THE BOND BUYER

City of Chicago, Sales Tax Securitization Corp. win Deal of the Year

By

The Bond Buyer Editorial Board

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The city of Chicago and its Sales Tax Securitization Corporation won The Bond Buyer's 22nd annual Deal of the Year award for its $1.7 billion financing that addressed initiatives related to affordable housing, homelessness support services, environmental justice, and community development.

The issuance, which was the Deal of the Year in the Midwest category, included the city's first social-designated bonds and a cross-credit refunding tender. The ambitious plan of finance came on the heels of the city receiving 10 rating upgrades and three positive outlook revisions in recognition of its financial turnaround, including a return to investment-grade rating after nearly a decade.

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"Our editorial board has chosen a deal that embodies many of the qualities we look for in a Deal of the Year winner," said Mike Scarchilli, editor in chief of The Bond Buyer, at Tuesday's gala. "It's a new type of financing for a traditional area of government. It involved a tender refunding that achieved otherwise unattainable goals. It attracted record-setting interest from non-traditional municipal investors. And it's a substantially transformed issuer, with this impressive transaction serving as the exclamation point at the end of its turnaround story."

The Bond Buyer's editors and senior reporters considered a range of factors when judging entries, including: creativity, the ability to pull a complex transaction together under challenging conditions, the ability to serve as a model for other financings, and the public purpose for which a deal's proceeds were used.

Over 10 separate series of bonds, spanning two credits — Chicago's own general obligation, and that of the Sales Tax Securitization Corporation — the city's $1.7 billion financing supported major themes of the Chicago Recovery Plan. The financing featured the city's first social-designated bonds, which were oversubscribed in retail orders alone, bringing new resources to Chicago neighborhoods that had been grappling with decades of disinvestment and inequality.

The STSC also executed a cross-credit refunding tender of Chicago GOs for additional savings. With a 22% acceptance rate on over $2 billion of bonds tendered, the STSC reduced aggregate debt service costs and achieved net present value savings of over $55 million on the tender series.

The transaction highlights the city's commitment to equitable capital investment intended to create meaningful change in Chicago communities, and its emphasis on utilizing innovative financing alternatives to achieve its mission.

The awards ceremony, held Dec. 5 at Guastavino's in New York City also included, for the 13th year, the presentation of the Freda Johnson Awards for Trailblazing Women in Public Finance. This year marks the ninth in which the organization honored two public finance professionals: one from the public sector and one from the private. The 2023 honorees were Megan Kilgore, city auditor of Columbus, Ohio, and Virginia Wong, partner and practice group leader at Nixon Peabody LLP. Additionally, a new honor, the Excellence in Leadership Award, was presented to Kimberly Lyons, VP-product manager at Moody's Investors Service.

Along with Wong, Kilgore, and Lyons, whose awards were presented by Freda Johnson, 12 other honorees from the public and private sectors were recognized as Trailblazing Women in Public Finance by the Northeast Women in Public Finance at the Dec. 5 gala.

The other finalists for Deal of the Year:

SOUTHEAST REGION
The city of Atlanta's $370 million inaugural issuance of social bonds is the winner in the Southeast. The bonds will fund over 100 infrastructure projects to be delivered by various city departments and represent an intentional collaborative effort to heavily invest in "equity neighborhoods" across the city. The low-cost financing supports socially and environmentally beneficial projects throughout the city that improve equity, safety, and mobility for its citizens, and help provide a more sustainable community.

FAR WEST REGION
In the Far West, the winner is the state of Oregon's $989 million new-money financing for statewide capital funding needs for public safety and emergency preparedness, education facilities and affordable housing. Oregon responded to the unique market environment of sizable mutual fund outflows and heightened

retail investor interest by utilizing a number of proactive marketing measures, including offering $1,000 denominations on not just taxable but also, uniquely, on tax-exempt bonds, to drive retail investor participation.

SOUTHWEST REGION

The City Public Service Board of San Antonio, Texas' $737 million financing is the winner in the Southwest. Following the impacts of 2021's Winter Storm Uri, the city authorized CPS Energy to submit a private letter ruling request to the IRS to permit certain extraordinary — and normally taxable — working capital costs to instead be financed tax-exempt long-term. The IRS concurred with CPS Energy's analysis, resulting in an exception from certain long-term working capital regulations.

NORTHEAST REGION

In the Northeast region, the winner is the $1.76 billion financing for the PennDOT Major Bridges, Package One Project, which consisted of the design, build, financing, and maintenance of six bridges in critical need of replacement across Pennsylvania. Under an availability-based P3 approach, all the bridges were bundled into a single concession agreement. The deal represented the largest single offering of tax-exempt, private-activity bonds for a surface transportation project.

INNOVATIVE FINANCING

The Innovative Financing winner is the state of Connecticut for its "CT Baby Bonds" program, a measure to combat systemic poverty by investing directly in children at birth. After the originally planned $600 million GO bond sale was shelved due to funding concerns, the state substituted an existing bond reserve fund with surety policy, providing multi-year funding assurance for the program, fully funding the CT Baby Bonds Trust up front, while maintaining its commitment to existing bondholders.

SMALL ISSUER FINANCING

The winner in the Small Issuer category is a $208 million deal from Texas' Greater Texoma Utility Authority which supported the engineering and construction of an industrial wastewater treatment facility and the rehabilitation of an existing water treatment plant in Sherman, Texas, to accommodate the arrival of a massive semiconductor fabrication plant. The GTUA bonds will be repaid with contract payments that are an operating expense of the city's water and sewer system.

HEALTH CARE FINANCING

H. Lee Moffitt Cancer Center's $326 million issuance of cigarette tax allocation bonds to fund a 16-million-square-foot campus in Pasco County, Florida, aims to convene the top minds in cancer research and treatment. On pricing day, the state House of Representatives proposed legislative changes to cigarette tax allocations, causing Moffitt to pull the deal. The issuer and its bond insurer then pivoted to a unique structure that secured the critical funding before the end of Florida's legislative session.

ESG/GREEN FINANCING

The ESG/Green Financing winner is the Massachusetts Development Finance Agency's $232 million offering on behalf of the Boston Medical Center, the first designated sustainability bonds in the U.S. for a not-for-profit healthcare organization. BMC's first deal to come to market in six years, the bonds finance expansion projects at several locations that will accommodate increased numbers of patients and address inpatient needs, improve energy efficiency of facilities, and optimize hospital operations.

PUBLIC-PRIVATE PARTNERSHIP FINANCING

The winner in the P3 category is the redevelopment of Terminal 6 at John F. Kennedy International Airport, which will include critical infrastructure improvement to the airport's roadways. The deal's ultimate structure included over $3 billion of taxable term loans and $435 million of tax-exempt bonds, which were privately placed. The financing for this redevelopment was part of the public-private partnership between the Port Authority of New York and New Jersey and a consortium of investors called JFK Millennium Partners.