



Providing Direction
Producing Results

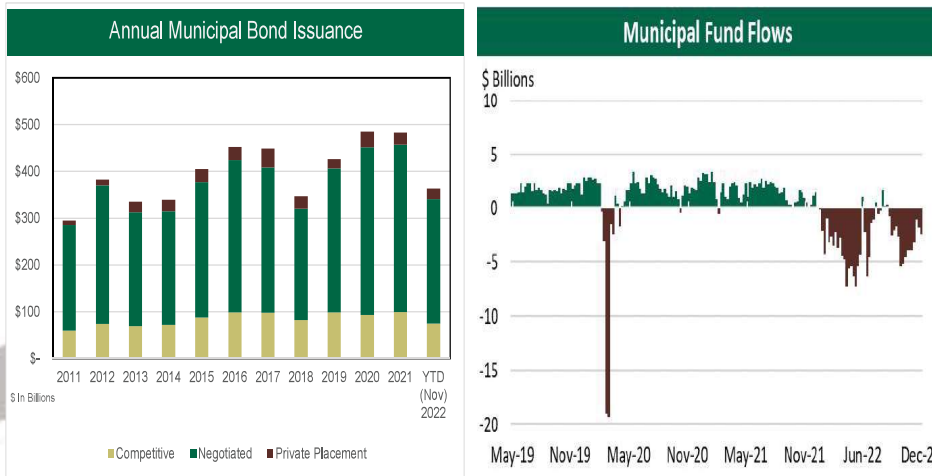
Newsletter | January 2023

2022 was a bumpy ride!

2022 brought tremendous change to the bond market. The year was highlighted by the Fed’s swiftest tightening of U.S. monetary policy in 40 years. The Fed Funds rate began at .08% in January and swelled to 4.33% in December 2022. The increases to the Fed Funds rate created ongoing volatility throughout 2022, which impacted overall bond supply and demand. Overall supply was down year over year and mutual funds consistently sold off bonds throughout the year. As we head into 2023, all the attention will be on the Fed as they set the course for the municipal marketplace.

What lies ahead for 2023?

If the Fed eases tightening in early 2023, the municipal bond market may rally lowering borrowing costs for issuers. Municipal bonds have a history of stability due to strong credit ratings and typically outperform other asset classes in a down market or recession. If fund outflows begin to abate and supply remains low in 2023, issuers may find a cooperative market to issue bonds in 2023. If inflation remains stubbornly high, however, and continues to exceed the 2% Fed target range, the Fed may find justification to continue its restrictive monetary policy well into 2023. Any additional restrictive fed monetary policy above expectation in 2023 could create ongoing market volatility.



Source: SIFMA, Dec 2022

Please contact a Minnesota Northland public finance professional with any questions about how Northland can serve your community.

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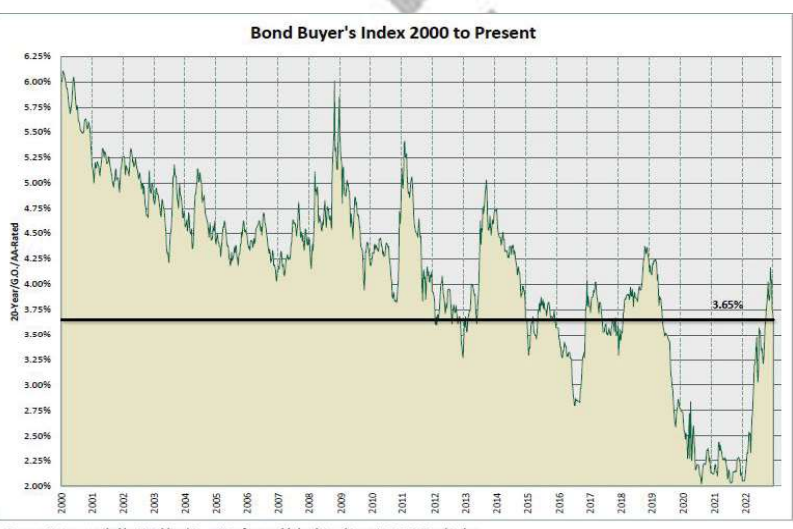
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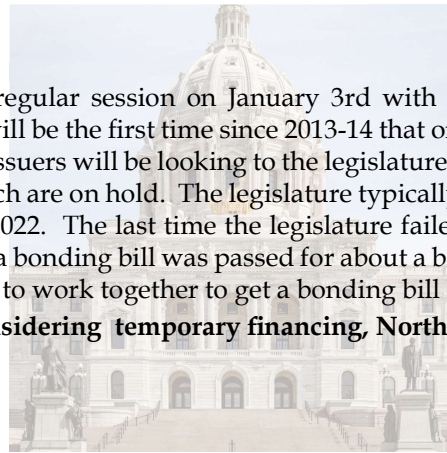


Source: Data compiled by Northland Securities from published Bond Buyer's GO 20-Bond Index

Municipal bond rates still remain low by historical standards.

Bonding Bill in 2023?

The Minnesota legislature will begin its regular session on January 3rd with the Democratic-Farmer-Labor Party holding a narrow governing majority. It will be the first time since 2013-14 that one party has a trifecta majority. With no bonding bill in 2022, local government issuers will be looking to the legislature to pass a bonding bill to fund capital projects throughout the state, many of which are on hold. The legislature typically passes a larger bonding bill in even years, which obviously didn't happen in 2022. The last time the legislature failed to pass a larger bonding bill in an even year was in 2016. The following year a bonding bill was passed for about a billion dollars. Bonding bills require a 2/3 majority vote so both parties will need to work together to get a bonding bill done. **If your project is on hold due to a delayed bonding bill and you are considering temporary financing, Northland can help! Give us a call today.**



Bond Rates:

Estimated Level Debt Service \$1,000,000 Assuming Average BQ Bond Rates as of 12/14/2022

Years	Final Maturity	AAA		AA		A	
		Average Coupon	Annual Debt Service	Average Coupon	Annual Debt Service	Average Coupon	Annual Debt Service
5	2027	2.62%	\$215,991	2.91%	\$217,794	3.18%	\$219,478
10	2032	2.78%	\$115,918	3.20%	\$118,430	3.30%	\$119,032
15	2037	3.44%	\$86,455	3.75%	\$88,376	3.74%	\$88,314
20	2042	3.76%	\$72,027	3.93%	\$73,126	3.91%	\$72,997
30	2052	4.01%	\$57,900	4.18%	\$59,101	4.20%	\$59,243

Source: Bloomberg, Dec 2022

MCFOA Conference - March 21-24 in St. Cloud

Northland is very excited to present, "Financing Options for Your City: Implementing the CIP Process Step by Step" at the MCFOA conference. This session will identify the various options for financing capital improvement projects and provide guidance on how to evaluate the different options. We'll look at how bonding impacts the CIP with a focus on estimating the amount of debt, structuring the debt, the term, and statutory factors. We'll talk about the management of existing debt and accounting for other revenue sources. Specific time will be spent on understanding why it's important to update a CIP annually and how it factors into the rating process. The information in the session will be relevant for cities of all sizes. [We'll see you there!](#)



"And it looks like it's gonna be a looong winter"

- Charlie Brown

Northland's Public Finance Group specializes in the public finance needs of municipalities and governmental agencies across the Upper Midwest and in Colorado. Our public finance professionals bring a depth of experience and attentive service that navigates our clients through the complexities of local government finance and economic development. Our mission is to "provide direction and produce results." Northland Public Finance is committed to developing long-term client relationships by providing sound advice, creative solutions, and the desired results.



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- Tax Abatement Programs
- Pro-Forma Analysis
- Development Agreement Negotiation
- Special Service Districts
- Housing Improvement Areas

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- User Fee Studies
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