deal announced by Biden for a $20 billion financing authority is less than one-quarter of that.

Biden said Thursday he is committed to a two-track process in which his American Families Plan moves simultaneously through the budget reconciliation process with Democrats-only support.

"The bipartisan bill from the very beginning was understood there's going to have to be the second part of it," Biden said. "Not just signing the bipartisan bill and forgetting about the rest I have proposed."

That other legislation is expected to include a number of tax provisions, including an increase in the corporate tax rate and an increase in the top personal income tax to 39.6%.

Muni provisions could conceivably be included in that Democrats-only bill. The Moving Forward Act passed by the House last year had provisions for school bond financing and multifamily housing private activity bonds that would be more suited to that legislation. **GFOA**

Supreme Court won't hear New Hampshire telework tax case

BY KYLE GLAZIER

The Supreme Court has declined to take up New Hampshire's lawsuit challenging a Massachusetts regulation that continued to impose income taxes on former commuters from out of state who had begun working from home because of the pandemic.

The court announced its decision Monday morning, noting that Justices Clarence Thomas and Samuel Alito were in favor of taking up the case for the fall term. The decision means the Massachusetts tax policy that New Hampshire said affected about 15% of its workforce will sunset on its own later this year.

The taxation of telework involving out-of-state workers has national implications because of the sudden increase in remote work caused by the COVID-19 pandemic. Many of those workers have not returned to their offices and, in many cases, may never return.

Massachusetts had told the court that the issue was essentially moot because Massachusetts Gov. Charlie Baker signed an executive order May 28 that ended the state of emergency that triggered the tax provision effective June 15. The emergency regulation sunsets on September 13, which is 90 days after the end of the emergency, according to the Massachusetts Department of Revenue.

The federal government last month filed a friend of the court brief advising the Supreme Court to not take the case because it does not rise to the level of original jurisdiction that warrants the court's consideration.

New Hampshire has no state income tax and claimed the taxation of its residents was causing economic harm.

New Jersey, Connecticut, Hawaii, and Iowa filed a friend of the court brief in support of New Hampshire, noting many of their residents are in the same position of being forced to pay income taxes to other states where their jobs are based.

New Jersey said more than 400,000 of its residents and 78,000 from Connecticut commuted to jobs in New York City prior to the pandemic.

On the other side are five states that in addition to Massachusetts, rely on income taxes paid by out-of-state commuters for a significant amount of their revenue.

Most notable among the five is New York, where New York City is an employment hub that draws hundreds of thousands of workers from northern New Jersey and southern Connecticut. Arkansas, Delaware, Nebraska, and Pennsylvania also have similar taxes on out-of-state workers.

The attorneys general for both states did not immediately respond to a request for comment. **GFOA**

Your trust, your future, our commitment

- Dedicated, experienced public finance team
- Customized financing and treasury management solutions
  - Lines of credit and term loans
  - Letters of credit and standby bond purchase agreements
  - Direct loans and direct purchases
  - Payments and receivables management
  - Card solutions
- World-class balance sheet

Kevin Dunphy
New York, NY
347-541-2608
kdunphy@us.mufg.jp

Nicole Riggs
New York, NY

Nick Boyle
Los Angeles, CA

Lisa Smith
Los Angeles, CA

Zachary Garrett
Los Angeles, CA

MUFG Bank, Ltd.
A member of MUFG, a global financial group

©2021 Mitsubishi UFJ Financial Group, Inc. All rights reserved. The MUFG logo and name is a service mark of Mitsubishi UFJ Financial Group, Inc. Products and services mentioned may be offered and marketed by other MUFG entities. MUFG Bank, Ltd., is not a member FDIC and its products ARE NOT insured by the FDIC or other government agency.

Giving minority managers a seat at the table

Retail and institutional investors have shown an increasing desire to invest in diverse and/or minority managers in recent years. However, there remain a number of misconceptions, which by extension hinder potential investment growth. Below, we discuss the more common misconceptions when it comes to screening for and selecting minority-owned investment firms.

Misconception: Smaller managers (many of which are minority-owned) underperform larger managers and are riskier.

Truth/Solution: Various research papers have proven that smaller managers outperform larger ones. The original research on this topic goes back to 1995, when The Journal of Investing published an article entitled, "The Performance Advantage of Small Portfolio Management Firms." Numerous research papers on this subject were also distributed in the early to mid-2000s and confirmed these findings, as many smaller boutique firms entered the market.

To see for ourselves if this continues to hold true, we screened the evestment universe available data for firms with minority ownership of at least 51% within Domestic Large-Cap, Domestic Small-Cap and Developed International. We then compared the average returns for minority-owned firms against their peer universe, and based on our research, the result was that on average these firms outperformed the median universe ranking over a 1, 3, 5 and 10-year period.

Misconception: An Ivy League pedigree or employment at a bulge-bracket firm is a must!

Truth/Solution: When searching for an investment manager, allocators often consider the university that the manager attended or the firms they have worked for. Often, preference has been given to those that attended well-known universities or that worked at prestigious firms. However, those attributes do not always provide a solid correlation with performance, and yet a bias is often unknowingly formed.

One way to mitigate this bias is through utilizing scorecards. The scorecard is a mix of the quantitative and qualitative information that an analyst inputs and scores based on their interpretation of the content or results. By tracking the scorecards, trends and tendencies can become apparent. This information can also be used to determine if behavioral biases are playing a significant role in analyst rankings. Any biases may become obvious within the qualitative aspects of the scorecard, such as the team experience and investment philosophy segments.

Misconception: Screening and due diligence on smaller minority-owned managers is difficult.

Truth/Solution: We disagree.

Analysts are often creatures of habit. Most analyst have Assets Under Management as one of their primary screens, which eliminates many diverse-owned firms because there are few that are managing more than $2 billion. Also, analysts go to the same conferences each year, which tend to have the same participants. This creates an unintended feedback loop.

PFM has been proactive in our implementation of the above solutions, which has allowed us to discover managers that might have otherwise been overlooked. Put simply, we believe that this thought process has helped us become a better and more inclusive investor.

Rather than relying on AUM, we posit those interested in hiring a minority manager should not filter for certain performance and statistical criteria, such as Alpha or Information Ratio. As for conferences, there are organizations that cater to this demographic, so analysts need to roll up their sleeves and dig deeper.

Regarding due diligence, if AUM numbers are low, the research efforts should be more akin to the operational due diligence done on alternative assets. Naturally, one should note that for smaller firms, the business and financial risk could be elevated.

Final Thoughts

Screening solely for AUM, attending the same conferences each year, and placing too much emphasis on a manager's education and previous employment can create biases. Those methods of analysis may also cause well-performing minority managers to be overlooked, which by extension may have an adverse impact on the alpha generation of a given portfolio.

PFM has been proactive in our implementation of the above solutions, which has allowed us to discover managers who might have otherwise been overlooked. Put simply, we believe that this thought process has helped us become a better and more inclusive investor. GFOA

The views expressed constitute the perspective of PFM's asset management business at the time of distribution and are subject to change. The content is based on sources generally believed to be reliable and available to the public; however, PFM cannot guarantee its accuracy, completeness or suitability. This material is for general information purposes only and is not intended to provide specific advice or a specific recommendation. PFM is the marketing name for a group of affiliated companies providing a range of services. All services are provided through separate agreements with each company. Investment advisory services are provided by PFM Asset Management LLC, which is registered with the SEC under the Investment Advisers Act of 1940. For more information regarding PFM's services or entities, please visit **www.pfm.com.**

Trusted

For over 45 years, PFM has built a reputation of putting clients' needs first. We combine focused financial advice, disciplined management and ingenuity to build, power, move and educate.

Advice for people transforming their world

pfm.com

Financial Advisory | Asset Management | Consulting

Financial Modeling | Specialized Services | Alternative Finance

For important disclosures please go to pfm.com/disclosures

Survey finds state budgets have largely recovered from the pandemic

BY BRIAN TUMULTY

State budgets have largely recovered from the revenue losses caused by the COVID-19 pandemic, according to a new survey released by the National Association of State Budget Officers.

Overall spending by the states is on track to grow 3% for the 2021 fiscal year that ends June 30 for 46 of the 50 states, but that's 2 percentage points lower than had been expected prior to the pandemic.

Fiscal 2022 budgets proposed by the governors are calling for a collective 5% increase in general fund spending totaling $963.6 billion. The survey found the median growth rate is 3.2%, but the proposals vary considerably because of the uneven impact of COVID-19 on state economies and budgets.

"States have seen large swings in their revenue forecasts over the past year, as it was so difficult to predict the impacts and trajectory of this unprecedented crisis," NASBO President Kate Nass, Oregon's deputy chief financial officer, said in a press statement.

One big area of spending growth has been Medicaid health services for the poor, which is on track to jump by 12.5% in the current fiscal year.

On Monday the federal Centers for Medicare & Medicaid Services announced that enrollment in Medicaid and the Children's Health Insurance Program (CHIP) rose by nearly 9.9 million, a 13.9% increase, between February 2020, the month before the public health emergency was declared, and January 2021.

A record 80.5 million American were enrolled in the two programs at the end of January.

The impact of that enrollment increase on state budgets has been minimized by an enhanced Federal Medical Assistance Percentage, or FMAP. Last year's CARES Act gave states a 6.2% FMAP increase for however long the ongoing health emergency continues.

States qualify for the enhanced FMAP funding by adhering to a federal maintenance of effort requirement that eligible people enrolled in Medicaid stay enrolled and benefits are not reduced during the public health emergency.

Medicaid is the largest category in state budgets and the second largest general fund category, according to NASBO.

States overall are expecting Medicaid enrollment to continue growing in fiscal 2022 while the public health emergency also will end at some point in the coming fiscal year, forcing them to increase their state share of the cost.

What's unknown is when Medicaid enrollment might start to decline as the economy continues to improve and more people are hired in jobs that provide private health insurance.

The Spring Fiscal Survey of the States conducted between March and May found that 39 states are forecasting nominal spending increases in fiscal 2022.

"As we monitor more recent data, the overall state fiscal position continues to improve, and is likely stronger now than the data in this report portrays, especially since governors' budgets mostly predate the passage of the American Rescue Plan Act in March 2021," said Shelby Kerns, executive director of NASBO.

"The headline here is that the impact of the pandemic on state budgets has not been as severe as was anticipated earlier in the crisis," said Kathryn Vesey White, director of budget process studies for NASBO and the principal author of the report. "But spending and revenue levels remain below their pre-pandemic projections."

Overall state tax revenues were stronger during the pandemic than initially feared in large part because of the generous federal stimulus aid they have received.

The job losses caused by the economic slowdown also were not as great among high income workers who pay the most taxes because most were able to work remotely.

Last year's delay in the tax filing deadline to July also shifted some tax revenue that would have been received in fiscal 2020 into fiscal 2021.

"A very uneven impact and recovery across the states" was how Lucy Dadyan, a senior research associate for the State and Local Finance Initiative of the Urban Institute, summarized the findings of the report.

Dadyan's own work at the Urban Institute has found that states that rely on the tourism and hospitality industries for their tax revenues as well as those dependent on the oil and gas industry were hurt the most negatively.

Twelve states enacted mid-year budget cuts totaling $4.1 billion.

Among the largest were $653 million in Washington, $558.6 million in New Mexico, $540.8 million in Nevada, $447.8 million in Maryland, $437.3 million in Kansas, and $390 million in Ohio.

Connecticut, Hawaii, Indiana, Maine, New Jersey and Utah also enacted mid-year budget cuts. GFOA

Gameday

The most comprehensive way to track your investors in real-time

Visit ihsmarkit.com/gameday to learn more

Are we on the verge of a golden age for public finance?

Tom Kozlik, Head of municipal research and analytics, HilltopSecurities

As the nation begins to emerge from 16 months of pandemic-fueled disruptions, the new economic landscape just might signal the beginning of a golden age for public finance.

Lawmakers have spent almost $6.5 trillion in response to COVID-19 since March of last year, most recently through the $1.9 trillion American Rescue Plan Act of 2021. About $650 billion of that measure's spending significantly supports credit quality across several public finance sectors. And they're not done yet. A potential $1.2 trillion infrastructure package is still possible as well.

Tom Kozlik, HilltopSecurities' head of municipal research and analytics, has written extensively on this and related topics, providing valuable insight into how this unprecedented stimulus could shape the immediate future of public finance.

"Included in the $1.9 trillion American Rescue Plan Act are provisions that provide an extraordinary, but short-term, boost to municipal credit quality across many sectors," Kozlik said. "It is a massive amount of spending that will directly impact state and local governments, school districts, healthcare, higher education, mass transit, and housing sectors. This boost of capital could be the foundation of what is one day referred to as a Golden Age of U.S. public finance because of the scope of possibilities."

"Included in the $1.9 trillion American Rescue Plan Act are provisions that provide an extraordinary, but short-term, boost to municipal credit quality across many sectors."

"There is a boom coming to U.S. state and local governments and other public finance entities in the form of economic activity and federal funds."

As one of the nation's leading municipal investment banks with a 75-year legacy as a pioneer in public finance, HilltopSecurities has leveraged its deep client relationships to help public entities navigate decades of changing economic cycles and market volatility. In recent years, the firm has been actively expanding across its business lines focused on the public sector, including municipal advisory, underwriting, asset management, fixed income capital markets, structured finance, and debt capital markets. Together they provide a comprehensive portfolio of solutions for public issuers.

Since 2016, HilltopSecurities has provided municipal services on over 5,500 transactions totaling more than $285 billion as municipal advisor or underwriting. With $43 billion in municipal assets under management[1] the firm is the number one municipal advisor in the nation by number of issues for the past 10 years[2] and currently ranks 10th for municipal long-term competitive underwritings according to league tables.

As HilltopSecurities continues to expand, the company is in a strong position to assist public entities as they emerge from the pandemic, recognizing that many challenges remain–including some that pre-date the COVID-19 disruptions.

"There is a boom coming to U.S. state and local governments and other public finance entities in the form of economic activity and federal funds," Kozlik said. "But, a key question to consider is: Are they ready? The answer is that some are more ready than others. The difference between public finance entities wasting versus maximizing this unique opportunity could be as simple as having a plan with measurable goal markers. This is especially important when it comes to the soon-to-be-delivered federal aid." GFOA

To learn more about HilltopSecurities' public finance experience and capabilities, visit HilltopSecurities.com or call 833.444.5586.

[1] As of Dec. 31, 2020. Figure includes treasury management and municipal advisor consulting assets, as well as assets held by JP Morgan in co-administrated government investment pools.

[2] For the ten-year period ending Dec. 31, 2020. Ipreo MuniAnalytics

Municipal Advisory • Municipal Underwriting • Structured Finance/Debt Capital Markets • Continuing Disclosure
Asset Management • Arbitrage Rebate • Government Investment Pools

As the nation emerges from the COVID-19 pandemic, many public entities still face challenges, and maintaining access to the capital markets is key. As a leading municipal advisor, HilltopSecurities has helped issuers meet their financing needs since 1946. But we don't stop there. Our full suite of public entity solutions helps issuers implement sustainable financial management strategies to address today's toughest fiscal challenges—from covering budget shortfalls to preserving credit quality.

Find out how HilltopSecurities can put our legacy to work for your future.

833.4HILLTOP
HILLTOPSECURITIES.COM

©2021 Hilltop Securities Inc. All rights reserved.
MEMBER: NYSE/FINRA/SIPC HTS713258353

HILLTOPSECURITIES.COM

How far federal coronavirus aid goes for states

BY KYLE GLAZIER

Federal American Rescue Plan funding represents a huge infusion of cash for states whose economies were lagging late last year, though for most states the money represents less than 10% of fiscal 2020 spending.

Those numbers come courtesy of a Pew Charitable Trusts analysis released Monday. The $193.5 billion of aid, which states can use for a variety of purposes including replacing lost revenue and preventing government spending, ranges from as much as 22.7% of fiscal 2020 spending in Wyoming to as little as 4.9% in Wisconsin. The greatest shares relative to spending didn't necessarily go to the states in most dire need, Pew found.

"Because ARPA's funding does not take revenue losses into account, states receiving the most aid as a share of spending aren't necessarily those facing the most fiscal distress," Pew said in the report. "Alaska and Hawaii, for instance, had projected some of the sharpest declines in revenue of any state over this and last fiscal year, but their aid nearly matches the national rate of 8.5% of total fiscal 2020 spending, in part because they had the two highest spending totals per capita."

The analysis pointed out that the funding formula Congress adopted in the legislation contained a provision beneficial to states with smaller populations. The majority of funding was based on each state's share of the nation's unemployed workers from October through December. Then each state gets an additional $500 million, regardless of population, and it's that last part that provides a substantial boost to less populous states.

"Wyoming has the fewest people but is slated to receive nearly $1.1 billion, an amount equivalent to 22.7% of its total spending in fiscal 2020 – the largest percentage of any state," Pew said.

South Dakota got the second-largest share of funding, a total representing 20.1% of fiscal 2020 spending, even though it did not have the serious budgetary pressures Wyoming faced.

"The fifth-least populous state, South Dakota has had some of the strongest year-over-year tax revenue growth since the start of the pandemic, and its unemployment rate was tied for the lowest nationally as of April."

Pew found that for 37 states, ARPA funding is equivalent to between 5% and 10% of total spending last fiscal year, including capital expenditures and spending from federal funds and bonds.

Aid to New York represented 7.4% of fiscal 2020 spending, while California got 8%, Florida 9.7%, and Texas 12.2%. **GFOA**

Municipalities, MSRB working toward better disclosure

BY KYLE GLAZIER

Government Finance Officers Association members and Municipal Securities Rulemaking Board CEO Mark Kim agree that the MSRB's EMMA system should grow into a truly comprehensive disclosure resource that could shed light on parts of the market that still remain murky.

Kim spoke with members of the GFOA Committee on Governmental Debt Management Wednesday during the organization's annual conference. Kim provided an update on the rulemaker's activities, and much of the conversation ended up focusing on changes to EMMA made possible by technological improvements that have occurred in the past year.

"These are new technologies to the MSRB," Kim told the debt committee.

Kim said that the MSRB's migration to cloud-based computing have given it the ability to leverage technologies such as machine learning and artificial intelligence to create a better EMMA system.

For example, Kim explained, the MSRB's COVID-19 disclosure reports that it began releasing initially on a weekly basis were made possible by those technological advancements. The old EMMA simply did not have the architecture to collect and compile the data in those reports, which plucked out and categorized COVID-related disclosures out of all continuing disclosures filed on EMMA.

David Erdman, capital finance director for the State of Wisconsin, raised a study conducted by economists and presented at the Brookings Municipal Finance Conference earlier in the week. That study found that there is significant underreporting of private debt by municipalities, even though Securities and Exchange Commission Rule 15c2-12 now requires issuers' continuing disclosure agreements to disclose the incurrence of such debt in most cases.

Erdman noted that the others of the study used subscription services and confidential information in addition to EMMA in order to do their work, and suggested to Kim that there is room for EMMA to grow into a more comprehensive resource.

Kim said the MSRB is interested in improving EMMA in a variety of ways, raising his own example of Environmental, Social, Governance (ESG) disclosure. Kim said the existing system isn't ideally constructed for voluntary ESG disclosure, but the MSRB wants to change that.

"That is the exact type of architecture we want to build," Kim said.

Committee members also briefly discussed the so-called "shot clock" approved in early 2020 by the SEC for use on EMMA. This submission calculator shows the number of days between the posting of an annual financial disclosure and the end date of the financial period. The calculation is triggered once the submission is made to EMMA.

The move was an effort by regulators to make investors more aware of financial information that might be "stale."

Muni market groups had said the calculator could lead to submission errors and investor confusion, and many municipal issuers were especially concerned. GFOA had argued that some issuers would be unfairly judged by investors that information may not be timely when it is submitted as quickly as possible and within the timeframe required by its continuing disclosure agreements.

But Kim said the MSRB has not seen significant pushback since the calculator went into effect.

"We certainly haven't heard of any widespread implementation concerns," he said. **GFOA**

Our best rates for issuers — ever

Don't miss these new rates, only for issuers. That's more transformative news, analysis, research and data — for less. Get the insights you need to navigate the markets, build effective strategies and make the most innovative deals.

Click here to see our new rates
bondbuyer.com/subscribe-issuer

THE BOND BUYER

PUBLIC TRUST ADVISORS

Providing Custom Investment Solutions to Enhance Your Portfolio

Our experienced team can assist you in determining the investment strategy that best suits your local government's needs.

Our Services

- Discretionary
- Non-Discretionary
- Advisory
- Bond Proceeds Management

Complementary Services

- Cash Flow Analysis
- Portfolio Analytics
- Investment Policy Development
- Online Customized Reporting

Serving Local Governments Nationwide

Counties

Educational Entities

Utility Districts

Health Districts

Municipalities

State Agencies

Transportation Authorities

Special Districts

Contact us: www.publictrustadvisors.com/contact-us | (855) 395-3954 | info@publictrustadvisors.com

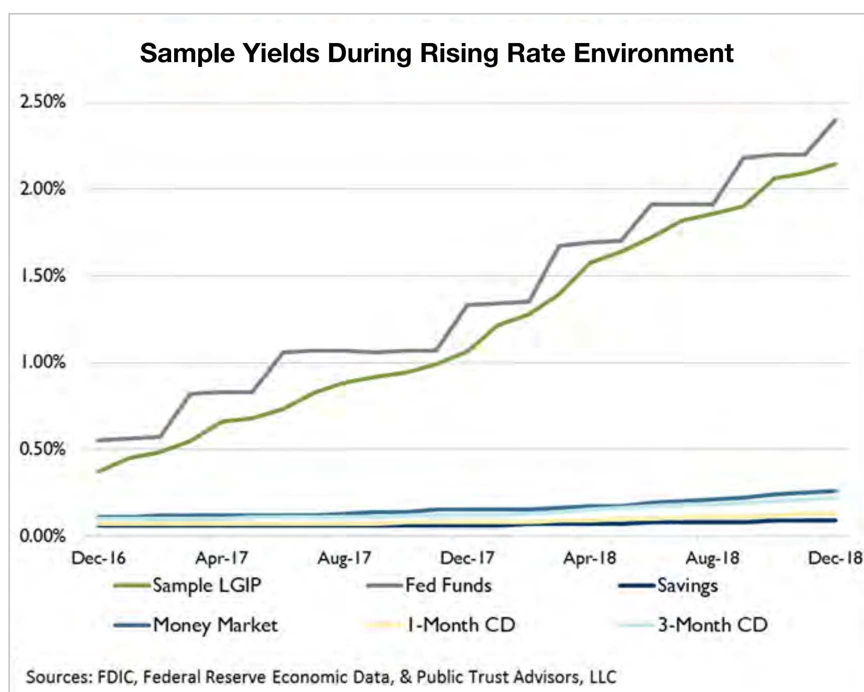
Sponsored content from
PUBLIC TRUST ADVISORS

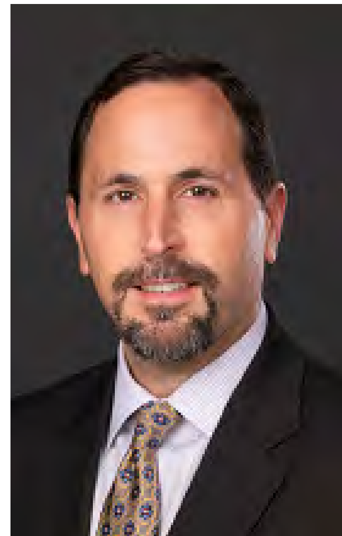
Is your local government ready to ride the next wave?

BY PETER RIZZO, DIRECTOR OF POOLED INVESTMENT SERVICES

Back in 2017, local government investment pool (LGIP) participants were excited and ready to take advantage of the first rising interest rate environment in nearly a decade. While the Fed raised rates once in December of 2015 and again in December of 2016, they began rapidly raising historically low interest rates at the start of 2017; by the end of 2018, the Fed had raised rates a total of nine times, making short-term investors happy with materially higher yields on their investments. Unfortunately, the Fed reversed course in the second half of 2019 and in March of 2020 when the Federal Open Market Committee (FOMC) dropped rates by 150 basis points at the start of the COVID-19 pandemic. This has effectively kept short-term rates near zero ever since in response to the resulting economic downturn.

But as the economy continues to show signs of recovery and the Fed adopts a more hawkish tone, LGIP participants are now well-positioned to take advantage of upcoming rising rates once again. Given the short average maturity of pool investments, LGIP yields can adjust rapidly and provide a current market rate. As holdings in an LGIP mature, fund management invests these proceeds into high yielding securities thus providing investors with a more current (and higher) market rate. Many LGIPs performed very well during the last rising rate environment, closely mirroring the current Fed Funds Rate at that time and well above bank deposit rates.





"Now is a great time to start the discussion with decision makers at your local government about investing in an LGIP so your entity can take advantage of the next rising rate environment."

– Peter Rizzo,
Director of Pooled Investment Services,
Public Trust

One reference rate that investors use to determine how LGIP yields will behave is the Fed Funds Rate; this is the interest rate at which banks and other depository institutions lend money to each other, usually on an overnight basis. It is an excellent benchmark for short-term interest rates. Unlike bank deposit products, stable net asset value LGIPs quickly adjust to upward movements in market interest rates. The chart below shows the growth of the Fed Funds Rate during the last rising rate environment when the Fed Funds Rate moved from approximately 0.50% to almost 2.50% over the course of two years. Conversely, various bank deposit rates over the same period only moved from about 0.00% to approximately 0.25%.

While no one can say for certain when interest rates will begin to rise, the FOMC indicated at their June 2021 meeting that they anticipate two rate hikes by the end of 2023; in fact, 13 of the 18 officials anticipate at least one rate hike occurring in 2023 while 11 officials anticipate two and 7 officials called for a rate hike as early as 2022.

Now is a great time to start the discussion with decision makers at your local government about investing in an LGIP so your entity can take advantage of the next rising rate environment.

Public Trust Advisors, LLC is an investment advisor that specializes in managing and servicing the investment needs of local governments and is a trusted provider of LGIP services nationwide. If you'd like to discuss LGIP options for your entity or for more information on Public Trust Advisors, please visit our website at **www.publictrustadvisors.com.** GFOA

Many factors affect performance including changes in market conditions and interest rates and in response to other economic, political, or financial developments. Investment involves risk including the possible loss of principal. No assurance can be given that the performance objectives of a given strategy will be achieved. This is an example of a prior rising rate environment and may not be an accurate depiction of a future rising rate environment. Past performance is no guarantee of future results. Any financial and/or investment decision may incur losses.

Plan to create a more resilient Miami faces hurdles, skepticism

BY CHIP BARNETT

As the 2021 hurricane season ramps up, plans to safeguard Miami and its environs have come under scrutiny.

Climate change in South Florida has been on the radar of government officials for years as they seek the best ways to protect the lives of residents and the integrity of infrastructure.

Even before last month's deadly collapse of the seaside Champlain Towers South condominium tower in Surfside, federal, state, county and city officials were seeking ways to mitigate the effects of rising sea levels in South Florida and lessen the threat of an ever-increasing storm season.

Some think the $6 billion plan is not eco-friendly enough while others think it's just too little, too late.

Miami-Dade County officials have been casting a critical eye at initial plans drafted by the U.S. Army Corps of Engineers to safeguard Miami from storm surges, plans which include a controversial initiative to build an up to 20-foot seawall around parts of the city.

Standing water in central Miami after Hurricane Irma in September 2017. Many experts say the region is behind the curve in preparing for rising seas and climate change. *Bloomberg News*

The Miami-Dade Back Bay Coastal Storm Risk Management study aims to increase the resilience of the county to function before, during and after coastal storms and reduce economic damage to structures vulnerable to storm surge damage.

The Corps of Engineers' first draft released in February tentatively called for constructing a seven-mile long wall to protect against water inundation. Six miles of the wall would be built inland with a one mile long stretch to be constructed in Biscayne Bay along the city's financial hub in the Brickell district.

The Corps of Engineers plan also calls for elevating and flood-proofing homes and businesses in vulnerable neighborhoods. The initial plan is now under review by local officials.

"This project is typical of the kinds of reactions that have been taking place in Miami regarding resiliency and climate change for many years. It is reactive instead of being proactive," said Alan Rubin, principal, Blank Rome Government Relations. "For over 25 years now both the South Florida Water District and other environmental groups have been indicating that the urban growth of Miami Dade County, especially westward towards the Everglades, has been a disaster waiting to happen.

"Predictions have been that by 2035 there will not be any potable water for the county's use. The plan to construct a massive wall running around Miami will not help the conditions for the sinking of the city – it may provide some additional time before salt water erosion and storm surge overtake the area, but it will happen regardless," he said.

Rubin, who is head of Blank Rome's severe weather emergency recovery team, said caution was also warranted in the area of building materials and specialty construction.

"The material of the flood wall is also concerning. Concrete is not a substance that works well with salt water – witness the Surfside building collapse. Also, constructing the wall will require environmental construction techniques that the Army Corps is not equipped to handle. The project will also have massive overruns and costs will not be anything like projected."

As of Wednesday morning, 12 people were confirmed dead and 149 were missing after the 13-story condominium collapsed in the early morning hours of Thursday. A massive rescue effort is continuing and President Biden and the first lady are scheduled to travel to the area on Thursday.

On Tuesday, U.S. Energy Secretary Jennifer Granholm told CNN it was possible that climate change played a part in the condo collapse. On CNN's New Day program, she was asked if climate change's impact on tides played a role in the collapse, she said that they didn't know for sure if it did or did not, but added that beaches everywhere are seeing rising tide waters.

"We'll have to wait to see what the analysis is for this building, but the issue about resiliency and making sure we adapt to this changing climate, that's going to mean levees need to be built, sea walls need to be built, infrastructure needs to be built," she told CNN.

There are three stages of the Corps plan, which are broken down into tiers

continued on page 33

Introducing
GFOA's Member Communities
A whole new way to network with members!

Lead Conversations | Reply to Others | Share Resources

community.gfoa.org

THE BOND BUYER
RISING STARS
September 8-9, 2021 | Online Summit

Cultivating the next leaders of municipal finance

For the first time ever, The Bond Buyer RISING STARS will be open to the entire municipal finance industry. Celebrate the leaders of tomorrow while networking and participating in sessions built around personal and professional development.

Register and secure your complimentary pass today
Visit conference.bondbuyer.com/rising-stars

THE BOND BUYER
CALIFORNIA PUBLIC FINANCE
October 18-20 | Intercontinental | Los Angeles, CA

Laying the groundwork for the road forward

CALIFORNIA PUBLIC FINANCE returns this fall with IN-PERSON and ONLINE options to attend. This year's event will bring together the entire municipal finance community to explore critical issues, like California as the market for macro ESG trends and so much more.

SPECIAL PRICING FOR ISSUERS – SAVE UP TO 60% OFF REGISTRATION RATES
For more information, please visit conference.bondbuyer.com/calpub

Group Sales
Ryan Fallon
(212) 803-8817 | ryan.fallon@arizent.com

Sponsorship Opportunities
Michael Ballinger
212-803-8481 | michael.ballinger@arizent.com

Plan to create a more resilient Miami faces hurdles, skepticism

continued from page 30

– the feasibility study phase, which runs from 2018 to 2021, the pre-construction, engineering and design phase, slated to run from 2023 to 2026, and the construction phase, scheduled to run from 2026 to 2035.

"There are some valid reasons to build such a wall, but [they] should look to the Netherlands for how to build with the coastline issues taken into account. Gates for allowing water to flow and surge to be controlled, materials other than concrete or a combination of materials that are compatible with salt water should be examined," Rubin said. "Keeping as much of the natural coastal protection should be incorporated into the planning process. The construction itself needs to be done with a contractor who has successfully built a massive flood wall around a populated civic center would be a criterion that I would implement."

Miami-Dade County Mayor Daniella Levine Cava was less than enthused by the new proposal.

"I've been paying attention to this Army Corps proposal since when I was a commissioner," Cava told News10.com. "And as a commissioner, I wrote a letter with my concerns about the proposal – that it didn't incorporate some of the natural solutions that are really critical ... some natural barrier islands, some mangroves, other things that would really help a lot and be less intrusive, and we need to be sure that those things are in the plan. So I've met with the Army Corps and I told them that we need a waiver to extend the time until they put those things in the plan. We are not moving forward without those things being in the plan."

Rubin noted that Miami has already wiped out many of the natural features that could bolster it against rising seas and storms.

"The natural protective barriers such as mangroves, barrier islands and other protective advantages have been wiped out by developers and the lack of proper code enforcement and building permitting," Rubin said.

Miami updated its seawall code to adjust for a 20-40 inch rise in sea levels predicted in the next 50 years. *Chip Barnett*

The city of Miami has been active in pursuing its own efforts against flooding and rising sea levels.

In April, the city approved a revised stormwater master plan that would cost $4 billion over the next 40 years to help protect the city against rising sea levels.

"The city will be implementing the first group of recommendations developed in the SWMP in a phased, prioritized citywide stormwater management capital improvements program," according to the master plan. "These improvements will be funded by a portion of its 2017 Miami Forever general obligation bond Program, as well as from other funding sources. The city's intent for the Miami Forever general obligation bond is to build a stronger, more resilient future for Miami. This is achieved by alleviating existing and future risks to the residents, economy, tourism, and by protecting the city's legacy."

> **"The construction itself needs to be done with a contractor who has successfully built a massive flood wall around a populated civic center would be a criterion that I would implement."**
>
> **– Alan Rubin,**
> Principal, Blank Rome Government Relations

Voters approved the $400 million Miami Forever GO bonds in a 2017 referendum and projects will be implemented in phases for different sectors such as affordable housing, road improvements and public safety. About $192 million of the bond proceeds were earmarked for sea level rise mitigation and flood prevention through infrastructure investment.

"The bond funds a series of immediate, near-term, and long-term projects with the goal of transforming the future of Miami in key categories which align with the city's most pressing needs, including addressing sea-level rise and flood prevention," the master plan says. "The objectives of the stormwater-related bond projects are to minimize flooding frequency, severity, duration and impact, and to protect critical infrastructure and high-use areas. This, in turn, reduces financial and economic vulnerability."

The aim is to minimize flooding frequency, severity, duration and thereby reduce the city's financial and economic vulnerability. Bond proceeds have not yet been allocated to this phase of the GO program.

In March, the city updated its code

continued on page 34

Sponsored content from

BNY MELLON

Green innovation and long-term collaboration

Major legislative proposals such as the White House's American Jobs Plan and the Senate's Bipartisan Infrastructure Framework are currently under discussion to accelerate and fund traditional and sustainable infrastructure projects in the U.S.

Trustees and Agents play a core role in every public finance transaction by safeguarding the interests of issuers and investors over the lifespan of a public debt issuance. BNY Mellon brings over 30 years of experience in servicing infrastructure financing and is the top service provider by number and volume of deals. We administer a wide range of trust and agency appointments and provide expert insights into new market trends.

In today's climate, many public issuers frame their offerings at different levels of the sustainability spectrum to achieve policy goals and attract investors. However, the larger goal of overall public benefit can transcend these approaches. For instance, BNY Mellon is planning a new product, called Quantum Green℠, which is designed to help companies demonstrate that the use of proceeds from their issuance will meet certain green bond criteria they have selected.

With Quantum Green, issuers choose a sustainability framework or standard to structure their bonds during the pre-issuance stage and can potentially have third-party service providers verify alignment with chosen guidelines by reporting on post issuance obligations around use of proceeds and impact.

We have supported other financing structures, including updated spins, like Connecticut Green Bank's Green Liberty Bonds, to help smaller individual investors access green initiatives and other programs to finance renewable energy for homeowners.

Investors recognize opportunities to combine prospects for enhancing public good with earning acceptable returns. They turn to BNY Mellon's experience, ability to scale, and centralized digital platform to evaluate and access sustainable bonds across a wide issuer pool.

"Green investments appeal broadly, including enthusiasm from younger, incoming investors," says Jennifer Fredericks, Vice President – Public Finance Business Development, Corporate Trust. BNY Mellon. "But many investors demand credible ESG scores. It may be challenging for bonds with multi-year tenors to demonstrate ESG credentials and counter greenwashing concerns, since many require ongoing reports on the use of proceeds and updated ESG ratings. The system in the U.S. depends more on trust in the issuer, while standardization and taxonomies continue to develop globally."

A trustee, operating at the intersection of market participants, hears the voices of active owners who are dictating their green and social criteria and definitions. As a proven steward within financial markets, BNY Mellon's service on behalf of bondholders maintains the conversation back and forth between issuers and investors, helping all deal parties meet their indenture requirements. GFOA

Plan to create a more resilient Miami faces hurdles, skepticism

continued from page 33

on seawalls to adjust for a 20-to-40 inch rise in sea levels forecast to happen over the next 50 years. The new ordinance will allow a gradual rise in seawall heights as they are replaced.

Florida Gov. Ron DeSantis in April authorized almost $14 million in federal grant money for the city to retrofit sections of its existing seawall, construct new seawall sections and for other coastal resiliency improvements.

Alan Rubin

The money was allocated to the state through the Department of Housing and Urban Development's community development block grant mitigation program.

Forecasters at the National Oceanic and Atmospheric Administration's Climate Prediction Center see a 60% chance of an above-normal hurricane season in 2021. The Atlantic storm season, which began on June 1, runs through Nov. 30.

"Obviously something has to be done, but truly it is too late to provide long-term climate relief at this point," Rubin said. "They should try to make it as eco-friendly and sustainable as possible." GFOA

BNY MELLON
Consider Everything

We are a *proven steward* of the financial system

We ask pointed questions to understand your challenges, then get to work solving them. We provide efficient trustee and agency services to help debt issuers close transactions quickly and seamlessly.

WHY OUR CLIENTS AND THEIR ADVISORS CHOOSE US:

- We're a global systemically important bank (G-SIB) with strong and stable fundamentals evidenced by our high rankings across all major rating agencies.[1]
- Local, in-market experts with nationwide knowledge of public finance including evolving market conditions and DTC rule changes to help ensure quick and seamless operations.
- We're a service provider that can grow with you; our team stands ready to deliver reliable trustee and agency services regardless of the size and scale of your transaction.

[1] Rated by all major rating agencies including S&P, Moody's and Fitch Ratings—**reflective as of Q1 2021**.

Contact us to discuss how we can help.

Sheila Papelbon
Head of Business Development for Public-Not-For Profit Sales
904.645.1945
sheila.papelbon@bnymellon.com

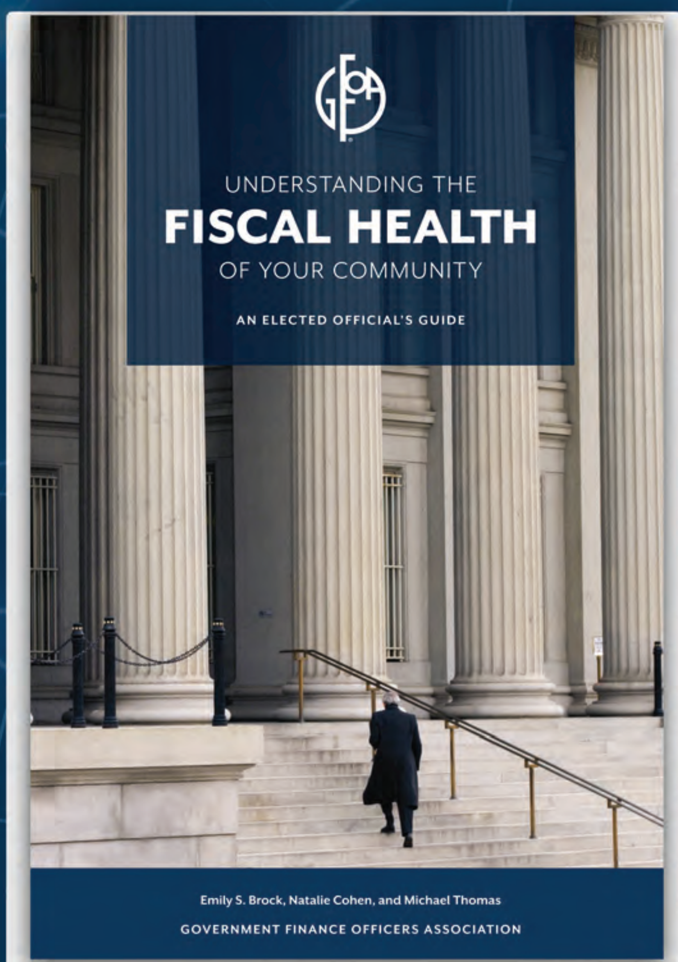
For more information about BNY Mellon public finance solutions, click **here.**

BNY Mellon is the corporate brand of The Bank of New York Mellon Corporation and may be used to reference the corporation as a whole and/or its various subsidiaries generally. The content contained in this material which may be considered advertising, is for general information and reference purposes only and is not intended to provide legal, tax, accounting, investment, financial or other professional advice on any matter, and is not to be used as such; you should obtain your own independent professional advice (including financial, tax and legal advice). No representations or warranties are made. These materials have been prepared solely for private circulation, and may not be reproduced or disseminated in any form without the express permission of BNY Mellon. For more disclosures, see www.bnymellon.com/us/en/disclaimers/business-disclaimers.jsp#corporatetrust

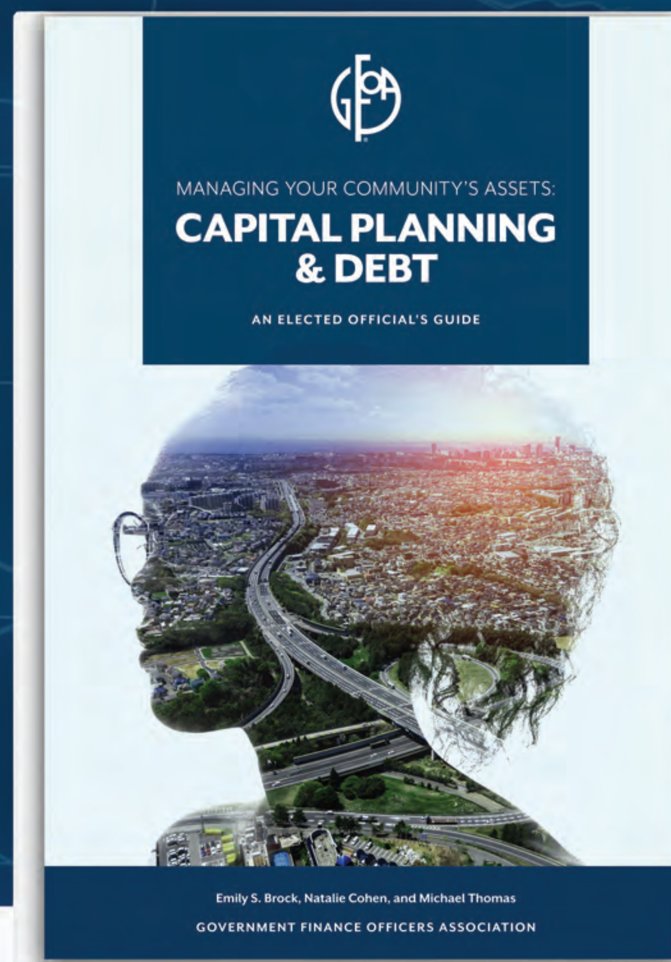
©2021 The Bank of New York Mellon Corporation. All rights reserved.

Government Finance Officers Association

ELECTED OFFICIAL'S GUIDE SERIES



AVAILABLE NOW



JUST RELEASED

GFOA's elected official's series contains popular booklets providing practical and easy-to-understand explanations - in plain language - on a variety of public finance topics. An affordable price structure and quantity discounts make these booklets ideal for distribution to newly elected officials, government employees, citizen and taxpayer groups, the media, and others interested in local government finance.

Order at gfoa.org/eog.