Tax-Exempt and Taxable Interest Rate Movement

Nearly All AAA MMD and UST Yields Decrease, and the Long-End Gap Between Them Continues to Stay Wide

2-Year AAA MMD Yield Decreases While 2-Year UST Remains Flat
Comparing 2-Year UST and 2-Year AAA MMD since January 1, 2020

10-Year AAA MMD and UST Yields Decrease
Comparing 10-Year UST and 10-Year AAA MMD since January 1, 2020

The Gap Between the 30-Year MMD and UST Yield Remains Wide
Comparing 30-Year UST and 30-Year AAA MMD since January 1, 2020

Last Week, Nearly All AAA MMD and UST Yields Record Decreases
April 2, 2021 to April 9, 2021

Tax-Exempt Interest Rate Movement

AAA MMD Yields Observe Decreases in Nearly All Maturities

AAA MMD Yields Decrease Across Most Maturities
Comparing 2, 10 and 30-Year AAA MMD since January 1, 2020

Current MMD Yields Continue to Decline From 2021 MMD Highs
10-Year Historical AAA MMD Range vs. Current AAA MMD

Last Week, Muni to Treasury Ratios Recorded Modest Decreases
10-Year and 30-Year Ratios Since June 2020

AAA MMD Summary Statistics

<table>
<thead>
<tr>
<th></th>
<th>5-Year</th>
<th>10-Year</th>
<th>30-Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current</td>
<td>0.36%</td>
<td>0.93%</td>
<td>1.55%</td>
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<table>
<thead>
<tr>
<th></th>
<th>2021 Year-to-Date</th>
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<tbody>
<tr>
<td>Weekly Change</td>
<td>-11 bps</td>
</tr>
<tr>
<td>YTD Change</td>
<td>+14 bps</td>
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<tr>
<td>High</td>
<td>0.57%</td>
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<td>Low</td>
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<tr>
<td>Average</td>
<td>0.38%</td>
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<tr>
<td>Year Ending 2020</td>
<td>0.22%</td>
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<td></td>
<td>2021</td>
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<td>Year-to-Date</td>
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<td>2021</td>
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<td>Year-to-Date</td>
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**Taxable Interest Rate Movement**

**Most UST Yields Record Decreases Last Week**

**UST Yields Record Decreases Across Most Maturities**
Comparing 2, 10 and 30-Year UST since January 1, 2020

![Graph showing yield trends for 2-year, 10-year, and 30-year UST]

**UST Yields Decline From Near 2021 UST Highs**
10-Year Historical UST Range vs. Current UST

![Graph comparing historical UST range with current UST yields]

**UST Summary Statistics**

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<thead>
<tr>
<th></th>
<th>5-Year</th>
<th>10-Year</th>
<th>30-Year</th>
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<tbody>
<tr>
<td>Current</td>
<td>0.84%</td>
<td>1.59%</td>
<td>2.26%</td>
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**2021 Year-to-Date**

<table>
<thead>
<tr>
<th>Weekly Change</th>
<th>3 bps</th>
<th>8 bps</th>
<th>8 bps</th>
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<tbody>
<tr>
<td>YTD Change</td>
<td>+48 bps</td>
<td>+66 bps</td>
<td>+60 bps</td>
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<tr>
<td>High</td>
<td>0.97%</td>
<td>1.74%</td>
<td>2.45%</td>
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<tr>
<td>Low</td>
<td>0.36%</td>
<td>0.93%</td>
<td>1.66%</td>
</tr>
<tr>
<td>Average</td>
<td>0.66%</td>
<td>1.39%</td>
<td>2.13%</td>
</tr>
<tr>
<td>Year Ending 2020</td>
<td>0.36%</td>
<td>0.93%</td>
<td>1.66%</td>
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**Since January 1, 2018**

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<tbody>
<tr>
<td>High</td>
<td>3.09%</td>
<td>3.24%</td>
<td>3.46%</td>
</tr>
<tr>
<td>Low</td>
<td>0.19%</td>
<td>0.52%</td>
<td>0.99%</td>
</tr>
<tr>
<td>Average</td>
<td>1.65%</td>
<td>1.93%</td>
<td>2.39%</td>
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Supply Figures Mostly Remain Near the Historical Weekly Average, After 2020 Observed a Majority of Weeks Exceeding The Historical Average

- The week of April 12 recorded approximately $7.3 billion of weekly municipal supply. Approximately $2.3 billion, or 32.0%, of the transactions were taxable.
- The week of April 19 is forecasted to observe a new issue supply of approximately $10.1 billion. $1.5 billion, or 14.7%, of the anticipated transactions are taxable.
- Following the holiday shortened week of March 29, the 2021 YTD weekly average increased to $8.6 billion.

Municipal Bond Funds Continue to Observe Large Weekly Inflows

- The week of April 12 observed $2.25 billion of net inflows into muni bond funds, following a weekly net inflow of $2.1 billion during the week of April 5.
- Despite the recent net outflow, during the week of March 1, 46 of the past 49 weeks have recorded net inflows into muni bond funds, and the four week average sits at $1.3 billion of net inflows.
- The 2021 average weekly net inflow into muni bond funds currently sits at an impressive $1.4 billion, compared to the 2019 and 2020 averages of $1.2 and $434 million, respectively.

As expected, the Fed left the federal funds rate unchanged at the target range of 0.00% - 0.25%, and asset purchases steady at $120 billion per month at its March 17, 2021 meeting.

The Committee acknowledged recent economic improvement, but that positive assessment was tempered by the recognition of ongoing pain in some of the hardest hit industries. The statement reads, in part: “Following a moderation in the pace of the recovery, indicators of economic activity and employment have turned up recently, although the sectors most adversely affected by the pandemic remain weak... The path of the economy will depend significantly on the course of the virus, including progress on vaccinations. The ongoing public health crisis continues to weigh on economic activity, employment, and inflation, and poses considerable risks to the economic outlook.”
30-Year AAA MMD Since January 1, 2016

Brexit Vote 6/24/2016
Federal Tax Reform 12/22/2017
Historic All-Time Low 8/7/2020
Average: 2.45%

Max: 3.46% (11/6/2018)
Min: 1.27% (8/7/2020)
Current: 1.55% (4/16/2021)

Market Volatility: A Defining Characteristic

30-Year UST Since January 1, 2016

- Brexit Vote 6/24/2016
- Federal Tax Reform 12/22/2017
- Historic All-Time Low 3/9/2020

Max: 3.46% (11/2/2018)
Min: 0.99% (3/9/2020)
Current: 2.26% (4/16/2021)

Average: 2.52%

Historic Credit Spreads

Tax-Exempt Credit Spreads over the AAA MMD Index Since 2010

Annual Issuance Statistics

Annual National Municipal Issuance Volume by Tax Status
The 2020 Muni Market Recorded The Largest Annual Issuance on Record

[Bar chart showing annual issuance by tax status from 2008 to 2021 YTD]

National Monthly Municipal Issuance Volume by Tax Status
Supply Increased in March 2021 Compared to November 2020 through February 2021

[Bar chart showing monthly issuance by tax status from Apr-20 to Mar-21]

Issuers have taken advantage of low taxable interest rates for both advance refundings and new money purposes.

Since 2011, taxable issuances have averaged 12% of total yearly volume. The advent of Build America Bonds in 2009 and 2010 led to 21% and 36% of volume being taxable, respectively.

In 2020, taxable issuance made up 31% of total yearly volume. When excluding Build America Bonds, 2020 set a record for the most taxable municipal issuance.

The recent increase in supply does not translate to the taxable market. January and February 2021 taxable supply made up 27% and 36% of total monthly volume, respectively, while March 2021 taxable supply only made up 20% of total monthly volume.

Source: Thomson Reuters SDC as of 4/16/2021.
Potential Changes in Regulations

- Possible Return of Advance Refundings
  - The LOCAL (Lifting Our Communities through Advance Liquidity) Infrastructure Act has introduced the return of tax-exempt advance refundings to Congress
  - This would allow issuers the one-time option to refinancing outstanding municipal bonds more than 91 days before the call date

- Possible Return of Direct Pay/Tax Credit Bonds
  - Rep Terri Sewell recently introduced the LIFT Act (Local Infrastructure Financing Tools)
    - Also restores Advance Refundings like the LOCAL Act
    - Creates American Infrastructure Bonds
      - Taxable Direct Pay Bonds Similar to Build America Bonds
      - Increases Bank Qualified Bonds limit from $10million to $30million
COVID-19 Impact on Ratings

• Early on in the pandemic, Moody’s gave the Community College Sector a negative outlook

• Many Community Colleges had surveillance done by rating agencies and some saw downgrades

• Moody’s has recently stated that it anticipates tuition revenue to be down 5-15% in 2021 and that higher education is not likely to see a “sharp” rebound from pandemic levels

• Moody’s recently published its new proposed ratings methodology for Higher Education and is seeking public comment
  • Institution size, brand and market strength will have more weight under the new methodology
  • It is anticipated that about 5% will see a downgrade of one to two notches
  • This methodology will not apply to G.O. property tax bonds but will apply to revenue backed instruments such as debt certificates
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