

Municipal Analysts

BULLETIN

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LETTER FROM THE CHAIR

Dear Members,

I am honored to serve as the 2015 NFMA Chair. Disclosure is more important than ever and I am excited to work on behalf of the organization to make improvements. Laying out goals for the NFMA in 2015 is far easier due to all that was accomplished in 2014 under chair, Susan Dushock. Thank you Susan for all you did to further the NFMA's mission of providing outstanding educational events, producing valuable recommended best practices and white papers, and for expanding our student membership program. It is a privilege to build off of what you accomplished.

The NFMA has an outstanding reputation in the industry. Our educational events are the best in the industry and our white papers and recommended best practices are respected and referenced frequently. Just last month, the MSRB published an advisory calling for the voluntary disclosure of bank loans, citing our 2013 bank loan paper. In 2015, I would like to see the NFMA build upon its successes and begin new endeavors designed to support our mission. I want to primarily focus on our key tenets of education and encouraging best practices and disclosure through four avenues: education, collaboration, communication and outreach.

Education

- Recommended Best Practice Papers: I hope to finalize the papers in progress and start working on new papers. Papers currently include State GO/lease (in the comment period), dedicated tax, local government GO/ lease, charter schools, toll roads and water/sewer.
- White Papers: Finalize papers currently in production and engage in efforts to determine any areas where we can add to the conversation. Papers currently under way include Conflicts of Interest and Bank Loans. Possible new topics include California lease revenue bonds/COPs, 15c2-12 and pensions.
- Produce the best conferences, seminars and web-based learning programs in the industry.
- Work with societies to offer local meetings and events to the NFMA as a whole.

Collaboration

- Through our Industry & Media Liaison, Bill Oliver, collaborate with other industry groups by speaking at conferences, contributing to work products and helping propel industry-wide initiatives.
- Organize an effort to house all industry group work products in one central, easy to find location.
- Serve as a resource on disclosure, best practices and other issues facing the municipal analyst today.

Communication

- Continue to build our communication methods, including social media, to improve our visibility, communicate better with membership and be a resource for the industry.
- Continue to be responsive to our members' needs and improve member engagement. Ensure an understanding of volunteer and leadership opportunities in the organization.
- Continue efforts to professionalize the organization by focusing on new measures to ensure the organization's financial health and improve the staff experience.

Outreach

- Continue to develop our Student Membership Program and Fugiel Scholarship so we can help build the next generation of municipal analyst.
- Develop procedures and a pathway for new constituent societies to join the Federation.
- Further develop relationships with the SEC, MSRB, Treasury and key Hill staff to open communication with the NFMA on key issues facing the municipal analyst and ensure we are part of the conversations where we can add information, experience, perspective and value.

This is a lot to accomplish but with the work of the dedicated Board and you, our membership, I know we can do it. Providing me continued support and guidance are the other NFMA officers who I am already grateful for: Susan Dushock, Immediate Past Chair; Lisa Washburn, Vice Chair; Julie Egan, Treasurer; and Mary Francoeur, Secretary. The NFMA couldn't do any of this without our outstanding staff: Bill Oliver, Lisa Good and Betsy Harkins.

If you have any ideas or want to volunteer for an NFMA committee, please don't hesitate to reach out to me or fill out our volunteer application.

Jennifer Johnston
NFMA Chair

Disclosure

Jason Kissane of Assured Guaranty and Mark Stockwell of Standish Mellon are continuing as the 2015 Disclosure Committee Co-Chairs. The Disclosure Committee is working on a number of Recommended Best Practice (RBP) documents for various sectors that will provide guidelines to improve the content and timing of disclosure.

The public comment period for the draft RBP for State General Obligation and Appropriation Debt ends on March 5. The draft was produced by the G.O. and Dedicated Tax RBP Committee, chaired by Nicole Byrd and Anne Ross. The committee has produced initial drafts for two other RBP's, Dedicated Tax and Local G.O. The committee is in the process of updating the drafts.

The Conflicts of Interest White Paper is nearing its final form and is expected to be circulated for public comment before the end of the first quarter of 2015. Special thanks to Robert Doty and Gil Southwell and the rest of their committee on an excellent paper.

The Charter School RBP has also made significant progress and will be circulated to the full NFMA Board by the end of February, with a final product to be release sometime in the second quarter of 2015.

Committees are also being organized for two more existing RBPs, Water and Sewer and Toll Roads. Both RBPs will update disclosure documents that were originally produced in 2006 and 2005, respectively.

Jason Kissane and Mark Stockwell

BMAF

Boston Municipal Analysts Forum

The BMAF had a busy fall 2014 capped by the annual holiday bowl-a-rama at King's Lanes, where we welcomed Megan Poplowski as our new treasurer. Megan is a Vice President at Eaton Vance Management, and has been active BMAF member. She worked on the planning committee for the NFMA 2014 Advanced Seminar on Transportation in Dallas and participated on the P3-related panel at the NFMA 2011 Annual Conference in Charleston.

In January, the BMAF board - comprised of President Kurt Forsgren of Standard & Poor's and Vice President Michael Taylor of Columbia Management and Megan - met to identify priorities and scope out events for the year. Since then, the Patriots won the Super Bowl and Boston has been hit by two blizzards ("Snowmeggdon") with 7 ½ feet of snow so far, and a meltdown of our public transit system, pretty much guaranteeing a meeting to discuss infrastructure deterioration. Once we back on track, the BMAF has some administrative matters related to bylaw clarifications to finalize. Also on the slate are speakers related to topics spanning from Puerto Rico to tobacco, to pensions, and most definitely transportation.

The BMAF is also continuing our practice initiated last year to invite students at several of the area colleges and university programs to our meetings with goal of fostering interest in our industry and building collaborative opportunities for continued education.

Kurt Forsgren

MEMBERSHIP COMMITTEE

In 2015, the NFMA Membership Committee plans to build on many of last year's successes including growing the Student Membership program and offering the 2nd annual Peter Fugiel Scholarship. The scholarship awards a student with a stipend to cover the registration fees and travel costs associated with attending the NFMA's Introduction to Municipal Bond Credit Analysis Seminar. Additionally, we plan on working with the member societies to determine how student members might benefit from the local societies' and ways to improve the membership database system. If you are interested in volunteering for any (or all) of these initiatives, please contact me at lwashburn@mma-research.com.

Lisa Washburn

SMFS

Southern Municipal Finance Society

John Boston, CFA, Senior VP and Director of Fixed Income Investments at Regions Investment Management in Birmingham, AL presented an economic and Market Update and Outlook Teleconference to the Southern Municipal Finance Society on January, 28 2015. The event was open to all NFMA members. Given the positive response to the SMFS-sponsored breakfast for SMFS members during the NFMA 2014 Annual Conference, the SMFS will host a cocktail hour for members at this year's conference. Details will follow.

The SMFS Education Committee continues to work on planning the Public Utilities Conference in conjunction with UNC Chapel Hill. Details will follow.

Barbara Vanscoy

CMAS

Chicago Municipal Analysts Society

CMAS concluded 2014 with our annual holiday party. The event was hosted at Bin 36 in Chicago, where members had the opportunity to participate in an informal wine tasting. An integral part to each year's holiday party is the formal vote on the following year's board members. With a resounding all in favor vote, we swore in the 2015 board. The board includes: President-Dana Ringer of Fitch Ratings, Vice President-Ann Kibler of Invesco, Treasurer-Gwen Kashmier of Allstate Investments, and Secretary-Shaun Peters of Invesco. Board Members include: Kristen DeJong of Nuveen, Bedford Lydon of McDonnell Investments, and Jeff Yorg of Gurtin Investments.



Bedford Lydon, Ann Kibler, Dana Ringer, Gwen Kashmier, Kristen DeJong

We kicked off 2015 with our fourth annual full-day outlook conference, which was once again generously hosted by Mesirow Financial. The day featured a great line-up of speakers that covered a variety sectors and timely topics. Diane Swonk of Mesirow Financial opened up the event, delivering an uplifting economic outlook for the coming year. Following Diane's presentation Michael Boland, Acting Commissioner of the Chicago Department of Aviation and Erin O'Donnell, Managing Deputy Commissioner of Midway, discussed Midway and O'Hare airports current financial performance, as well as short-term and long-term strategic plans. Switching gears back to a more macro focus, George Friedlander of Citi discussed his 2015 municipal market outlook. As almost an addendum to George's presentation, Nicholas Samuels of Moody's, provided a state specific outlook. The afternoon featured a mix of legal and rating agency viewpoints on healthcare and bankruptcy. Nathan Bays of Health Management provided a unique perspective to the healthcare sector, specifically with regard to the expectation of more soft-alignments in 2015 versus acquisitions. Jim LeBuhn of Fitch then discussed the factors that led to their negative outlook on the sector. Wrapping up the day, Jim Spiotto of Chapman Strategic Advisors discussed recent developments in municipal bankruptcies, followed by Jane Ridley of S&P who provided a rating agency perspective on the topic. We concluded the event with a cocktail reception. The day could not have gone more smoothly, and we received very positive feedback from attendees regarding the flow of the program as well as the quality of the speakers.



Peter Bianchini, Joe Vodziak, Chris Nowakowski



Brian King, Stephanie Woeppel

January was a busy month as we also had our first CMAS board meeting of the year. Our new president, Dana Ringer, hosted the meeting at Fitch. During lunch we put together an aggressive calendar of events for the year. Upcoming event topics include: oil/energy/fracking, the effect of federal funding with regard to state spending on infrastructure, high-yield with a focus on tobacco, and an update on Chicago and Illinois.

Please do not hesitate to reach out to the board with any feedback, suggestions, possible presentation ideas and/or presenters. ***We look forward to another great year!***

Dana Ringer

MAGNY

Municipal Analysts Group of New York

The 2014-15 season is off to a busy start, with a series of well-attended luncheons at the Yale Club.

California State Controller (now Treasurer) John Chiang joined us in September to provide an update on California finances, as well as to demonstrate the state's new open data website which contains financial reports as well as pension data for cities and counties statewide (bythenumbers.sco.ca.gov).

The October luncheon re-focused our attention on the east coast, with a look at New Jersey. John Sugden, Senior Director of the State and Local Government Group at S&P, and Jim Diffley, Senior Director, IHS economics offered an outlook for the state and its local governments. Also of note, we partnered with SIFMA in October to co-host a one day governmental accounting workshop led by GASB's Dean Mead.

We devoted the November luncheon to a panel discussion which considered trends in municipal issuance and the resulting consequences for infrastructure investment. Tom Kozlik, Director and Municipal Credit Analyst at Janney Montgomery Scott, William Glasgall, Program & Editorial Director for State and Local Accountability and Improvement at the Volcker Alliance, and Richard Andersen, President of the New York Building Congress, led us in this effort.

After closing 2014 with our traditional holiday party, our focus shifted to the lessons learned from Detroit in January. Marti Kopacz, the court-appointed feasibility expert for the city's Chapter 9 case, along with John Popehn, financial advisor to FGIC, and Michael Imber, financial advisor to COP holders, were each kind enough to share their insights at this event.

More recently, we drew on our own membership – Matt Fabian of Municipal Market Analytics, George Friedlander of Citigroup, and Phil Fischer of Bank of America Merrill Lynch – for a spirited discussion as they offered their thoughts on the outlook for the municipal market as we round the corner into 2015.

MAGNY is pleased to announce that it will be unveiling a new website in the coming weeks. We look forward to demonstrating the website at our upcoming luncheon in March and are hopeful that users will appreciate the enhanced functionality and utility it provides.

Finally, I would be remiss if I failed to acknowledge the newest addition to the MAGNY board. We are delighted to welcome Dan Wilson, from National Public Finance Guarantee, who joins this year as program chair.

Kristin Stephens

ADVANCED SEMINAR

The NFMA presented its Winter Advanced Seminar on "America's Urban Agenda and Its Impact Upon the Municipal Bond Market" in Houston, Texas at the Four Seasons Hotel on Thursday, January 22 through Friday, January 23, 2015. There were more than 100 members of the NFMA in attendance.

Topics included Urban Economic Revival, Sustainability, Mass Transit, Non-Traditional Municipal Funding Sources, Affordable Care Act, Unfunded Pension Liabilities, the Digital City and the Urban/Suburban Conundrum.

The Luncheon & Keynote Address was delivered on Thursday by William Fulton, a nationally recognized urban-planning expert. Mr. Fulton is Director of Rice University's Kinder Institute for Urban Research. Mr. Fulton previously served as director of the Planning Department for the City of San Diego, and as a city councilmember, Deputy Mayor and Mayor of Ventura, California.

Houston Controller Ron Green spoke on Friday morning about, "Houston—Challenges and Opportunities, 2015 and Beyond."

We are currently planning for the Fall 2015 and Winter 2016 Advanced Seminars and welcome suggestions on topics. Ty Schoback will join Chris Mauro in the Advanced Seminar planning.

Daniel Berger and Chris Mauro

Intro Course Continues to Attract New Analysts

The Introduction to Municipal Bond Credit Analysis, coordinated last Fall by Anne Ross and Betsy Hill, attracted over 80 attendees. Highlights included the addition of panel discussions addressing identifying risks and bankruptcy. Our two 2014 Fugiel Scholars were in attendance; the Fugiel Scholarship began in 2014 and dovetails with the Membership Committee's initiative to attract students to municipal credit analysis. For those of you who have analysts, or simply want to train other staff – sales, support, etc. – about municipal credit, this course will be offered again in the Fall of 2015.

Anne Ross and Betsy Hill



California Society of Municipal Analysts

The CSMA ended 2014 in high spirits. On December 15, we hosted our end of year Northern California holiday party at Town Hall in San Francisco. We had a strong turnout with roughly 60-70 members in attendance despite poor weather. During the event, we awarded our fourth annual Amy S. Doppelt Award for Meritorious Service to Rob Yolland. Rob is a Senior Vice President/Research Analyst at Franklin Templeton Investments and has been an active leader in the municipal bond community for over 25 years. Rob has moderated numerous industry panels, been an active advocate for improved disclosure, and served on the NFMA Board, including serving as its Chair in 2008. Similar to our dear friend Amy, Rob has been active in his local community and has been a mentor to many, helping to guide junior analysts as they develop their analytical skills. We hosted our Southern California holiday party on December 18 at Season 52 in Los Angeles. Although a smaller event, our Southern California members enjoyed a fun-filled evening with their friends.



Left to right: Jennifer Johnston, Peter Bianchini, Rob Yolland, Mary Colby, all Amy Doppelt Award recipients.

In January, the new CSMA board began its term for 2015. The board members are: Renee Dougherty, Charles Schwab Investment Management (Chair); Mark Capell, Build America Mutual (Vice Chair); Mike Ginestro, Bel Air Investment Advisors (Secretary/Treasurer); Karen Ribble, Fitch Ratings (Sr. Program Chair); Robin Fisher, Franklin Templeton Investments (Program Chair); and Jason Pollack, National Public Finance Guarantee (At-Large). The CSMA board is in the process of planning a luncheon in mid-March focused on the impact of the decline in oil prices. We are also planning a social in San Francisco for April and are in the early stages of organizing a day-long event in September.

Renee Dougherty



Minnesota Society of Municipal Analysts

The Minnesota chapter finished 2014 events with the holiday social at The Local, which provided members an opportunity to reminisce about the 20 years that the MSMA has been a part of the NFMA. The first luncheon was scheduled to be Phil Fischer, Municipal Strategist, Bank of America Merrill Lynch for January 29; unfortunately the event had to be canceled due to a snow storm in NYC. We are working on rescheduling Mr. Fischer for a February/March time frame. The MSMA board met in January to plan the 2015 calendar and came up with a solid list of topics for luncheons; we will communicate them to members once speakers are confirmed. The 2015 board consists of Tim Russell, President; Ty Schoback, Vice President; Jon Lynn, Treasurer; Mercy Ndungu, At Large; Matt Hillard, At-Large; and Brian Olson, Past President. Membership, attendance and interest in our chapter continue to be strong.

Tim Russell

Treasurer's Report

As of 12/31/14, the draft audited financial statements show cash and investments of just over \$1.5 million. The operating cash is held at PNC and the investments are held in four Vanguard Funds (Money Market, Total Stock Market Index, Total International Index and Bond Index Funds). The FY 14 return was approximately 5.9%. The funds are rebalanced throughout the year to the prescribed target asset allocation of 10% money market, 45% total bond, 10% International stock and 35% total stock index. The overweighting of the total bond fund (5.58% return) drove the overall investment returns. The estimated FY 2014 net income was \$229,103, which is up from the prior year income of around \$196,000. In 2014, the NFMA's revenues were approximately \$683,000 with conference registrations accounting for the majority, followed by sponsorships and thirdly, membership dues.

The Finance Committee is co-chaired by the Vice Chair and Treasurer, with the Secretary and Executive Director as members. The 2015 committee is Lisa Washburn, Julie Egan, Mary Francoeur, Lisa Good, Kurt Forsgren, Chris Nowakowski, Dana Ringer and Ann Kibler. Thank you for volunteering. We will revise the Board-approved budget before the Annual Conference Board meeting and rebalance our investments.

If you have any questions, please contact me at jegan@ccmfixedincome.com or 980.365.8554.

Julie Egan

2015 Board of Governors

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| Betsy | Harkins | Administrative Manager | | (412) 341-4898 | bharkins@nfma.org |

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GASB/GASAC PROJECT & RESOURCE UPDATE

The NFMA is a long-standing member of GASAC (Governmental Accounting Standards Advisory Board), and through GASAC, the NFMA has the ability to voice its opinions on the various GASB governmental accounting projects and Exposure Drafts. As the NFMA is one of only a few “buy-side user groups” on GASAC, the NFMA wants to maintain a strong presence in GASAC and on GASB deliberations. This Update should help keep NFMA members informed of pending GASB project deliberations and helpful resources offered by GASB to buy-side analysts. If you wish to become more involved in formulating NFMA responses to GASB/GASAC project deliberations, please consider joining the ad hoc NFMA/GASAC Committee by contacting Gilbert Southwell at gsouthwe@wellscap.com. Check out the GASB website for resources of value to NFMA members at www.gasb.com.

GASB/GASAC Project Deliberations of Importance to NFMA Members:

At GASB/GASAC’s upcoming meeting in March 2014, the following “discussion” projects important to NFMA members will be addressed-so your input is welcome! Please access to the GASB website and click the link in the upper right entitled “Recent Minutes And Major Tentative Decisions” for the status of all pending GASB/GASAC projects.

- 1) GASB has requested further GASAC’s input on the recognition and measurement of a government’s share of the OPEB liability in cost-sharing plans (“OPEB Liability Discussion”), and whether such recognition and measurement should follow current guidelines in GASB Statement No. 45 (current funding-based approach) or newer pension liability guidelines in GASB Statement No. 68. Another discussion topic is whether small OPEB plans (under 100 members) can report their OPEB liability using a simpler “alternative measurement method”. A final discussion topic was the scope and presentation of an OPEB healthcare cost trend and OPEB liability discount rate “sensitivity analysis” in the statement footnotes.
- 2) GASB has requested further GASAC input on the scope of governmental accounting/disclosure for asset retirement obligations (ARO) beyond the current GASB Statement 18 for municipal solid waste landfills. AROs for such assets as nuclear facilities, other landfills, coal mines, treatment plants, dams, quarries, and other abandoned sites/facilities would be addressed (“ARO Discussion”). GASB is assessing the basis for and timing of the recognition of an ARO and whether recognition can be based on more than a legal/contractual obligation. Another discussion topic was proper accounting for the ARO itself. Valuation of the ARO can be difficult and the NFMA recommended that an independent cost study be the main basis for any material ARO liability valuation rather than the government’s own liability estimates. The final discussion point was on the need to follow FASB Statement 143 in capitalizing the ARO costs as an asset. The NFMA did not support this final concept on the basis that we found it to be too confusing.
- 3) GASB requested GASAC input on valuation of external investment pools (e.g., 2a7 funds, etc), and whether such external investment pools must be valued using fair value measurement or amortized cost, and required note disclosures for SEC regulated and non-SEC regulated investment pools (“Fair Value Discussion”).
- 4) GASB has requested GASAC input regarding the disclosure of current, advance and cross-over refundings, and financial accounting for the economic and legal defeasance of municipal debt (“Debt Refundings”).
- 5) GASB has requested GASAC input on the scope and detail of tax abatement disclosure (“TAB Disclosure”). Tax abatements can be come in many forms and be granted by several overlapping government entities. The level of detail in reporting these different tax abatement programs will be the focus of the GASAC discussion.

GASB Resources Helpful to NFMA Members (Available through the GASB Website):

- 1) GASB has a free quarterly electronic newsletter called GASB Outlook, and is now offering GASB’s printed newsletter called The GASB Report for free. So consider subscribing to both to keep updated on GASB matters that impact NFMA members as users of government financial statements! For example, GASB Outlook has a link to the pending Discussion and Comment Projects noted above plus further details on each Discussion/Comment Project, plus a summary of all of GASB’s recent material activities;
- 2) GASB recently published its 2nd edition of “Analyst’s Guide To Government Financial Statements” and “What You Should Know About Government’s Business Type Activities”; and
- 3) GASB has industry-wide “pre-agenda” survey requests on various discussion topics, so please help out GASB by participating in these surveys.

If you have any questions about GASB-related activities, please contact me.

Gilbert Southwell, NFMA



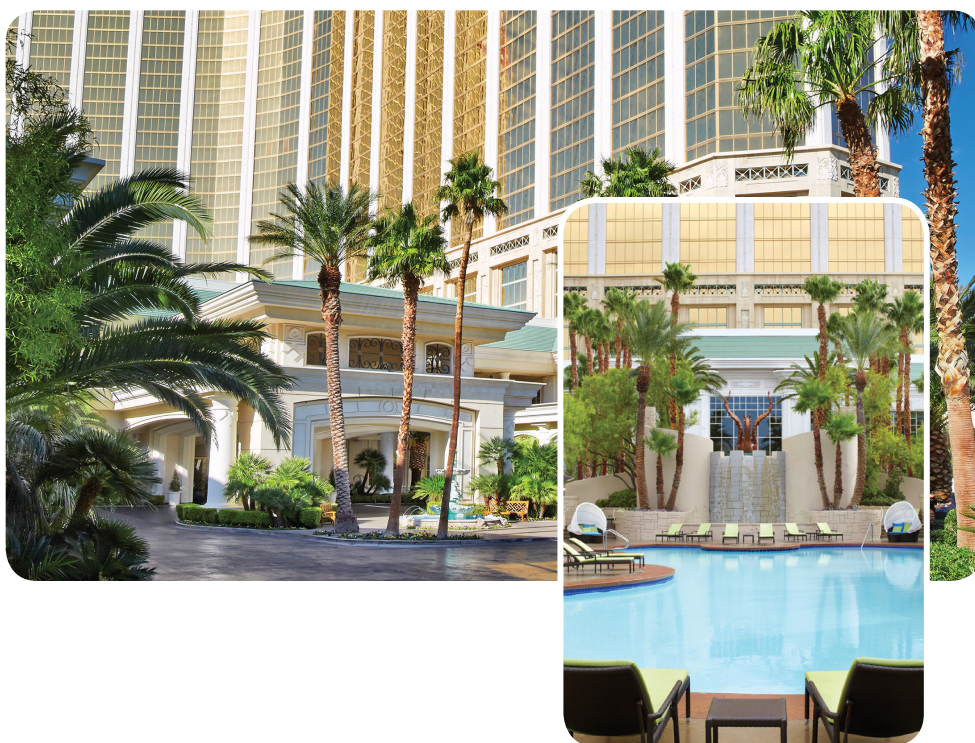
NFMA Annual Conference Provides an Oasis of Learning in the Nevada Desert

Registration is now open for the 32nd Annual Conference! We return to the lovely Four Seasons in Las Vegas, so be sure to book your room soon.

The planning committee has put together an excellent program with plenary sessions addressing state revenue forecasts, local budget “squeeze”, fed policy, ACA and, of course, bankruptcy. Breakout session topics include gaming, TOBs, tax incentives/burdens and Puerto Rico. We’ve brought in an excellent roster of speakers that includes academics, practitioners and government officials. We will kick off the conference with an economic outlook provided by Michael Hanson, a senior economist at BAML.

We look forward to seeing you there!

*Mary Francoeur and Scott Andreson
Conference Co-chairs*



NFMA Sponsors 2015

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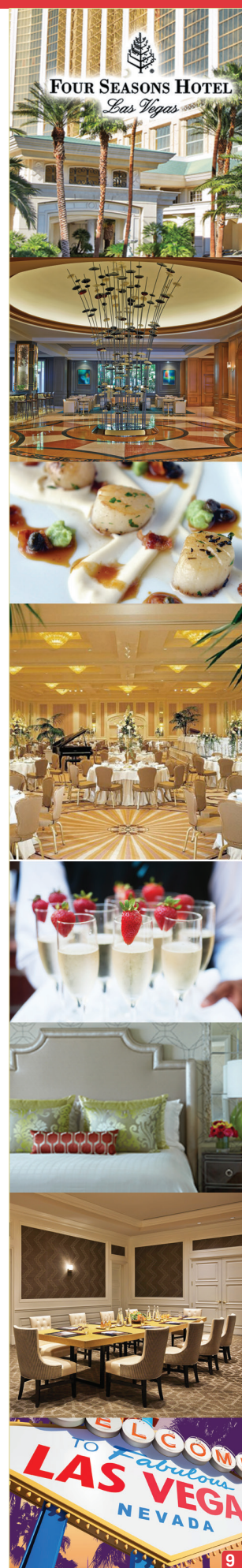
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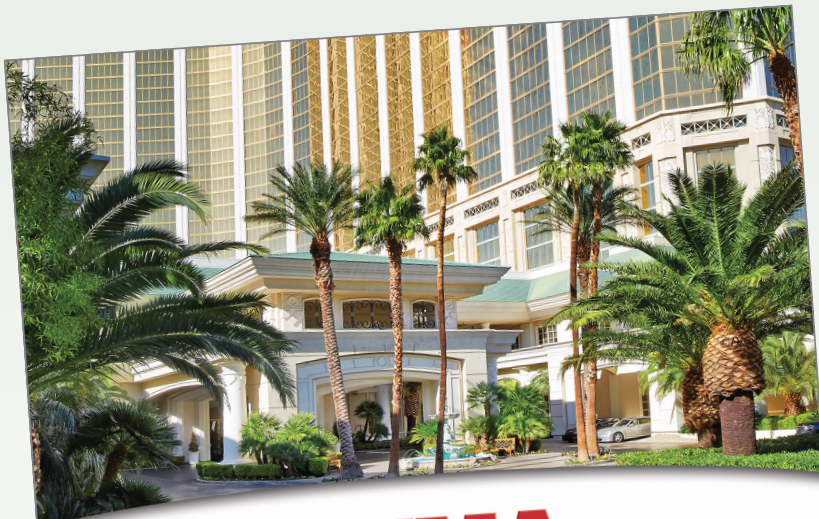
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THANKS to all of our 2015 sponsors!

Sponsorship Opportunities: Contact *Lisa Good*, NFMA Executive Director, at 412-341-4898, or lgood@nfma.org, if your firm is interested in being a sponsor.



REGISTER NOW FOR THE 32ND ANNUAL CONFERENCE AT THE FOUR SEASONS LAS VEGAS ON MAY 12-15.



NFMA

32nd Annual Conference
May 12-15, 2015
Four Seasons Las Vegas
Las Vegas, Nevada



Be sure to book your room soon.

We look forward to seeing you there!

NFMA CALENDAR

May 12 - 15, 2015

NFMA 32nd Annual Conference,
Four Seasons Hotel,
Las Vegas, NV

May 3 - 6, 2016

NFMA 33rd Annual Conference,
Westin Michigan Avenue,
Chicago, IL

May 16 - 19, 2017

NFMA 34th Annual Conference,
Mandarin Oriental,
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NFMA

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