



Tax Reform: Municipal Market Update & Considerations

Fundamentals of Public Finance Seminar

Presented by: Dan Kozloff

October 22, 2025

PFM

1735 Market Street
42nd Floor
Philadelphia, PA 19103

pfm.com
215-567-6100



Thank you for joining us!

F r i e n d l y R e m i n d e r s

◆ This Session is Being Recorded

◆ Automatically Muted on Entry

- You are automatically muted when you join the call
- Please unmute yourself to participate
- Minimize Background Noise – re-mute when you are done speaking

◆ CPE Credits Available for This Session

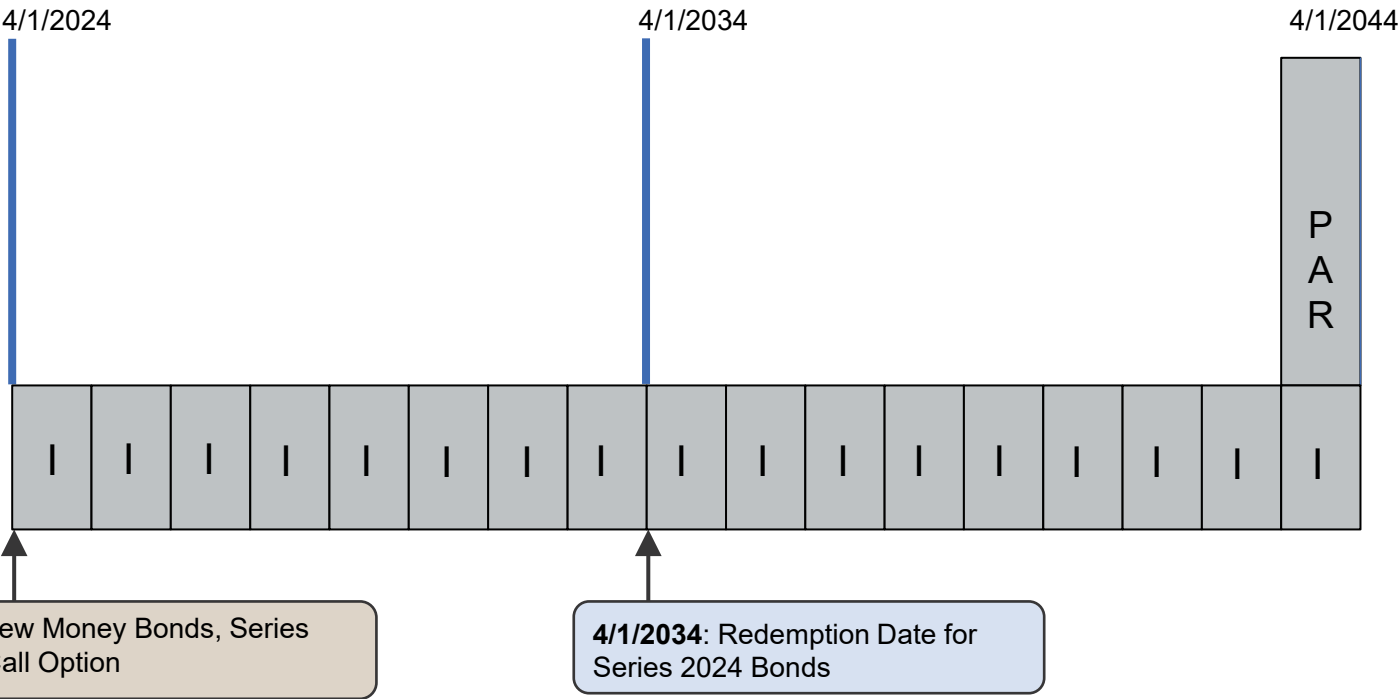
- Attend this session in its entirety
- Answer all poll questions provided
- Survey must be completed

◆ Please Complete the Survey for This Session

◆ Send specific questions for me to simmons@pfm.com



Setting the table: Advance vs. Current Refundings



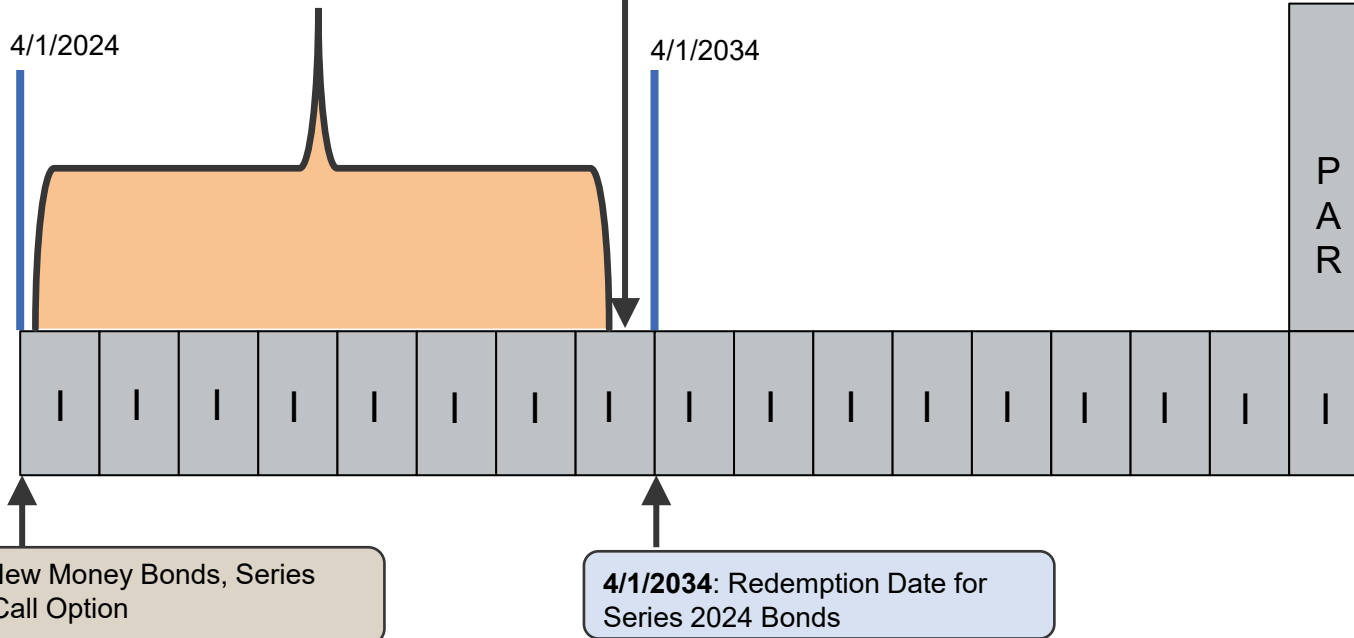


Setting the table: Advance vs. Current Refundings

4/2/2024–12/31/2033: advance refunding period (>90 days prior to call date). Refunding escrow funded by new bonds, escrow pays existing bonds' debt service through redemption date of original bonds.

1/1/2034: 90 days prior to call date, start of current refunding period.

4/1/2044

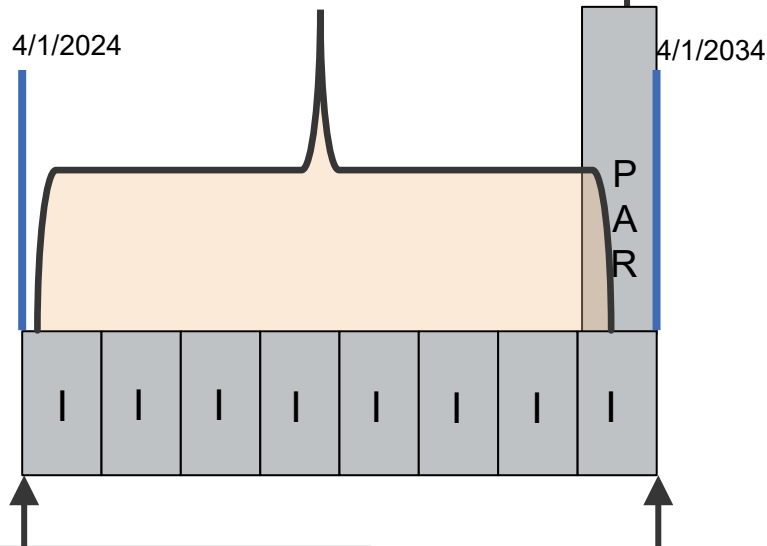




Setting the table: Advance vs. Current Refundings

4/2/2024–12/31/2033: advance refunding period (>90 days prior to call date). Refunding escrow funded by new bonds, escrow pays existing bonds' debt service through redemption date of original bonds.

1/1/2034: 90 days prior to call date, start of current refunding period.

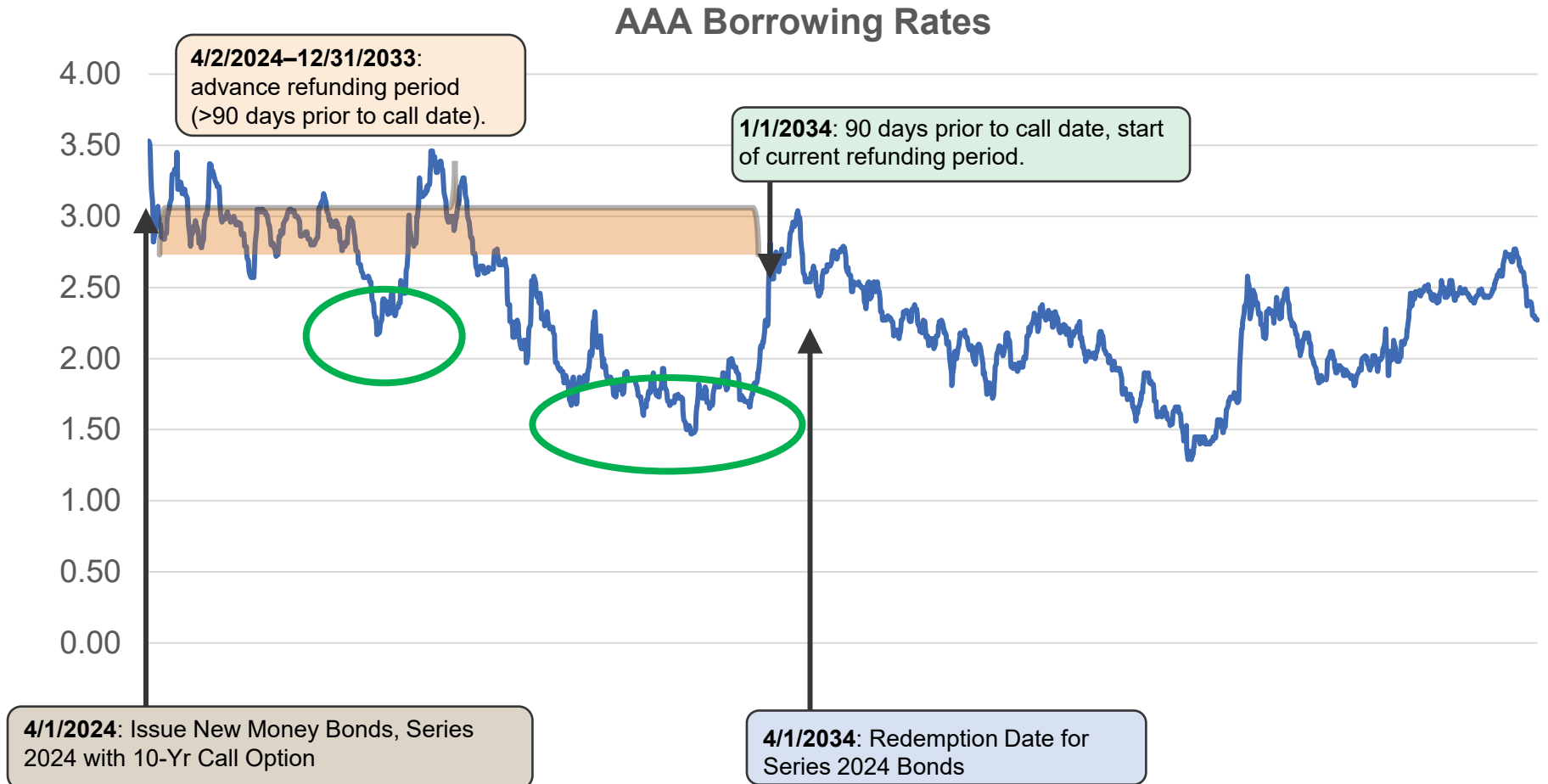


4/1/2024: Issue New Money Bonds, Series 2024 with 10-Yr Call Option

4/1/2034: Redemption Date for Series 2024 Bonds



Advance refunding = flexibility + opportunity





Poll question #1

◆ Characteristics of advance refundings include:

- a) The existence of two tax-exempt bond issues at one time, with refunded bonds funded by an irrevocable refunding escrow.
- b) Allows issuers to take advantage of low rate environments, any time prior to the redemption date of original issued bonds.
- c) None of the above (a and b)
- d) Both of the above (a and b)



Poll question #1 -- ANSWER

◆ Characteristics of advance refundings include:

- a) The existence of two tax-exempt bond issues at one time, with refunded bonds funded by an irrevocable refunding escrow.
- b) Allows issuers to take advantage of low rate environments, any time prior to the redemption date of original issued bonds.
- c) None of the above (a and b)
- d) Both of the above (a and b)



Municipal Bond Market Impacts of Tax Cuts & Jobs Act of 2017

- The 2017 Tax Cuts & Jobs Act had significant impacts on the municipal market.

As initially proposed, the tax reforms proposed elimination of:

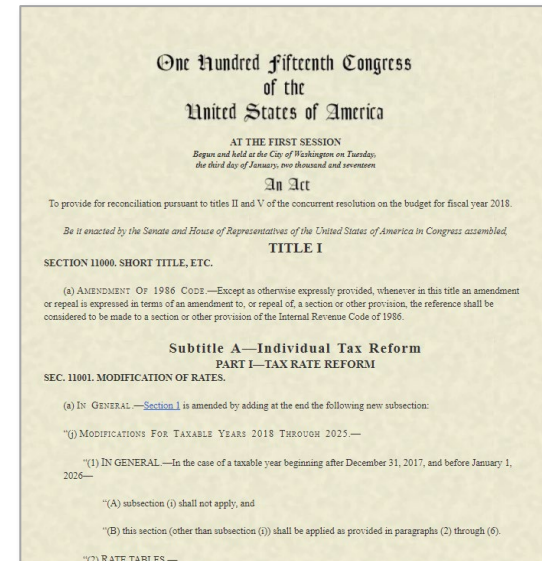
- Tax-exempt private activity bonds
- Tax-exempt advance refundings
- New tax credit bonds
- Tax-exempt stadium bonds

SPARED from tax reform:

- Private activity bonds
- Stadium bonds

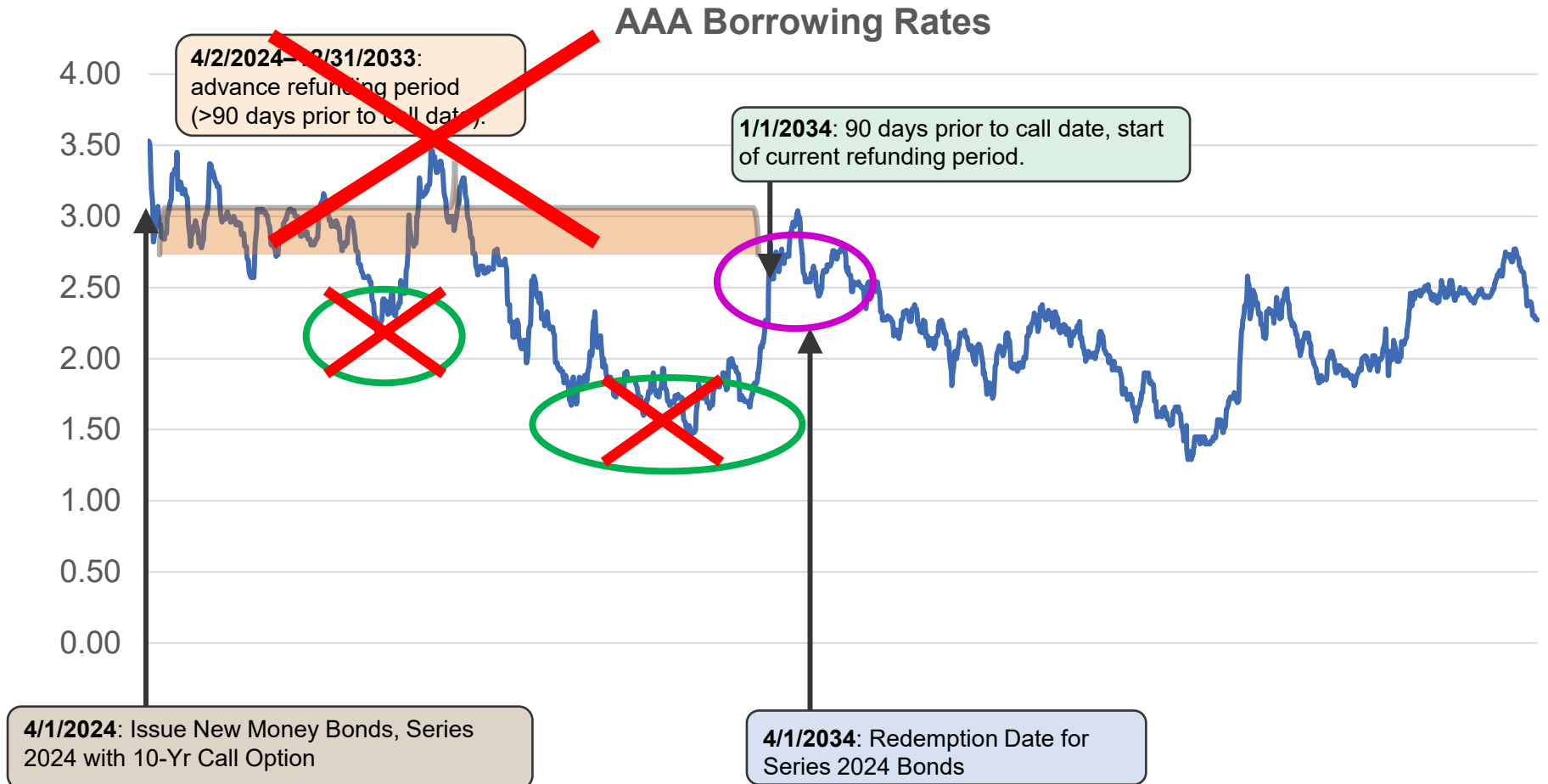
ELIMINATED through tax reform:

- Tax-exempt advance refundings
- New tax credit bonds
- Additionally, lower tax rates for corporations (21% from 35%) and individuals could lead to a drop in demand for municipal bonds or higher return requirements (i.e., higher rates) from investors





Elimination of tax-exempt advance refundings





Poll question #2

- ◆ The Tax Cuts & Jobs Act of 2017 had major impacts on the municipal market through:
 - a) Prohibiting the use of tax-exempt advance refunding bonds.
 - b) Eliminating the use of tax-exempt bonds to fund professional sports stadiums.
 - c) Lowering tax rates for corporations and individuals, decreasing the value of tax exemption.
 - d) Eliminating the use of tax-exempt private activity bonds.
 - e) All of the above
 - f) A and C only.



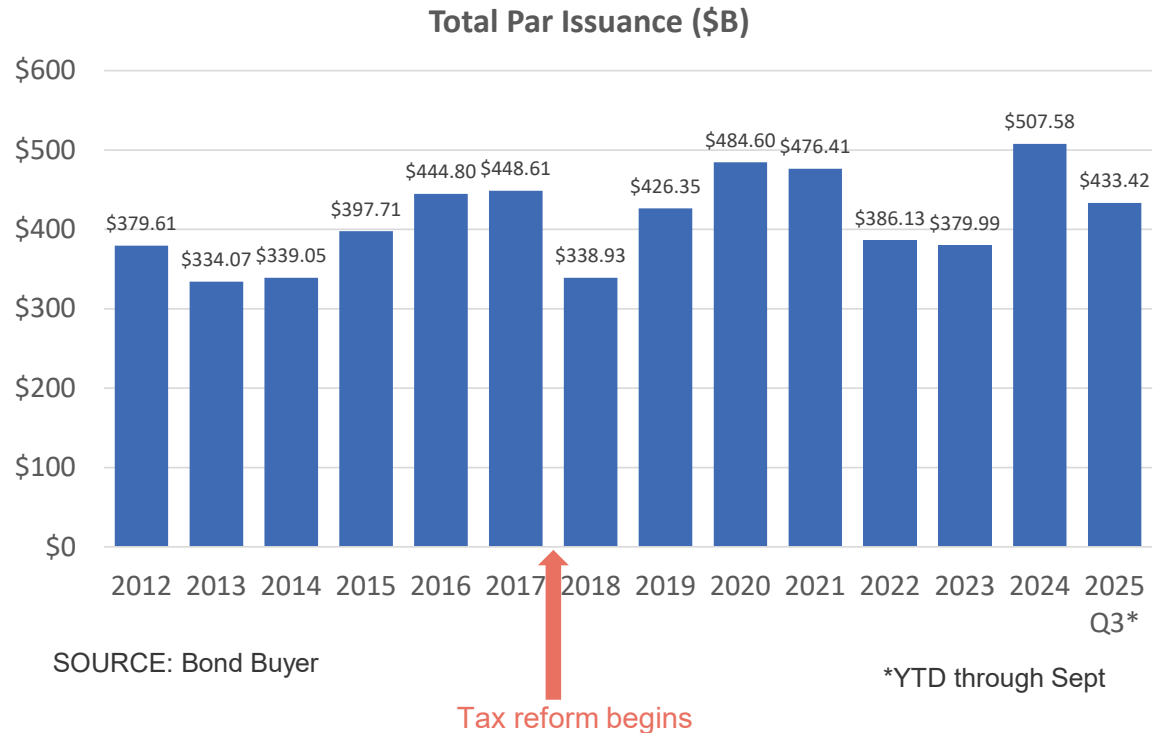
Poll question #2 -- ANSWER

- ◆ The Tax Cuts & Jobs Act of 2017 had major impacts on the municipal market through:
 - a) Prohibiting the use of tax-exempt advance refunding bonds.
 - b) Eliminating the use of tax-exempt bonds to fund professional sports stadiums.
 - c) Lowering tax rates for corporations and individuals, decreasing the value of tax exemption.
 - d) Eliminating the use of tax-exempt private activity bonds.
 - e) All of the above
 - f) A and C only.



2019 – 2025: A Changing Market

- 2017 saw a spike of muni issuance volume as issuers flooded the market in December after the tax reform package was announced.
 - \$144.6 billion in Q4 (33% of full year amount)
 - \$62.5 billion in December (1,168 transactions) – a new record
 - 3x higher dollar volume than December, 2016
 - Previous monthly issuance record: \$54.7 billion (December, 1985)
- 2018 saw a dip in issuance volume (down 24%) with the elimination of advance refundings and the surge in late 2017.
- Issuance volume rebounded in 2019 with issuance volume growth through 2020-2021, before a slower pace of issuance in 2022 and 2023 due to inflation, market volatility, and higher interest rates.
- 2024 volume increased significantly relative to recent years, and YTD 2025 is on a similar, if not higher pace.





2025 Municipal Market Update – growing investor demand and increased volume

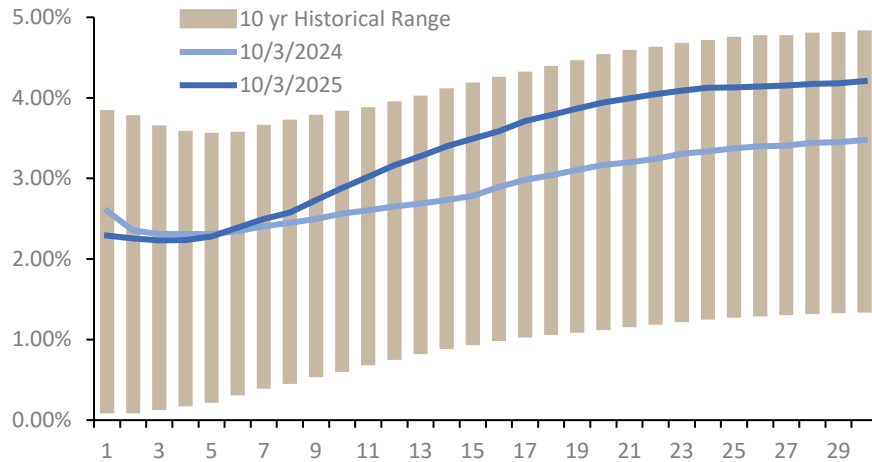
- Following the strong issuance environment and robust issuance volume throughout the COVID-19 pandemic, largely driven by historic low rates and federal stimulus packages, rates increased sharply beginning in January of 2022 and remained elevated through 2023.
- Increases in rates and volatility in the markets were largely due to:
 - Increases in inflation levels and ongoing challenges to reverse the trend
 - FOMC rate increases
 - Geo-political events
- 2024 saw significant improvement on 2022 and 2023 markets, with strong demand for municipal bonds and lower rates driven by many factors, including FOMC rate cuts and expectations.
- 2024 bond issuance volume rebounded, with 33% more par issued than 2023 issuance levels¹.
- 2025 issuance volume continues at a similar, if not more robust pace through the first three quarters, despite ongoing interest rate volatility in US Treasury and municipal markets.
 - Economic factors (e.g., inflation, recessionary risks), FOMC activity, geopolitical events, investor demand, and ***US Congressional activity (e.g., tax reform, shutdown of the federal government)*** will continue to drive the market through 2025.

1. Source: Bond Buyer, Ipreo

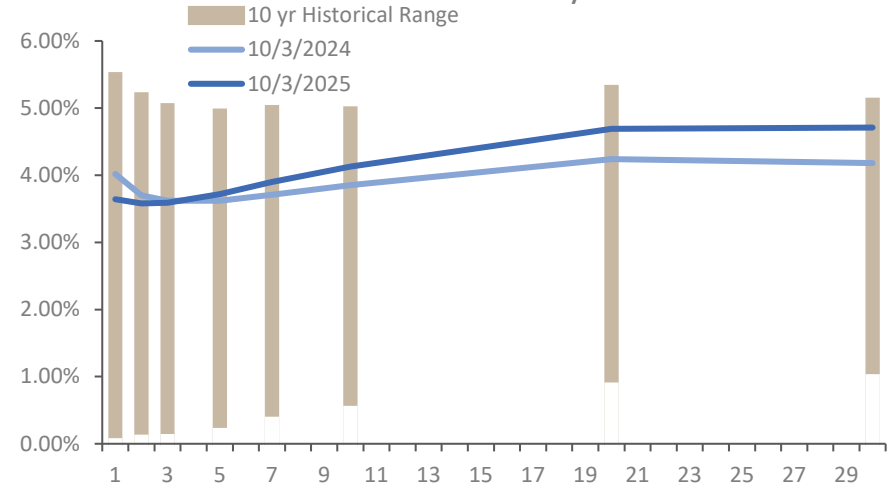


2025 Municipal Market Environment

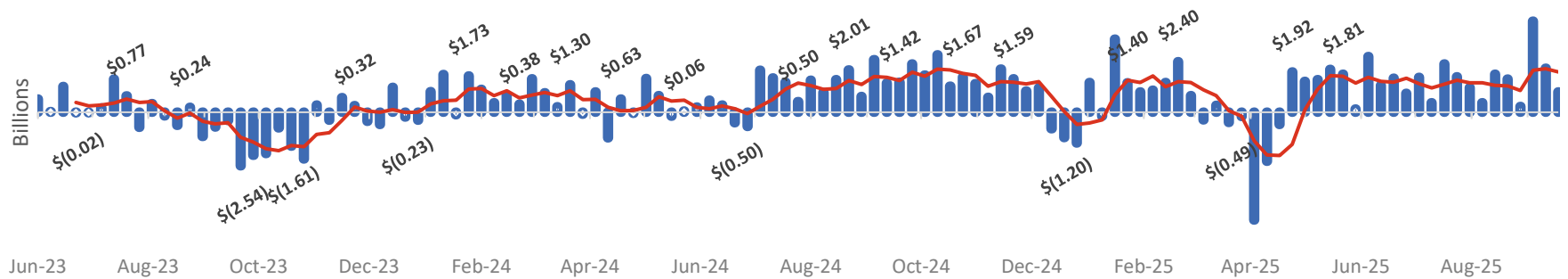
AAA Municipal Curve



U.S. Treasury Curve



ICI Weekly Fund Flows (Past 24 Months)





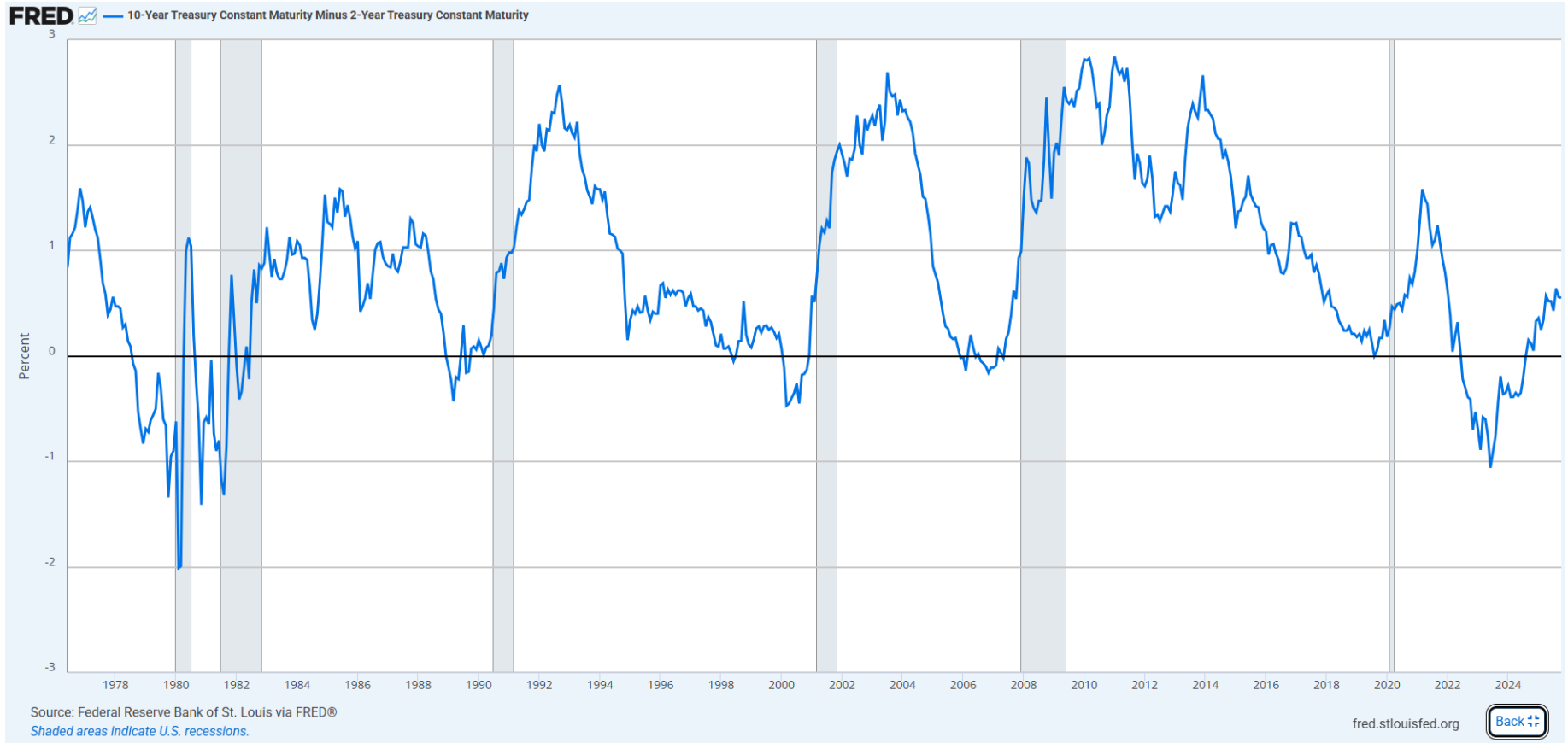
A Volatile Market

AAA BVAL Rate Movement for the Past 3 Months

AAA Tenor	Date & Weekday																				Total Δ	10/3 Rate	
	7/7	7/14	7/21	7/28	8/4	8/11	8/18	8/25	8/29	9/8	9/15	9/22	9/23	9/24	9/25	9/26	9/29	9/30	10/1	10/2			10/3
	Mon	Mon	Mon	Mon	Mon	Mon	Mon	Mon	Fri	Mon	Mon	M	T	W	T	F	M	T	W	T			F
1	2.52	-4	-3	-5	-12	-5	-1	-4	-1	-8	-5	0	3	5	9	6	0	1	-1	2	0	-23	2.29
2	2.53	-3	-3	-5	-13	-4	-1	-4	-1	-10	-9	0	4	5	9	6	0	1	-1	1	0	-28	2.25
3	2.57	-3	-4	-7	-12	-5	-1	-4	-1	-12	-9	0	3	5	9	5	1	1	-1	1	0	-34	2.23
4	2.59	-3	-3	-8	-12	-5	-1	-3	-1	-13	-10	-1	3	5	10	6	0	1	-1	1	0	-35	2.24
5	2.63	-2	-3	-4	-12	-3	0	-3	-1	-15	-9	-1	3	5	6	4	0	1	-1	0	0	-35	2.28
6	2.69	-3	11	-6	-12	-2	0	-2	-2	-16	-11	0	2	4	5	3	0	0	-1	0	0	-30	2.39
7	2.80	-3	12	-3	-12	-1	0	-2	-1	-18	-12	-1	3	4	4	1	0	0	-1	0	0	-30	2.50
8	2.93	-2	13	-3	-12	-2	1	-2	-1	-18	-14	-1	2	1	4	1	0	0	-2	0	0	-35	2.58
9	3.03	-2	14	-1	-11	-2	2	-1	-1	-19	-14	-1	1	3	4	0	0	0	-1	-1	0	-30	2.73
10	3.18	-1	15	-1	-15	-1	5	0	-2	-19	-15	-1	2	3	3	0	0	-1	-1	-1	0	-30	2.88
11	3.25	4	18	-1	-15	-1	4	1	-2	-20	-15	0	1	3	3	0	0	-1	-1	-1	0	-23	3.02
12	3.37	3	19	1	-15	-1	5	1	-2	-20	-15	-1	2	3	3	-1	0	0	-2	-1	0	-21	3.16
13	3.49	4	19	0	-15	0	5	1	-2	-20	-16	0	2	2	2	0	0	-1	-2	0	0	-21	3.28
14	3.61	4	19	1	-15	-1	5	2	-2	-21	-16	0	2	2	2	0	0	0	-3	0	0	-21	3.40
15	3.74	4	16	1	-15	0	5	2	-2	-22	-16	0	2	2	3	-1	0	-1	-2	0	0	-24	3.50
16	3.84	4	16	1	-15	-1	6	1	-1	-22	-16	0	1	2	3	-1	0	0	-2	-1	0	-25	3.59
17	3.90	5	23	0	-15	-1	6	2	-2	-22	-16	0	1	2	2	0	0	-1	-2	0	-1	-19	3.71
18	3.98	5	23	-1	-14	-1	5	2	-1	-22	-17	0	1	2	3	-1	0	0	-2	-1	0	-19	3.79
19	4.06	5	22	0	-15	-1	6	2	-2	-22	-16	0	0	3	3	0	-1	0	-2	-1	0	-19	3.87
20	4.14	5	22	0	-15	-1	6	2	-2	-22	-16	-1	1	3	2	0	0	-1	-2	-1	0	-20	3.94
21	4.20	5	22	0	-15	-1	6	2	-2	-22	-16	0	0	2	2	0	0	-1	-2	0	0	-20	4.00
22	4.25	5	22	0	-15	-1	6	2	-2	-22	-16	-1	1	2	2	0	0	-1	-2	0	0	-20	4.05
23	4.30	5	22	-1	-15	-1	6	2	-1	-23	-16	0	1	2	2	0	0	-1	-2	-1	0	-21	4.09
24	4.34	5	22	-1	-15	0	6	2	-2	-22	-17	0	1	1	3	0	-1	0	-3	0	0	-21	4.13
25	4.39	5	18	-1	-15	0	5	2	-2	-22	-17	0	1	1	3	0	0	-1	-2	-1	0	-26	4.13
26	4.42	5	18	-1	-15	0	4	1	-1	-23	-17	1	1	1	2	0	0	-1	-2	-1	0	-28	4.14
27	4.43	5	17	0	-15	-1	5	1	-2	-22	-17	0	1	1	3	0	0	-1	-2	-1	0	-28	4.15
28	4.46	6	16	0	-15	-1	5	0	-2	-23	-16	0	1	1	3	0	0	-1	-2	-1	0	-29	4.17
29	4.48	5	16	-1	-15	0	5	0	-2	-23	-17	1	1	1	3	0	0	-1	-2	-1	0	-30	4.18
30	4.50	6	15	0	-15	-1	5	0	-2	-23	-16	1	1	1	2	1	0	-1	-2	-1	0	-29	4.21



Where will the Fed go? Recessionary risks.





Poll question #3

Which of the below statements is **false**:

- a) Historically low interest rates existed during the COVID-19 pandemic.
- b) Inverted UST yield curves have historically led to periods of US economic expansion (i.e., GDP growth).
- c) The 2025 market to date is characterized by high issuance volume and rate volatility.



Poll question #3 -- ANSWER

◆ Which of the below statements is **false**:

- a) Historically low interest rates existed during the COVID-19 pandemic.
- b) Inverted UST yield curves have historically led to periods of US economic expansion (i.e., GDP growth).
- c) The results of and events immediately following the 2024 presidential election could impact interest rates and the broader markets.



The threat to municipal tax-exemption Through the storm – more to come?

- ◆ The new presidential administration and its congressional counterparts stated their intent to extend and expand the tax reform and cuts first initiated in the 2017 Tax Cuts and Jobs Act (“TCJA”)¹.
- ◆ Congress is required to find ways to offset decreases in revenues by cutting spending within the federal budget.
- ◆ **Amongst many other identified areas for spending cuts, full elimination of municipal tax exemption had been listed as a potential source of funding for TCJA and for the 2025 tax package.**
- ◆ Interested parties, organizations, and issuers across the US mobilized to defend the preservation of municipal tax exemption, and succeeded in preserving municipal tax exemption in the final passage of the OBBBA.
- ◆ Despite this success, we must ask the question of whether a door has been opened that puts greater risk on municipal tax exemption for future legislative packages and sessions.
- ◆ Issuers should remain active in communicating the value of tax exemption to their representatives in Washington.



Disclosures

ABOUT PFM

PFM is the marketing name for a group of affiliated companies providing a range of services. All services are provided through separate agreements with each company. This material is for general information purposes only and is not intended to provide specific advice or a specific recommendation. PFM does not provide tax, legal or accounting advice.

Financial advisory services are provided by PFM Financial Advisors LLC, a registered municipal advisor with the Securities and Exchange Commission (SEC) and the Municipal Securities Rulemaking Board (MSRB) under the Dodd-Frank Act of 2010.

Swap advisory services are provided by PFM Swap Advisors LLC which is registered as a municipal advisor with both the MSRB and SEC under the Dodd-Frank Act of 2010, and as a commodity trading advisor with the Commodity Futures Trading Commission. Additional applicable regulatory information is available upon request.

Consulting services are provided through PFM Group Consulting LLC. PFM's financial modeling platform for strategic forecasting is provided through PFM Solutions LLC.

For more information regarding PFM's services or entities, please visit www.pfm.com.

Special disclaimer regarding the research and forecasts included in today's presentation: This research and any forecasts are based on current public information, as of the date of this presentation (or as of such date as may be specified in the presentation), that we consider reliable, but we do not represent it as accurate or complete, and it should not be relied on as such. The information, opinions, estimates and forecasts contained herein are also as of the date hereof and are subject to change without prior notification.

Case studies are provided for information purposes only and do not constitute specific advice or a recommendation. Opinions, results, and data presented are not indicative of future performance. Actual results may vary. Inclusion on this list does not represent endorsement of PFM's services.

Thank you.



pfm