SPEER FINANCIAL, INC.

NEWSLETTER
MAY 2020

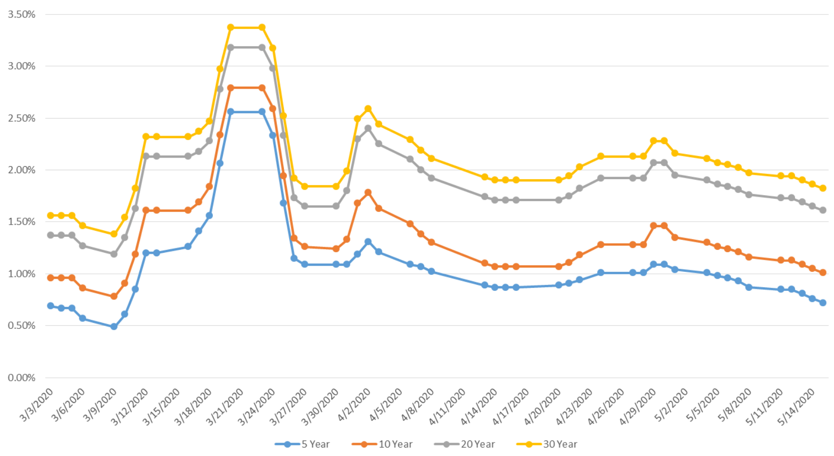
In this Issue: Municipal Market Update, Effects of COVID-19 and Disclosure, Speer's Chicago Office Moves, 2020/2021 Illinois Park District Rollover Bond Season, Iowa Issuers Can Save Money by Planning Ahead

MUNICIPAL MARKET UPDATE

THE COVID-19 DISRUPTION

In mid-March of 2020, the municipal bond market experienced an unprecedented disruption due to the fallout from the COVID-19 pandemic. Beginning the week of March 9, 2020, municipal interest rates increased from their historic lows by over 150 basis points through the week of March 23, 2020.

AAA MMD YIELDS: MARCH 3 - MAY 15, 2020

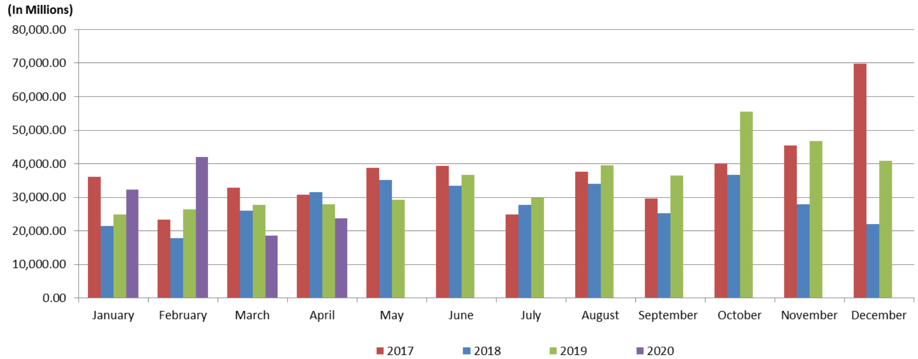


Rates are as of 3pm EST on the date listed. Yields represent the fair market offer side for most liquid and available credits in each ratings category as determined by MMD. The above data was provided by Thomson Reuters Municipal Market Data.

What followed this historic run up in rates was extreme volatility in the municipal market, with interest rates falling drastically the last week of March and then increasing again in early April. Many municipal issuers reacted to this market disruption by pulling or postponing their planned bond sales.

Municipal bond issuance in March and April of 2020 dropped dramatically from the level of issuance experience in January of February of 2020. Year over year, March issuance dropped over 33% from 2019 to 2020 and April issuance dropped nearly 15% from 2019 through 2020.

LONG-TERM MUNICIPAL BOND ISSUANCE



Source: The Bond Buyer, 5/18/2020

EFFECTS OF COVID-19 AND DISCLOSURE

With the COVID-19 pandemic, many local governments are faced with financial challenges, most of which are still in a very preliminary stage. The regulatory authorities are urging issuers and obligors to voluntarily disclose current and projected impacts of COVID-19 on their financial and operating condition. This voluntary disclosure can be made on either the Electronic Municipal Market Access ("EMMA") website or on the issuer's website. If the information is posted on both EMMA and on the issuer's website, then it must be the same information.

Issuers should note that there is no requirement for them to make a voluntary disclosure. In addition, there are litigation or enforcement risks associated with such disclosures if information proves to be inaccurate. If you have questions or believe you have a disclosure filing, please consult your legal counsel or municipal advisor for assistance.

2020/2021 ILLINOIS PARK DISTRICT ROLLOVER BOND SEASON

Speer Financial, Inc. ("Speer") works with over 80 park district and forest preserve district clients in the State of Illinois. An integral part of many of our clients financial model is the issuance or reoccurring non-referendum general obligation park bonds or general obligation limited tax park bonds. These bonds are often referred to as "rollover bonds." Rollover bonds can be issued by Illinois park districts without referendum approval as long as they are issued within each districts applicable constraints.

Flexibility in the Use of Proceeds: With the recent impact of COVID-19 on park districts in Illinois, carefully planning how every dollar is spent is critical. This includes the evaluation of how bond proceeds from the issuance of rollover bonds can be used to help support each districts financial strategies. Park districts should contact their bond counsel and their independent financial advisors to evaluate how rollover bond proceeds can be used to appropriately increase budget flexibility. Below is a non-exclusive list of ideas that may or may not be applicable to each individual park district:

- *Issuing Rollover Bonds on a taxable basis for working capital*
- *Issuing Rollover Bonds on a tax-exempt basis and using bond proceeds to pay current obligations due which were previously secured with operating funds.*
- *Appropriately utilize accumulated fund balance reserves in the debt service fund.*
- *Restructuring long term non-referendum general obligation park bonds or general obligation limited tax park bonds to reduce current debt service requirements.*

IOWA ISSUERS CAN SAVE MONEY BY PLANNING AHEAD

The State Revolving Fund (SRF) administered by the Iowa Finance Authority (IFA) offers low cost financing options to cities and counties in Iowa for water and sewer projects. General obligation or revenue loans are available at an interest rate of 1.75% plus 0.25% annual administration fee on outstanding principal for 20-year loans. This option of financing does not require a debt service reserve fund and a low 1.10x coverage factor for revenue issuances. Following the passage of the Dodd-Frank Act in 2010, the IFA authority requires the Issuers use a Municipal Advisor, like Speer Financial. We believe this has led to better financial gathering ahead of the loan process and good communication with the issuer's board or council explaining the repayment terms and fee/property tax increases. The SRF has agreed to $4,000 of loan forgiveness for the fee paid to Municipal Advisors by the Issuers. Project sizes range from as small as $100,000 to $15 million in some communities.

Planning ahead is the key to the SRF loan program. The Iowa Department of Natural Resources (DNR) oversees the project approval process which takes at a minimum 3 months. Engineers apply to the Intended Use Plan (IUP) quarterly which goes through outlined steps of review, public hearings and approvals by the DNR, who confirm the project will "better" the water quality or clean water of the borrower's utility system. Eligibility on the IUP list is up to three years without further review needed, so communities, once approved, can begin planning and design steps outlining the best time of year to put their project out to bid.

Low cost financing is the mission of this program and although today's interest rates are low, this program offers many other benefits to small and first time Issuers for projects that may be mandated by the DNR and have to be completed by a certain deadline. Timing has proven more than once to make or break an SRF loan, so we do remind you the capital improvements planning should always include the type of water and sewer projects the SRF funds.

WE'VE MOVED

After 20 years at our One North LaSalle location, Speer's Chicago office has moved to 230 West Monroe, Suite 2630. Although only a couple blocks away from our old office, the Speer team is excited to be moving into a newer and revitalized office space.

Effective May 1st, we are now operating out of our new office. Our team did a great job coordinating the move, and we'd like to thank them for how smooth it went during the COVID-19 pandemic. Our team is currently working from home but when we're back in the office we'd love to give you a tour of our new space.