

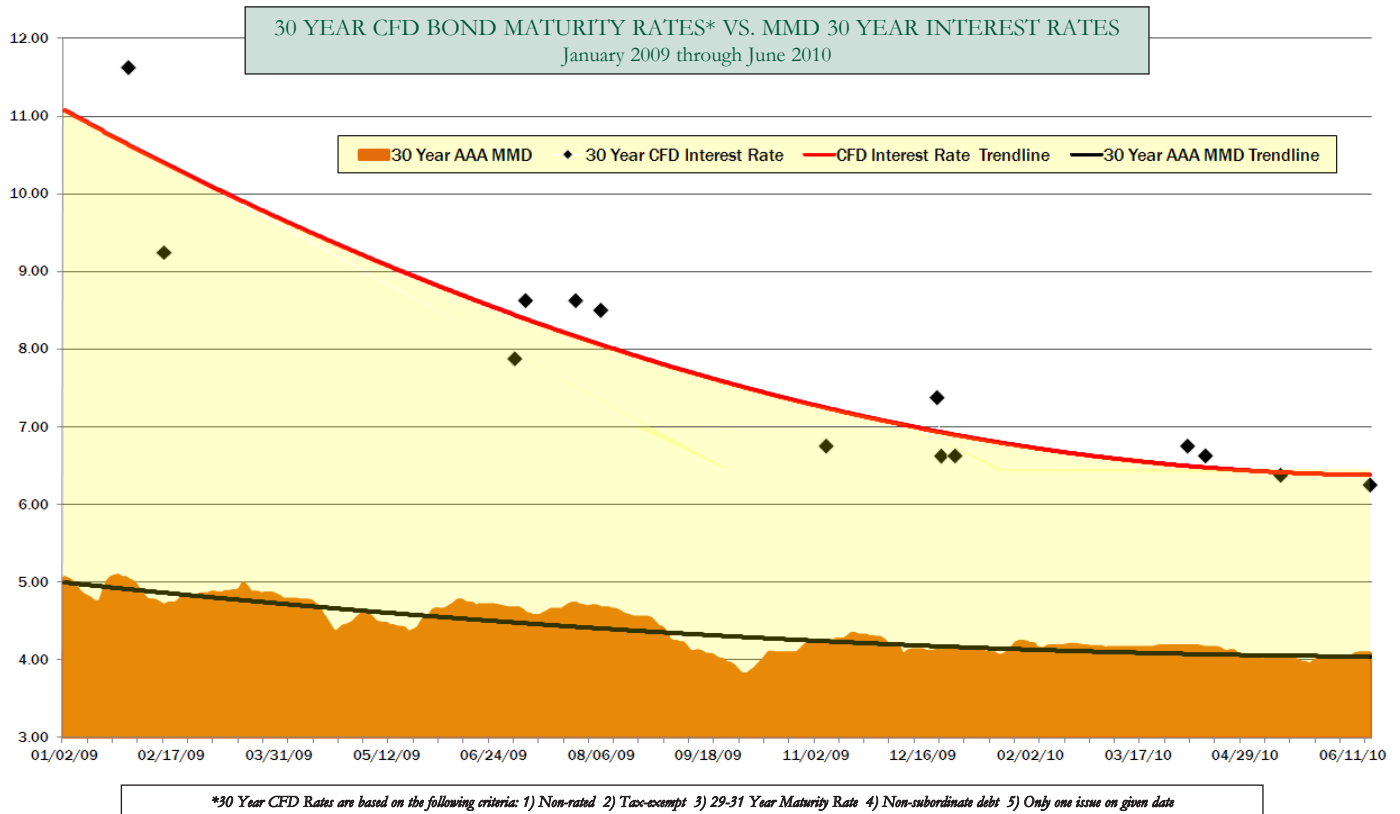
TRENDS IN CFD ISSUANCE

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CFD bond issuance has continued to be significantly lower than in prior years. In 2009 twenty-four stand alone CFD bonds sold and closed. To May 15 CDIAC lists eight CFD bonds as being sold in calendar year 2010.

Interest rates on CFD bonds have declined significantly from the peak of early 2009. Low supply of non-rated bonds and increasing investor confidence in bonds primarily secured by developed property special tax revenues have lead to recent 30 year interest rates of 6.25%-6.50%. The graph below indicates nominal rates and spread of the MMD for CFDs over the last 18 months.

In the near future, CFD bonds will be sold by districts previously formed with moderate to high development and current special tax revenue based on units sold, occupied or under construction. CFD bond buyers are more focused on project momentum, current special tax revenue derived from developed units and the level and timing of development, rather than focusing on value-to-lien as a primary credit indicator. Bonds sold have reduced net proceeds compared to historic precedent. The median size of CFDs sold in 2010 is approximately \$10 million, with about one-half of the issues having less than \$5 million in net proceeds. ♦



* The information in this newsletter is intended to be general in nature. The facts and circumstances of each agency are different. Seek specific advice before implementing any recommendation. For reprint permission contact Tom Johnsen at (949) 660-7311.