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Forecasting the Bond Market



BNY MELLON

Forecasting the Bond Market



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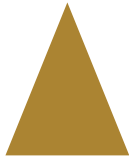
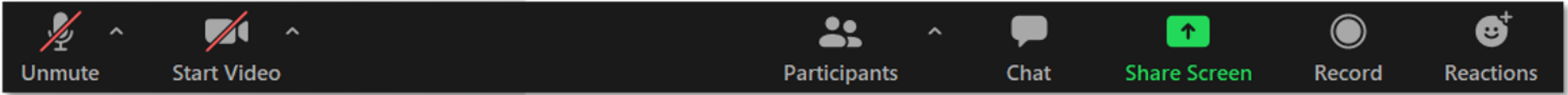
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Forecasting the Bond Market



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Forecasting the Bond Market



Chris Burnham

President
Development Finance Authority of Summit County

Forecasting the Bond Market Based on Recent Market Experience

Presented by



January 17, 2023



Development Finance Authority of Summit County (DFA)

- Political subdivision
- Port authority
- Active conduit bond issuer
- Rated A- by S&P
- Manages a Community Development Entity (CDE) for New Markets Tax Credits, a Certified Development Finance Institution (CDFI) lender and an Energy Special Improvement District (ESID)



Recent Ohio Port Authority Bond Fund Issues

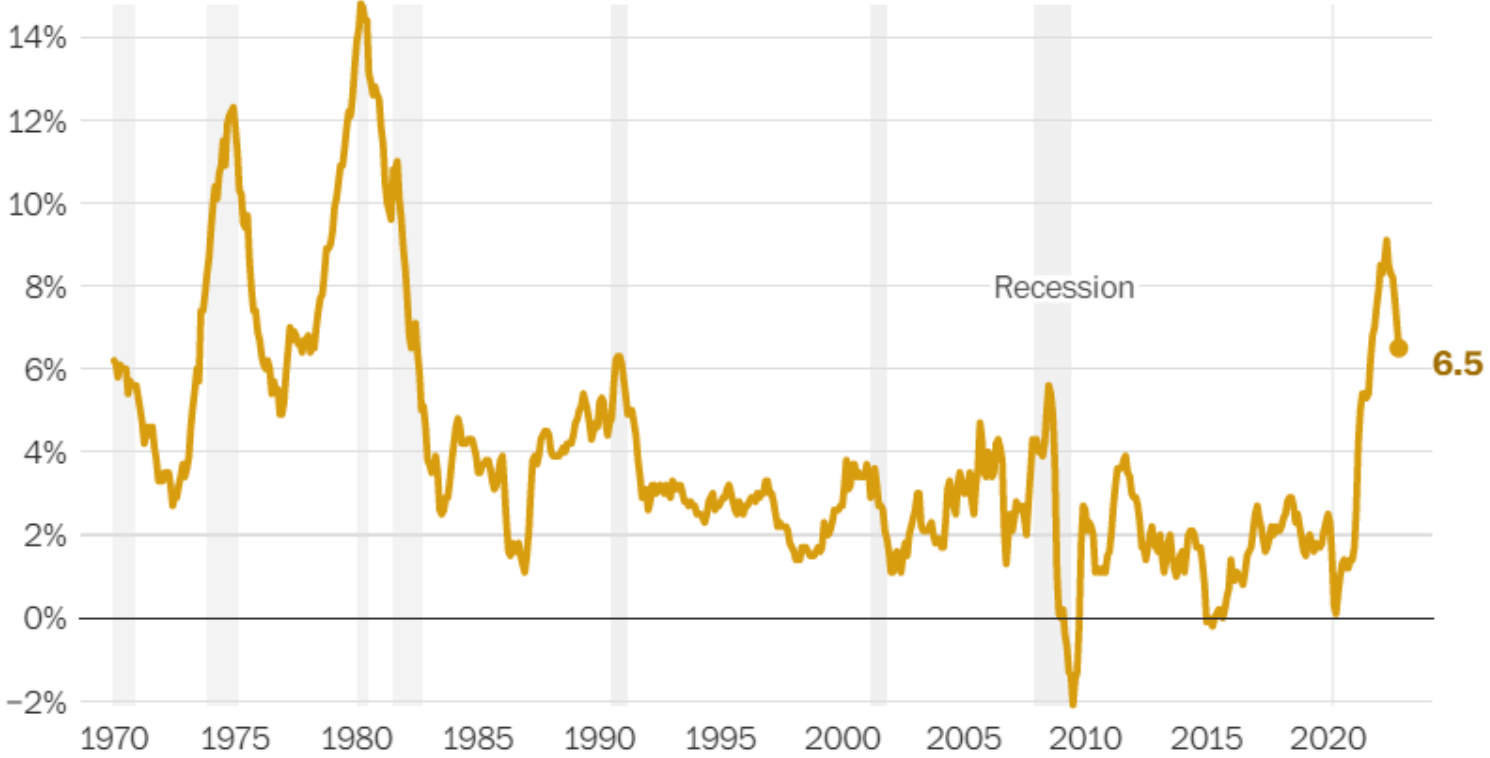
Tax Exempt

Issuer Name	Yield	Dated Date	Term
Port Authority Bond Fund (A-)	2.380%	11/30/2021	15
Port Authority Bond Fund (A-)	3.480%	3/2/2022	15
Port Authority Bond Fund (A-)	4.527%	7/26/2022	30

Taxable

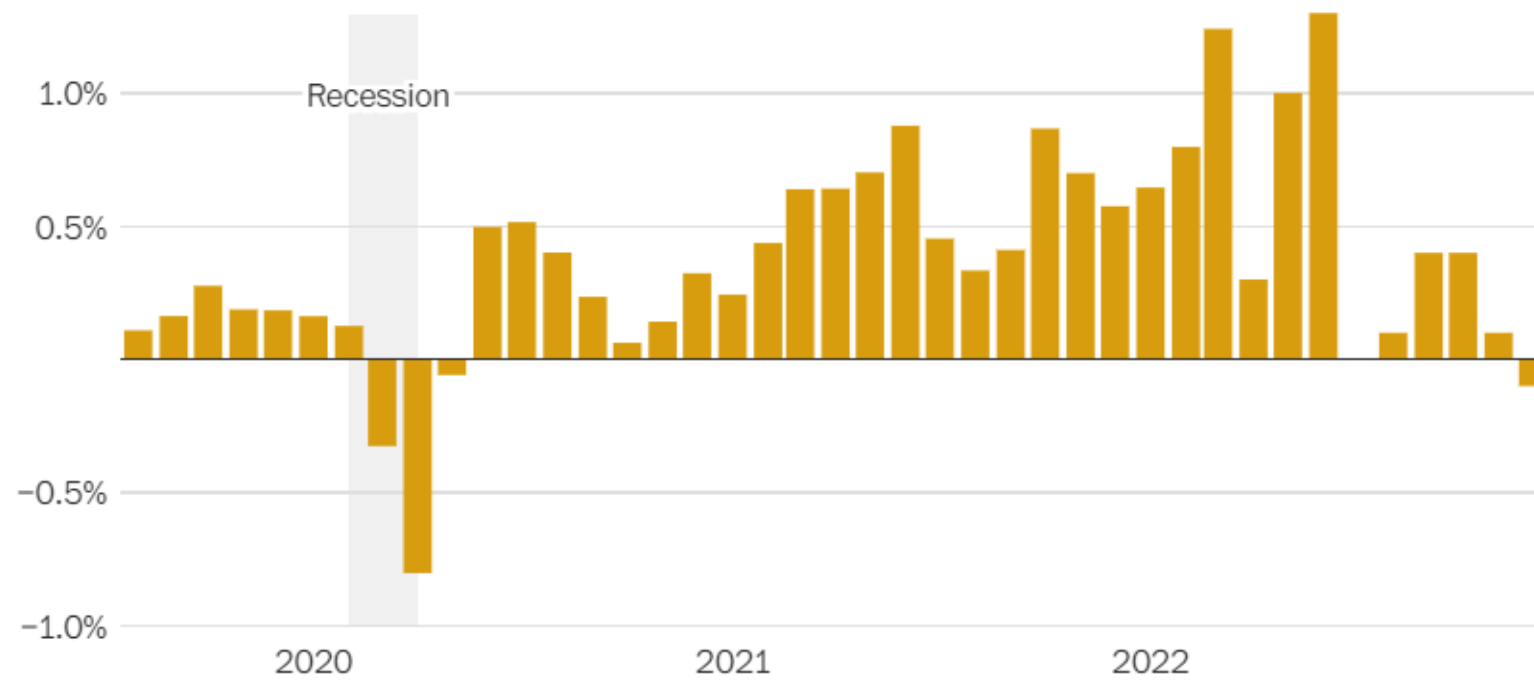
Issuer Name	Yield	Dated Date	Term
Port Authority Bond Fund (A-)	3.125%	10/20/2021	16
Port Authority Bond Fund (A-)	5.110%	5/5/2022	25
Port Authority Bond Fund (A-)	5.100%	9/8/2022	15

Annual inflation rate



Source: Bureau of Labor Statistics

Monthly inflation rate



Note: Seasonally adjusted

Source: Bureau of Labor Statistics

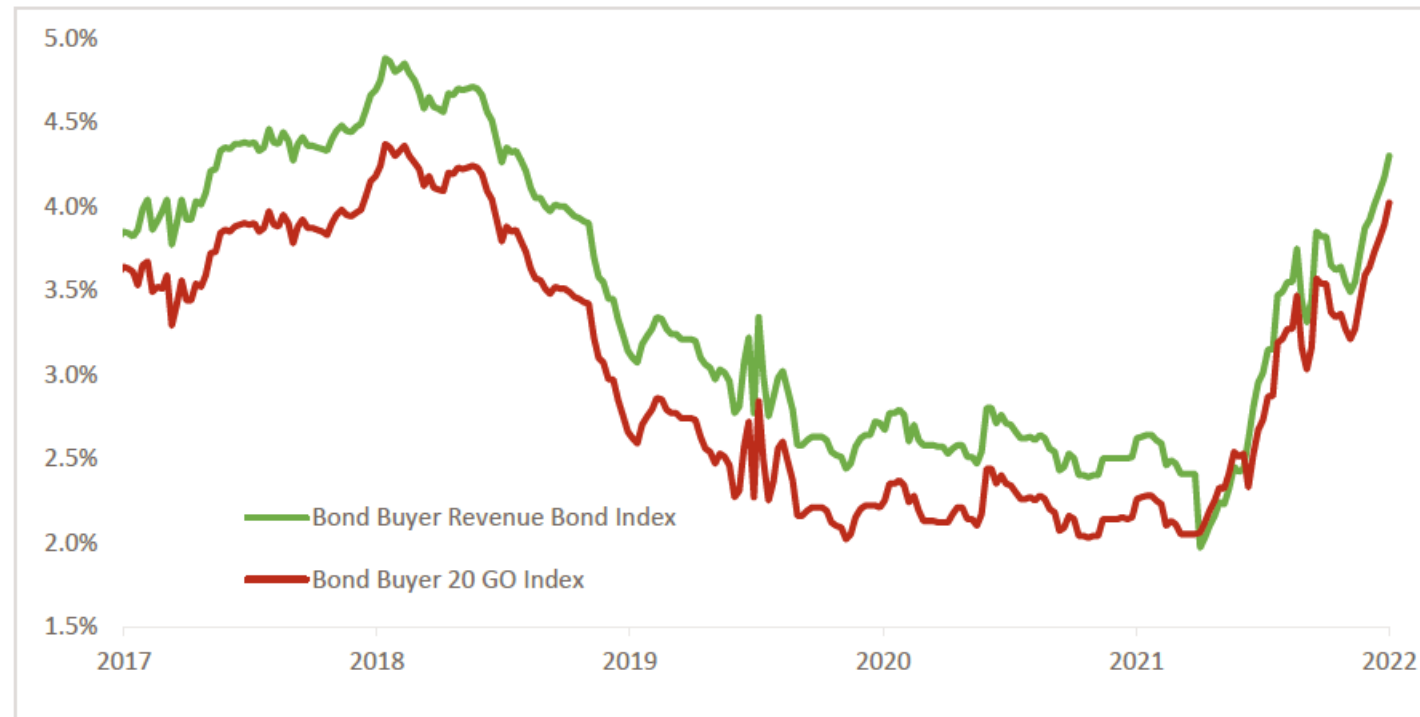
THE WASHINGTON POST

MUNICIPAL MARKET UPDATE 2022 REVIEW



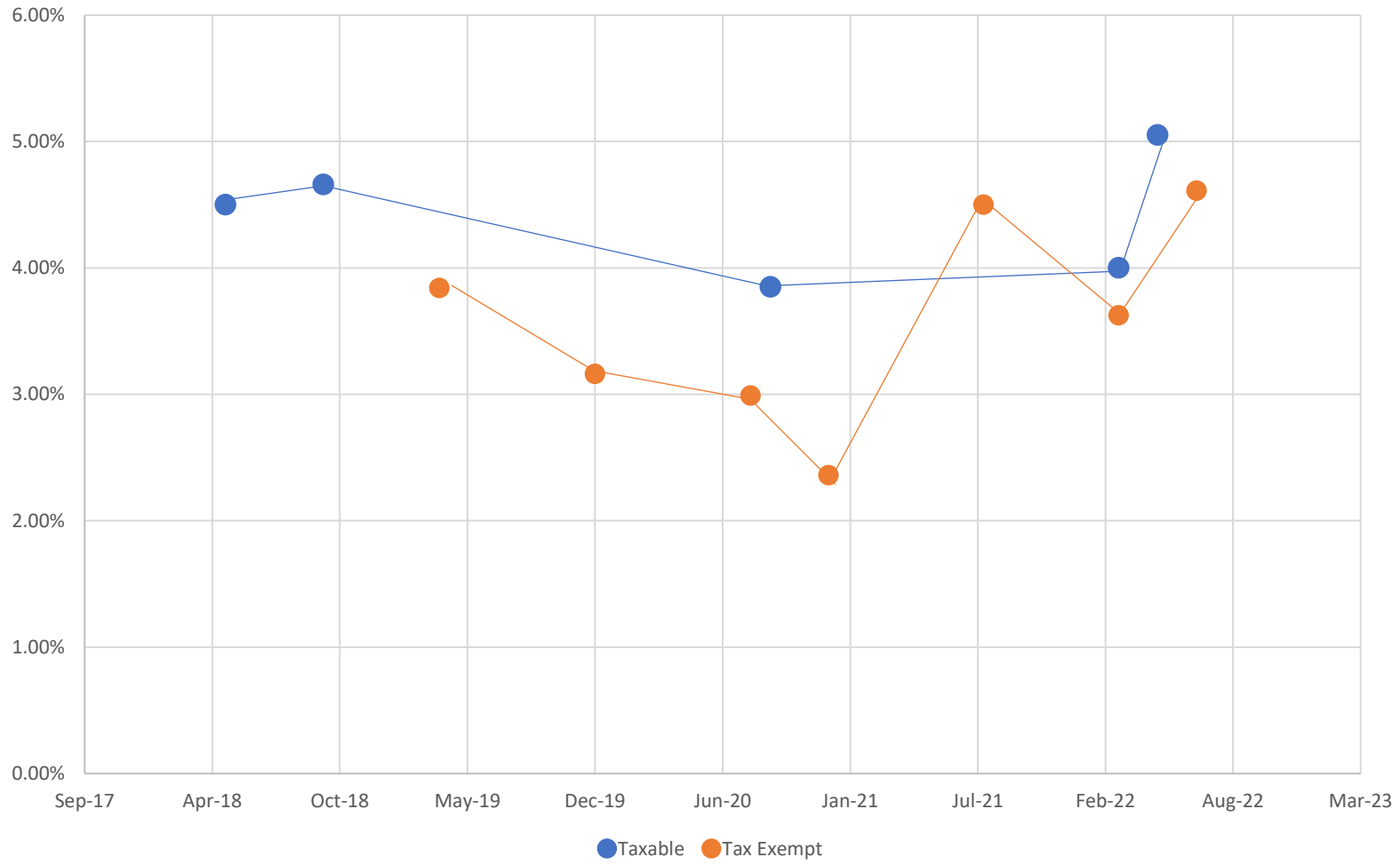
Attracting private capital to Northeast Ohio for public good.

Bond Buyer Index

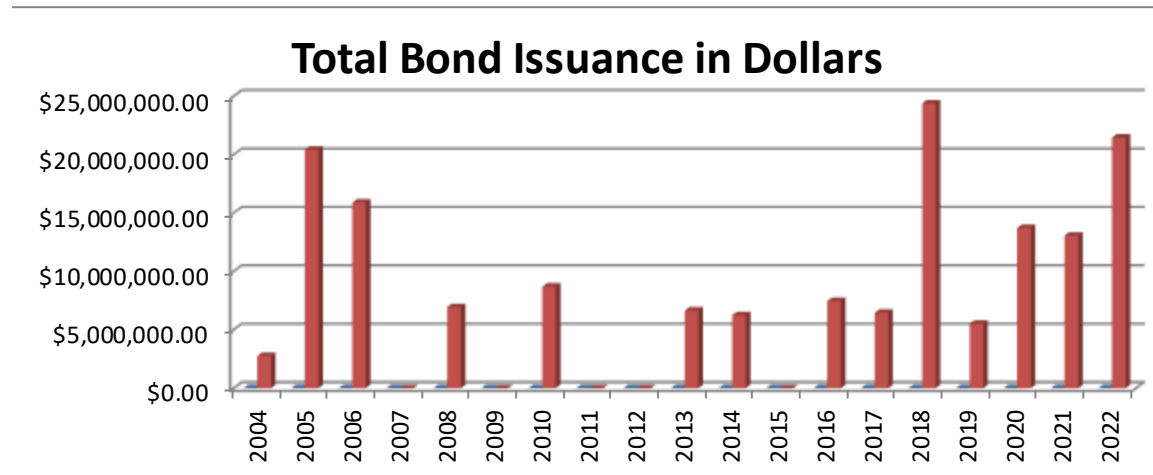
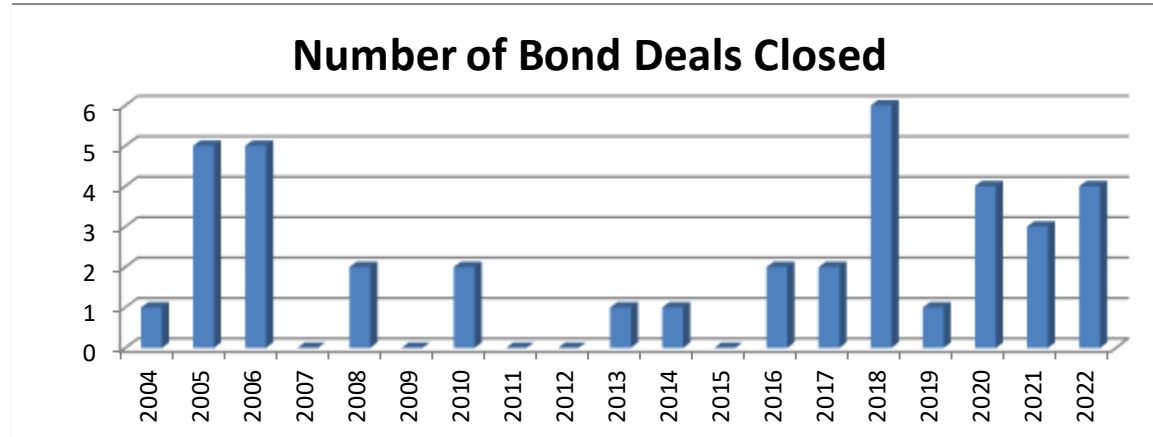


Rates of Bond Issuances 2018-2022

Development Finance Authority of Summit County



2004-September 30, 2022



Average Number of Deals Closed Per Year: 2.052
 Average Total Bond Issuance Per Year: \$8,401,842
 Average Bond Issuance Per Deal: \$4,093,205

Crystal Clinic PACE-May 2018

Par Amount: \$4,100,000
Issuer: Development Finance Authority
Series: 2018C
Security: Special Assessments
Tax-Status: Taxable
Rating: BBB+
Term: 15 years
Method of Sale: Public Offering
Average Coupon: 4.500%



Springhill TIF-October 2018

Par Amount: \$2,940,000
Issuer: Development Finance Authority
Series: 2018
Security: TIF payments
Tax-Status: Taxable
Rating: A-
Term: 25 years
Method of Sale: Private Placement
Average Coupon: 4.660%





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Founder's Park-April 2019

Par Amount:	\$5,510,000
Issuer:	Development Finance Authority
Series:	2019A
Security:	TIF payments
Tax-Status:	Tax-exempt
Rating:	A-
Term:	30 years
Method of Sale:	Public Offering
Average Coupon:	3.84%





Attracting private capital to Northeast Ohio for public good.

Grandview Crossing-August 2020

Par Amount: \$4,100,000
Issuer: Development Finance Authority
Series: 2020
Security: TIF payments
Tax-Status: Tax-exempt
Rating: A-
Term: 30 years
Method of Sale: Public Offering
Average Coupon: 2.99%

STIFEL

HOF Village Hotel II PACE-September 2020

Par Amount: \$2,670,000
Issuer: Development Finance Authority
Series: 2020C
Security: Special Assessments
Tax-Status: Taxable
Rating: A-
Term: 20 years
Method of Sale: Private Placement
Average Coupon: 3.850%

KeyBanc
Capital Markets
The logo for KeyBanc Capital Markets features the word "KeyBanc" in a bold, black, sans-serif font, with "Capital Markets" in a smaller, black, sans-serif font below it. To the left of the text is a red icon of a key with a white cross in the center of its head.



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Brookside Norton-August 2021

Par Amount:	\$3,220,000
Issuer:	Development Finance Authority
Series:	2021
Security:	TIF payments
Tax-Status:	Tax-exempt
Rating:	Unrated
Term:	22 years
Method of Sale:	Public Offering
Average Coupon:	4.5%





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Toledo Innovation Center-March 2022

Par Amount: \$6,350,000
Issuer: Development Finance Authority
Series: 2022A
Security: Project revenue assignment
Tax-Status: Taxable
Rating: A-
Term: 20 years
Method of Sale: Private Placement
Average Coupon: 4.000%



City of Akron Ocasek Muni Court Building PACE March 2022

Par Amount: \$7,350,000
Issuer: Development Finance Authority
Series: 2022B
Security: Special Assessments
Tax-Status: Tax Exempt
Rating: A-
Term: 25 years
Method of Sale: Public Offering
Average Coupon: 3.625%





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Peoples Services PACE-May 2022

Par Amount: \$3,815,000
Issuer: Development Finance Authority
Series: 2022C
Security: Special Assessments
Tax-Status: Taxable
Rating: A-
Term: 24 years
Method of Sale: Private Placement
Average Coupon: 5.05%



Rohr Road TIF-July 2022

Par Amount: \$4,000,000
Issuer: Development Finance Authority
Series: 2022D
Security: TIF payments
Tax-Status: Tax Exempt
Rating: A-
Term: 30 years
Method of Sale: Public Offering
Average Coupon: 4.61%





Sample of Direct Bond Placements

Attracting private capital to Northeast Ohio for public good.

Project: Lawrence Schools
Par Amount: \$6,649,838
Issuer: Development Finance Authority
Series: 2019
Purchaser: Key Government Finance
Security: As prescribed by lender
Tax-Status: Tax exempt
Rate: 3.16%
Term: 16 years

Project: Akron Urban League
Par Amount: \$2,750,000
Issuer: Development Finance Authority
Series: 2019
Purchaser: County of Summit*
Security: As prescribed by lender
Tax-Status: Tax exempt
Rate: 2.63%
Term: 10 years
*Non-profit Buyer

Project: Western Reserve Academy
Par Amount: \$17,742,000
Issuer: Development Finance Authority
Series: 2020
Purchaser: First National Bank of Pennsylvania
Security: As prescribed by lender
Tax-Status: Tax exempt
Rate: 2.316%
Term: 15 years

Project: County of Summit Series 2021A
Par Amount: \$4,540,000
Issuer: Development Finance Authority
Series: 2021
Purchaser: PNC Bank
Security: As prescribed by lender
Tax-Status: Tax exempt
Rate: 1.445%
Term: 9 years

Chris Burnham, President

- Chris Burnham has over 30 years development and finance experience in both the public and private sectors focused in the Greater Akron area. Chris was hired as the first president of the Development Finance Authority in 2000.
- Chris can be reached at 330.762.4776 or www.chris.burnham@developmentfinanceauthority.org

www.developmentfinanceauthority.org

Forecasting the Bond Market



John Hallacy III

President
John Hallacy Consulting LLC



BNY Forecasting the Bond Market

CDFA

01/17/22

Presentation by John Hallacy, John Hallacy Consulting LLC

Federal Reserve & Interest Rate Outlook

- The Fed tightened interest rates for most of 2022 with the goal of bringing inflation back down from very high levels to the 2% target.
- There are expectations that rate hikes will continue in this year.
- Many Fed watchers now expect the next two increases will be 25 bps each.
- The terminal rate will be in excess of 5%. Some think 6% may be necessary.
- Many pundits are suggesting there will be a pause in the tightening cycle.
- The Fed itself has suggested it is too early for a pause or an easing.
- In addition, the Fed is unwinding the quantitative easing monthly.

Federal Reserve & Interest Rate Outlook

- Municipal Rates track the equivalent Treasury rates by maturities.
- However, municipal rates are also determined to a great degree by the balance of supply and demand.
- There are times when Municipals are not as highly correlated to the Treasury market.
- We are currently experiencing an inverted yield curve where short rates are higher than long rates in the market.
- An inverted yield curve is often viewed as a harbinger of a recession.
- Most economists see a recession in 1H of 2023.

Federal Reserve & Interest Rate Outlook

- There are varying opinions whether such a recession will be shallow or deep.
- The labor market and wages have been holding up quite well.
- Unemployment is at a record low at 3.5%.
- The Fed has said publicly that monthly employment should slow to 100,000 versus over 200,000 in order to combat inflation.
- The Fed walks the fine line to wrest inflation under control and to not intentionally cause the onset of a recession.
- Given the range of expectations about rates, municipal market strategists see volume in the range of \$350B to \$500B for 2023.
- My estimate is \$400 billion + or - \$25 billion

Pandemic Recovery

- Many believe that the pandemic is behind us.
- However, new variants are constantly being created with unknown consequences.
- Major tax revenues that were affected rebounded rapidly.
- American Recovery Act funds have been spent or committed to a great degree.
- We are now starting to see some budgetary imbalances emerging once again.
- Ratings were more stable through the pandemic than expected due largely to the assistance of the federal government.

Pandemic Recovery

- Many observers believe that given the new Congress, there will be less direct support for state and local programs.
- One caveat is that the infrastructure support from the federal level is beginning to flow in a more meaningful way this year.
- Some of the major projects that are being funded include the Brent Spence Bridge, Ohio & KY; Calcasieu River Bridge, LA; Gateway Tunnel, NY & NJ; and the Golden Gate Bridge.
- A road near you is soon to be affected given the large size of the program at \$1T+

New Federal Legislation

- The new Congress that was just seated will have a great influence on policy.
- The Debt Ceiling will require action this year. The tradeoff between a higher ceiling and programmatic cuts is on the table. Serious discussions should start relatively soon. Treasury Secretary Yellen has stated that extraordinary measures should get us to June.
- You will recall the downgrade of the USA in 2011 by S&P.
- Avoiding a federal default should be of paramount importance.
- We may be forced to revisit the sovereign ceiling discussion.
- The next federal budget will have much more of a focus on spending priorities with more of a focus away from domestic programs.

New Federal Legislation

- Many of the provisions sought by the municipal industry have been a lower order of priority for Congress.
- Given there will be gridlock in Congress, many pundits believe there will not be any changes in tax policies.
- The Financial Data Transparency Act of 2022 was enacted in December.
- Data standards will be required to include format, searchability, & transparency.
- Data and reporting needs to be in “machine readable format”. The SEC will be developing guidelines.
- Compliance with the Act is mandated by 2027.

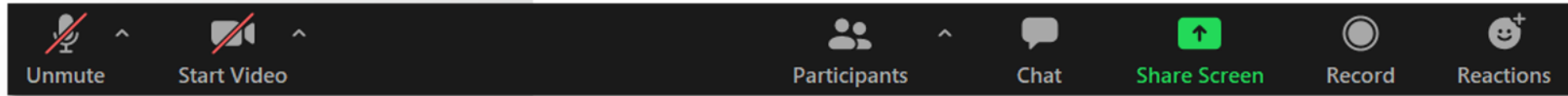
New Federal Legislation

- Many other factors including climate change, lower carbon usage and other topics continue to exert pressure.
- The new Congress may be less receptive to regulating some of these areas.
- State & Local governments will need to function with less federal government support.
- Credits are stable through this cycle until some of these changes take hold.

Conclusion

- Inflation is decreasing slowly
- More Fed hikes are on the table
- The economy continues to perform well with low unemployment and better than average wage gains
- The inverted yield curve has staying power
- Recession? Shallow or Deep? 1st Half or later
- Federal priorities are changing
- We should raise the debt ceiling and avoid a federal default but at what cost?
- Fixed Income attracts more buyers given equities will produce lower returns than in years past
- Labor demands are on the rise and pension funds will have difficulty meeting their return targets
- Credits are relatively stable.

Audience Questions



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January 25-26, 2023 // 12:00 - 5:00 PM Eastern

SSBCI Learning Series - Compliance: Program Reporting Requirements

Thursday, February 16, 2023 // 2:00 - 4:00 PM Eastern

CDFA // BNY Mellon Development Finance Webcast Series: P3 Financing Approaches for Broadband Infrastructure

Tuesday, February 21, 2023 // 2:00 - 3:00 PM Eastern

CDFA Food Systems Finance Webinar Series: Bonds & Food Systems

Tuesday, February 28, 2023 // 2:00 - 3:30 PM Eastern

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