



## CABRERA CAPITAL MARKETS LLC

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# MUNICIPAL MARKET WEEKLY UPDATE

Thursday, December 3, 2020

## Primary and Secondary Market Recap

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

### HIGH DEMAND IN PRIMARY MUNI MARKET

The primary municipal bond market continues to do well with tremendous demand for deals that result in significant bumps. Illinois Toll Highway Authority saw good subscription for their \$500 million issue. The deal was bumped 5-6 basis points across all maturities. The New York Municipal Water Authority priced a \$485 million deal. The issue was upsized to \$543 million and bumped as much as 2 basis points. The spread between 4% and 5% coupons was 18 basis points and 25 basis points between 3% and 4% coupons. Miami-Dade County priced \$414 million in Aviation bonds that included both a tax-exempt and taxable series. The tax-exempt series was bumped 10-15 basis points and the taxable series was bumped 2-20 basis points.

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MIAMI DADE CO-A-REF-REV	St FL	Tax FED & ST	TAX-EXEMPT	Type	NEG	93 Financials
<b>Summary</b>			Maturity	Amt(M)	Cpn	P/Y CUSIP
Sale Date	11/30/20	1)	10/01/2023	31165.0	5.000	0.340 59333P5K0
Amount	301,760,000.00	2)	10/01/2024	25710.0	5.000	0.410 59333P5L8
Manager	MORGAN STANLEY & CO LLC	3)	10/01/2025	14675.0	5.000	0.500 59333P5M6
Bond Type	REVS	4)	10/01/2030	1150.0	5.000	1.280 59333P5N4
Dated Date	12/17/20	5)	10/01/2031	17140.0	5.000	1.410 59333P5P9
1st Coupon	04/01/21	6)	10/01/2032	17910.0	5.000	1.510 59333P5Q7
Deal number	458328	7)	10/01/2033	18725.0	5.000	1.580 59333P5R5
Rating/Enhancement		8)	10/01/2034	19565.0	4.000	1.770 59333P5S3
Moody's		9)	10/01/2035	20205.0	4.000	1.810 59333P5T1
S&P	A-	10)	10/01/2036	20855.0	4.000	1.850 59333P5U8
Fitch	A (A)	11)	10/01/2037	21525.0	4.000	1.890 59333P5V6
KBRA	A+	12)	10/01/2038	22220.0	4.000	1.930 59333P5W4
Enhancement		13)	10/01/2039	22895.0	4.000	1.970 59333P5X2
Schedules		14)	10/01/2040	23630.0	4.000	2.010 59333P5Y0
Prem Call		15)	10/01/2041	24390.0	4.000	2.030 59333P5Z7
Par Call	10/01/30					
<b>Other Info</b>						
1st Settle	12/17/20					
Form/Dep	BOOK-ENTRY,DTC					
Price Status	FINAL					
<b>Notes</b>	DENOMS: \$5,000/\$5,000 -AVIATION REVENUE BONDS					

Australia 61 2 9777 8600 Brazil 5511 2395 9000 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2  
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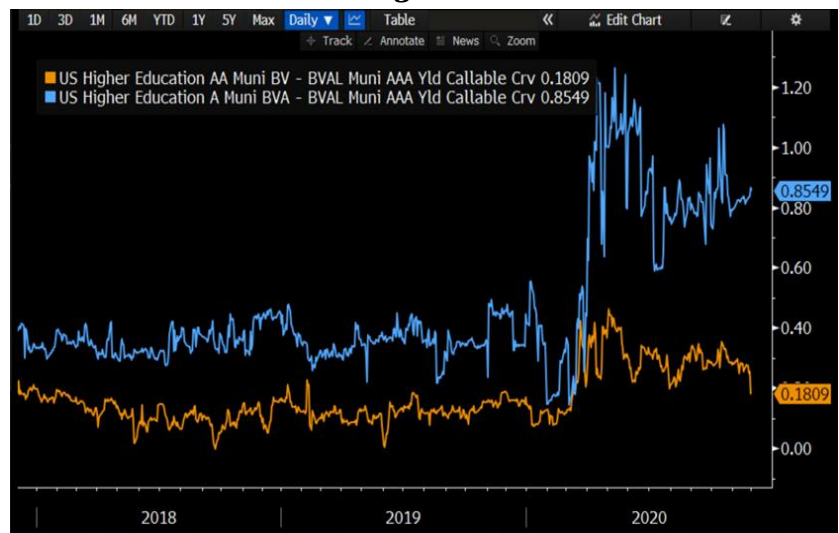
### THE WIDENING RIFT IN HIGHER EDUCATION

Higher education has faced a decline in tuition revenues, and at the same time has faced increased expenses due to COVID-19 safety protocols. It has been a herculean task for schools to entice parents to ship their children off to university only to have students take their classes from their dorm rooms. Furthermore, schools that are providing live classes may only be doing so with a fraction of the number of students typically allowed on campus. Who gets to attend in person and who will learn remotely can be a difficult subject to broach, particularly with tuition rates at some schools exceeding \$50,000 per year.

The following is data provided by the National Student Clearinghouse Research Center:

- Community colleges have suffered the most, with a decrease in enrollment compared to 2019 of 9.4% across all grade levels. Freshmen enrollment is down a whopping 22.7%, hinting that tougher times are yet to come.
- Public four-year and private nonprofit four-year colleges are fairing better with declines of just 1.4% and 2.0%.
- For-profit four-year schools bucked the trend with enrollment running 3% higher than last fall.

### AA Rated and A Rated Higher Education Muni Curves



The views of value run the spectrum on the characteristics of each individual school. Over time, the vote is illustrated in the attached higher education yield curve graph. Higher rated public universities have held up their value whereas lower rated private universities have seen spread widen.

The following prints below illustrate this dynamic. The Ohio State University is the charter state school of Ohio. Its total enrollment averages approximately 60,000 and the university garners a significant amount of revenue from tuition and state coffers. This recent trade printed just 6 basis points behind the “AAA” muni curve as published by Muni Market Data (MMD). This puts their credit perception on par with AA and even AAA local and state general obligation transactions that took place during the same trading session.

**1mm+ Ohio State University (AA1/AA+) 5.00 12/1/2024 MMD: +6**

The thinking is that private institutions rely heavily on tuition revenues whereas state schools have access to (albeit declining) state aid. The double barrel aspect of tuition plus state aid revenues provides a buffer against periodic declines in enrollment.



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The University of Oklahoma recently came to market (11/17/2021). While a state school, this university carries just a single “A” rating with a negative outlook by S&P. An enrollment of just 1/3 of the Ohio State University’s enrollment, along with the lower rating, affected their issuing yield:

**\$2.9mm      University of Oklahoma (A)      4.00    7/1/2024      MMD:+32**

Much like the graph illustrates, the bifurcation between higher and lower-rated universities is clear: just a four-year maturity had a 26 basis point disparity in transaction level between these two schools.

**Layers of Security One Option:** Moody’s Investors Service has assigned an A1 rating to the University of Connecticut’s upcoming bond sale. They also carry a stable outlook. One of the stronger security features of this higher education bond issuer is their UCONN 2000 program. The state is committed to supply sufficient amounts to pay debt service from the general fund without the need for any legislative action, in effect eliminating any appropriation risk and giving the university the same rating as the state’s general obligation bonds (A1) and ensuring a stronger level of comfort from the perspective of investors.



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### SECONDARY MARKET RECAP – NOTABLE AWAY PRINTS

Size (\$m)	Issuer	Coupon	Maturity	Yield	Spread	Call Date	Insurance
<b>Illinois</b>							
1765	CHAMPAIGN CNTY	5.00	01/01/2029	0.64	7	01/01/2026	
835	PEKIN IL PK DIST	4.00	12/15/2037	2.60	152	12/15/2027	
1705	ILLINOIS ST GO	4.00	10/01/2037	3.65	257	10/01/2030	
<b>California</b>							
2640	CA UNIV SYSTEMWIDE	5.00	11/01/2044	1.42	8	11/01/2029	
500	LOS ANGELES CA DEPT	5.25	07/01/2049	1.06	-35	01/01/2029	
705	UNIV CA GEN	5.00	05/15/2031	0.66	-12	05/15/2027	
725	WEST BASIN CA	5.00	08/01/2034	0.74	-22	02/01/2026	
1000	CA HLTH	5.00	08/15/2031	0.74	-5	08/15/2026	
1000	SAN LEANDRO	5.00	08/01/2036	1.25	21	08/01/2028	Insured
515	UNIV CA LTD PROJ	5.00	05/15/2033	0.79	-11	05/15/2026	
3000	HASTINGS CAMPUS	5.00	07/01/2061	4.05	263	07/01/2030	
3000	GOLDEN ST TOB SECURITION	5.00	06/01/2034	1.70	74	06/01/2028	
500	SAN FRANCISCO	5.00	06/15/2028	0.40	-10	06/15/2025	
650	WA TWP CA HLTH CARE	5.00	07/01/2031	1.80	101	07/01/2030	
800	CHINO VY USD CA ELEC	5.00	08/01/2055	1.47	5	08/01/2030	
1000	GOLDEN ST TOB SECURITION	5.00	06/01/2034	1.70	74	06/01/2028	
4800	CA DEPT WTR RES CENT	5.00	12/01/2031	0.72	-8	12/01/2030	
1000	LOS ANGELES CA DEPT	5.00	05/15/2039	1.39	23	11/15/2029	
<b>Connecticut</b>							
3150	CT ST GO	5.00	04/15/2030	0.97	29	04/15/2029	
<b>Transportation</b>							
1000	ILLINOIS ST TOLL HWY	5.00	01/01/2031	1.16	42	01/01/2030	
1000	LOS ANGELES CA DEPT	5.00	05/15/2039	1.39	23	11/15/2029	
2000	CHICAGO IL O HARE	5.00	01/01/2026	0.55	31	Non-Callable	
500	SANDIEGO CNTY CA	5.00	07/01/2027	0.84	44	Non-Callable	
510	PORTLAND ME ARPT	5.00	01/01/2036	1.75	71	01/01/2026	
3000	CLARK CNTY NV ARPT	5.00	07/01/2024	0.40	21	Non-Callable	
2000	SANDIEGO CNTY CA	5.00	07/01/2027	0.79	39	Non-Callable	
1975	ATLANTA GA ARPT	5.00	07/01/2029	0.83	21	Non-Callable	
5000	PHILADELPHIA PA ARPT	5.00	07/01/2047	1.71	32	07/01/2027	

\*Only includes bonds with call dates greater than or equal to 5 years from today