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## Metropolitan Pier and Exposition Authority anxious over possible repeat of last year's technical default

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**Metropolitan Pier & Exposition Authority's** (MPEA) debt service payments may take a backseat to other budget issues in the absence of a FY17 budget for **Illinois**, said Ralph Martire of the Center for Tax and Budget Accountability.

The prolonged gridlock between Democrats and Republicans held human services and higher education payments as primary hostages in FY16. The outlook for FY17 is even more dour – even schools haven't received funding yet. Appropriation debt such as MPEA's served as collateral damage last year, and it's unclear if it will see the same fate in a little less than a month.

On 20 July, Illinois will have to make a deposit from its Authority Tax Fund to its Expansion Project Fund, which eventually funnels money to MPEA bondholders. But that deposit is an appropriation. Last year, the MPEA faced a technical default on this monthly debt service deposit, forcing lawmakers to quickly rectify a move that ruffled bondholders' feathers. However, the fix was only for one year. The next interest payment is due 15 December.

"MPEA will post events on [Electronic Municipal Market Access] as they occur, but cannot speculate," said a spokesperson for the Authority.

MPEA boasts holding the largest exhibition and convention center in North America, McCormick Place Complex. But it likely won't be a priority in citizens', or lawmakers', eyes as education and safety concerns haven't even been resolved yet, Martire said. School funding is what most people notice about state government, the policy expert noted. This time last year, Governor Bruce Rauner (R) approved a funding bill to keep schools open come fall.

"[Last year] they had school funding done so they could do something that wasn't necessarily a core service," said Martire of MPEA appropriations. "I think that's where they're focused."

Lawmakers are entrenched in a "glorified game of chicken" right now, said William Choslovsky of Fox Rothschild. State lawmakers will likely have to make some appropriations to make sure that at least services like prisons remain secure, added Choslovsky.

They will have to "draw that line on what's essential, and what would lead to the downfall of society" in Illinois, he said.

"Debt service on Met Pier, Illinois Sales Tax bonds and Motor Fuel Taxes to all communities are all covered under the GOP Leaders stopgap budget proposal," said a spokesperson for Governor Bruce Rauner (R) in an email to *Debtwire Municipals*. "If this was a shared priority of the majority party, they would be in session to vote on this bill," said the spokesperson.

### Making the same mistake twice

“Sufficient funding to make the [20 July] deposit will be available in expansion project accounts on [20 July], but the authority to make the transfer to the trustee requires an enacted appropriation,” said a source close to the MPEA, noting that the outcome is unpredictable.

The first few months of Illinois’ impasse marked an about-face in the municipal market’s view of appropriation debt. MPEA’s technical default came just three days after **Puerto Rico** failed to appropriate funds for a bond payment due 1 August 2015, as reported.

Now, seven days away from the end of FY16 without a budget, the market hasn’t flinched, even on the heels of two recent downgrades on MPEA’s USD 8.2bn in outstanding debt, which includes USD 3.4bn in principal and USD 4.8bn in unamortized accretion on capital appreciation bonds.

Standard & Poor’s downgraded Metropolitan Pier to BBB/negative from BBB+/negative on 14 June. Moody’s knocked the credit to Baa3/negative from Baa2/negative on 8 June, and lowered the rating on Illinois’ USD 27bn in general obligation bonds.

Spreads widened by around 50bps after last year’s technical default, when Metropolitan Pier bonds first lost the AAA ratings from Standard & Poor’s, said a trader. Prices have stayed at that level since, the trader noted. A USD 121.65m tranche of Series 2012B bonds issued by Metropolitan Pier last traded today at 100.42 yielding 4.16%, according to EMMA.

It’s the same muni-friendly market that appeared to excuse Illinois’ lack of fiscal plan when lending it USD 550m in general obligation bonds, said the first and a second trader. And some predict that Illinois won’t make the same mistake twice.

“I see a fundamental difference between the logger jam of these particular bonds, and other things that are much more controversial in terms of the budget process,” a buy-side analyst said.

But to others, the unease surrounding MPEA bonds and Illinois’ budget in general is emblematic of bondholders being increasingly likely to confront adverse circumstances as the state’s fiscal position deteriorates, said market participants. The second year of budget gridlock may be more painful for all parties involved than the first, Martire said.