

MAGNY

MUNI MARKET UPDATE

THE BIG PICTURE

SEPTEMBER 11, 2020

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ANNOUNCEMENTS

Friday, October 16 at noon – Next MAGNY webinar
(ZOOM panel discussion)

Press Protocol – we welcome our friends from the press and all remarks are **on-the-record** during today's panel discussion

PANELISTS

Emily Brock – Government Finance Officers Association

Ben Watkins – State of Florida

Mark Zandi – Moody's Investors Service

Pat Luby – CreditSights (moderator)

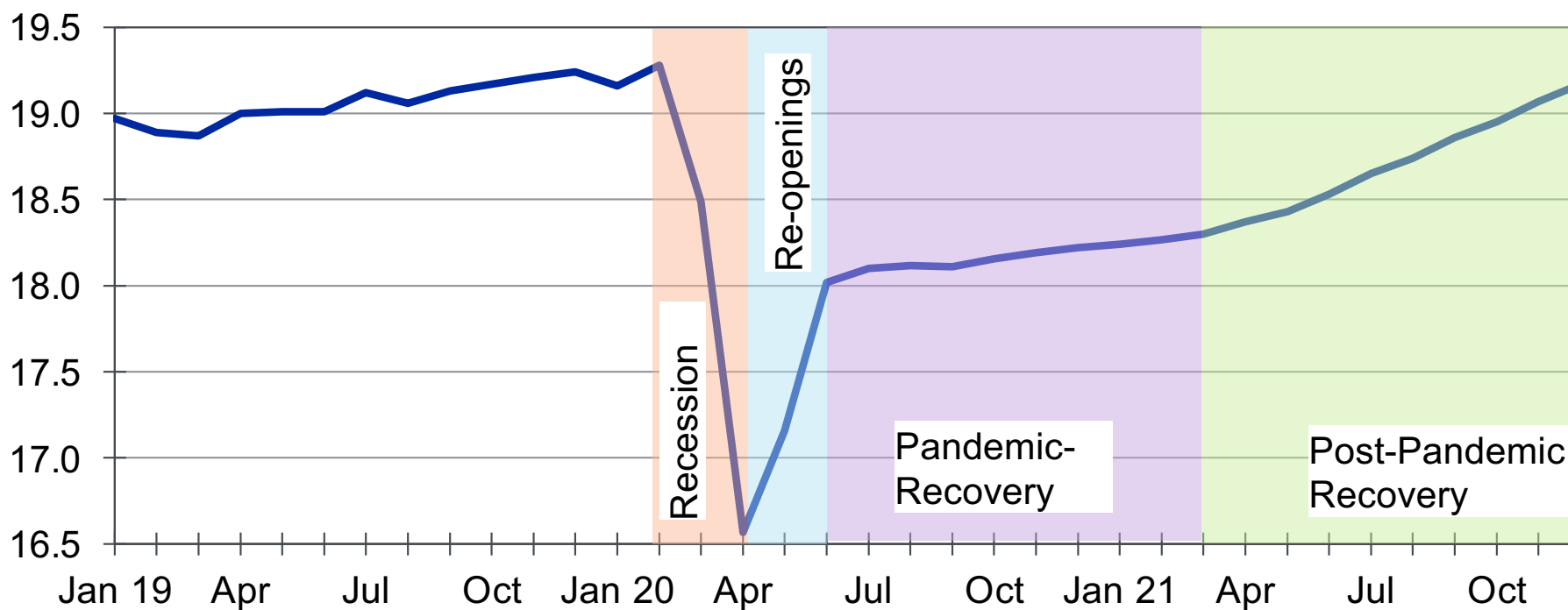
Pandemic Economy

Mark Zandi, Chief Economist

September 2020

Not a V-Shaped Recovery

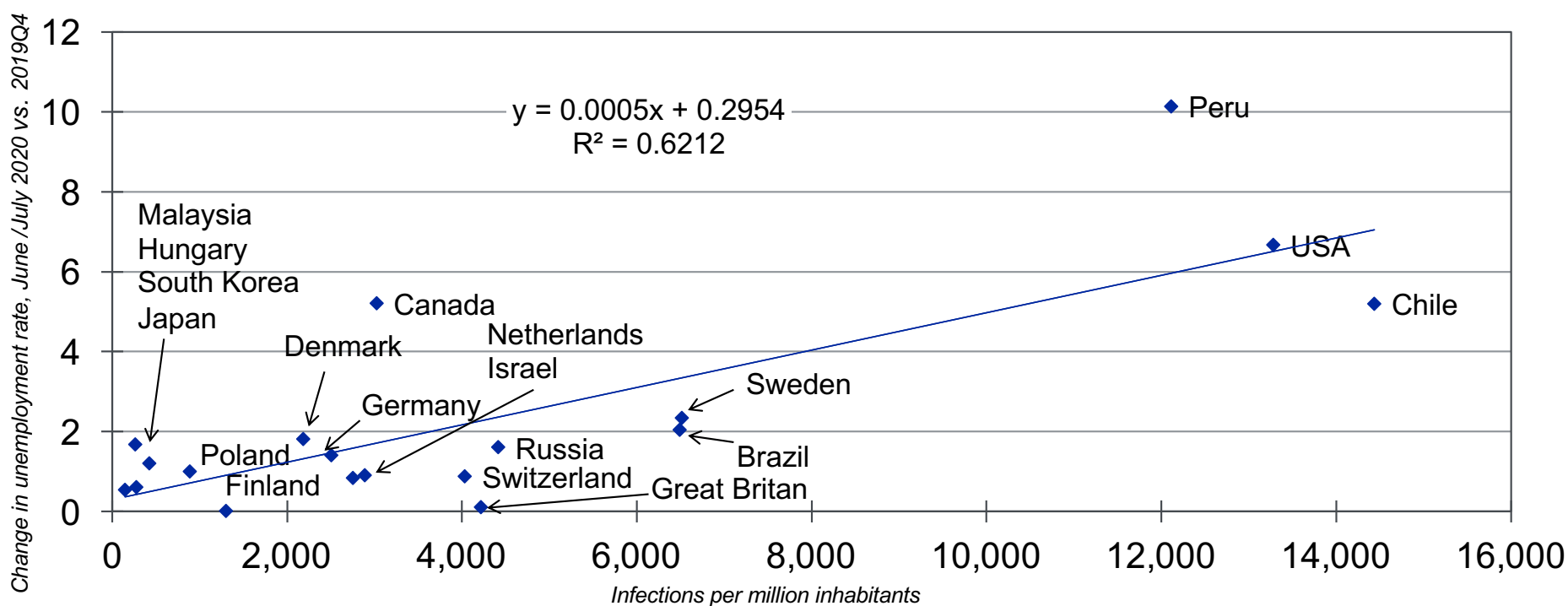
U.S. Real GDP, Trillions 2012\$



Sources: BEA, Moody's Analytics

More Infections...Weaker Economy

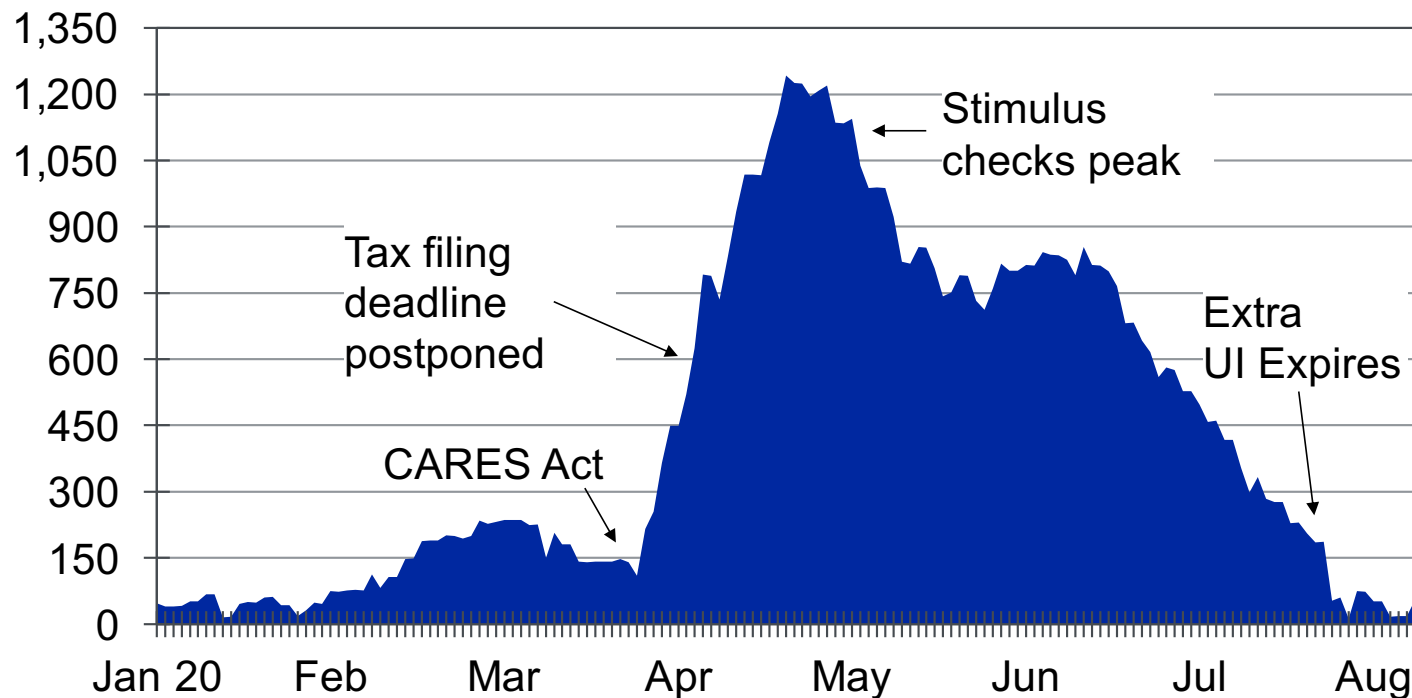
Confirmed infections vs. Change in Unemployment



Sources: WHO, Government sources, Moody's Analytics

Going Off the Fiscal Cliff

Monthly chg in federal debt, Bil\$



Sources: U.S. Treasury, Moody's Analytics

Contact Us: Economics & Business Analytics Offices

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MAGNY: Updates from DC

Emily Brock, GFOA
Federal Liaison Center Director

Time is Ticking

Majority Leader Steny H. Hoyer						
U.S. House Vote Schedule SEPTEMBER 2020						
Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
		1 District Work Period	2 District Work Period	3 District Work Period	4 District Work Period	5
6	7 <i>Labor Day</i> No Votes	8 Committee Work Day	9 Committee Work Day	10 Committee Work Day	11 Committee Work Day	12
13	14 Votes Postponed until 6:30 PM	15 Votes	16 Votes	17 Votes	18 <i>Rosh Hashanah Begins at Sundown</i> No Votes	19
20 <i>Rosh Hashanah Ends at Sundown</i>	21 House Convenes at 12 PM Votes Postponed until 9/22	22 Votes	23 Votes	24 Votes	25 Votes	26
27 <i>Yom Kippur Begins at Sundown</i>	28 <i>Yom Kippur Ends at Sundown</i> No Votes	29 Votes Postponed until 6:30 PM	30 Votes			

In Ten Days...

What do we HAVE to do?	What do we WANT to do?
Fund the Federal Government (or Continuing Resolution “CR”)	CARES Act Fallout and Oversight: Federal Reserve Emergency Authorization
Surface Transportation Reauthorization	CARES Act Fallout and Oversight: Stimulus Appropriations including Coronavirus Relief Fund
Tik	HEROES Stimulus Efforts
Tok	Senate Skinny Stimulus Efforts
Tik	White House Stimulus Discussions
Tok...	Oh, and, Get RE-ELECTED!

CARES Act



FEMA

- Public Assistance Grants
- FEMA COVID-19 Response Resource Packet
- FEMA Procurement Disaster Assistance Team Resources



Centers for Disease Control

- \$1.5 billion for the [Center for Disease Control's \(CDC\) State and Local Preparedness Grants](#) for state and local preparedness and response activities.
- \$100 billion for the [Public Health and Social Services Emergency Fund](#) for necessary expenses to reimburse eligible health care providers



Federal Transit Administration

- \$25 billion allocated using FY2020 program apportionments. All COVID-19 related operating and capital costs are eligible. Funds allocated using formula based on Census data

CARES Act: Grants



Federal Aviation Administration

- \$9.9 billion in total available to commercial airports through the Airport Improvement Program (AIP). \$9.4 billion for airports to prevent, prepare for, and respond to COVID-19



Department of Education

- [Education Stabilization Fund](#)
- Consists of **\$30.750 billion** to be distributed among States, local schools, higher education institutes and other entities providing educational services



Department of Justice

- \$850 million for the Coronavirus Emergency Supplemental Funding (CESF) grant program

Municipal Liquidity Facility

- “Lender of Last Resort”
- 50bp decrease in pricing
- Hearings scheduled this week:
 - House Financial Services
 - Senate Banking Committee
 - Congressional Oversight Commission
- *Why the attention?*

Senate Skinny

- Claw Back Proposal: terminates the emergency authority and claw back unused money beginning of next year
- Coronavirus Relief Fund: Extends deadline to September 30, 2021
- Education Stabilization Fund: Increases contribution by \$105B
- Extends \$300/week unemployment insurance to the end of the year
- *But what are they really doing here?*

HEROES Act

- \$915B for direct aid to state & local governments.
 - First \$500B dispersed within 30 days of enactment to States, local governments, territories and tribes
 - Remaining \$375B dispersed by May 2021
 - Allocated using formulas based on population size, COVID-19 cases, & unemployment
 - Municipalities with populations of at least 50K eligible
- *Why is the House not coming to the table?*

Muni Market Update: The Big Picture

MAGNY Webinar

September 11, 2020

Ben Watkins, Director
State of Florida Division of Bond Finance

Primary Market Overview of Disclosure Topics

- ESG

- Cybersecurity

- SEC Activities
 - Staff Legal Bulletin (SLB)
 - SEC Statement on COVID-19 and Voluntary Disclosure

- ESG- New lens to think about credit and risk
- Concept here to stay
- Rating agencies largely gotten it right
- What does it mean for the Muni Space?
- More prevalent/explicit part of credit analysis and credit report
- For S&G of ESG – Munis and Public Infrastructure are Poster Child
- Challenge for Marketplace-
 - Making meaningful use of information
 - Lack of data and/or uniformity of information and/or metrics

ESG: Florida Approach to ESG

- Focus on E of ESG – Environmental
- Formulating ESG Disclosure
- How are we vulnerable and what are plans to address?
- Resiliency the Touchstone
- Hurricanes and Sea Level Rise

Cybersecurity

- NFMA White Paper released on July 22, 2020, and open for comments until September 20, 2020.
- Attacks against municipal issuers becoming more common.
- NFMA recommendations on best practices in cybersecurity risk disclosure for municipal offerings.
- Key Points
 - Primary Offerings should include:
 1. Reference to any material cyber incidents
 2. Risks unique to the issuer
 3. Discussion of risk mitigation strategies (e.g., monitoring services)
 4. Discussion of risk protection protocols/systems
 - Continuing Disclosure can be improved through:
 1. Material event disclosure
 2. Municipal bond document covenants
 3. Continuing Disclosure Agreements
 4. Financial Statement MD&A or Footnotes

SEC Activities

- SLB – Application of antifraud provisions
- SEC Statement on COVID Disclosure

Overview of SEC Statement on COVID Disclosure

- Disclosure of current financial and operating information will be helpful to analysts/investors and muni marketplace
- Using cautionary language will reduce legal and other risks
- Forward-looking information will not be second guessed by the SEC
- Information required to be made public or reported should be made available to everyone at the same time
- Issuers should be legally protected for forward-looking statements by the “bespeaks caution” doctrine (cautionary language)

COVID Disclosure: What this means for Issuers

- SEC providing guidance for clear path forward regarding COVID disclosures
- Will not hold Issuers liable for best efforts estimates and statements
- Enhancing communication with investors during COVID crisis
- Different way of thinking about disclosure—historical information not useful and doesn't fulfill need
- Speak to what we know and are planning not to answer all questions

COVID Disclosure: Take-Aways

- Not a Mandate
- Prepares market for inevitable negative news on Revenues and Budgets
- Distinguish factual, accurate information from political speak and press reporting
- Good faith forward looking information will not be second guessed by SEC
- Reassurance that cautionary language should be effective to protect against antifraud liability
- An item must be disclosed if the opinion of a reasonable person would alter the opinion of the credit based on that identified disclosure.

COVID Disclosure: Take-Aways

- Not a one size fits all solution to uncertainties created by COVID
- Whether, when and what to disclose depends on each issuers individual circumstances
- No need to reinvent the wheel for COVID disclosure
- Not a proscription but a mind-set about what information will my lender/bondholder care about
- Think about for each individual credit for disclosure

COVID Disclosure: Take-Aways

- Disclosures can be iterative and updated as circumstances change
- Disclosure should focus on what we know and how we are planning
- COVID disclosure does not need to try and answer the unknown
- File on EMMA under Voluntary Disclosure and post on issuer website
- Use appropriate cautionary language on projections and/or forward looking information