

# THE BOND BUYER

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## MONDAY

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### WEB EXCLUSIVES

**POSEY COUNTY, IND., ON TUESDAY** will remarket \$1.26 billion of short-term notes for construction of a controversial fertilizer plant that has run into significant delays.

**AN UPTICK IN VOLUME THIS WEEK** will bring a handful of sizable deals to the primary market, but won't be enough to relieve the supply shortage that has prevailed so far in 2014, municipal traders said.

**IN ONE OF THE LARGEST DEALS IN** the week, Energy Northwest in Washington is planning to sell \$646.5 million of revenue bonds to finance nuclear power projects and refund outstanding debt.

**SUSANNAH PAGE, A FORMER** director in the municipal research sector at Bank of America Merrill Lynch, has joined Roosevelt & Cross Inc.

**LEGISLATION THAT AUTHORIZES UP** to \$600 million in revenue-backed borrowing for public university and state buildings in Missouri is headed to the House after Senate passage.

**CHICAGO-BASED WINTRUST WEALTH** Management has hired veteran municipal professional Tom Greene to lead its institutional municipal bond desk.

**WITH A MONTH LEFT IN FLORIDA'S** legislative session and a hefty surplus to spend, the House proposed the state's highest budget ever, totaling \$75.3 billion.

## How Do You Pay for All These Fixes?

By PAUL BURTON

Engineers and public finance experts generally agree that the Northeast's infrastructure is rotting. What to do about it and how to pay for it, though, is another question.

Events such as Hurricane Sandy 18 months ago, an especially harsh 2013-14 winter and last month's building explosion and collapse in New York City's East Harlem, killing eight people, have brought infrastructure, a backburner subject, to the forefront.

The think tank Center for an Urban Future says \$47 billion is necessary over five years to pay for New York City's infrastructure — and that's just for maintenance and repairs.

Deficient roads and bridges alone cost New York State motorists \$20.3 billion annually, according to national transportation research group Trip. Extra costs in New York City and Newark, N.J., combined total an extra \$2,282 per driver, Trip said.



The Port Authority is raising the Bayonne Bridge. The project benefits ships going under the bridge, not the vehicles driving over it.

"I'm 51 and I've lived in the New York City area my whole life and I've never seen anything new. No new bridges. They're working with the same system in place for 55 years," said Jonathan

Peters, a finance professor at the College of Staten Island and a research fellow at the University Transportation Research Center at City College of New York.

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## Judge Will Rule on Legality of Detroit's Swaps

By CAITLIN DEVITT

**CHICAGO** — The judge overseeing Detroit's bankruptcy will rule Friday on a critical interest-rate swaps settlement after an all-day hearing Thursday that centered on the legality of the lien backing the derivatives.

U.S. Bankruptcy Judge Steven Rhodes announced he would issue a verbal ruling on April 11 after listening to the city and several of its major creditors spar over the settlement, one of the most controversial and drawn-out aspects of the historic Chapter 9 case.

Under the proposal, Detroit would pay \$85 million to the counterparties, UBS AG and Merrill Lynch Capital Services Inc. The city would pay off the banks in a series of quarterly payments,

and expects to make the full payment after Oct. 15 — its expected bankruptcy exit date — with proceeds of a \$300 million post-petition financing.

The swaps would not be terminated and the rights of the banks would remain in place until the full payment is made.

An earlier deal required the

banks to sign off on the city's plan of debt adjustment. The approval from one impaired accepting creditor would theoretically give Detroit the power to impose a cram-down on the rest of its creditors.

The new deal drops the approval language from the order, but

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## SIFMA Releases Model MA Docs

By KYLE GLAZIER

**WASHINGTON** — The Securities Industry and Financial Markets Association has released model documents designed to help its members comply with the municipal advisor registration rule, which takes effect on July 1.

The seven draft documents, unveiled Friday, cover various types of communications between broker-dealers and issuers and aim to help prospective underwriters of muni bonds avoid having to register under the Securities and Exchange Commis-

sion rule.

The rule, approved in September, requires a firm to register as an MA if it provides advice to state or local governments or conduit borrowers. The SEC has said firms will not be able to underwrite the bonds of issuers for whom they have become municipal advisors, so broker-dealer firms are going to need to use one of three exemptions from the rule created by the commission.

"Our firms want to know that if they are looking to take advantage of those exemptions and exclusions, that they have the language right," said Leslie

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## Siebert Hits Top 10 In Q1 Ranks

By HILLARY FLYNN

Siebert Brandford Shank & Co. jumped up the municipal bond senior manager ranks in the first quarter, rising to ninth place from 18th on the strength of two big airport and utility revenue deals.

Citigroup placed number one for total deal volume, with Bank of America Merrill Lynch following slightly behind at second and JPMorgan Chase at third, according to Thomson Reuters data. RBC came in fourth and Barclays Capital fifth.

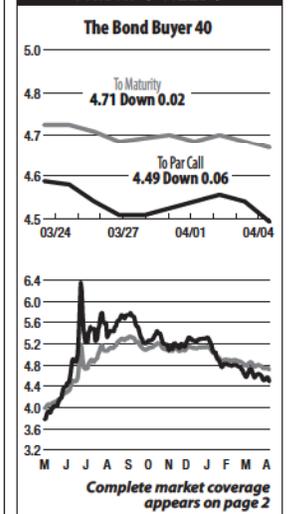
Siebert grabbed 3.6% of the market in the first quarter of 2014 after handling only 0.8% a year earlier. It managed nine issuances totaling \$2.2 billion, all of which were negotiated

"Our plan is to be mean and lean, but very aggressive nationally," Suzanne Shank, president and chief executive officer of Siebert, said in an interview.

Siebert ranked high in air-

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### FRIDAY'S YIELDS



# Infrastructure Talk is Cheap, But the N.Y.C. Area is Barely Paddling in Place

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"There was a time when we were 40 to 50 years ahead of the curve. Now we're 30 years behind the curve," Peters said. "Unfortunately, we've been playing some kind of marginal game where we're fixing things bit by bit. The lead blanket we're throwing on repairs is getting heavier and heavier."

The New York City Independent Budget Office said that despite \$5 billion of capital spending to fix city-managed bridges from 2000 to 2012, more is needed simply for basic maintenance.

The problem is national. The American Society of Civil Engineers last year rated overall infrastructure D-plus, and called for \$3.6 trillion in investment by 2020.

Identifying the problem is one thing. Paying to fix it is another.

Outside-the-box remedies include increasing public-private partnerships, although P3 supporters suffered a setback in New York this week when the final Albany budget failed to reauthorize design-build procurement beyond a three-year pilot set to expire in December. Legislation reauthorizing the Infrastructure Investment Act of 2011 still could pass by June.

Under design-build, a tool used to revive the Tappan Zee Bridge replacement project, a government entity awards one contract for both design and construction. New York State DOT officials have estimated a 25% reduction in procurement costs over three years for the Tappan Zee and smaller projects.

Meanwhile, Gov. Andrew Cuomo's proposal for a design-build-finance-operate-maintain P3 contract — a purer form of P3 — for the new \$600 million public health laboratory on the Harriman state office campus missed the cutoff for final budget legislation.

"The need is certainly there in the infrastructure space," Roddy Devlin, a P3 expert at law firm Squire Sanders, said in

a recent Bond Buyer video.

Referencing the "Caution Ahead" report by Center for an Urban Future, Devlin noted that gas pipes, roads and other infrastructure components were built as far back as 100 years ago in cities such as New York, Boston and Philadelphia.

Philadelphia intends to exit the gas business through its pending \$1.9 billion sale of Philadelphia Gas Works, which the City Council is vetting and Pennsylvania's Public Utility Commission must approve. Mayor Michael Nutter announced the transaction last month. Capital markets observers say the city will minimize pension liability and enterprise risk.

Smaller states and cities say they need solutions, too. Rhode Island General Treasurer Gina Raimondo has proposed an infrastructure bank, referencing an American Society of Civil Engineers report that said 70% of Rhode Island's roads are of poor or mediocre quality.

Even among smaller issuers, P3 projects can work, said Adam Cloud, the Hartford, Conn., city treasurer whose private sector background includes financial advisory and bond underwriting roles for Advest Inc. and Loop Capital Markets.

"We can't raise revenue consistently with the same ideas. We have to think outside the box and we might have to kill some sacred cows," he said. "In my city there are empty school buildings. Why not turn them into senior housing or apartments?" But municipalities can be their own worst enemies, according to Cloud.

"I see a lot of opportunity, but politicians have to get out of their own way. Sometimes the politics gets in the way of the benefit," he said. "Say you have a strong mayor who wants to move forward with a project but he doesn't want to bring in the other legislators. Then they slap him and say: 'Who are you kidding?'"

Peters advises issuers to negotiate P3 contracts carefully. "The people negotiating these deals have very knowledgeable

teams who are looking to get the best possible contract for their side," he said.

Philadelphia's City Council just hired Concentric Energy Advisors of Marlborough, Mass., to examine the potential sale of Philadelphia Gas Works to UIL Holdings Corp. of New Haven, Conn.

Critics of deals with the private sector point to Chicago's 75-year lease of its parking assets as an example of the municipality coming up short. In 2008, then-Mayor Richard Daley agreed to a deal for \$1.15 billion upfront. Parking rates quickly quadrupled. Much of the money went to balance budgets, leaving little remaining to show for the deal.

Spain, says Peters, caps brownfield P3 projects at 20 years and new building projects at 40 years. A brownfield is a property site where contaminants' presence or their potential could complicate development. "That's royal Spanish law. There, they don't have a quasi-public entity such as the Port Authority. It's either the real government or totally private," said Peters.

"Europeans are very, very knowledgeable about these projects," he added. "We can learn from them."

The New York region doesn't lack for infrastructure financing proposals.

Engineer "Gridlock Sam" Schwartz's plan to remedy toll inequity in the New York region calls for \$1.5 billion for repairs to roads and bridges.

In Albany, Cuomo announced a \$5 billion initiative, which he planned to submit to the Federal Transit Administration, to bolster Metropolitan Transportation Authority, Port Authority of New York and New Jersey, and Moynihan Station Development Corp. projects.

Tolling proposals such as Schwartz's and the ongoing fight about whether to impose tolls on the Sakonnet River Bridge across Rhode Island's East Bay generate debate over whether to user fees or a general fund should provide the revenue stream. That can get sticky, Peters says.

"Who's going to pay? Traditionally, we used the gas tax and some user taxes. But exactly who is the user is a big question," said Peters, who referenced the Bayonne Bridge, which connects Staten Island, N.Y., and Bayonne, N.J.

"The Port Authority is raising the Bayonne Bridge to accommodate more modern maritime ships," he said. The project benefits ships going under the bridge, not the cars, trucks and buses driving over it.

"Well, the Bayonne Bridge for a driver is quite fine," Peters said. "Okay, who should pay and should it be appropriated by a general fund?"

"The same with bike-sharing [in New York City]. It's a great idea, wonderful, but it's losing money, \$14 million," he said. "Do you pay for it by user fee or out of the general fund? I would guess that bike-sharing does not serve many commuters in eastern Queens." Tolls have an impact on the overall economy, he said.

Tolling practices place "non-trivial costs" on truck trips to and from major regional freight centers, according to a report Peters authored with professors David King and Cameron Gordon of Columbia University and Australia's University of Canberra, respectively.

Peters and his colleagues examined two maritime terminals in the Port of New York and New Jersey: Global Marine and New York Container.

The report said that while the New York posts serve 19 states and Canada, the "vast bulk" of cargo moves are short-haul trips of less than 50 miles one way from the port facility. "We also find that toll charges in the New York City metropolitan region may represent over 50% of the total costs for a short-haul trip into or out of a maritime port, depending upon the location of the port facility.

"In particular, roads in the area are heavily and highly priced: roughly one-quarter of U.S. road toll revenue is raised in the New York City region," the report said. □

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