

THE BOND BUYER

How coronavirus crisis exposes tech and data gaps

By Paul Burton - May 01, 2020

As COVID-19 batters cities, an overhanging question in public finance is whether the crisis can elicit more efficient governing post-pandemic.

Challenges amid severe budget strains include rebuilding tax bases, restoring business confidence, closing gaps between the rich and poor, and smarter municipal management overall.



"The pandemic puts all cities in a vulnerable position," said Howard Cure, director of municipal bond research for Evercore Wealth Management.

Better technology could be a major plus, analysts, and civic and business leaders said.

"We are all in a new era of remote work, remote bond sales," said Colin MacNaught, co-founder of BondLink, a Boston-based tech firm that works with municipal issuers nationwide.

“Communications from issuers to the rating agencies and investors is critical,” MacNaught said. “Events are gone for a long time, so now electronic and digital channels are much more important. Market participants need data, and they need access, and this all has to be done through various technology channels.”

Various technology-focused participants are doing just that. Lumesis announced late last month that its SEC Rule 15c2-12 pre-bid diligence for competitive deals will include a review of whether a preliminary official statement includes language regarding COVID-19. This is in addition to its free COVID-19 continuing disclosure monitoring service.

“Our clients want to know, before they bid a competitive deal, that the obligated party is disclosing what is known around COVID-19’s impact and contemplating the prospective impact of COVID-19. While there are and will be many uncertainties, they want to know that COVID-19’s impact is being considered,” said Stacey Virzi, chief analytics officer and head of client services.

But recovery involves rethinking and reinventing the economy, said Kathryn Wylde, president of the business-oriented Partnership for New York City.

“We’ve talked a lot about smart cities, how to do things really smart,” Wylde said on a webcast sponsored by think tank Center for an Urban Future. “One of the things we found out in this crisis is that the technology that supports our local and state governments is not smart, that it has failed on a number of fronts. That’s not a people problem. It’s not a leadership problem. That’s a technology and investment problem.”

Wylde cited the partnership’s work, which has continued through the crisis, on the Transit Tech Lab, an accelerator program for startups, in conjunction with major transit agencies including the Metropolitan Transportation Authority and the Port Authority of New York and New Jersey.

“We have the great advantage of having in New York this wonderful innovation community,” she said. “It’s been hard for them to deal with public procurement processes, but under the state of emergency we actually can circumvent some of those, so I think we’ve got a whole opportunity to tap the innovation community in this city and really do something with it.”

Work-at-home trends have put tech in a bigger spotlight while punctuating the gap between rich and poor, according to Cure.

“Many firms and the city are embracing telecommuting more and that’s potentially a good thing, but it exposes problems regarding the need for digital technology,” Cure said. “A lot of websites, we are finding out, have crashed.”

Online student learning could also widen income disparities, Cure said. “Some students and other people have better access to the Internet.”

The technology buildup worries people with lower incomes, said Joyce Moy, executive director of City University of New York's Asian American/Asian Research Institute.

"Whenever I hear all of the kinds of solutions that are out there in terms of technology, technology and technology, I worry because this pandemic has really exposed the incredible difference in terms of community and access to resources," she said.

"Gentrification has been an issue in the city, we talk about it all the time. It's the flight of the people who put a stake in the ground in the communities when nobody else thought Harlem was hip and cool."

Cure sees New York's City Council, amid the fiscal squeeze, looking to shift the burden to other parties such as landlords through rent and harassment protections for residential and business tenants, and a bill of rights for workers.

"I think the City Council does not want to appear impotent," he said.

Despite the strain, states and cities could turn to "big-budget Madison Avenue marketing techniques" to distinguish themselves in the battle for new industry and jobs, said John Boyd Jr., a principal with Princeton, New Jersey, site selection consultancy Boyd Co.

"Incentives will remain robust as companies will have the upper hand and play the 'need card' like never before."

Boyd also expects Congress to pass a New Deal-like COVID-19 infrastructure bill. "Our New York City-based clients are especially excited about renewed prospects for a third tunnel under the Hudson River into Manhattan," he said.

Winston Fisher, a partner at Fisher Brothers real estate firm and co-chairman of the New York City Regional Economic Development Council — the city's state-level economic development body — sees an opportunity to help businesses cut through red tape.

"That can be done in the short term," he said. "The cost of doing business is stifling for many small businesses and that can be something that we could reform immediately.

"The government is going to have to have less. That is going to be a fact, and it's going to be a lot less for the foreseeable future. And so it needs to deliver the same quality of service and should do it better. It's going to have to use technology. It's going to have to use government reform."

Data sharing is "one of the best ways the government can help inform the public in difficult times," said Rachael Fauss, senior research analyst for the New York-based good government group **Reinvent Albany**.

According to Fauss, San Francisco's Bay Area Rapid Transit system shows how New York's Metropolitan Transportation Authority can better share more ridership and financial data during the pandemic.

BART's outreach strategy has evolved with the crisis, said its chief communications officer, Alicia Trost.

"Our communication strategy right now is for the region to understand what BART is facing," Trost said at an online forum sponsored by the civic organization TransitCenter.

"The moment this pandemic started to hit the news and even before there were any cases here in the Bay Area, we were starting to get feedback from the public: 'What are you going to do? Your trains are very crowded?'"

"Right away, we decided, let's just pull our data every single day and communicate it. And at first, part of it was to push back on that scary, scary narrative of BART's too crowded, and don't ride the trains and drive to work, because at this point people weren't working at home yet. It was still business as usual in the Bay Area."

Data, said Trost, became more important with more stringent guidelines in place.

"When people are nervous and scared, you can say whatever you want, whatever sound bite you put out, they tend not to trust you because the fear takes over," Trost said. "And so what better thing to share than data, and in those early days, it was to show that social distancing was absolutely possible on BART because here's the data."

"You need to make information really easy to find and predictable."

BART used social media in its successful campaign in 2016 for passage of Measure RR, a \$3.5 billion **infrastructure bond package**. The agency that year linked a series of electrical surges that knocked out older rail cars to the need for better funding.

"People really celebrated the honesty," Trost said.