



CABRERA CAPITAL MARKETS LLC

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MUNICIPAL MARKET WEEKLY UPDATE

Thursday, October 29, 2020

Primary and Secondary Market Recap

By John Kozak, Managing Director and Head of Municipal Sales and Trading

PRIMARY MARKET CONTINUES TO SEE HEAVY ISSUANCE PRIOR TO ELECTION DAY

The largest deal of this week was a \$1.7 billion Los Angeles College District taxable issue that was priced today. The deal was heavily oversubscribed, and bonds were bumped as much as 20 basis points. Los Angeles USD priced a \$1 billion tax-exempt and taxable issue. The taxable issues only had a 2021 maturity that was oversubscribed by six times, resulting in a 9-basis point bump. The tax-exempt issue was oversubscribed as well and was bumped 3-8 basis points in the year 2025 maturity and beyond. California Public Works priced a tax-exempt forward transaction that will settle on October 14, 2021. The deal was also oversubscribed and bumped as much as 7 basis points. The forward spread was slightly more than 4 basis points per month. The New York City TFA priced a \$1.1 billion tax-exempt issue. Spreads came in line with the deal that was priced in mid-September. Metropolitan Transportation Authority priced a \$426 million tax-exempt deal. Its bonds were priced 282 basis points over the MMD scale in the 10-year maturities.

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<Back> to Return		Negotiated Calendar: Deal Details														
97 Options ▾ 104 Settings		CA	ST	PUB	WKS	BRD	-A	-REF	St	Tax	FED & ST	TAX-EXEMPT	Type	NEG	Financials	Attachments
Summary																
Sale Date	10/26/20	1)	02/01/2022	31365.0	5.000	0.800	13068L7T6	BBG00Y0CD0F7								
Amount	502,615,000.00	2)	02/01/2023	37460.0	5.000	0.860	13068L7U3	BBG00Y0CD0G6								
Manager	WELLS FARGO BANK NA	3)	02/01/2024	39350.0	5.000	0.930	13068L7V1	BBG00Y0CD0H5								
Bond Type	REVS	4)	02/01/2025	41310.0	5.000	1.010	13068L7W9	BBG00Y0CD0J3								
Dated Date	10/14/21	5)	02/01/2026	43370.0	5.000	1.150	13068L7X7	BBG00Y0CD0K1								
1st Coupon	02/01/22	6)	02/01/2027	45540.0	5.000	1.300	13068L7Y5	BBG00Y0CD0L0								
Deal number	451841	7)	02/01/2028	47820.0	5.000	1.470	13068L7Z2	BBG00Y0CD0M9								
Rating/Enhancement		8)	02/01/2029	50210.0	5.000	1.620	13068L8A6	BBG00Y0CD0N8								
Moody's	Aa3 ERP	9)	02/01/2030	52710.0	5.000	1.740	13068L8B4	BBG00Y0CD0P6								
S&P	A+	10)	02/01/2031	55355.0	5.000	1.840	13068L8C2	BBG00Y0CD0Q5								
Fitch	AA- (AA-)	11)	02/01/2032	58125.0	5.000	1.930	13068L8D0	BBG00Y0CD0R4								
KBRA																
Enhancement																
Schedules																
Prem Call	NON-CALLABLE															
Par Call																
Other Info																
1st Settle	10/14/21															
Form/Dep	BOOK-ENTRY,DTC															
Price Status	REPRICED															
Notes	DENOMS: \$5,000/\$5,000 -VARIOUS CAPITAL PROJECTS -FORWARD DELIVERY															



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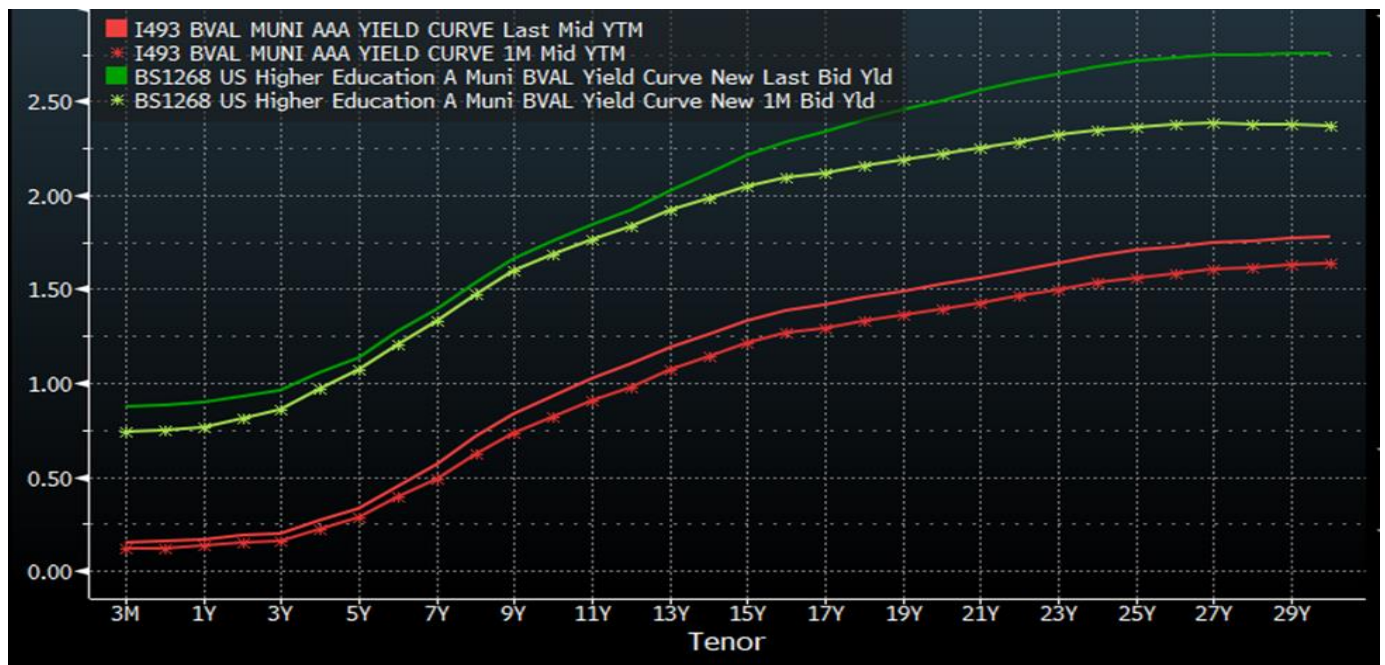
SHORTFALLS IN HIGHER EDUCATION

Universities and colleges have been forced to cope with reduced enrollement due to the COVID-19 crisis, as many students have opted to take a year off from school and families balk at paying full tuition for remote learning in dorm rooms. Not having a “traditional” college experience has forced the higher education sector to look to non-traditional methods of expense reduction. The National Student Clearinghouse Research Center has reported a 16% decline in freshman enrollment from last year.

Cutting the Fat:

Programs that do not have enough enrollment to offset the cost are being eliminated. Ohio Wesleyan University announced it has eliminated 18 majors, and the University of South Florida (USF) shocked its faculty members when it completely closed its College of Education undergraduate program. USF was already under pressure when the State of Florida warned its state schools to prepare for an 8.5% funding cut in 2020, with additional cuts likely to take place in the future. Florida’s warning is not unique, as states from every part of the country are reducing funding for higher education as they search for areas to cut costs. The Bureau of Labor Statistics has reported that colleges and universities have shed more than 300,000 jobs (mostly non-faculty).

A-Rated Higher Education versus AAA Muni Curve



The market is in the process of digesting each credit on its own merit as it becomes more clear which schools will better navigate this pandemic. However, as a whole, higher education bonds have widened versus the yield curve as investors demand more return for an increased level of risk.

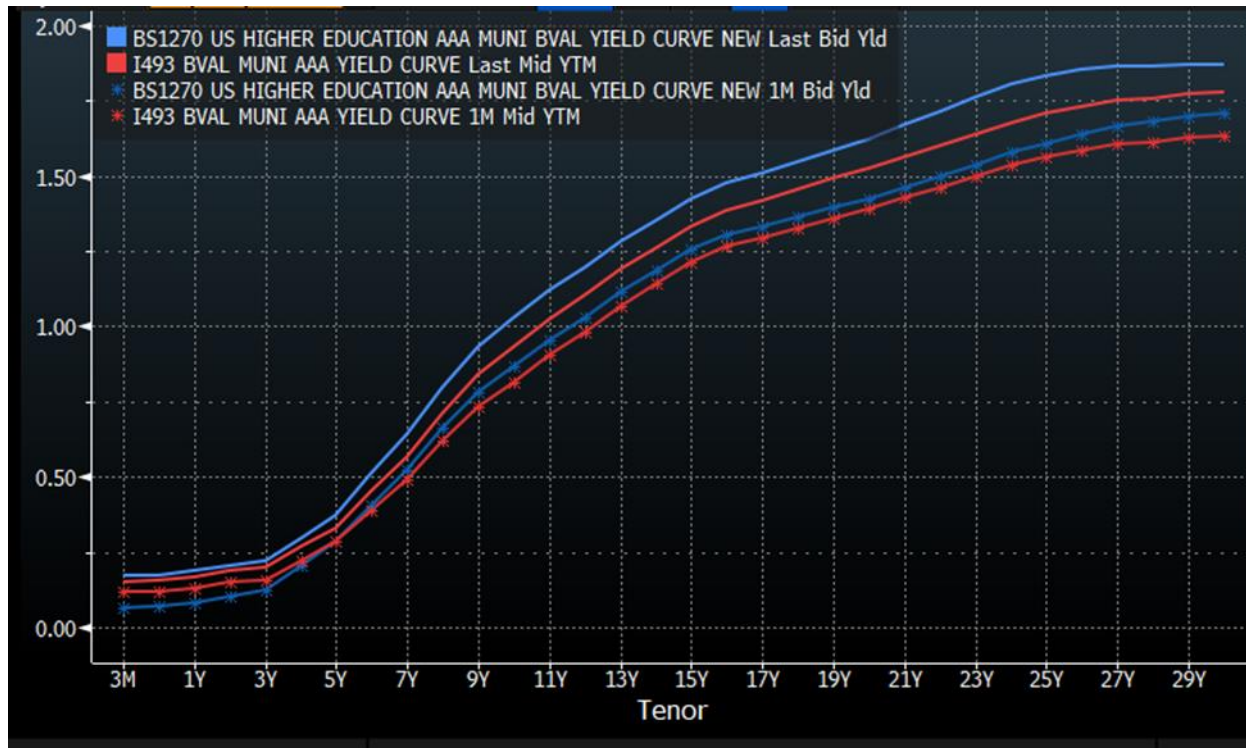


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It is worth noting that this shift in perception/trade valuation is not universal. Despite having a \$41.9 billion endowment and a seemingly endless list of candidates, Harvard University is reporting a \$10 million deficit. However, bonds issued from schools of a high financial caliber such as Harvard have not seen the same widening in spreads that smaller, lower-rated universities have felt.

AAA Rated Higher Education versus AAA Muni Curve



What is clear is that change is coming in a variety of forms. Pennsylvania's State System of Higher Education has issued a proposal to the Commonwealth that would merge universities in the system. Clarion, California, and Edinboro universities would become one unit and Bloomberg, Lock Haven, and Mansfield would merge into another. Even more unfortunate is the pause in some scholarship programs. The University of Connecticut (UConn) has been forced to make cuts as a result of its \$76 million deficit. One casualty will be the school temporarily stopping a scholarship program that offered low-income students free tuition.



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SECONDARY MARKET RECAP - NOTABALE AWAY PRINTS

Size (\$m)	Issuer	Coupon	Maturity	Yield	Spread	Insurance
<u>Illinois</u>						
1270	OAK PARK IL PK DIST	5.00	12/15/2024	0.72	48	
3350	ILLINOIS ST GO	5.00	04/01/2024	2.69	246	
825	DU PAGE CNTY IL	5.00	01/01/2026	0.70	34	
505	COOK CNTY IL GO REF	5.00	11/15/2026	1.60	116	
530	NORTHERN IL UNIV AUX	5.00	04/01/2027	1.58	105	Insured
1000	LAKE CNTY IL CMNTY	4.00	11/01/2030	1.60	66	Insured
<u>California</u>						
5000	CA PUB WKS BRD LEASE	5.00	02/01/2032	1.93	86	
4130	LOS ANGELES CNTY	5.00	12/01/2023	0.35	14	
3055	SANTA ROSA CA WTR	5.00	09/01/2030	0.30	-63	
2000	LOS ANGELES CA USD	5.00	07/01/2029	1.11	29	
1500	CA PUB WKS BRD LEASE	5.00	02/01/2032	1.93	86	
1450	OXNARD CA UNHIGH	5.00	08/01/2045	1.59	-7	
1445	HUNTINGTON BEACH CA	5.00	08/01/2024	0.31	7	
1400	SANDIEGO CA USD GO	5.00	07/01/2024	0.30	6	
1175	SACRAMENTO CA MUN	5.00	08/15/2031	0.30	-72	
1155	LIVERMORE VALLEY CA	5.00	08/01/2023	0.31	10	
1030	FOOTHILL-DE ANZA CA	5.00	08/01/2024	0.29	5	
855	METROPOLITAN WTR DIS	5.00	07/01/2039	1.23	-23	
780	CA CDA BDS SUTTER	5.00	08/15/2023	0.35	14	
660	WEST BASIN CA MUN	5.00	08/01/2023	0.25	4	
565	SANDIEGO CA USD	5.00	07/01/2022	0.28	8	
510	CA INFRASTRUCTURE	5.00	11/01/2030	1.48	54	
500	DESERT SANDS CA USD	5.00	08/01/2024	0.33	9	
500	LONG BEACH CA MARINA	5.00	05/15/2033	2.40	123	
<u>Transportation</u>						
1320	ILLINOIS ST TOLL HWY	5.00	01/01/2028	1.06	42	
1000	CLARK CNTY NV ARPT	5.00	07/01/2022	0.65	45	
<u>Louisiana</u>						
2285	LOUISIANA ST GO REF	5.00	08/01/2022	0.26	6	
<u>Connecticut</u>						
1000	CT ST GO BDS	5.00	09/15/2034	1.78	55	