





**2017 ANNUAL CONFERENCE  
SCOTTSDALE**

## **HOT TOPICS MUNI MARKET**

Moderator

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Speakers

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# TOPICS

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- Tax Reform and Infrastructure
  - Muni Exemption
  - S/L Government Concerns with Overall Tax Reform
  - Infrastructure Initiatives
- New Issue Price Regulations and Market Practices
  - Documentation Standards
  - UW Bidding Processes
  - Issuer Approach and Concerns
- Post MCDC
  - Changing UW Practices
  - Changing Issuer Practices
  - Changing Market Practices
- What's on the Horizon?

# TAX REFORM

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- Muni Exemption
  - Significant Attention, Requires Constant Education
  - Our Guard Remains at Attention
  - Other Legislative Initiatives Have Highlighted the Muni and Infrastructure
- S/L Government Concerns with Overall Tax Reform
  - Let's Talk About SALT!
  - House W&M “Plan” After Budget “Lands”
  - Caucus Concerns and the Laffer Curve
  - Timeline? What's Your Over/Under?
- Infrastructure Discussions Ever-Present



# FOCUS ON INFRASTRUCTURE

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- Goal: Create \$1 trillion of infrastructure investment in the next 10 years
  - Starting Point: Ross/Navarro Paper: “Trump vs. Clinton on Infrastructure”
    - \$167 billion of Federal incentives will leverage \$1 trillion of infrastructure spending from the private sector. Additional taxes will cover 100% of the cost
  - Administration Thinking (through Summer)
    - Use Federal spending of \$200 billion to leverage \$1 trillion in spending
      - “Budget Scoring” will come later
    - Additional spending will come from the private AND public sector
  - Administration Thinking (on Sept. 26<sup>th</sup>)
    - Special advisor to the president DJ Gribbin:

*“It would be really helpful for this community to get out there and educate about the reality of P3s.”*
    - The President: *“P3s don’t work”*

# FOCUS ON INFRASTRUCTURE

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- What they are getting right
  - Funding, not financing, is the principal obstacle to increased infrastructure investment
  - Existing tools (tax-exempt bonds, TIFIA, WIFIA, TIGER) should be retained and expanded
  - Federal bureaucracy slows projects and makes them more expensive
  - Certain infrastructure (particularly in rural areas) will never be “self-supporting” and needs special attention
- Where the jury is still out
  - How will they find room in the budget to finance these initiatives?
    - Tax reform framework has not directly addressed infrastructure
  - Will tax-law changes undermine the gains?
  - How will cities, states and other local governments respond to relatively low-cost Federal incentives?
  - How much savings can you really generate from streamlining Federal permitting?

# IRS Issue Price Regulations

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- Changes to UW Bidding Process
- Changes to Model Documents
- Extra Hurdle for Competitive Sales
  - Three Bids Needed or an Exception Must Be Met
  - Exception: 10% Actual Sales
  - Exception: Hold the Price for 5 Days
  - Issuer Withdraws Bid
- How This is Working in Practice and Concerns for Future
- How Does the Team Work Together?
  - Issuer – MA – Underwriter – Bond Counsel

# IRS Issue Price Regulations

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- Unanswered Questions
  - Purchase of entire maturities by affiliated banks
  - Sealed bids
  - No 10% sold at same price



# Post MCDC World

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- Changing Underwriter Practices
  - Increased Due Diligence
  - Walking Away From Deals
  - Interacting More With MA, Issuer, Dissemination Agent, Counsel
- Changing MA Practices
  - Serving as MA
  - Serving as Dissemination Agent
- What Hasn't Changed (but maybe should!)
  - More attention to past disclosure deficiencies
  - Disclosure dumping

# Post MCDC World and Other Enforcement Actions

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- Changing Issuer Practices
  - New Best Practice, approved by Board September 2017
    - Primary Market Disclosure
    - Post-Issuance Compliance
  - Other Best Practices and Issuer Resources
- Municipal Financial Services Case
  - MA hired to prepare OS, review legal documents, and assist with continuing disclosure
  - City amended prior CDAs to change filing deadline from 180 days to 360 days
  - MA did not advise city that MA had concerns that amendments were not legally effective
  - MA failed to advise city to do EMMA posting about amendments until 3 years later
  - MA found to have breached its fiduciary duty to city

# What's on the Horizon?!

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- Green Bonds
- “Resilience” Investments
- Transformative Technologies in the Market
- Transformative Technologies in the Economy

# GFOA Best Practices & Resources

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- [Best Practice: Understanding Your Continuing Disclosure Responsibilities](#)
- [Best Practice: Using Technology for Disclosure](#)
- [Best Practice: Maintaining an Investor Relations Program](#)
- [Best Practice: Understanding Bank Loans](#)
- [Best Practice: Debt Management Policy](#)
- [Checklist: Small Government/New Issuer-Debt Issuance Checklist: Considerations When Issuing Bonds](#)
- [Best Practice: Disclosures of Pension Funding Obligations in Official Statements](#)
- [Alert: Bank Loan Disclosure](#)
- [Best Practice: Understanding Bank Loans](#)

# GFOA Best Practices & Resources

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- [Best Practice: Using the Comprehensive Annual Financial Report to Meet SEC Requirements for Periodic Disclosure](#)
- [Best Practice: Monitoring and Disclosure of Fees for Defined Contribution Plans](#)
- [Best Practice: Issuer's Role in Selection of Underwriter's Counsel](#)
- [Best Practice: Debt Issuance Transaction Costs](#)
- [Best Practice: Investment of Bond Proceeds](#)
- [Advisory: Use of Debt-Related Derivatives Products](#)
- [Advisory: Use of Derivatives and Structured Investments by State and Local Governments for Non-Pension Fund Investment Portfolios](#)
- [Debt 101 \(Volume 1\) - Issuing a Bond](#)
- [Debt 101 \(Volume 2\) - Responsibilities After Bond Issuance](#)
- [GFOA Primer: Municipal Advisor Rulemaking and Issuers](#)
- [Flyer: 10 Things You Should Know About Public Pension Disclosure Changes](#)
- [MCDC Resource Center: What is MCDC?](#)
- [GFOAAlert – Continuing Disclosure Alert - Recent SEC Enforcement Actions](#)
- [GFOAAlert: The SEC MCDC Initiative and Issuers](#)
- [GFOAAlert: The SEC MCDC Initiative and Issuer Settlements](#)
- [GFOAAlert: MCDC Initiative Settlement Terms for Issuers](#)
- GFOA Training: Primary Disclosure