

Municipal Analysts

BULLETIN

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LETTER FROM THE CHAIRMAN

As we move into the “home stretch” of the 2010 calendar year, the NFMA is far from winding down as it remains fully engaged as a leader in its advocacy for improved transparency and investor protection in the municipal market. As we have done throughout the year, we continue to stress the importance of Interim Disclosure Statements as a tool for timelier issuer disclosure. I have been joined by other Board members and prior chairs to present the NFMA case for better and timelier disclosure to the SEC, at conferences, and to other muni organizations. Concerns over credit issues have also increased opportunities to present NFMA views on disclosure to a wider audience provided through various media outlets. I believe that it has been important for the NFMA to have a strong voice not only because of our disclosure objectives, but also because we can provide a credible assessment of current municipal market conditions, particularly in a season when there are so many pretenders willing to overstate their understanding of our market.

We are also finishing up a number of disclosure projects, Recommended Best Practices in the Health Care Sector and Variable Rated Debt, as well as a white paper on Expert Work Products. Two other RBP projects are underway, with one committee working on both General Obligation Debt and Dedicated Tax Debt. Concurrent with those projects, we expect to include recommended procedures for interim disclosure.

We were also provided with unexpected opportunities this summer to comment on two court cases through the filing of amicus briefs in both cases. It has been rare for the NFMA to file amicus briefs, but the Board felt strongly that the ramifications from either case could have significant negative impact on the municipal market. In July, we filed a brief in support of the plaintiff in an appeal of a lower court decision in Wells Fargo Bank v. Lake of the Torches Economic Development Corporation, which would allow an issuer to repudiate its bond debt. We followed with the second amicus brief in September, supporting the enforceability of California’s Vehicle License Fee Enhancement Program, a state aid intercept program, in the City of Vallejo’s bankruptcy. The NFMA amicus briefs are both available on our website.

We had an excellent start to the 2010-11 NFMA conference season in October in Chicago with the Advanced Seminar on Reassessing and Redefining the Approach to Municipal Analysis chaired by Patrick Early and Scott Andreson. The agenda generated an enormous interest that was reflected in the record-breaking attendance for an advanced seminar. We also had a full house for the Intro to Credit session in Philadelphia in November. Chaired by Anne Ross, we are pleased to see the continued strong interest in the Intro session. Patrick and Scott are now developing the agenda for the Advanced Seminar on Electric and Water Utilities in La Jolla, California in February. The co-chairs of the Annual Conference, Jennifer Johnston and David Belton, are well underway in their planning for the May conference scheduled to be held in Charleston, SC. I look forward to seeing many of you in La Jolla and in Charleston in 2011.

It has been a privilege to serve as the 2010 NFMA chair and an honor to serve with my fellow members of the Board. I also want to acknowledge the work of our staff, Executive Director Lisa Good and Betsy Harkins. Despite the volatility in the muni market and the headlines questioning the credit quality of issuers, I have been impressed by the work of the NFMA Board and our staff to maintain the stability of our organization. As we move forward, I would like to congratulate our recently elected 2011 officers, Greg Clark, Chair, Greg Aikman, Vice-Chair, Jeff Burger, Treasurer, and Susan Dushock, Secretary. David Belton, Mary Kay Sells and Bill Trauner were re-elected to two-year At-Large positions and Scott Andreson was elected as an Affiliated representative. Sheila May will be the Alternate At-large member. I look forward to working with the Greg Clark and the 2011 NFMA Board.

Mark Stockwell

MAGNY

Municipal Analysts Group of New York

While the final program for the 2009-2010 season conflicted with the twice-rescheduled golf outing, we had an outstanding turnout for “The Pension Mess: Everyone’s talking about pensions and OPEB, but nobody’s doing anything about it – or are they?” Anne Ross of Roosevelt & Cross moderated the program with Howard Cure, Managing Director and Director of Municipal Research for Evercore and Keith Brainard, Research Director National Association of State Retirement Administrators.

The MAGNY Board succession plan brings Matt Fabian in as Chairperson. Dan Berger is Treasurer, and Eric Friedland will serve as Secretary and Membership Chair. The Board welcomes Christopher Mauro, Director, RBC Capital Markets and Kristin Stephens, Director, UBS, as Program Co-Chairs for the 2010-11 season. We thank Debra Saunders, who worked hard as program co-chair last year, and wish her all the best in her relocation to California. MAGNY’s loss is most definitely CSMA’s gain.

The new program season has offered some excellent speakers on timely topics. On September 21, Raymond C. Scheppach, Ph.D., Executive Director National Governors Association, spoke about the challenges facing states. In October, the subject was Basel III. Chris Wolfe, Managing Director Fitch Ratings Financial Institutions Group, laid out the new provisions, and Bill Collins, Managing Director of Public Finance at the Bank of Nova Scotia and Barbara Samett, Senior Municipal Analyst Vanguard, discussed the implications of the changes for their businesses. The November 23rd program featured a discussion on healthcare reform and its potential implications for states and non-profit hospitals with Courtney Burke, the director of the Rockefeller Institute’s New York State Health Policy Research Center.

The MAGNY holiday party will be Friday, December 17. A good time will be had by all.

Mary Francoeur

CMAS

Chicago Municipal Analysts Society

The summer and fall months proved successful as CMAS hosted four more events for a total of seven year-to-date. Loop Capital sponsored the June 17th event which included Dr. Kil Huh, Director of Research at the Pew Center on the States, speaking on their latest report “The Trillion Dollar Gap”. In August, CMAS hosted its 2nd annual Summer Social/Golf Outing, which is quickly gaining popularity and remains one of the most well attended CMAS events.

In early September, CMAS hosted its first Chicago Bus Tour which included a discussion on the financial condition of the Chicago Public Schools and featured a presentation by the Deputy CFO of the Chicago Public Schools, Melanie Shaker. CMAS would like to give special thanks to Harris Bank for sponsoring the exciting Bus Tour and we are hopeful that Chicago Bus Tours highlighting other bond issuers and the financial condition of the City will be possible in the future. The most recent CMAS event focused on Key Trends in US Housing and was presented by Dr. Peter Fugiel of PMN Community Services.

After strong attendance at the NFMA Advanced Seminar in Chicago, CMAS held its annual Holiday party on December 2nd. On behalf of the board, we would like to thank all of the member institutions that have graciously offered their space for CMAS events throughout the year. ***We greatly appreciate your ongoing support!***

Andrea McKeague

NFMA Participation at the GASB GASAC

GASB Governmental Accounting Standards Advisory Council (GASAC) meetings are held three times annually. To date, all three meetings have been held in 2010: March, July, and most recently, on October 28 and 29th. The meetings for 2011 will be held in March, June and November. GASAC meetings typically last one to two days and cover a range of topics. The agenda of the October meeting included a report from the GASB Chairman, Robert Attmore, an update of research and technical activities by GASB Research Director David Bean, and a report from the Financial Accounting Foundation's (FAF) Chairman Jack Brennan and President Teresa Polley.

Following the reports were GASAC feedback sessions on eight projects that are in various stages of evaluation. Among these, GASB personnel presented detail of potential financial presentations for their current "Pension Accounting and Financial Reporting" Project. Another important project concerns the "Statement of Net Position," which is evaluating the introduction of deferred inflows and deferred outflows on certain financial statements. For example, governments would present the Statement of Net Position, which was previously referred to as the Statement of Net Assets, with the net position equal to assets plus deferred outflows of resources less liabilities less deferred inflows of resources. This project has a short term turnaround, as it affects other projects currently in the pipeline. The Exposure Draft (ED), "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position" was released November 24, 2010 and is available on the GASB site. The 90 day comment period clock has begun and will end on February 25, 2011. The final statement is anticipated to be released in May 2011, unless the comments suggest otherwise. There will be a request for NFMA participants to help comment on this ED in December.

Look at the GASB website www.gasb.org and click PROJECTS to see research and comment papers. This past year, the NFMA (through volunteer group task forces) has commented on exposure drafts or preliminary views regarding the Statement 14 Re-Examination, Accounting for Service Concession Arrangements, and the Pension Accounting and Financial Reporting By Employers. The comment letters by groups and individuals who responded are on the www.gasb.org PROJECTS tab.

Mary K Cooney Sells



In June, the CSMA held a luncheon at Belden Taverna. The topic was healthcare reform and we had a great presentation by Marian Mulkey of the California Healthcare Foundation who talked about the new reform package as well as its possible implications. On November 4th, we held our final cocktail party of the year at Perry's on the Embarcadero. We had a great turnout and it is clear Perry's is a new favorite venue. Our final event of 2010 was a half day conference on December 1st at the San Francisco Ferry Building.

The event started with a site-visit of the Mission Bay and Hunter's Point project areas of the San Francisco Redevelopment Agency. Our luncheon speaker, Jason Sisney of the Legislative Analyst's Office, gave an update on the state and its budget situation. Our first afternoon panel focused on water issues raised in the Ceres Report with the author, Sharlene Leurig, as one of our speakers. Our final panel addressed the question of essential service and essentiality in light of the economic recession. The event ended with a wine tasting.

The CSMA just completed its 2011 Election and the Board is proud to welcome Renee Dougherty of Charles Schwab who was elected as the At-Large Member. She joins Jason Kissane of National Public Finance Guarantee who was elected Chair, Terry Goode of Wells Capital Management who was elected Vice Chair, Robert Sakai of Bank of the West who was elected Secretary/Treasurer, Gabriel Petek of S&P who was elected Senior Program Chair and Amy Tanaka of Moody's who was elected Program Chair.

Jennifer Johnston



EDUCATION COMMITTEE

Annual Conference

The 2011 Annual Conference will be held May 3-6, 2011 at Charleston Place in Charleston, South Carolina. The Conference Planning Committee is hard at work putting together an educational and timely agenda. The committee is pleased to announce that SEC Commissioner Elisse Walter will be our keynote speaker. Commissioner Walter is heading up the field hearings being held this year across the country to examine the municipal securities market, education, investor protection and financial reporting and accounting. The agenda will continue with a selection of general sessions and breakouts exploring topics such as pensions, healthcare, public private partnerships, headline risk and demographic shifts among others. The agenda for the event as well as registration will be available in January. We hope you can join us for the 2011 Annual Conference.

Jennifer Johnston and David Belton

Advanced Seminar

The NFMA's October Advanced Seminar, Reassessing and Redefining the Municipal Market and the Approach to Municipal Credit Analysis, had the highest registration yet for an advanced seminar, with total registrants topping 170. The record registration was primarily due to the quality panels, which reflected the ongoing changing nature of the municipal market, post credit crisis. Thanks to all the speakers and conference attendees who participated in Chicago.

This February's Advanced Seminar on Electric and Water Utilities will be held at The Lodge at Torrey Pines in La Jolla, CA on Feb. 3rd and 4th. We have assembled an excellent group of speakers who will focus on how current issues (green mandates, water supply, cap & trade, etc.) are impacting the credit and spreads of utility bonds. Please see the current agenda on the NFMA website and we look forward to seeing everyone in sunny California in February for this exciting and timely event.

*Scott Andreson
Patrick Early*

Introductory Course

This year's Introduction to Municipal Bond Credit Analysis was among the largest in the 23 year history of the program. Nearly 120 analysts and municipal professionals attended the one and ½ day event at Le Meridien in Philadelphia. Anne Ross has chaired this event for the past several years. She would like to extend special thanks to this year's presenters: Dari Barzel, Ruth Levine, Karen Szerszen, Gerry Lian, Natalie Cohen, Mary Francoeur, Bill Bonawitz, Reid Tomlin, Ken Kurtz, Mark Stockwell, Emily Wong, Gary Krellenstein, Mary Peloquin-Dodd, Lina Brandow and Kevin Lynch.

SMFS

Southern Municipal Finance Society

We just finished our Gulf Coast Credit and Challenges Conference, Nov. 9 and 10th in New Orleans, Louisiana. The panels were great and very informative. A huge thank you to the planning committee and all participants:

Education Chairs:

Barbara VanScoy – Community Capital Management

Dennis Whittaker – Arvest

Conference Committee:

Dan Black – Fitch Ratings

Jason Diefenthaler – Wasmer & Schroeder

Julie Egan – Community Capital Management

Alex Fraser – Standard & Poor's

Dyer Greer – USAA

Elizabeth Hill – Bloomberg Consultant

Paula Permenter – INVESCO

A Huge Thank you to:

Buck Landry and Damon Burns – Morgan Keegan

Lisa Good – NFMA

Dale Hoffmann – USAA

We have voted in a great slate of very competent new officers for 2011. The new officers are:

President – **Alex Fraser**

Treasurer – **Dyer Greer**

Secretary – **Barbara VanScoy**

I want to thank our current secretary, Paula Permenter and current treasurer, Dale Hoffmann for their many years of hard work and service to the SMFS.

Finally, I just want to say I have really enjoyed leading the SMFS and thank all of you for the opportunity. **The best of luck to next year's officers!**

Julie Egan

2010 Board of Governors



L-R first row: Andrea McKeague, Dennis Whittaker, Jennifer Johnston, David Belton, Anne Ross, Susan Dushock, Mary Francoeur, Lisa Washburn, Mary K. Cooney Sells.

Second row: Geoff Buswick, Greg Aikman, John Hallacy, Patrick Early, Jeff Burger, Bill Trauner, Greg Clark, Mark Stockwell, Todd Emerson.

Missing: Susan Kendall, Julie Egan, Andy Clark, Brian Tournier, Bill Hogan, Mary Colby, Mary Ellen Wriedt

BMAF

Boston Municipal Analysts Forum

The BMAF has remained active throughout the summer and fall. Our June meeting featured Steve Weiner, the health law practice leader from Mintz Levin. He spoke on the history of health reform in Massachusetts, the Federal Healthcare Reform law and the potential implications municipal credit analysts should be on the look-out for in their day-to-day analysis. We asked him to speak for about an hour, but when we wrapped up two hours and fifteen minutes later, the room was still crowded. A great depth of knowledge and we appreciated his time.

Our annual summer outing was held on a warm (and very windy) evening in July on the waterfront. Luckily for us, there was just enough of a wind-break at our outdoor location that no "tea" was spilled into Boston harbor.

In September, Lisa Parker, from the GASB spoke to the group on GASB Statement 54, as well as the GASB recent pension preliminary view (PV) document. She went into great detail on the accounting changes statement 54 will make in municipalities reserve lines. Her explanation was clear and laid a solid road map to understanding future muni audits. The pension PV discussion was shorter, but piqued members' interest in the depth and breadth of the potential changes. All agreed that a tight read of the PV was in order and future GASB pension releases should be shared throughout the BMAF.

The BMAF again had a strong showing at the Advanced Seminar in Chicago and a buzz has begun regarding the Utility Advanced Seminar in San Diego in February.

Our last formal educational meeting of the year was held in early November, when Dr. Alexander Heil, Chief Economist from the planning department of the Port Authority of NY & NJ provided a thought provoking economic outlook. Dr. Heil's talk ranged from the recession's impact on toll revenue to the growing wealth divide in the nation to the demise of the ARC under the Hudson. His opinions and analysis were obviously backed by data and considerable thought.

The annual Bowl-o-Rama was again a success, with Eaton Vance taking home the trophy. I've enjoyed my time as BMAF President, but have handed over the reins to Rick. The new Treasurer was announced at the December 2nd meeting, and so the executive board for 2011 will be Rick McBain from Deutsche Asset Management, President; Bill Delahunty from Eaton Vance, Vice-President; and Jude Scaglione from Columbia Management as the incoming Treasurer.

Geoffrey E. Buswick

A special thanks to our 2010 Diamond and Platinum Sponsors:

DIAMOND: Assured Guaranty
Bank of America Merrill Lynch
Barclays Capital
Fitch Ratings
Moody's Investors Service
Standard & Poor's

PLATINUM: Bloomberg
Mintz Levin
National Public Finance Guarantee Corporation

INDUSTRY PRACTICES

Industry Practices chairperson Mary Colby testified at the SEC Field Hearing "The State of the Municipal Securities Market" in San Francisco, California on September 21, 2010 on behalf of the NFMA. In her testimony, Mary reviewed NFMA disclosure initiatives over the years, with emphasis on the progress, or lack thereof, in the municipal market. She noted that issuers in a number of sectors have responded to the NFMA call for better disclosure with improvements to official statements, but that there "continues to be a misperception among many in the obligor community that they must limit their financial disclosure to audited information. Given that most issuers only undergo audits annually with a substantial lag after the end of the fiscal year, this often results in fairly stale financial information being included in offering documents. While this situation has improved in the last few years, perhaps in response to the financial crisis, it is still fairly common to see an official statement that only includes audited financial information that is six to nine months old."

In her discussion of secondary market disclosure, Mary's remarks noted our disappointment with the lack of progress on several fronts, most notably with the timeliness and completeness of filings. She referenced our call for issuers to prepare interim disclosure statements, something which the corporate market does as a matter of course. A joint project between the NFMA and GFOA on finding common ground on some guidelines for interim disclosure is underway, and Mary included a short review of those efforts. Lastly, there was discussion of material events filings, which Mary noted were lacking uniformity of compliance with standards across the municipal market.

For the full text of Mary's remarks, please go to Position Statements on www.nfma.org, under Publications.

In Memorium
Amy Doppelt

1958-2010

Member, NFMA and CSMA

Managing Director,
FitchRatings

SPONSORSHIP

Despite the sluggish economy in 2010, the sponsors for NFMA events found a way to continue, and in some cases, increase their support of the educational initiatives of the NFMA. To all current sponsors – THANK YOU! We are beginning our sponsorship efforts for 2011 this month. If your firm is interested in supporting the NFMA, please contact Lisa Good at lgood@nfma.org.

Susan Dushock

Member's Only Benefits of the NFMA web site include:

1. Access to the Job Bank;
2. Access to Meeting Handouts in the Member Center;
3. Access to the Online Directory and Advanced Search functions, allowing you to view analysts by specialties, locations, firms, etc.;
4. Access to the Membership Lists page in the Member Center, with links to each society's membership lists and the Board of Governors;
5. Ability to view and edit your own profile, including adding a photo and information about your education, specialty and firm type;
6. Ability to view all Receipts for Dues and Registration Fees paid to/through the NFMA. Open My Profile, and click on View Receipts – then open.

DISCLOSURE COMMITTEE

The update of NFMA's Recommended Best Practices (RBP) documents for GO and Dedicated Tax issues is progressing well. Preliminary drafts of the two complementary documents – one focused specifically on GO bonds and the other on Dedicated Tax bonds – are being compiled by the working sub-groups and should be completed by mid-December. An update of the RBP for VRDOs is also progressing well, with a preliminary draft of that document also expected to be completed by that working group in mid-December.

Finally, we are expecting the release this month of our White Paper on Expert Work Products and an updated RBP for Hospital Debt Transactions.

Brian Tournier and Greg Clark, Disclosure Committee Co-Chairs

MSMA

Minnesota Society of Municipal Analysts

On June 29th, members of the MSMA were invited to a tour of Target Field, the Minnesota Twins' new baseball stadium, which was partially financed with municipal bonds. Following the tour, we gathered to socialize and network at a local pub before attending that evening's game vs. the Detroit Tigers.

Our most recent lunch meeting was on September 14th. Jane Ridley from Standard & Poor's spoke to us about S&P's global ratings scale and various issues impacting state and local governments.

The 4th annual MSMA holiday party will be held December 9th at 4:30pm at the Local (931 Nicollet Mall, Minneapolis). Please join us for this opportunity to network and to celebrate the season!

The MSMA board is working on an interesting lineup of speakers for 2011. We are also looking for a volunteer to join the board in 2011. If any members have comments or suggestions on future topics or speakers, or if there are members interested in joining the board, please contact Andy Clark or Todd Emerson.

Andy Clark

NFMA CALENDAR

February 2, 2011 – NFMA Board of Governors Meeting, The Lodge at Torrey Pines, La Jolla, CA

February 3-4, 2011 – NFMA Advanced Seminar on Electric and Water Utilities, The Lodge at Torrey Pines, La Jolla, CA

May 3, 2011 – NFMA Board of Governors Meeting, Charleston Place, Charleston, SC

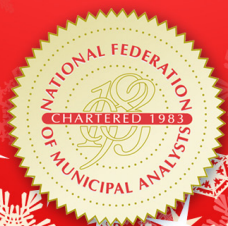
May 3-6, 2011 – NFMA 28th Annual Conference, Charleston Place, Charleston, SC

April 17, 2012 – NFMA Board of Governors Meeting, Four Seasons, Las Vegas, NV

April 17-20, 2012 – NFMA 29th Annual Conference, Four Seasons, Las Vegas, NV



The NFMA
Wishes Everyone a
Safe and Happy
Holiday Season.



NFMA

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