



Using the Municipal Bond Racial and Social Equity Scorecard to Advance Equity in the Bond Market

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Using the Municipal Bond Racial and Social Equity Scorecard to Advance Equity in the Bond Market

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Municipal Bond Markets & Racial Equity Program

Lourdes German
Executive Director
The Public Finance Initiative
November 9, 2023



The background of the slide is a collage of four images. The top-left image shows a multi-story brick building with several windows. The top-right image shows a large crowd of people gathered on a grassy field with trees in the background. The bottom-left image shows a brick building with a prominent clock tower and a portico with columns; the words "TOWN HALL" are visible on the portico. The bottom-right image shows a red fire truck with "QUINCY RESCUE" written on its side. The text "\$4.1 Trillion Municipal Bond Market" is overlaid in white on a dark blue background that covers the center of the collage.

\$4.1 Trillion Municipal Bond Market

What does it mean to
Center **Racial** or **Social**
Equity in a Municipal Bond
Transaction?






Newsletters

Government

Detroit appeals to socially conscious investors with Proposal N blight bonds sale

By Annalise Frank

 Reprints

 Share



A photograph of construction workers in safety vests and hard hats working on a site. A red dump truck is on the left, and a wheelbarrow is in the foreground. The background shows a brick building and trees.

Chicago Social Bonds

Your opportunity to fight climate change, create affordable housing, and strengthen our neighborhoods





Brochure with the heading "Just like you" and a photograph of a person.

Brochure with the heading "Just like you" and a photograph of a person.

Brochure with the heading "Just like you" and a photograph of a person.

Brochure with the heading "Just like you" and a photograph of a person.

Brochure with the heading "Just like you" and a photograph of a person.

Ambercare
Brochure featuring a photograph of an elderly couple.

Three water bottles and a small display stand.

Municipal Bond Markets & Racial Equity Project



The Public Finance Initiative launched the Bond Markets & Racial Equity Project in 2021 with the support of the **Robert Wood Johnson Foundation** as a multi-partner effort, with the guidance and insights of an experts advisory committee:

Saqib Bhatti, Action Center on Race & The Economy

Marcy Block, Fitch Ratings

Seantae Byers, The National League of Cities

Kimberlee Cornett, The Robert Wood Johnson Foundation

Dan Carol, Equity and Excellence in Public Finance Program, The Milken Institute

Robert Fernandez, Breckinridge Capital Advisors

Eric Glass (formerly) Alliance Bernstein

Gordon F. Goodwin, The Government Alliance on Race & Equity at Race Forward

George Hobor, The Robert Wood Johnson Foundation

Zoila Jennings, The Robert Wood Johnson Foundation

Mark Kim, Municipal Securities Rulemaking Board

Ritta McLaughlin, FINRA Investor Education Foundation

Hector Negróni, Foundation Credit

Eden Perry, S&P Global Ratings

Suzanne Shank, Siebert Williams Shank & Co., LLC.

Joshua Stern, The Robert Wood Johnson Foundation

Mervyn Tang, Schroders, PLC

Barbara VanScoy, The Heron Foundation



Municipal Bond Markets & Racial Equity Project




Racial Equity and Municipal Bond Markets

BY CHRISTINE BAKER-SMITH, LOURDES GERMAN, SAMANTHA PEDROSA, AND STACY RICHARDSON*

Cities, towns, public authorities, states and other public entities across the country issue bonds every year to finance vital public infrastructure such as sidewalks, parks, affordable housing, sewer, housing and more. Historically, the allocation of resources to infrastructure has at times reflected inequities in many communities. In recent years, a growing number of issuances in the \$4 trillion municipal bond market have emphasized equity, equality, and other social outcomes as important factors in the context of a bond issuance, particularly among stakeholders who participate in sustainable and impact investment.¹ Despite the sharp rise in

the issuance of bonds that are meant to achieve racial equity, equity, or other positive social outcomes, many issuers are newly attentive to addressing systemic inequities via fiscal policies within their jurisdiction and some are starting to adopt promising practices to center racial equity and other social considerations in a bond issuance. This brief reports findings from focus groups we conducted with over 100 government officials to hear their perspectives, experiences, and challenges as issuers participating in this market, and to understand how racial equity and other social values are being centered in the investment process.



HARVARD Kennedy School
Center for Public LEADERSHIP

Racial Equity as a Topic for Responsible Investment

why and how investors should engage

David Wood



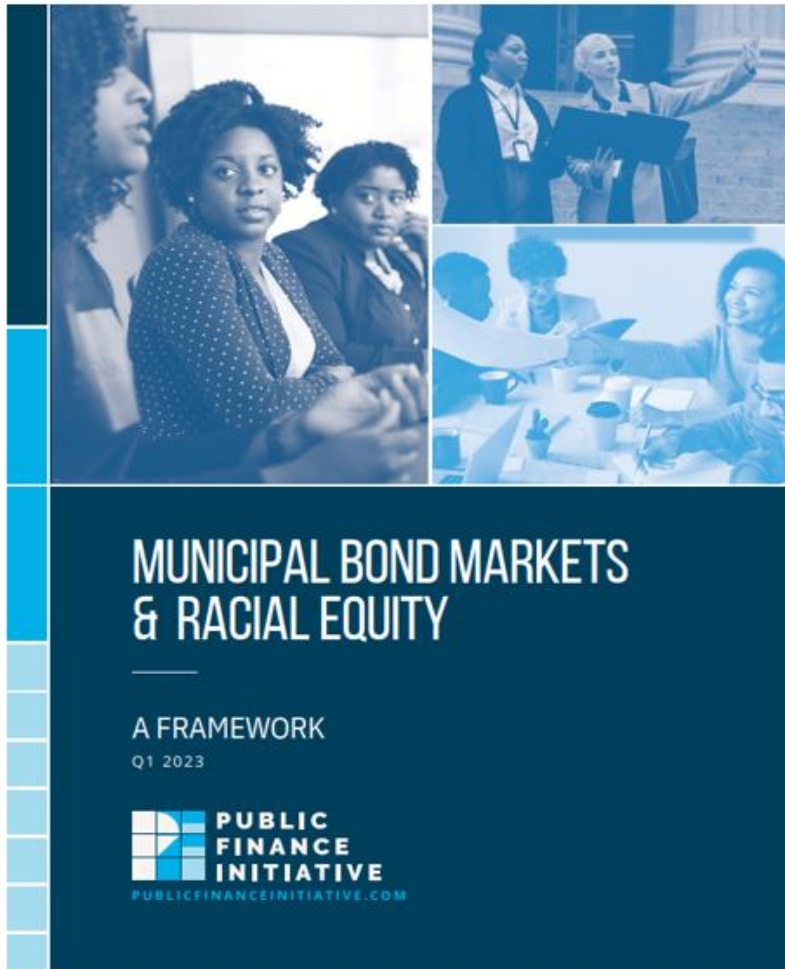
MILKEN INSTITUTE



Issue Brief

Stakeholder Perspectives on the Bond Market: Racial Equity

Municipal Bond Markets & Racial Equity Project



How can a **racial equity strategy** be centered holistically in a **bond issuance**?

A FRAMEWORK

ISSUER'S POLICIES & STRATEGY ON RACIAL EQUITY & ROOT CAUSE ANALYSIS OF RACIAL INEQUITY

RACIAL EQUITY INFORMED COMMUNITY ENGAGEMENT STRATEGY

RACIAL EQUITY INFORMED ANALYSIS AS PART OF THE PLAN OF FINANCE FOR THE BONDS

USE AND MANAGEMENT OF THE BOND PROCEEDS & PROJECT SELECTION GUIDED BY A RACIAL EQUITY LENS

MEASURING AND REPORTING RACIAL EQUITY RISK OR IMPACT OVER TIME

WHAT ARE YOUR GOALS?

Racial Equity realized through different impacts and measurements ...

EQUITY PROPOSITIONS

ACCESS

INCLUSION

WELLBEING

ASSETS

Equity demonstrated through
different impacts, such as ...

*Geographic
distributive*

Quantitative

*Resource
Allocation*

*Capital
Allocation*

Engagement

*Decision
Making*

Disclosure

Diversity

*Individual
Wellbeing*

*Community
Wellbeing*

*Environmental
Wellbeing*

*Community
Wealth*

*Individual
Wealth*

*Increased
Value*

*Access to
Capital*

Source: The rubric was created for our program by Urban American City, Ideas and Action

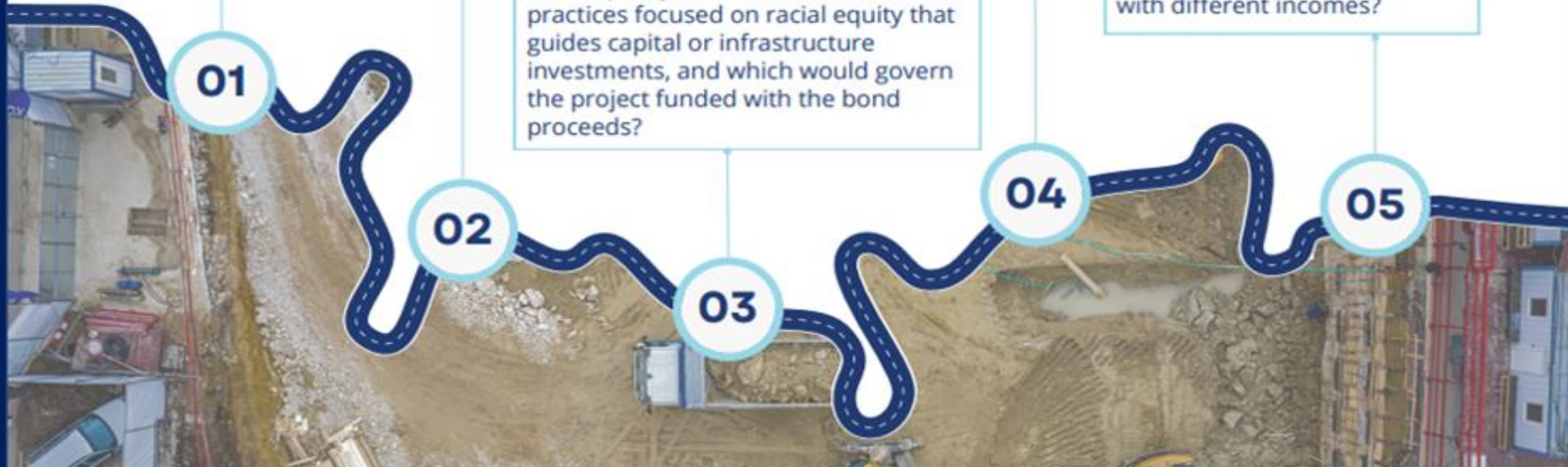
Are there any jurisdictional rules governing procurement decisions that consider racial equity or have the goal of furthering racial equity? Will such rule or policies be integrated in procurement or contracting decisions for the bond financed project?

How does the project that will be financed with the bond proceeds address the root causes of racial inequity in the jurisdiction? Is it a standalone project, or part of a larger pipeline of financings, programs, and interventions to address racial equity?

Does issuer or borrower's jurisdiction have a policy, vision, statement, or practices focused on racial equity that guides capital or infrastructure investments, and which would govern the project funded with the bond proceeds?

How are you engaging community members who have historically experienced discrimination or who face the greatest barriers to accessing economic opportunities to provide input and shape the direction of the projects that will be funded with the bond proceeds?

What impact will the revenue sources that secure the bonds have on residents with different racial or ethnic backgrounds, and residents with different incomes?



01

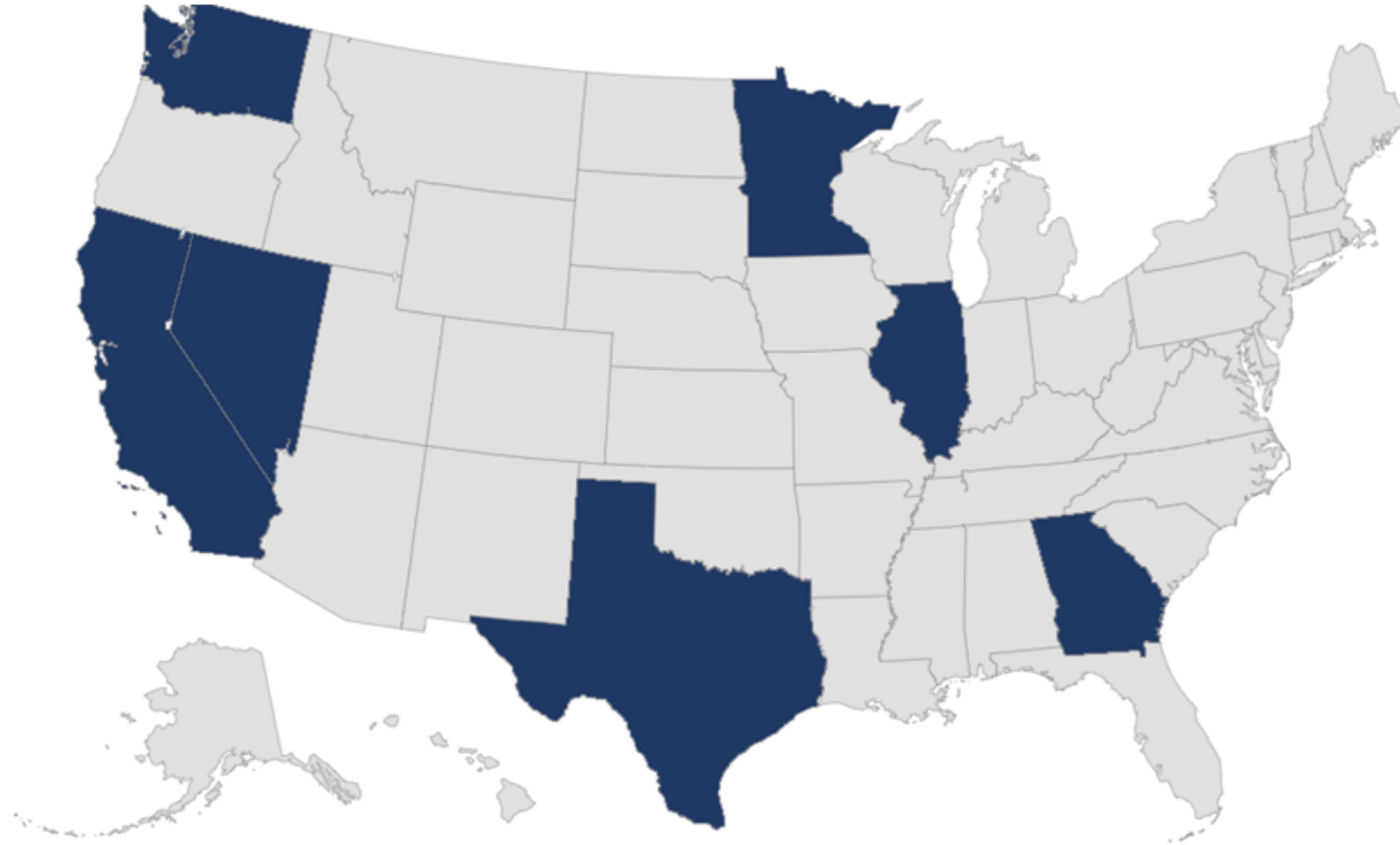
02

03

04

05

Jurisdictions Selected for Program Cohort I



The City of Atlanta, Georgia
The City of Chicago, Illinois
The City of Bloomington, Minnesota
The City of St. Paul & St. Paul Port Authority, Minnesota
The State of Nevada Bond Bank
The City of Dallas, Texas
Metropolitan Water District of Southern California
King County, Washington







How can a racial equity strategy be centered holistically in a bond issuance? A FRAMEWORK

- 1. IDENTIFY THE RACIAL EQUITY STRATEGY FOR THE BOND ISSUANCE
- 2. RACIAL EQUITY STRATEGY COMMUNITY ENGAGEMENT STRATEGY
- 3. RACIAL EQUITY IMPROVED MARKETS AS PART OF THE PLAN OF THE BOND ISSUANCE
- 4. USE AND MANAGEMENT OF THE BOND PROCEEDS TO PROMOTE RACIAL EQUITY
- 5. MEASURING AND REPORTING RACIAL EQUITY IMPACT OVER TIME

Racial Equity & Public Finance

Term	Meaning
Equity	
Racial Equity	

PROJECT

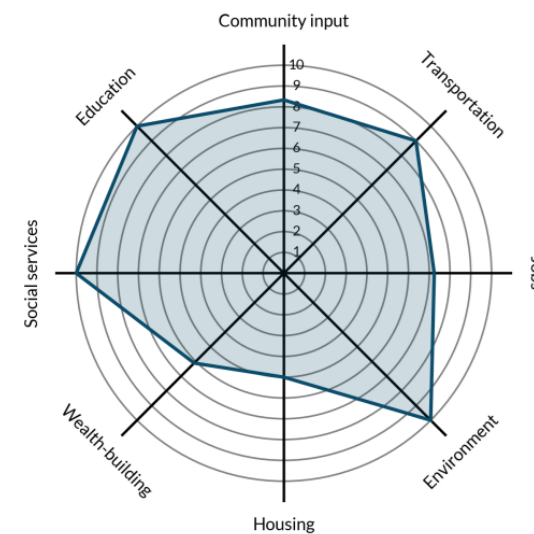
Municipal Bond Racial and Social Equity Scorecard



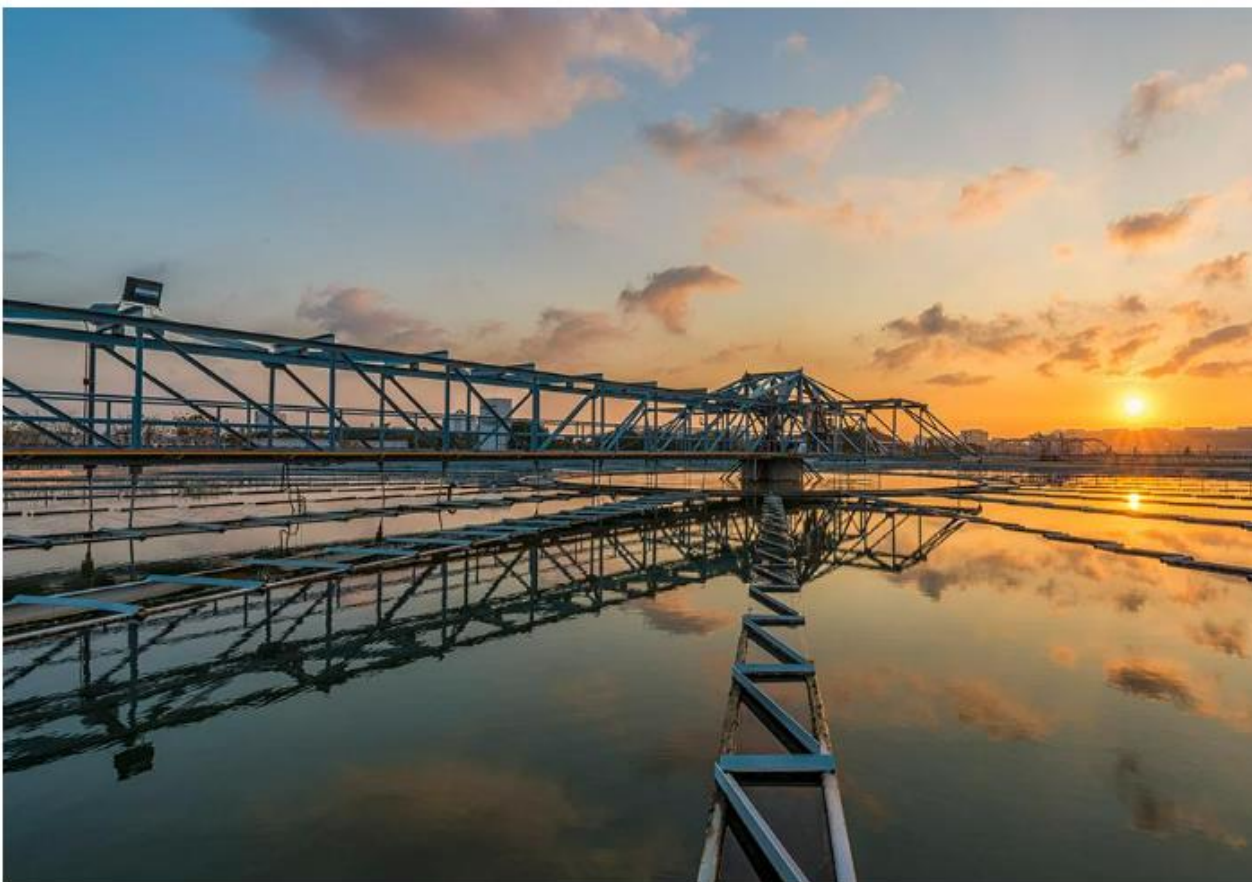
Municipal Bond Racial And Social Equity Scorecard Public Works Bond

Bond Issuance Information

Issuance name: Public Works Bond
Issuer name: ABC City
Name of the organization completing the tool: ABC City
Issuance phase: Preissuance
Type of issuing government or jurisdiction: City or town
Conduit issuer: No
Principal bond amount: \$500,000,000
How the bond is sold: Public offering (negotiated sale)
Tax status: Federally tax exempt
Bond designation: Social
Rating agency/agencies: S&P AAA, Moody's Aa
How the bond is secured: General obligation bond
Project types: Parks, open lands, or other conservation, Public transit, Roads



Your Score 84 out of 100 (High)



Thank You



Using the Municipal Bond Racial and Social Equity Scorecard to Advance Equity in the Bond Market

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Why We Created the Scorecard

- The bond market is a significant source of capital and is increasingly focused on ESG indicators.
- But evaluating the benefits from issuances, particularly in terms of racial and social equity, remains a challenge.
- Goal: Helps issuers and borrowers document, self-assess, and summarize the potential racial equity and social impacts of proposed bond issuances.
- Based on previous Urban tool (Capital for Communities Scorecard)



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How the Scorecard Works

- Collects information about your issuance and gives a racial and social equity score.
- Can be used at any stage of a bond deal, including the preissuance, issuance, or postissuance phase.
- Can be used multiple times throughout an issuance's lifetime.
- Can be incorporated into a planning process, kept as a record, or shared with other stakeholders.
- Completed scorecards will not be published or shared with any parties unless the user chooses to do so.



How the Scorecard Works

- Includes 5 sections of questions:
 - Issuer and Bond Basics
 - Racial and Social Equity Baseline Conditions, Policies, and Practices
 - Bond Series Details, Security Analysis, and Revenue Analysis
 - Community Engagement Related to the Use of Proceeds
 - Use of Proceeds and Project Metrics Analysis
- First three sections collect contextual information about the bond.
- Final two sections contribute to the score.



How the Scorecard Works

- Questions in the Use of Proceeds section are organized into 7 impact areas:
 - Accessible, high-quality jobs
 - Community wealth building
 - Affordable and accessible housing
 - Environment and open spaces
 - Health, social services, and cultural amenities
 - Transportation and transit
 - Schools and education
- Score is weighted by community priorities.



How the Scorecard Works

- The questions you receive are based on what project types are selected. Possible point totals are only based on which questions you see.
- Racial and social equity multiplier questions measure which project benefits will be accessible to people of color or individuals who are part of historically marginalized groups.
- Only closed-ended questions are scored, but open-ended questions will allow for explanations/context and will still be included in the scorecard output.



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Scorecard Demo

Municipal Bond Racial and Social Equity Scorecard

Welcome to the Municipal Bond Racial and Social Equity Scorecard!

Thank you for your interest in assessing the potential impact of your municipal bond issuance on racial and social equity in your community.

To proceed to the scorecard questions, please enter your email address in the box below. A survey link will be sent to this email.

The link you will receive is a **unique issuance link**. This means you can share it with team members or other stakeholders to work together to respond to the questions about this bond issuance. If you do not have time to complete the scorecard questions in one session, you can also leave and reenter the scorecard at any time using this link. Your progress will be saved automatically. However, you cannot use this link to assess other bond issuances. If you would like to assess a different issuance, you must enter your email address again to receive a new link.

If you misplaced your link or are having difficulty accessing the scorecard, please contact the Municipal Bond Racial and Social Equity Scorecard team at munibondscorecard@urban.org.

This scorecard is a part of the broader [Municipal Bond Markets and Racial Equity project](#) led by the Public Finance Initiative. To return to the Municipal Bond Racial and Social Equity Scorecard homepage, [click here](#).

Welcome to the Municipal Bond Racial and Social Equity Scorecard!

Thank you for your interest in assessing the potential impact of your proposed municipal bond issuance on racial and social equity in your community.

Instructions

This scorecard is designed to help bond issuers and other interested parties document, self-assess, and summarize the potential racial equity and social impacts of proposed bond issuances. The scorecard's results can encourage issuances that promote racial and social equity, strengthen communities, and benefit residents. Please provide the information requested below for an issuance for which you'd like to critically think through racial or social equity implications. The questions included in this scorecard are organized into five sections: (1) the basic details of the bond issuance; (2) the practices, policies, and baseline conditions of the issuer; (3) the revenue sources that secure the bond; (4) community engagement practices around the funded project(s); and (5) the expected impacts of the project(s) being funded with the bond proceeds. The scorecard is a part of the broader [Municipal Bond Markets and Racial Equity project](#) led by the Public Finance Initiative.

We understand that not all issuers focus on [racial equity](#) or [social equity](#) in specific bond issuances, and that some issuers might instead emphasize alternative dimensions of [equity](#), [equality](#), [social justice](#), or other values. The scorecard offers standard definitions of these terms as guidance and is designed to accommodate issuers with a wide range



Issuer and Bond Basics

Racial Equity
Baseline Conditions,
Policies, and
Practices

Bond Details, Security
Analysis, and
Revenue Analysis

Community
Engagement Related
to the Use of
Proceeds

Use of Proceeds and
Project Metrics
Analysis

Section 1: Issuer and Bond Basics

The following questions will ask for basic details about the issuer and the bond issuance being evaluated. If you are filling out this form before these details have been decided, these questions can be skipped or filled out with what you expect the parameters to be. Please do not share any material nonpublic information about a future sale. This section will not be scored.

Issuance name

Issuer name

What organization is completing this form (if different from the issuer listed above)?

Please describe the stage that this bond issuance is in. For example, is it in a



Issuer and Bond Basics

Racial Equity Baseline Conditions, Policies, and Practices

Bond Details, Security Analysis, and Revenue Analysis

Community Engagement Related to the Use of Proceeds

Use of Proceeds and Project Metrics Analysis

Section 2: Racial Equity Baseline Conditions, Policies, and Practices

The following questions will ask about the racial equity baseline conditions, policies, and practices regarding the issuer, issuance, and its jurisdiction.

Does the issuer or jurisdiction in the issuance have an operational definition of racial equity? If the jurisdiction has not adopted a definition of racial equity but follows an alternative definition focused on equity, equality, social justice, justice, or other social outcomes, please answer “yes” and provide that definition.

Yes

No

What is the definition?

Does your jurisdiction have a policy, vision, statement, or practices focused on racial equity that guides your operations? If your jurisdiction follows an alternative approach focused on equity, equality, social justice, justice, or other social outcomes, please answer “yes” and describe your approach.



Municipal Bond Racial and Social Equity Scorecard



Issuer and Bond Basics

Racial Equity Baseline Conditions, Policies, and Practices

Bond Details, Security Analysis, and Revenue Analysis

Community Engagement Related to the Use of Proceeds

Use of Proceeds and Project Metrics Analysis

Based on your understanding of the racial and social equity priorities and needs in the jurisdiction for which the bond is issued, rank the following seven priorities for community residents. To do this, click and drag the options presented in order of 1 to 7, with 1 being the highest priority and 7 being the lowest priority. **The way you rank these priorities will be used to score how this specific issuance will help your jurisdiction or entity reach these goals.**

- 1 Affordable and accessible housing
- 2 Accessible, high-quality jobs
- 3 Community wealth building
- 4 Environment and open spaces
- 5 Health, social services, and cultural amenities
- 6 Transportation and transit
- 7 Schools and education

How would you describe the purpose or type of project(s) that are funded with the bond proceeds? *(check all that apply)*

Airports, ports and railroads

Baby bonds

Communication networks

Demolition

Education (K-12 and post-secondary schools)

Health care facilities

Housing

Government buildings not otherwise specified (town halls, city clerks buildings, collector offices, etc.)

Libraries, daycare centers, community centers, or other social infrastructure

Parks, open lands, or other conservation



Issuer and Bond Basics

Racial Equity Baseline Conditions, Policies, and Practices

Bond Details, Security Analysis, and Revenue Analysis

Community Engagement Related to the Use of Proceeds

Use of Proceeds and Project Metrics Analysis

The next set of questions are about jobs related to the funded project(s).

How many new permanent, full-time jobs do you estimate the funded project(s) will create? [More information.](#)

0

1–19

20–99

100 or more

How many short-term, full-time jobs do you estimate the funded project(s) will create? [More information.](#)

0–9

10–49

50 or more

Policies, and
Practices

Bond Details, Security
Analysis, and
Revenue Analysis

Community
Engagement Related
to the Use of
Proceeds

Use of Proceeds and
Project Metrics
Analysis

Will the funded project(s) improve educational conditions or create an educational benefit for the community?

Yes

No

Please describe the benefits.

What share of these benefits will be accessed by low-income residents or residents who are primarily people of color or part of other historically marginalized groups?

0 percent

1 to 25 percent

26 to 50 percent

51 to 100 percent

Muni Bond Tool: Output and score

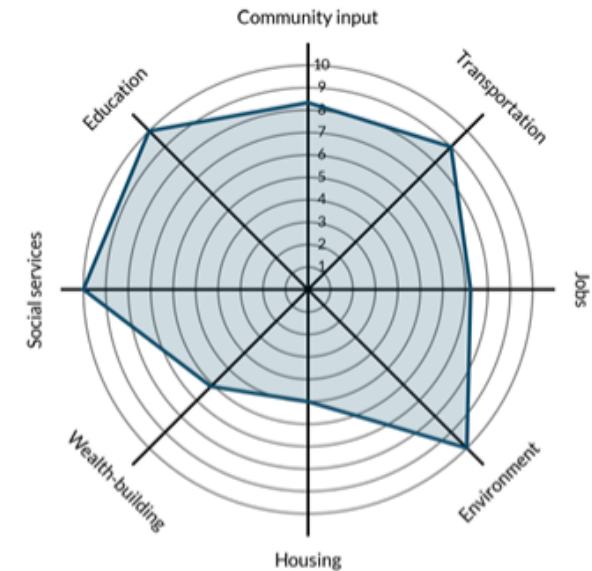
- Enter project information and receive a 1-100 score
- The first page of the scorecard includes the user's score, a breakdown across the outcome domains, and an explanation of the score
- The following pages have a complete record of all responses



Municipal Bond Racial And Social Equity Scorecard Public Works Bond

Bond Issuance Information

Issuance name: Public Works Bond
Issuer name: ABC City
Name of the organization completing the tool: ABC City
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Type of issuing government or jurisdiction: City or town
Conduit issuer: No
Principal bond amount: \$500,000,000
How the bond is sold: Public offering (negotiated sale)
Tax status: Federally tax exempt
Bond designation: Social
Rating agency/agencies: S&P AAA, Moody's Aa
How the bond is secured: General obligation bond
Project types: Parks, open lands, or other conservation, Public transit, Roads and bridges, Water, wastewater/sewer, and stormwater
Date tool completed: 10/26/23



Your Score 84 out of 100 (High)

The chart above displays the bond issuance's raw score in each community impact area. These scores are listed in order of your ranking, going clockwise to the right of "community input." An issuance's overall score is calculated by weighting the raw scores for each impact area according to your ranking.

What does your score mean?

Based on your responses, the proposed issuance receives a **high** score for expected impact on racial or social equity conditions in the affected communities. If the issuance conforms to responses when executed, it is likely to provide substantial racial or social equity benefits that are aligned with community priorities.



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