



Monmouth County Improvement Authority

Financing Options for Local Governments

March 30, 2023



Monmouth County Board of County Commissioners

Board of County Commissioners

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MCIA Professional Team

- **Municipal Advisor – NW Financial Group**
 - Douglas Bacher, Principal
 - Heather Litzebauer, Managing Director

- **Authority Bond Counsel – Gibbons P.C.**
 - John Draikiwicz, Esq.

- **Senior Underwriter - Raymond James & Associates, Inc.**
 - Amanda Del Bene, Managing Director
 - Stephanie Lom, Managing Director



Introduction to the MCIA

- The Monmouth County Improvement Authority (“MCIA”) was created by the Monmouth County Board of County Commissioners in 1986
- The MCIA has the power to provide local governments with flexible financing options for a variety of purposes including:
 - the acquisition of capital equipment
 - the acquisition of property
 - the construction of capital projects and improvements
 - the refunding of previously issued debt for savings
- These financing options include pooled lease purchase and governmental loan financings designed to achieve a lower cost of capital through economies of scale; lower interest rates and/or lower costs of issuance



What Makes the MCIA Unique

- County provides Aaa/AAA/AAA credit to transactions
- MCIA Board made up of community leaders
- MCIA provides services with one part-time staff person
- County provides administrative services and financial statement services support
- County authorized to buy local notes to “bridge” financing timing gap
- No annual (ongoing) MCIA or County fees



What Makes the MCIA Unique, continued

- The MCIA provides a 2-tier bond structure
- The County assigns an individual county guaranty to each participating local unit
- The local units provide a general obligation credit
- The MCIA is a conduit financing entity only



Financing Powers of the MCIA

- Borrow money and issue bonds, notes and other obligations
- Provide a county guaranty or local guaranty of debt
- Issue bonds through negotiated sale, competitive sale and private placement processes
- Issue fixed and variable rate securities
- Enter into leases or agreements with governmental or not-for-profit entities for the operation of their respective facilities
- Extend credit or make loans
- Fix and collect facility or project charges
- Extend credit to redevelopers for planning, acquisition, construction, equipping and furnishing of redevelopment projects
- Assign revenues or mortgage property for purposes of securing bonds, notes or other obligations
- Enter into partnerships, joint ventures or other associations



Financing Programs Offered

I. Fixed Rate Pooled Governmental Note Financing

- New annual program starting in May 2023 and every March thereafter
- Designed to help navigate the changing note market and to help align with long-term issuance options

II. Fixed Rate Pooled Capital Equipment Lease Financing

- Biennial program
- Designed to finance equipment with lease structure
- Provided every other year for the last 32 years

III. Fixed Rate Pooled Governmental Bond Financing

- Annual financing
- Provided each year for last 30 years

IV. Pooled Refunding of Outstanding Debt

- Increased savings
- Structured as a pool with other local governments
- Done as market and local governments dictate
- Refunds local government debt

V. Stand Alone Financings – including refunding of outstanding debt



Fixed Rate Pooled Governmental Note Program

**NEW* Annual Program*



Governmental Pooled Note Program

- Designed to temporarily finance outstanding bond anticipation notes (“BANs”), unfunded capital ordinances, approved referendum (school & fire districts), and other new money capital needs (capital equipment, property, projects and all other permissible capital under local, state and authority bond laws)
- Offered annually by the MCIA
 - Scheduled to close in May 2023 to mature in March 2024 (10-month maturity)
 - Will be offered every March moving forward (1-year maturity)
- Eligible participants
 - Municipalities with outstanding BANs, authorized and unfunded ordinances
 - School Districts with an approved referendum
 - Fire Districts with an approved referendum
 - Local Authorities



What can be financed through the Fixed Rate Pooled Note Program?

- Capital projects and equipment that have approval through referendum (school districts, fire districts) or authorized capital ordinances and/or outstanding BANs
- New Capital Ordinances; any capital project or expenditure permitted through the local, authority or school bond law, including, but not limited to:
 - Street and Road Improvements
 - Recreation Facilities
 - Equipment
 - Computers
 - Buildings/Facilities
 - Land Acquisition
 - Security & Safety Equipment
 - Electric Vehicles/Buses/Charging Stations



Updates to the Municipal Note Market

- Beginning in September 2022, underwriters who historically have been purchasers of municipal notes have been fined by the SEC for purchasing & distributing municipal notes without an Official Statement (“OS”) with a term greater than 9 months
- These underwriters have not been bidding on most NJ municipal notes with a term greater than 9 months without an OS
- The cost to put together an OS could be costly especially for smaller borrowing amounts
- Currently notes with an OS and rating are pricing significantly better than if the offerings without either



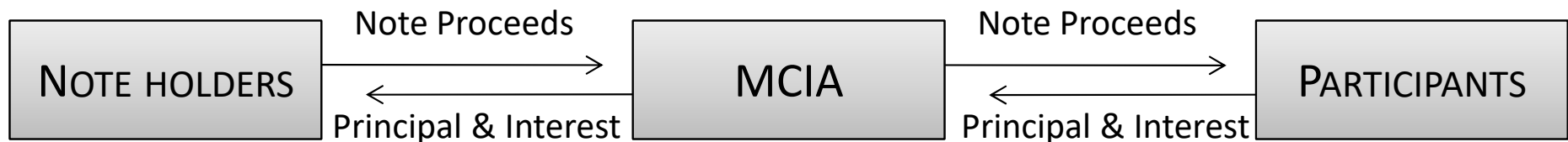
Advantages to Local Participants

- Economies of Scale
 - Smaller amounts can be financed at a lower cost of funds
 - Cost of issuing MCIA notes is shared among participants
 - Costs of issuance minimized through “shared” documents and single POS/OS
- Lower interest costs
 - Tax-exempt interest rates
 - County guaranty (Aaa/AAA/AAA rating)
- Negotiated note sale
 - Provides Flexibility to Adjust to Volatile Market Changes
- No shared liabilities
- Continuing Disclosure may not be required depending upon level of participation



General Structure

- MCIA issues revenue notes secured by the general/revenue obligation note of each participant – 2 tier note structure
- Notes are additionally secured by a guaranty of the County of Monmouth
- At closing, funds are wired to each participant’s capital fund
- Each participant will receive a full accounting of savings achieved by using this Improvement Authority pooled financing technique





Participants Action/ Responsibilities

- Determine needs and provide the MCIA with list of BANs and/or capital ordinances and appropriate contact information
- Review and approve financial model provided by the MCIA professional team
- Adopt resolution authorizing a sale of notes with the MCIA – if required by participant bond counsel
- Attend Local Finance Board Meeting (currently held remotely)
- After the pricing of the notes, execute purchase agreement, closing certificates and deliver opinion of bond counsel on the tax-exempt status of participant note



Capital Equipment Pooled Lease Program

Biennial Financing Program



Capital Equipment Pooled Lease Program

- Designed to provide a low-cost alternative to local governments when lease-purchasing capital equipment
- Offered biennially by the MCIA
- Next Pooled Capital Lease Financing is scheduled for Summer/Fall 2023
- Eligible participants
 - Municipalities
 - School Districts
 - Fire Districts
 - Local Authorities



What can be financed through a Pooled Capital Lease Financing?

- Fire Equipment
- Buses
- Computer Equipment
- Security & Safety Equipment
- Recreation Equipment
- Trucks
- Vehicles (SUV & Passenger Cars)
- Energy Equipment
- Electric Buses/Vehicles and Charging Stations
- Other Equipment



Advantages to Local Participants

- 5% down payment avoided with lease financings
- Economies of Scale
 - Smaller or traditionally “non-bondable” equipment can be financed
 - Cost of issuing MCIA bonds is shared among participants
 - Costs of issuance minimized through “shared” documents and single POS/OS
- Lower interest costs
 - Tax-exempt interest rates
 - County guaranty (Aaa/AAA/AAA rating)
- Negotiated bond sale/ More Flexibility to Adjust to Market Changes
- Flexible repayment schedule
- No shared liabilities
- Continuing Disclosure may not be required depending upon level of participation
- Equipment can be swapped in & out if they have similar or greater useful life



General Structure

- MCIA issues a lease revenue bond for each local participant in an amount equal to the cost of equipment and costs of issuance
- Each participant bond is secured by a guaranty of the County of Monmouth, allowing each participant to benefit from the County's Aaa/AAA/AAA credit rating
- MCIA bond proceeds are placed into each participant's acquisition fund at a trustee bank
- The participant may draw down funds for the purchase of equipment in accordance with the procedures established under state law, the bond resolution and lease agreement
- Ownership of the equipment is held by the MCIA until the end of the lease term, at which time the equipment is sold to the participant for a nominal amount
- Terms of the lease may not extend longer than the useful life of the equipment and may not exceed beyond 10-years, except only 5-years for a school district



General Structure continued

- Local Units Enter into General Obligation Lease for Municipalities or Subject to Appropriation Lease for School Districts
- Lease must be approved by ordinance if general obligation lease or resolution if subject to appropriation lease
- Treated as bonded debt if General Obligation Lease
- Debt service is outside the budget cap; however, police passenger or other passenger cars (not SUVs) debt is inside the cap
- Subject to Appropriation Lease financings and police passenger cars (not SUVs) financings are subject to an underlying municipal guaranty



Participants Action/ Responsibilities

- Determine needs and provide the MCIA with list of equipment and appropriate contact information
- Review and approve financial model provided by the MCIA professional team
- If applicable, adopt resolution authorizing application to the Local Finance Board if individual local government participant action is required
- Attend Local Finance Board Meeting (currently held remotely)
- Adopt ordinance or resolution authorizing a lease agreement with the Authority
 - School Districts and municipalities financing police cars must get municipality (host) guaranty
- After the pricing of the bonds, execute lease agreement, closing certificates and deliver opinion of general counsel
- Insurance certificates for equipment and annual audits to be sent to MCIA and Trustee



Recent Capital Equipment Lease Program Financing Results

- **\$17,140,000 Capital Equipment Pooled Lease Revenue Bonds, Series 2021**
 - 12 Participants
 - True Interest Cost = 0.647% (entire transaction); 0.476% for 5 years
 - ***Total Interest Savings to Participants: \$133,789***
 - ***Total Budgetary Savings to Participants: \$977,130 (no 5% paydown req)***
- **\$14,305,000 Capital Equipment Pooled Lease Revenue Bonds, Series 2019**
 - 13 Participants
 - True Interest Cost = 1.357% (entire transaction); 1.323% for 5 years
 - ***Total Interest Savings to Participants: \$110,888***
 - ***Total Budgetary Savings to Participants: \$797,980 (no 5% paydown req)***
- **\$9,570,000 Capital Equipment Pooled Lease Revenue Bonds, Series 2017**
 - 9 Participants
 - True Interest Cost = 1.614% (entire transaction); 1.410% for 5 years
 - ***Total Interest Savings to Participants: \$136,123***
 - ***Total Budgetary Savings to Participants: \$518,687 (no 5% paydown req)***



Governmental Pooled Bond Program

Scheduled annually in December

Additional summer financing if there is demand



Governmental Pooled Bond Program

- Designed to permanently finance outstanding bond anticipation notes (“BANs”), unfunded capital ordinances, approved referendum (school & fire districts), and other new money capital needs (capital equipment, property, projects and all other permissible capital under local, state and authority bond laws)
- Offered annually by the MCIA
 - Scheduled to close in December of each year
 - In summer if there is demand
- Eligible participants
 - Municipalities with outstanding BANs, authorized and unfunded ordinances
 - School Districts with an approved referendum
 - Fire Districts with an approved referendum
 - Local Authorities
- May include wrapping around outstanding debt (subject to LFB approval)



What can be financed through the Fixed Rate Pooled Bond Program?

- Capital projects and equipment that have approval through referendum (school districts, fire districts) or authorized capital ordinances and/or outstanding BANs
- New Capital Ordinances; any capital project or expenditure permitted through the local, authority or school bond law, including, but not limited to:
 - Street and Road Improvements
 - Recreation Facilities
 - Equipment
 - Computers
 - Buildings/Facilities
 - Land Acquisition
 - Security & Safety Equipment
 - Electric Vehicles/Buses/Charging Stations



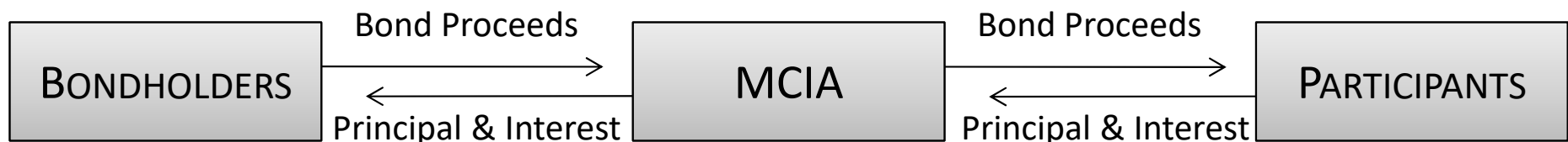
Advantages to Local Participants

- Economies of Scale
 - Smaller amounts can be financed in today's attractive bond market
 - Cost of issuing MCIA bonds is shared among participants
 - Costs of issuance minimized through “shared” documents and single POS/OS
- Lower interest costs
 - Tax-exempt interest rates
 - County guaranty (Aaa/AAA/AAA rating)
- Negotiated bond sale
 - Provides Flexibility to Adjust to Market Changes
- Non-conforming repayment schedule if approved by LFB
- No shared liabilities
- Continuing Disclosure may not be required depending upon level of participation



General Structure

- MCIA issues revenue bonds secured by the general/revenue obligation bond of each participant – 2 tier bond structure
- Bonds are additionally secured by a guaranty of the County of Monmouth
- At closing, funds are wired to each participant’s capital fund
- Each participant will receive a full accounting of savings achieved by using this Improvement Authority pooled financing technique





Participants Action/ Responsibilities

- Determine needs and provide the MCIA with list of BANs and/or capital ordinances and appropriate contact information
- Review and approve financial model provided by the MCIA professional team
- If applicable, adopt resolution authorizing application to the Local Finance Board if individual local government participant action is required
- Adopt general obligation bond ordinance and resolution authorizing a sale of bonds with the MCIA
- Attend Local Finance Board Meeting (currently held remotely)
- The local governing body will approve the issuance of the local obligation by resolution either through delegation to representatives of the participant or action at a public meeting
- After the pricing of the bonds, execute purchase agreement, closing certificates and deliver opinion of bond counsel on the tax-exempt status of participant bond



Recent Pooled Loan Program Financing Results

- **\$51,745,000 Governmental Pooled Loan Revenue Bonds, Series 2022C**
 - 2 Participants
 - True Interest Cost = 3.47% (20-year financing)
 - ***Total Savings to Participants: \$1,463,405***
- **\$51,460,000 Governmental Pooled Loan Revenue Bonds, Series 2022B**
 - 11 Participants
 - True Interest Cost = 3.25% (20-year financing)
 - ***Total Savings to Participants: \$1,899,404***
- **\$31,005,000 Governmental Pooled Loan Revenue Bonds, Series 2022A**
 - 4 Participants
 - True Interest Cost = 3.232% (20-year financing)
 - ***Total Savings to Participants: \$518,723***



Refunding Outstanding Debt



Structure/Local Actions/Benefits

- Structure is identical to Pooled Bond structure
- Local actions are identical as with the Pooled Bond
 - Local units need to take the same actions as if refunding bonds on their own except at the end the bonds are sold to the MCIA
- **Savings are enhanced** through the pricing achieved with the use of the County Guaranty (Aaa/AAA/AAA) and pooling of local units if there is more than one local government unit
 - MCIA provides a comparison showing the additional savings in pricing
- Can be done as a current (tax-exempt) or advanced (taxable) refunding



Stand Alone Financings



Stand Alone Financings

- Loan or Lease financings available to municipalities, school districts, fire districts and local authorities on a stand-alone basis
- Structure is similar to pooled financings, participant limited to single issue
- Terms of lease/loan can be structured to meet the needs of the participant as permitted by law
- Advantages are identical to pooled financings with the exception of economies of scale
- New Money or Refunding of Outstanding Debt
- Examples
 - Howell Board of Education (Loan)
 - Middletown Township/ First Aid Squad & School District (Lease)
 - Brookdale Community College (Leases, refundings)
 - Asbury Park Sewer Treatment Plant Project (Lease)
 - Shrewsbury Hose Company #1/ Shrewsbury Borough (Loan)

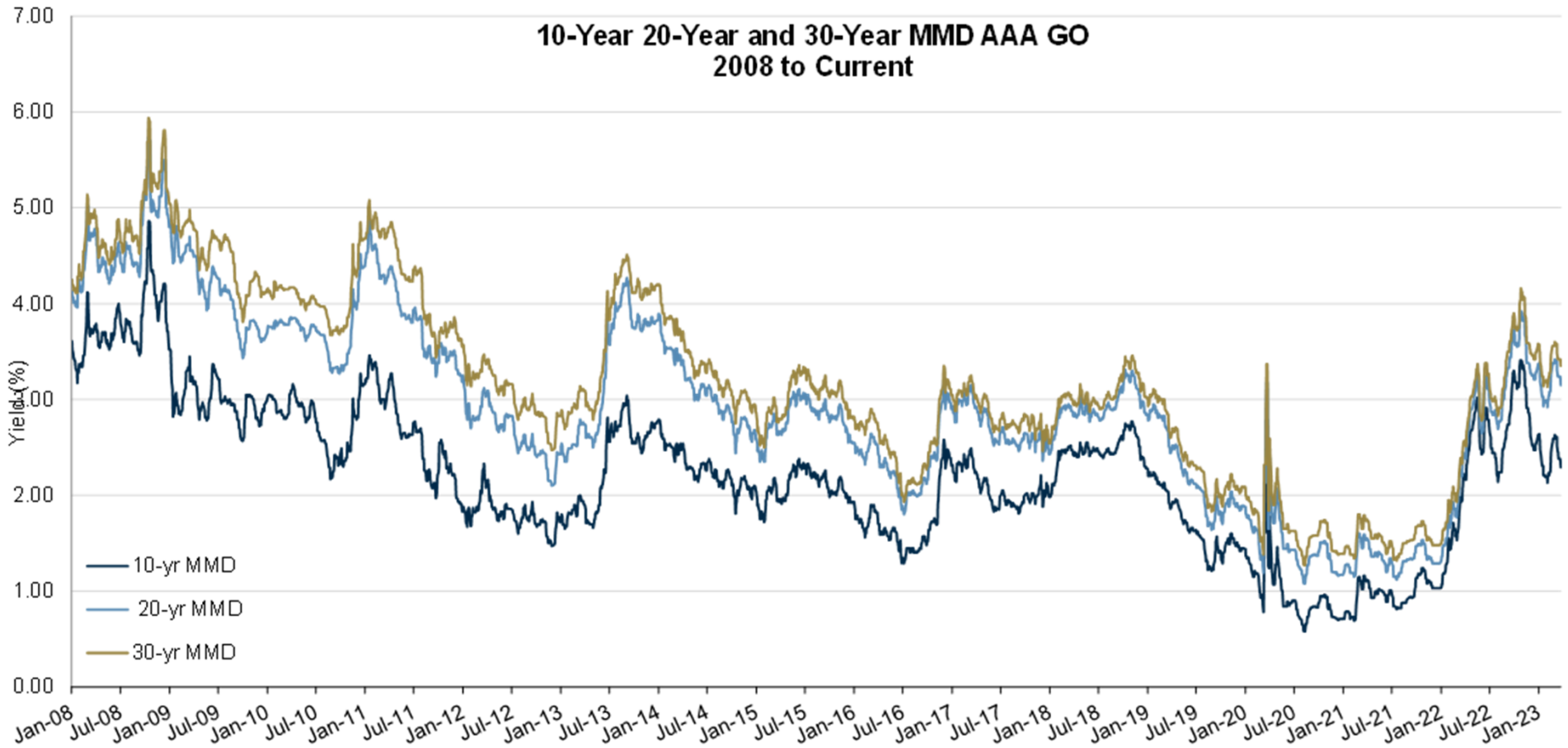


Market Update

prepared March 27, 2023



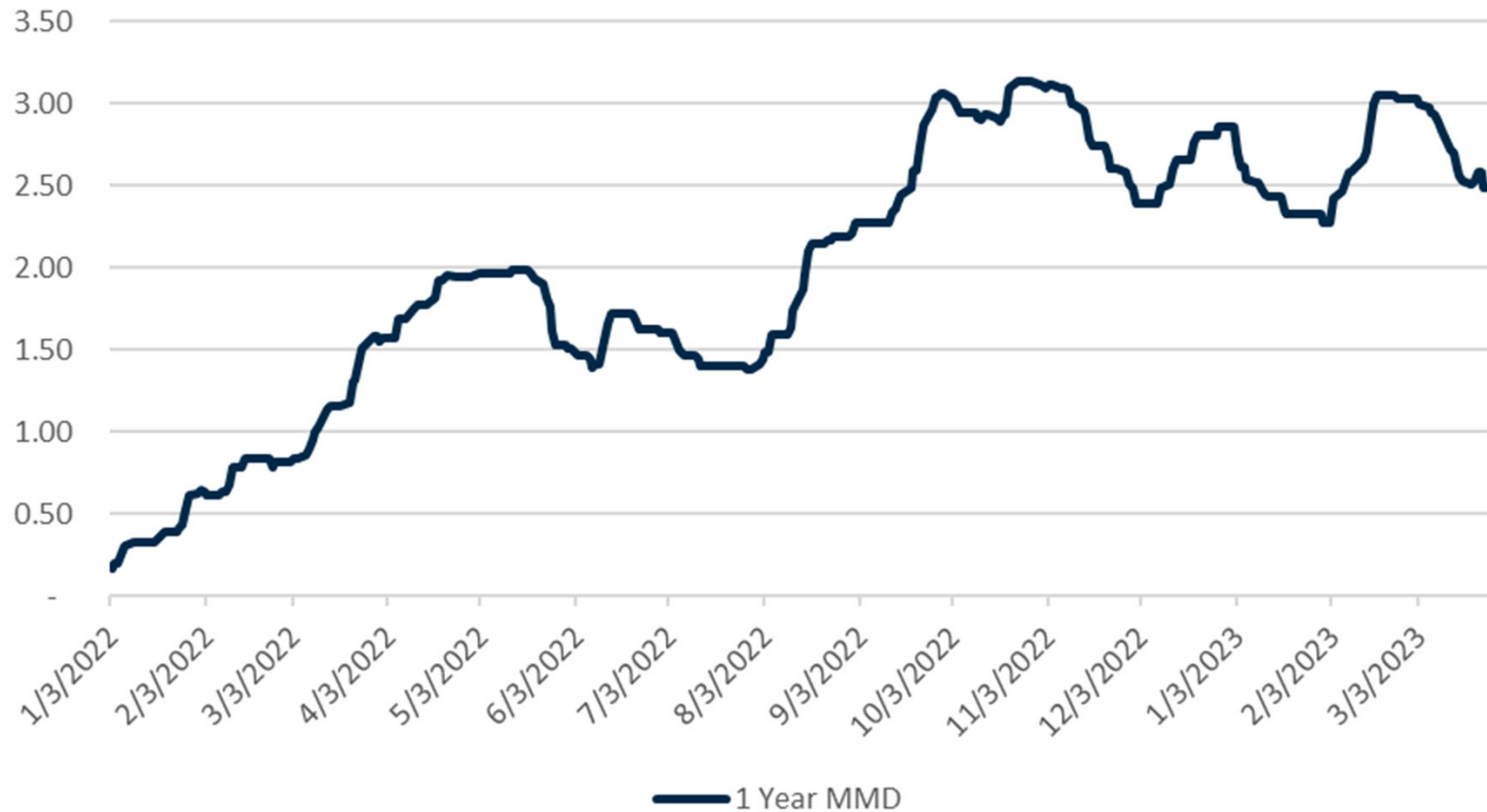
Historical AAA-Rated Tax-Exempt MMD Index Rates





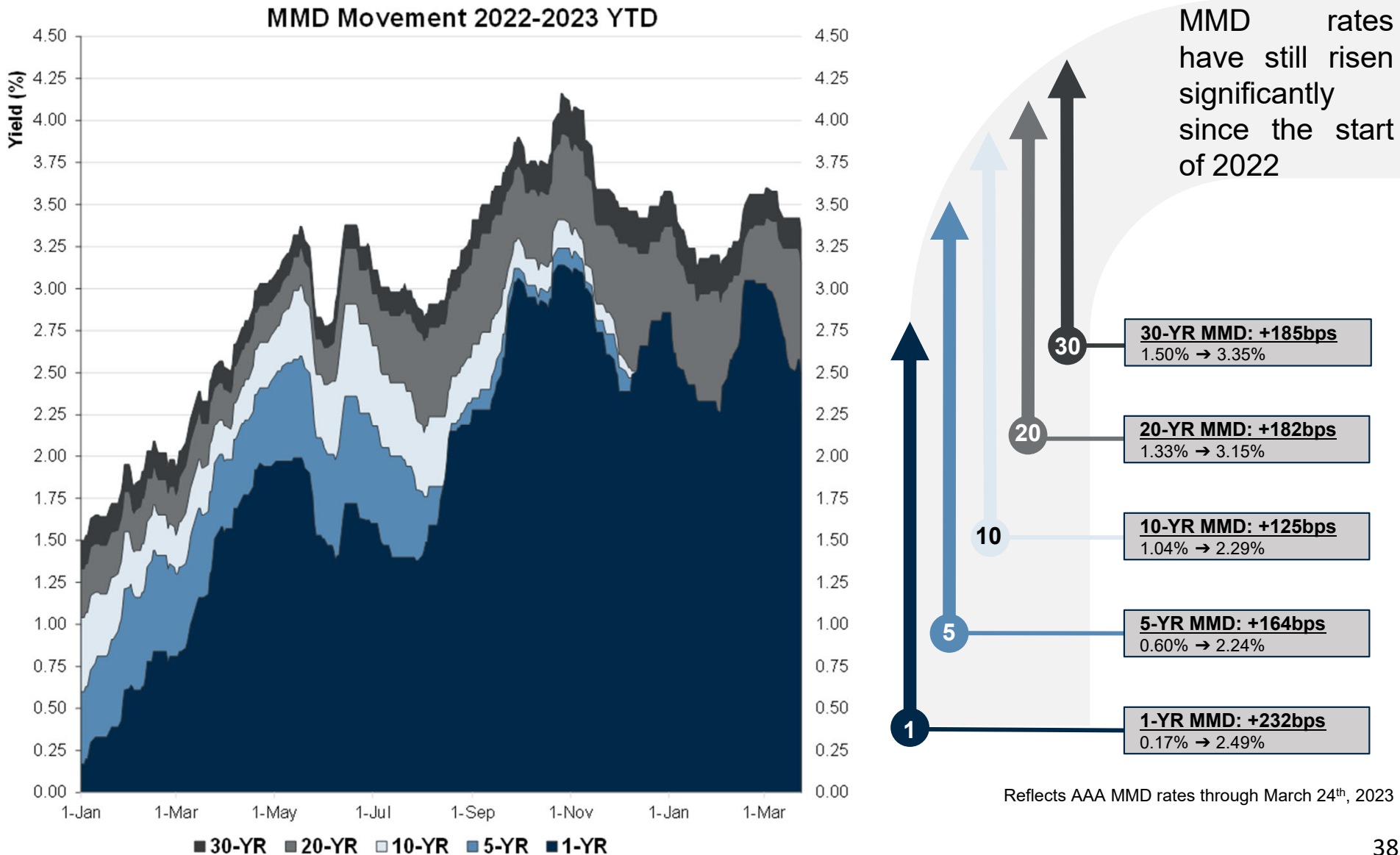
Historical AAA-Rated Tax-Exempt MMD Index Rates

1-Year MMD Since January 2022



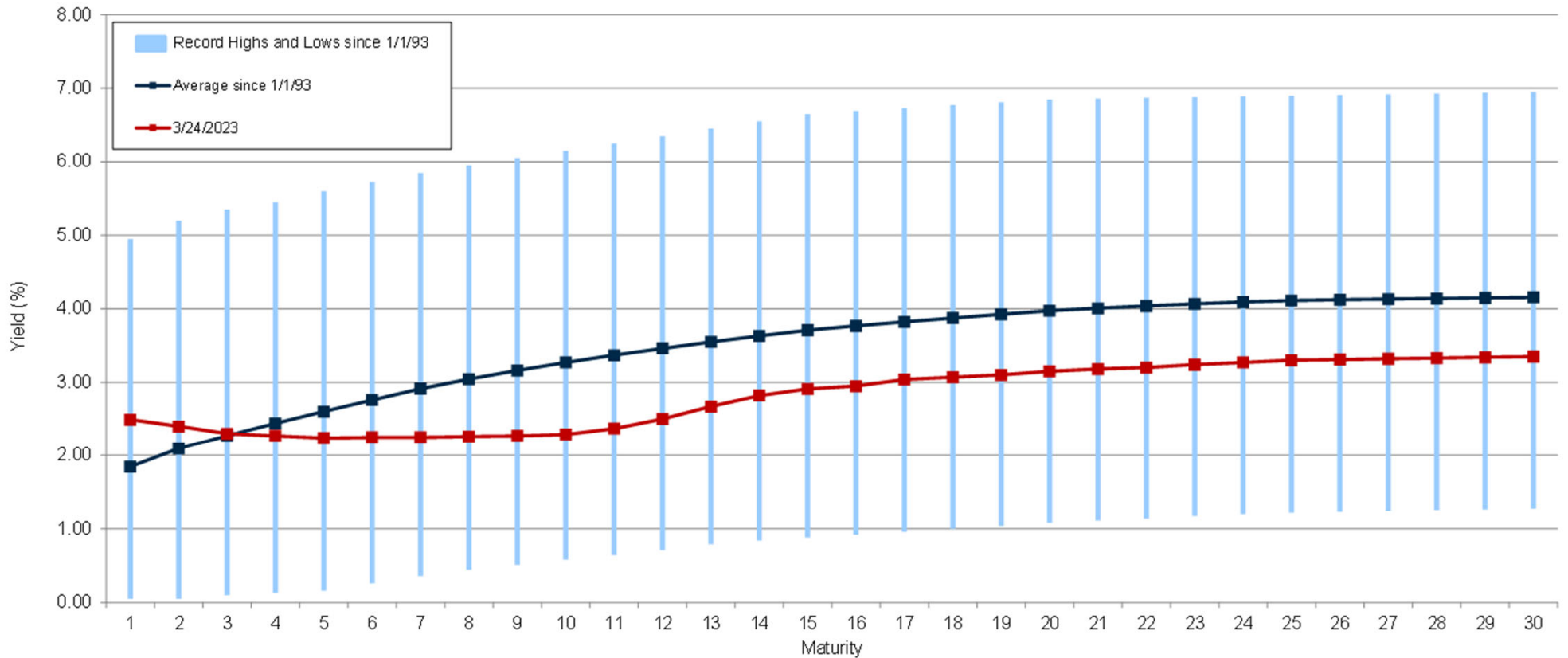


MMD Volatility – 2022-2023YTD





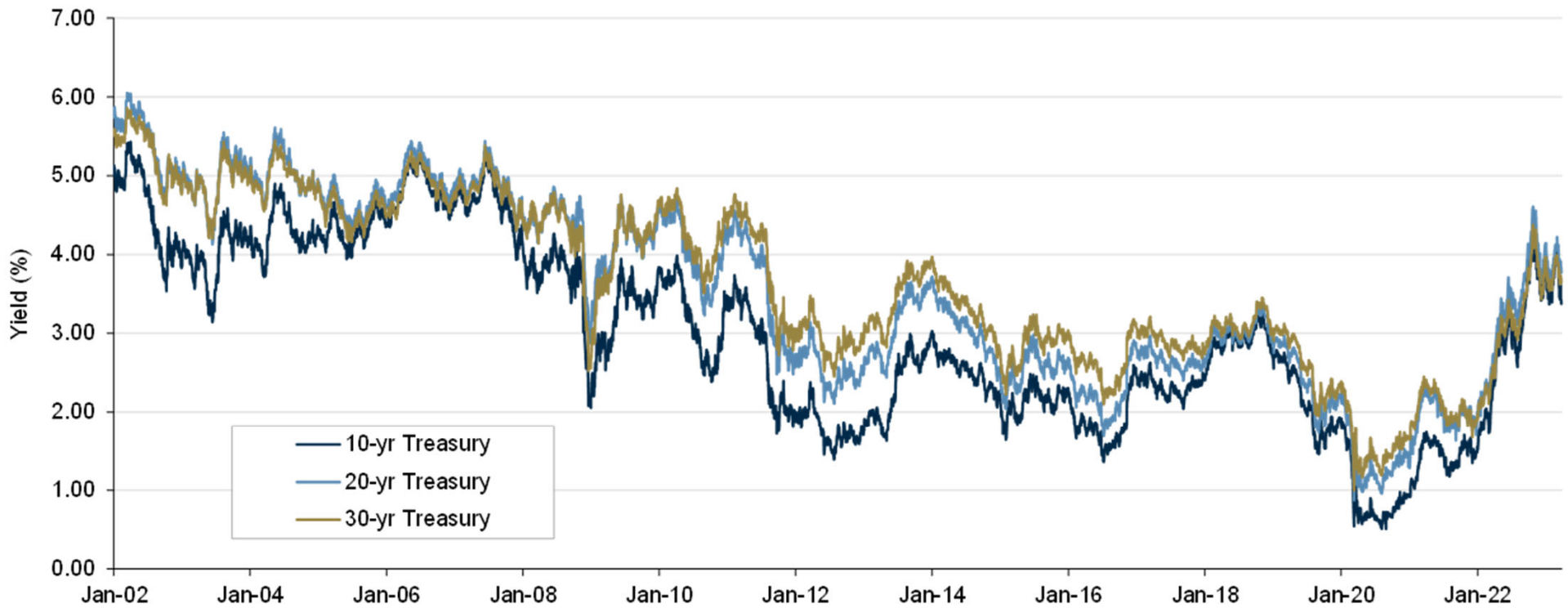
Historical AAA MMD Rates





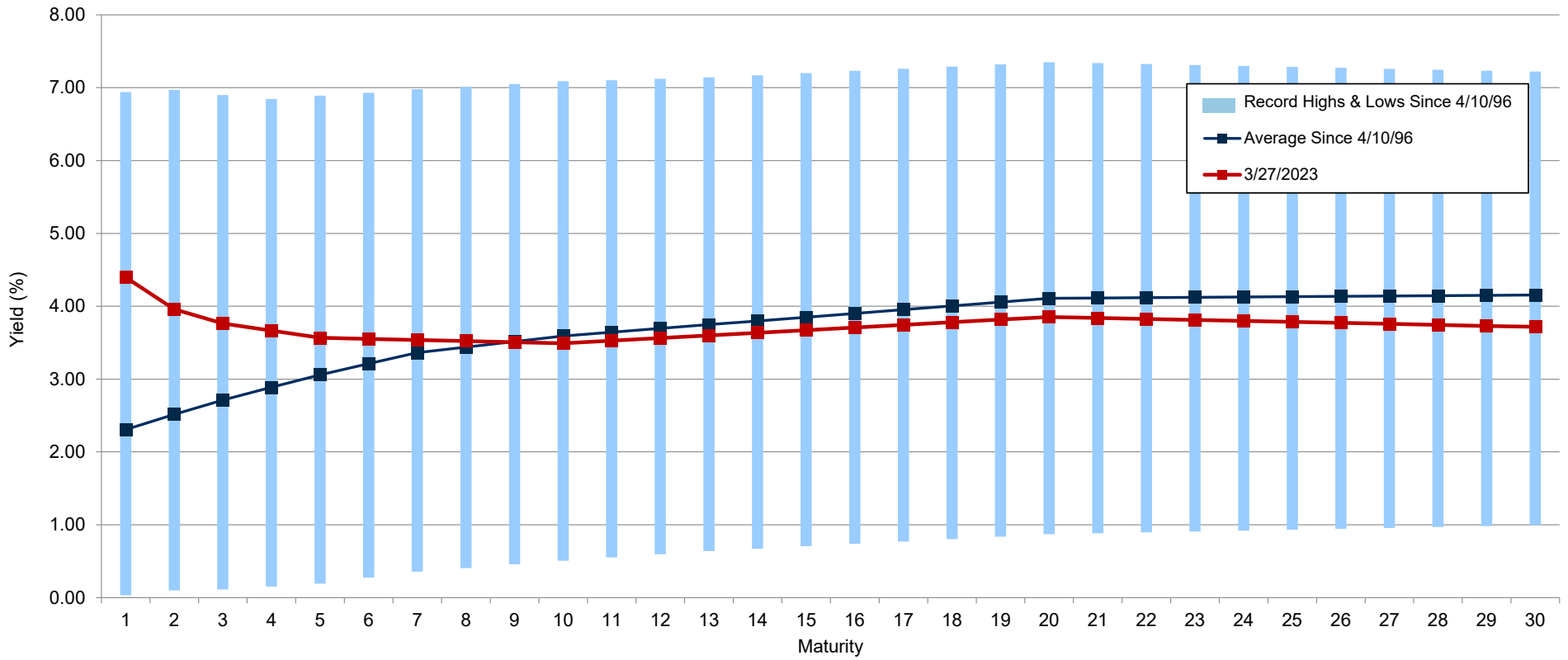
Historical Treasury Rates

10-Year, 20-Year and 30-Year Treasury
January 2002 to Current





Historical Treasury Rates

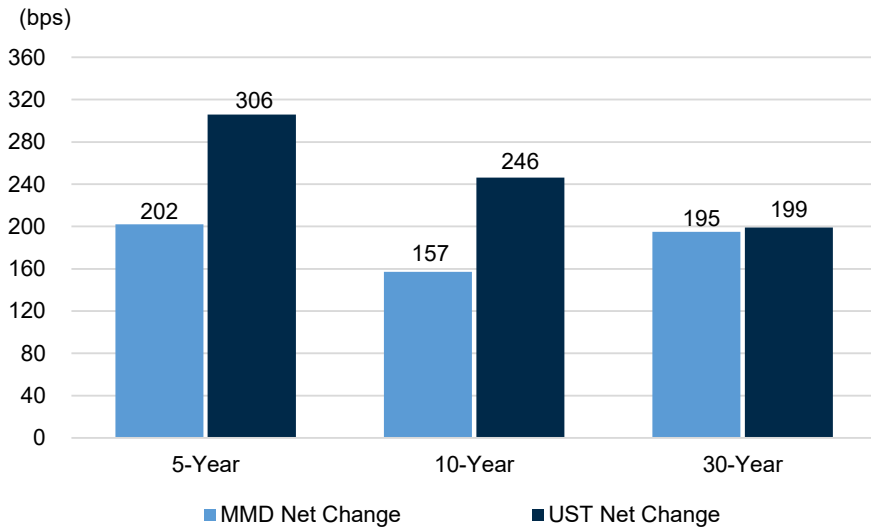




MMD & UST Movement

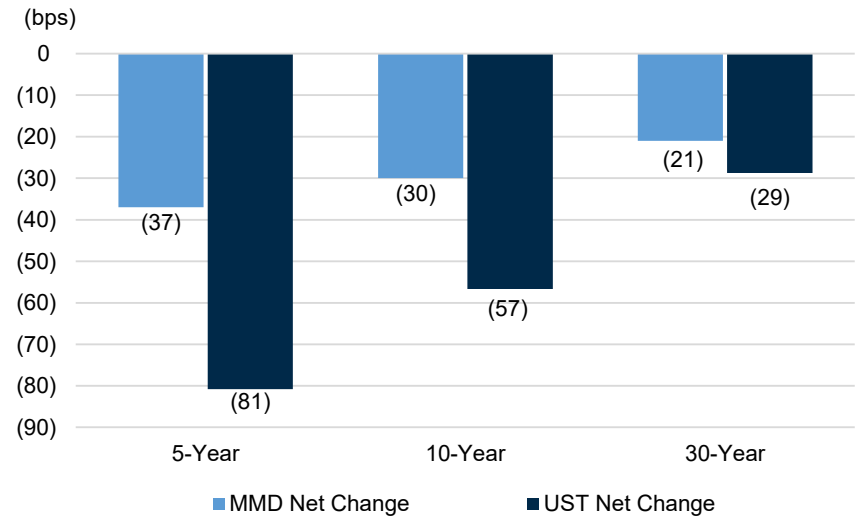
MMD and UST Movement 2021-2023 YTD

January 4, 2021 – March 24, 2023



MMD and UST Movement Over the Past Month

February 24, 2023 – March 24, 2023

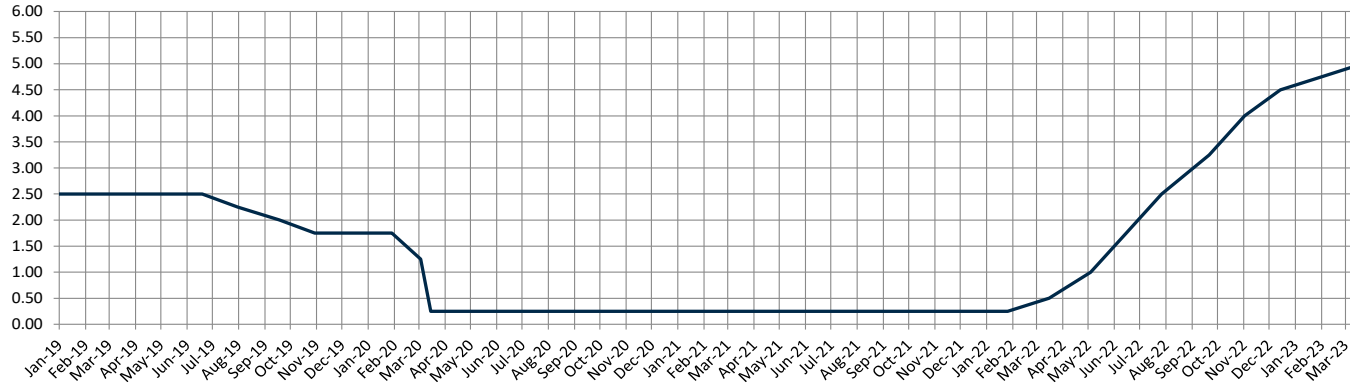


MMD	5Y	10Y	30Y	UST	5Y	10Y	30Y	MMD/UST Ratios	5Y	10Y	30Y
Current	2.24%	2.29%	3.35%	Current	3.41%	3.38%	3.64%	Current	65.74%	67.83%	81.44%
2021-2022 YTD Low:	0.2%	0.69%	1.32%	2021-2022 YTD Low:	0.35%	0.91%	1.66%	2021-2022 YTD Low:	38.35%	54.03%	63.70%
2021-2022 YTD High:	3.24%	3.41%	4.16%	2021-2022 YTD High:	4.44%	4.24%	4.38%	2021-2022 YTD High:	91.28%	105.39%	110.18%
10Y Low:	0.16%	0.58%	1.27%	10Y Low:	0.19%	0.51%	1.00%	10Y Low:	38.35%	54.03%	63.70%

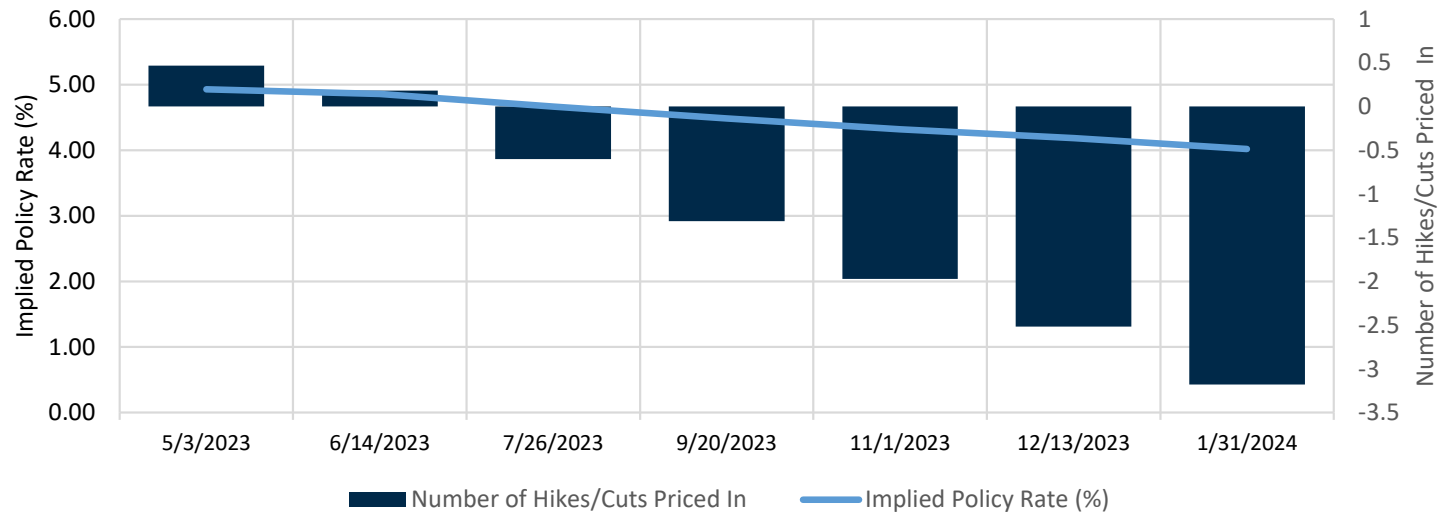
Source: Bloomberg



Fed Funds Rate History & Projections



Implied Overnight Rate & Number of Rate Hikes/Cuts





Rate Forecast

US Treasury	Current Rate	2023			2024				2025		Change from Current Rate to 2025 Q2
		Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	
2 Year	3.97%	4.37%	4.16%	3.88%	3.63%	3.39%	3.16%	2.99%	3.03%	3.01%	-0.96%
Economists Surveyed		45	45	45	40	39	37	37	21	20	
10 Year	3.51%	3.66%	3.60%	3.48%	3.38%	3.30%	3.22%	3.16%	3.25%	3.22%	-0.29%
Economists Surveyed		49	49	49	44	43	41	41	25	24	
30 Year	3.73%	3.82%	3.78%	3.69%	3.61%	3.54%	3.51%	3.49%	3.54%	3.49%	-0.24%
Economists Surveyed		39	39	39	35	35	33	33	20	19	

*Source: Bloomberg as of March 27, 2023.

Bloomberg Consensus

	Current Rate	2023			2024			Change from Current Rate to 2024 Q3
		Q2	Q3	Q4	Q1	Q2	Q3	
Real GDP	2.70%	-0.40%	-0.10%	0.70%	1.30%	1.75%	1.90%	-0.80%
Consumer Price Index	6.00%	4.10%	3.50%	3.20%	2.80%	2.60%	2.40%	-3.60%
Unemployment	3.60%	3.80%	4.10%	4.40%	4.60%	4.70%	4.60%	1.00%
Fed Funds Target	5.00%	5.35%	5.40%	5.25%	4.90%	4.50%	4.20%	-0.80%
3-month LIBOR	5.10%	5.11%	5.04%	4.85%	4.48%	4.01%	3.63%	-1.47%

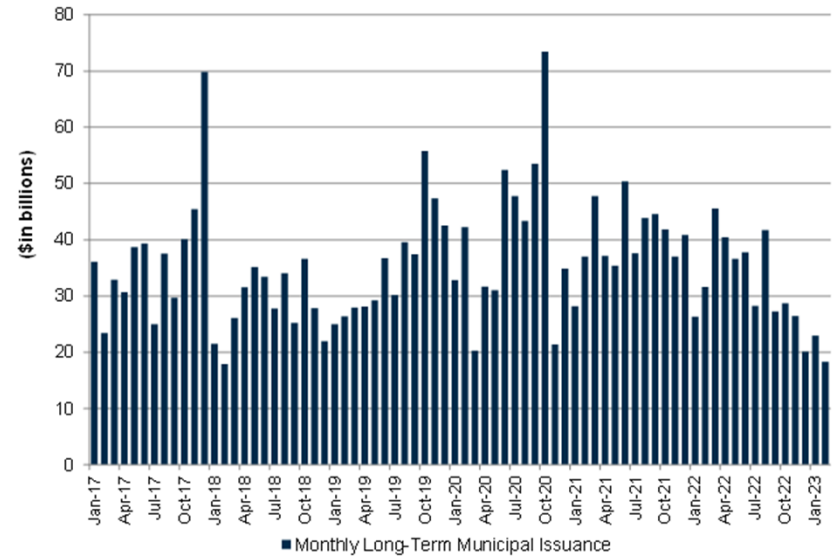
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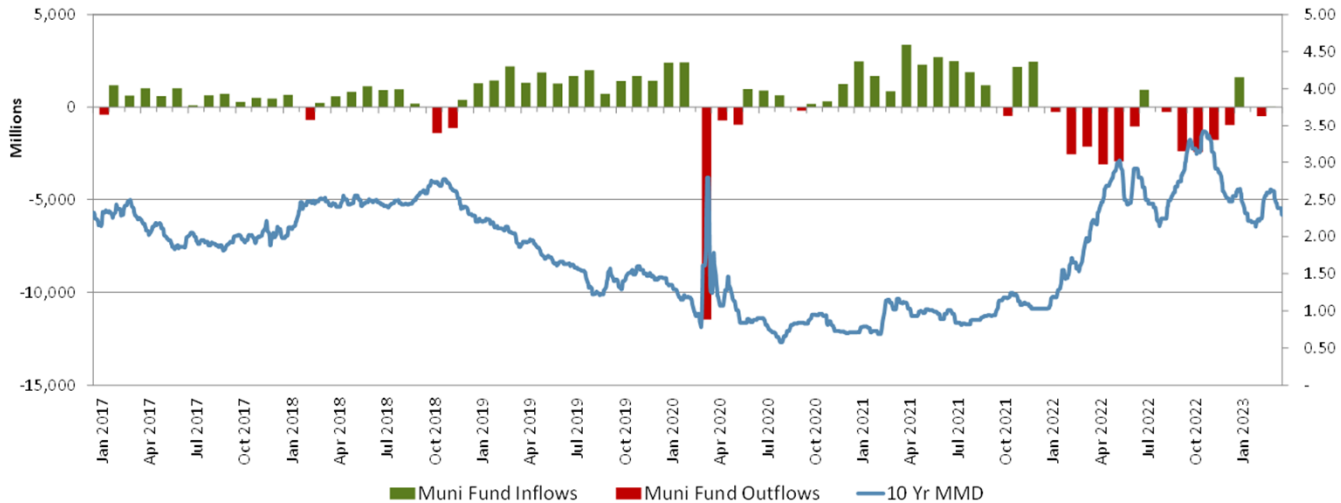
Issuance and Fund Flows

Municipal Long-Term Issuance								
\$ in billions	2017	2018	2019	2020	2021	2022	2023	YoY %
January	\$36.048	\$21.506	\$24.968	\$32.793	\$28.182	\$26.293	\$22.949	-13%
February	23.385	17.895	26.375	42.229	37.052	31.602	18.303	-42%
March	32.894	26.084	27.949	20.262	47.763	45.555		
April	30.711	31.516	28.154	31.650	37.105	40.423		
May	38.710	35.147	29.212	30.991	35.342	36.583		
June	39.301	33.388	36.747	52.390	50.364	37.775		
July	24.973	27.740	30.158	47.782	37.601	28.258		
August	37.541	34.042	39.522	43.362	43.885	41.716		
September	29.696	25.220	37.435	53.513	44.563	27.251		
October	40.099	36.585	55.775	73.448	41.811	28.724		
November	45.430	27.846	47.312	21.359	37.000	26.415		
December	69.827	21.965	42.517	34.822	40.840	20.121		
Total	\$448.614	\$338.933	\$426.123	\$484.601	\$481.508	\$390.715	\$41.252	-29%

Source: The Bond Buyer



Monthly High Yield Municipal Bond Fund Flows vs. 10-Year AAA MMD
2017 - 2023 YTD





Historical Credit Spreads to MMD

10-Year Maturity
Spreads to AAA MMD

