$110,550,000
Maine Governmental Facilities Authority
$64,540,000 Lease Rental Revenue Bonds, Series 2024A (Green Bonds)
$46,010,000 Lease Rental Revenue Bonds, Series 2024B

Raymond James served as book-running senior manager on the Maine Governmental Facilities Authority's issue of Aa3/AA- rated lease rental revenue bonds which priced on January 24, 2024. Proceeds from the bonds funded the planning, design, renovation, abatement, construction, financing, furnishing and equipping of new and existing facilities to serve as headquarters for the State of Maine Department of Inland Fisheries and Wildlife, financing the cost of capital repairs and improvements and construction of state-owned facilities, as well as hazardous waste cleanup on state-owned properties. Given the nature of the projects, the State wanted to procure a green bond designation for the Series 2024A bonds. Since this was the first Green Bond issue for the Authority, they preferred to have a second-party verifier provide a second-party opinion that the bonds should be designated as Green bonds. Raymond James helped the Authority solicit various second-party verifiers and identified the strengths and weaknesses of each proposal for the Authority. After a diligent analysis, the Authority selected Kestrel and worked with them to obtain the second-party opinion to support designating the Series 2024A bonds as green bond.

The week prior to pricing, the market saw equities hit new highs as the Federal Reserve officials continued to walk back the aggressive outlook regarding timing of first rate cut and the number of additional rate cuts for the remainder of 2024. The market was heading into the blackout period for the Federal Reserve ahead of the January 30-31 meeting. The probability of rate cuts starting in March dropped significantly as economists began pushing back their predictions for the first cuts to May. New issuer supply the week of pricing was relatively heavy at $8.5 billion, given many transactions wanted to price before the FOMC meeting which took place the week after pricing.

On the morning of pricing, Raymond James went out at aggressive levels and strategically entered the market with the same couponing and yields for both the Series A and Series B. At the end of the order period, the Series 2024A green bonds saw oversubscription on every maturity between 1-8x. In contrast, the Series 2024B bonds also saw slight oversubscription on most maturities, but had a few pockets of no orders in certain maturities. Many investors placed orders preferring the Series 2024A bonds, but were open to either series while some placed orders specifying they were for the Series 2024A Green Bonds only. ***Given the list of investors who only wanted or preferred the Series A all offered ESG strategies, we can comfortably say the investors who were leaning into Series A did so because they were interested in the Green bonds for their ESG qualifications.*** Ultimately, we were able to get the entire book allotted for due to the fact that certain investors who placed orders with Series A were also open to receiving Series B bonds and agreed to move their orders from Series A to Series B.

Raymond James was able to place all the bonds with investors for each maturity without increasing yields on the scale, even though certain maturities of Series 2024B were not fully subscribed for. ***We reduced yields for both series, however on nine maturities the Series A had an additional spread benefit of 1-3x basis points over the Series B. That reduction in yields resulted in approximately $45,000 of benefit to the Series 2024A bonds. If investors for the Series A Green bonds had not been willing to move their orders to the open Series B maturities, the spread benefit for the Series A Green Bonds would have been ever greater.*** At the end of the order period, the Series 2024B had unsold balances in the 2041 through 2043 maturities totaling $8.285 million. Due to the oversubscription of Series A, we were able to persuade investors that had placed orders in the 2041 to 2043 maturities in Series A that were oversubscribed for to instead purchase the unsold balances in the same maturities of Series B, leaving no unsold balances. ***By moving the orders from Series A to Series B, MGFA was able to avoid paying an estimated 3 additional basis points more in those maturities if they had to be underwritten, which translated to savings of approximately $35,000 in additional debt service or $27,000 of present value debt service.*** A maturity-by-maturity yield comparison analysis can be found below.

Overall, the bonds were widely distributed to 22 institutional accounts. MGFA achieved an aggregate TIC of 3.61% on the 11.835-year average life financing. Ultimately, these two series were exactly the same except for the green bond designation applied to the Series 2024A. This financing is proof that there was an economic benefit to designating the Series A bonds as green bonds.

Successful Outcome:

Large Order Book - The entire order book totaled over $318.975 million, which is 2.9x oversubscription, with Raymond James placing 99% of the orders.

Benefit of Green Bond Designation - Raymond James reduced yields for both series, however on nine maturities the Series A had an additional spread benefit of 1-3x basis points over the Series B. That reduction in yields resulted in approximately $45,000 of benefit to the Series 2024A.

Debt Service Relief to the Non-Green Bonds – Due to the oversubscription of Series A, Raymond James was able to persuade enough investors that had placed orders on the same maturities of Series A to instead purchase the unsold balances from Series B. Eliminating the unsold balances in Series B saved MGFA an additional 3 basis points in yield on those maturities, which translated to approximately $35,000 in additional debt service or $27,000 in present value debt service.

Maine Governmental Facilities Authority
Yield Comparison - 2024A (Green Bonds) vs. 2024B

			2024A (Green Bonds)			2024B			
Maturity	Coupon	MMD 1/23/2024	Pre-Pricing Yield	Re-Price Yield	Change	Pre-Pricing Yield	Re-Price Yield	Change	Yield Benefit of Green Bonds
2024	5.00	3.01	3.16	3.16	-	3.16	3.16	-	0.00
2025	5.00	2.88	3.05	3.03	(0.02)	3.05	3.05	-	0.02
2026	5.00	2.68	2.88	2.86	(0.02)	2.88	2.86	(0.02)	0.00
2027	5.00	2.58	2.82	2.82	-	2.82	2.82	-	0.00
2028	5.00	2.49	2.76	2.74	(0.02)	2.76	2.74	(0.02)	0.00
2029	5.00	2.45	2.75	2.70	(0.05)	2.75	2.73	(0.02)	0.03
2030	5.00	2.45	2.77	2.73	(0.04)	2.77	2.76	(0.01)	0.03
2031	5.00	2.44	2.78	2.74	(0.04)	2.78	2.77	(0.01)	0.03
2032	5.00	2.45	2.81	2.81	-	2.81	2.81	-	0.00
2033	5.00	2.46	2.84	2.82	(0.02)	2.84	2.84	-	0.02
2034	5.00	2.50	2.90	2.86	(0.04)	2.90	2.87	(0.03)	0.01
2035	5.00	2.61	3.01	2.98	(0.03)	3.01	3.01	-	0.03
2036	5.00	2.70	3.11	3.06	(0.05)	3.11	3.08	(0.03)	0.02
2037	5.00	2.83	3.25	3.21	(0.04)	3.25	3.21	(0.04)	0.00
2038	5.00	2.93	3.36	3.33	(0.03)	3.36	3.33	(0.03)	0.00
2039	5.00	3.01	3.45	3.43	(0.02)	3.45	3.43	(0.02)	0.00
2040	5.00	3.07	3.54	3.52	(0.02)	3.54	3.52	(0.02)	0.00
2041	5.00	3.13	3.63	3.63	-	3.63	3.63	-	0.00
2042	5.00	3.19	3.69	3.69	-	3.69	3.69	-	0.00
2043	5.00	3.24	3.74	3.73	(0.01)	3.74	3.74	-	0.01