Speer Financial, Inc.

INDEPENDENT MUNICIPAL ADVISORS ESTABLISHED 1954

Muni Bond Newsletter

February 2017

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THE FUTURE OF MCDC

The Securities and Exchange Commission ("SEC") has shifted its focus from issuers and underwriters who participated in the Municipalities Continuing Disclosure Cooperation ("MCDC") initiative to issuers and underwriters who did not participate. The SEC does not plan to recommend further enforcement actions against additional parties, that participated, under the initiative. The SEC feels that the goals of MCDC were met. The purpose was to raise the level of awareness of continuing disclosure problems in the municipal market and to provide improvements in continuing disclosure for market participants. Instead, the SEC will now focus on those issuers and underwriters who have committed violations but did not voluntarily self-report under the initiative.

Issuers and underwriters who did not voluntarily self-report are seen as high risk for future violations. This includes those issuers or underwriters who were reported under the MCDC initiative but who did not self-report their violations.

Issuers who voluntarily self-reported their violations under the initiative did not have to pay fines. Those issuers agreed to establish written policies and procedures, to conduct periodic training to ensure compliance, to designate an individual to be responsible for ensuring that they are in compliance with their continuing disclosure policies and procedures, to designate an individual to implement and maintain records of the issuer's disclosure training, and to disclose the settlement in future offering documents to market participants.

Underwriters that settled, paid penalties which were based on their size and the number of violations. The penalties did not exceed $500,000. In the settlement, the underwriters agreed to hire an independent consultant responsible for analyzing the underwriters' policies and procedures and for providing a detailed report with policy recommendations or changes to the underwriters.

Property Tax Freeze Legislation in the State of Illinois

Illinois Governor Bruce Rauner introduced the concept of a statewide property tax freeze as part of his initial turnaround agenda. Currently, 39 of the 102 counties in Illinois, representing are subject to the Property Tax Extension Limited Law ("PTELL"). PTELL limits the growth of property taxes by capping the total dollar amount that certain property taxes may increase from year to year to the lesser of 5% or the increase in the Consumer Price Index ("CPI") plus any new property added to the tax rolls. PTELL also caps the amount of tax a district can levy for non-referendum bond debt service to the amount equal to the taxes extended for non-referendum bonds debt service on the 1994 levy or the year PTELL was voted in (known as the Debt Service Extension Base or "DSEB"). Beginning with levy year 2009, the DSEB grows each year by the lesser of 5% or the increase in the CPI. PTELL currently does not supersede home rule powers and thus only affects the non-home rule entities within the 39 counties.

Numerous bills have been introduced by the Illinois House and Senate which effectively extend PTELL to the remainder of the taxing districts throughout the State. Senate Bill 318, which was passed by the Illinois Senate in August of 2015, would have imposed PTELL statewide for two years, setting the extension limited rate to 0% and allowing certain exemptions for public safety purpose extension. House Bill 696 was passed by the Illinois House in April of 2016 and included a permanent freeze, but exempted home rule units of government. In November of 2016, House Bill 6630 included legislation that would expand PTELL to all counties statewide and permanently freeze property taxes by setting the extension limitation to 0%, similar to House Bill 696 except it included home rule units of government.

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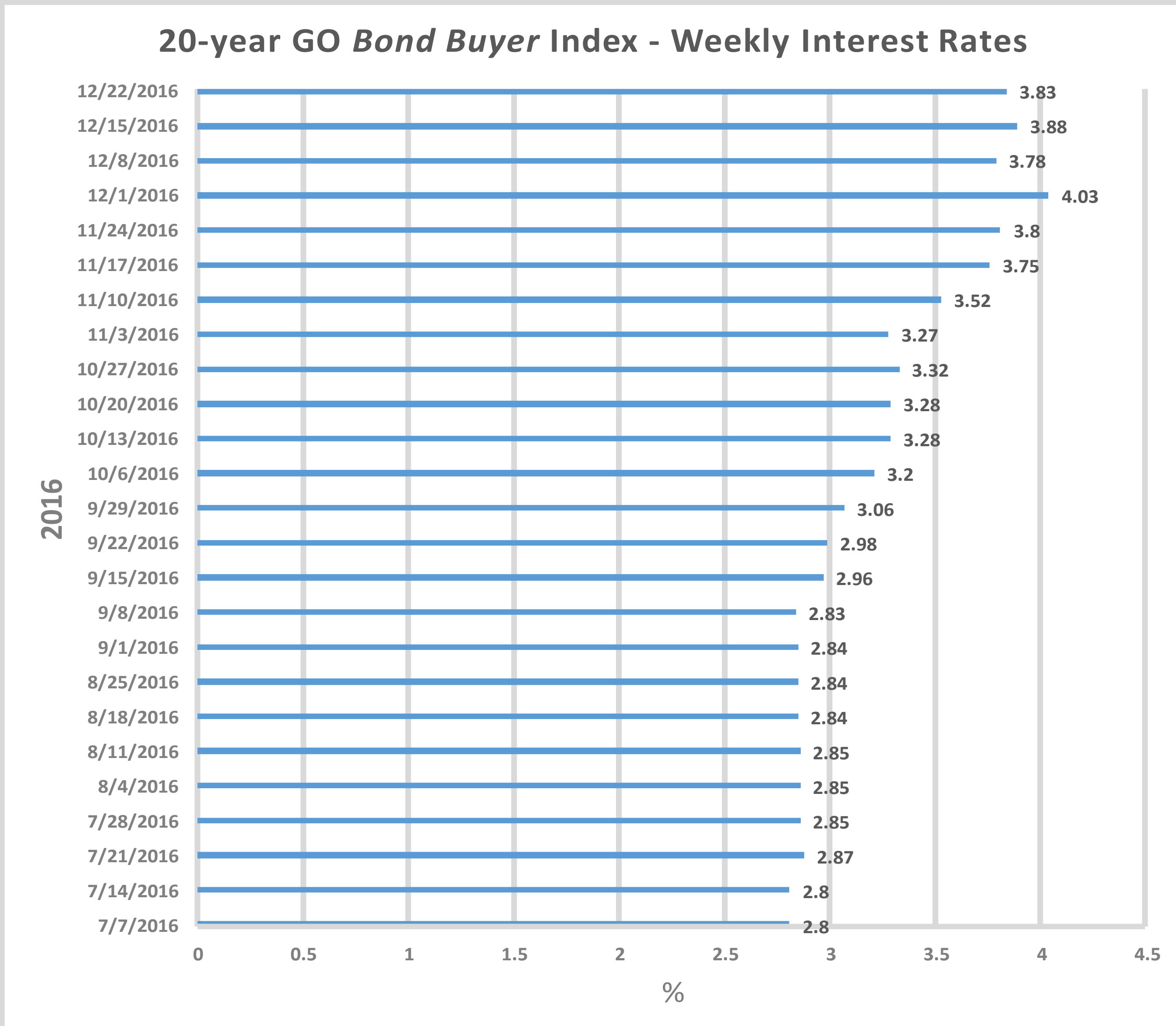
BOND BUYER INTEREST RATES YEAR-END 2016

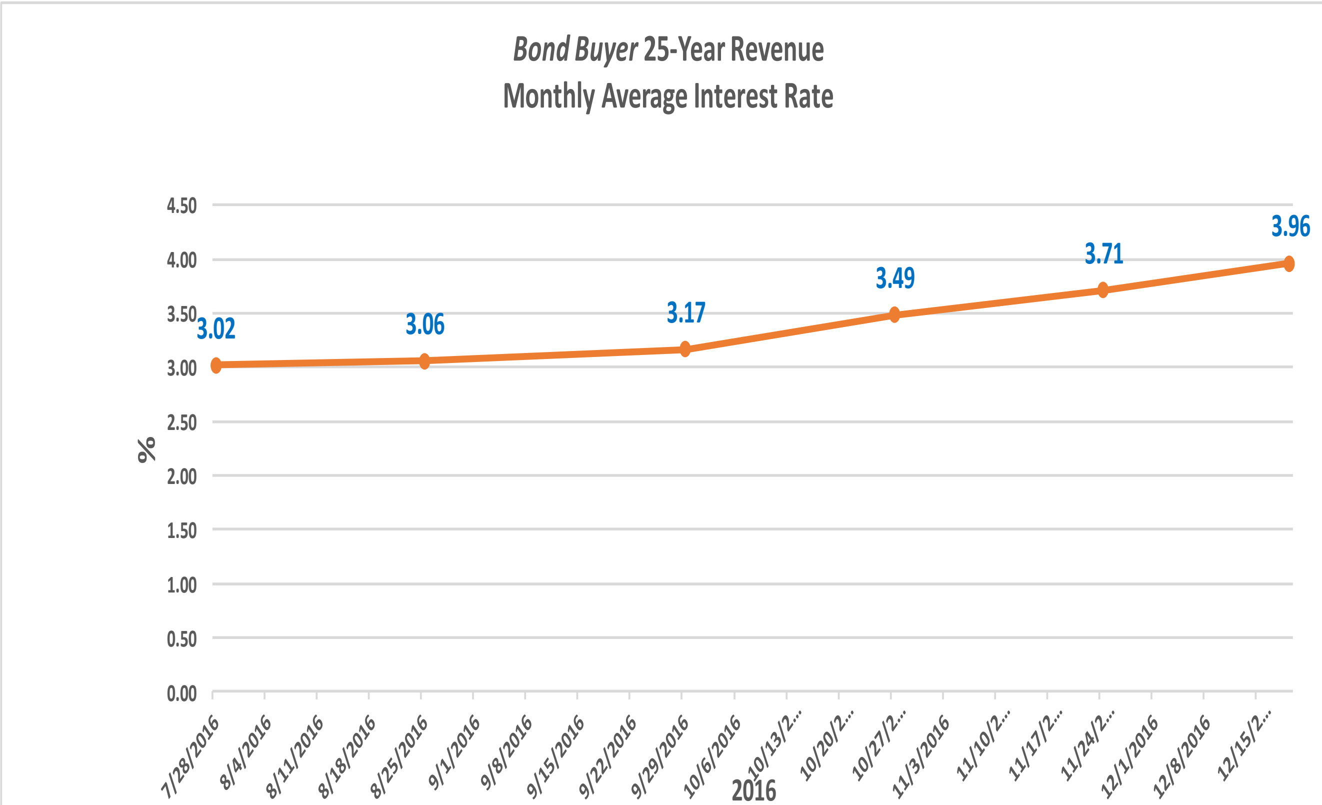


Property Tax Freeze Legislation in the State of Illinois, continued

Most recently, the Illinois Senate proposed 12 interconnected bills, which included a two year property tax freeze, aimed at ending the State's budget crisis and providing for the items proposed by the Governor in his turnaround agenda. On February 8th, one of those bills, the pension reform bill, failed to pass setting back the Senate's "Grand Bargain" budget package.

At this point it seems clear that the Illinois legislature continues to propose some sort of property tax freeze. While the scope and impact of the tax freeze has varied from bill to bill, Illinois local governments should be aware of the proposed legislation and its potential impact on their operating levies and borrowing authority.

BOND BUYER INTEREST RATES YEAR-END 2016



Bond Interest Rates Rise for Americans as President Trump moves into White House

Following the November 8th election of Donald Trump as president, the yield on the ten-year Treasury bond rose from 1.73% to 2.36%. The Bond Buyer 20 index, which measures the average interest rate of 20 AA rated general obligation bonds that mature in 20 years, jumped from 3.27% on November 3rd to 4.03% on December 1st. The index currently is at 3.94% as of February 16th.

The justification for the upward trend is the belief that President Trump will push through a fiscal stimulus, through the use of tax cuts and infrastructure spending. This stimulus could potentially boost the economy, but it may result in the Federal Reserve to continue to raise short-term interest rates, as it did on December 14th to 0.75% from 0.50%. This rate hike could also result from a preserved threat of inflation in the near term. These three factors- faster growth, rising short-term rates and inflation- are usually key components resulting in higher bond yields.

President Trump wants to make significant tax cuts, lowering the highest individual tax bracket which is currently 39.6%. Under President Trump's current plan, the highest individual tax bracket would be lowered to 33%. This decrease in tax brackets rates would also lead to lower tax-equivalent yields on tax-exempt securities. The tax-equivalent yield tells the investor the breakeven rate a tax-exempt bond needs to yield relative to a taxable bond. These tax rate changes would not affect taxable instruments such as Treasuries, corporate bonds and mortgages. As a result, municipal bonds would need to sell off to adjust to the tax changes in order to maintain their value relative to other fixed income products.

President Trump wants to make infrastructure spending to improve roads, bridges, and airports a priority. Most of these projects are expected to be financed using municipal bonds and could lead to a significant increase in supply. However, there will be less demand if tax-equivalent yields are lower due to a decrease in income tax rates. When the supply goes up and demand goes down, bond prices would decrease and yields increase.

However, it is not certain how much of President Trump's agenda will be implemented, or whether economic growth will rebound or inflation rates will rise.

Speer Financial, Inc.

Chicago Office:

Suite 4100
1 North LaSalle Street
Chicago, Illinois 60602
Phone: (312) 346-3700
Fax: (312) 346-8833

Iowa Office:

Suite 608
531 Commercial Street
Waterloo, Iowa 50701
Phone: (319) 291-2077
Fax: (319) 291-8628

Visit our website at:

www.SpeerFinancial.com

New Clients to Speer Financial in 2016

Welcome the following new clients to Speer in 2016:

Northbrook, IL	Cary, IL	Markham PD, IL
Iowa Central CC, IA	Naperville, IL	S. Sangamon Co Wtr Dst.
Stickney Forest View Lib	University Heights, IA	DeKalb Park District, IL

Iowa City, IA	Deerfield, IL	Salem, IL	Oak Lawn PD
Dolton, IL	Clinton Co, IA	Phoenix, IL	Waverly, IA
Baxter, IA	Grundy Center, IA	Hawkeye, IA	Stanwood, IA
Colfax, IA	Treynor, IA	Corydon, IA	Villa Park, IL

Thank you to all of our clients for a great year.

Do You Know About the New Issue Price Rules?

On December 8, 2016 Issuers of municipal bonds received final issue price rules from the Department of Treasury and the Internal Revenue Service ("IRS"). These rules were published in the Federal Registry one day later, and will become effective 180 days later, on June 7, 2017.

Many organizations, including the Government Finance Officers Association ("GFOA"), praised the Treasury for improvements made in the final rule versus the prior proposed rule changes, but many questions remain about the competitive bond sale processes. The GFOA's debt committee asked John Cross, Treasury's Associate Tax Legislative Counsel, about possible discouragement of competitive bonds sales or problems for issuers if underwriters don't follow the new rules.

Cross said, "As a policymaker, we think that competitive sales promote competition and price transparency and we wanted to provide a workable rule to accommodate this important market sector."

General rule under the final rule establish the issue price at which the first 10% of a maturity of bonds is actually sold to the public. Under certain circumstances the Underwriter cannot sell Bonds at a price higher than the initial offering price (IOP) for bond sales during the five business days after the sale date. The five-day provision is an anti-flipping or an anti-abuse provision.

There are special rules for competitive sales that state an issuer may treat the reasonably expected IOP of the bonds that will be sold to the public as the issue price if the winning underwriter provides a certification of their reasonably expected IOP which it based its bid. In order to use the reasonable expectation price ,issuers of competitive deals must also receive a minimum of three competitive bids from established underwriters and the issuer must award the bid on highest price or lowest interest cost. Under the new rules Issuers would have the option of using any of the rules until the day of closing for their bond transaction. Most by now have read about the new issue price rules and, if you have not already, we encourage you to do more research and talk with your municipal advisor ahead of the implementation date.