

Municipal Analysts

MARCH 2011 VOL 21. – NO. 1

BULLETIN



LETTER FROM THE CHAIRMAN

As our market faces unprecedented levels of scrutiny, NFMA members face a challenging year. NFMA's goals have always been promoting professionalism in municipal credit analysis and furthering the skill level of our members, and our primary means of meeting these goals has been our education initiatives. This year, given the intense focus on our market, we are hosting – in conjunction with MAGNY – an April 1 event on Municipal Fiscal Stress, Bankruptcy and Pensions. If you haven't already received information on this event, you will be hearing more about it very soon.

We had an excellent start to 2011 with our Advanced Seminar on Electric and Water Utilities, held in La Jolla during the first week of February and co-chaired by Patrick Early and Scott Andreson. By now you have also received the brochure for our Annual Conference, to be held on May 3 through 6 in Charleston, South Carolina. Our Conference co-chairs, Jen Johnston and David Belton, have done an outstanding job in assembling some especially timely panels. We are pleased to have as our Conference Keynote Speaker this year SEC Commissioner Elisse B. Walter, who as you know has taken a prominent role at the SEC in studying various aspects of the municipal bond market.

NFMA continues to serve our members as an advocate for improved transparency and investor protection. One initiative in this regard is the continuing development of interim disclosure standards as a tool for timelier issuer disclosure. We are also completing a number of other disclosure projects, including Recommended Best Practices in the Health Care Sector, Variable Rated Debt, General Obligation Debt, and Dedicated Tax Debt. Late last year we released a Draft White Paper on Expert Work Products, authored by a committee headed by Robert Doty and Peter Bianchini.

To date in 2011, NFMA officers have presented our views at the MSRB Roundtable and to the National Association of Bond Lawyers. Other NFMA members have had the opportunity to express their companies' views before Congress and through various media outlets. In January, NFMA released a Comment on the Current Market Dialogue Regarding Creditworthiness of Municipal Bonds, which is available for viewing on our website, www.nfma.org. I urge you to check the website on a regular basis to remain current on NFMA activities.

Finally, it is a privilege to serve as the 2011 NFMA chair, and I am indebted to our other officers, our Board, and all of our members for their support of NFMA. Board officers this year include Mark Stockwell, Immediate Past Chair; Greg Aikman, Vice-Chair; Jeff Burger, Treasurer; and Susan Dushock, Secretary. I also want to acknowledge what are often the heroic contributions of our staff, Executive Director Lisa Good and Betsy Harkins. The more I work with Lisa and Betsy, the more I realize that they are indispensable to our success as an organization.

Please feel free to contact me at any time with any questions or concerns. The best email address at which to reach me is municredit@msn.com.

Gregory A. Clark

Disclosure

In January, Bill Trauner stepped in as Disclosure Committee co-chair. We are focusing our efforts on completing a number of updates of Recommended Best Practices (RBPs) and the white paper Expert Work Products, and we expect 2011 to be a busy year, thanks in large part to Greg Clark's efforts over the past two years to advance these papers. The list below outlines the progress on the papers currently in progress, and we expect all of these to be finalized during 2011.

- The Expert Work Products white paper is currently out for comments.
- The GO and Dedicated Tax Bonds companion RBP updates are drafted, and the working groups continue to refine and edit these papers. There will be a brown bag session at the Annual Conference to discuss these RBPs and solicit comments and feedback from the NFMA membership
- The RBP update of Variable Rate Demand Obligations is nearing completion of drafting.
- The RBP update of Housing Bonds is drafted. The working group has been soliciting feedback from industry groups, and we expect a finished draft to be released for comments in the near future.
- The RBP update for Hospital Debt Transactions is also progressing.

*Brian Tournier and Bill Trauner,
Disclosure Committee Co-Chairs*



2011 is proving to be another successful year for CMAS. In January, the board distributed a survey to members to solicit ideas for presentation topics and social events. Requested presentation topics included healthcare reform, distressed credits, local credits, pension issues, and the media's coverage of the municipal bond market. Members also weighed in on ideas for social events; many expressed interest in a boat tour. The board is using the membership feedback to plan this year's calendar of events.

On March 2, we hosted a presentation on healthcare reform and its impact on the credit quality of hospitals and healthcare systems. The speakers were John Orsini, the CFO of Resurrection Health Care, and Lawrence Singer, the Director of the Beazley Institute for Health Law and Policy at Loyola University. The event was very well-received by a large audience of CMAS members. We greatly appreciate the generosity of the presenters as well as Standard & Poor's, which sponsored this lunch event.

Rachel Cortez

Committee Chairs

Advanced Seminar – *Scott Andreson and Jason Kissane*

Annual Conference – *Jennifer Johnston and David Belton*

Awards – *Mark Stockwell*

Constitution – *Andrea McKeague*

Disclosure – *Brian Tournier and Bill Trauner*

Finance – *Jeffrey Burger*

Industry Practices – *Mark Stockwell*

Membership – *Susan Dushock*

Nominations – *Greg Clark*

Sponsorship – *Susan Dushock*

GASAC – *Mary K Cooney Sells*

ADVANCED SEMINAR

The February Advanced Seminar on Utilities had very strong attendance, despite the winter storm that disrupted many flights from the East Coast and Midwest. Thanks to all the speakers and conference attendees who participated in lovely La Jolla, CA. We are currently considering topics and locations for this fall's Advanced Seminar, so please let Lisa Good (lgood@nfma.org) and me know if you have any ideas. I would like to personally thank Patrick Early for all of his hard work, energy, and dedication to NFMA during his time as Advanced Seminar Chair. Please join me in welcoming Jason Kissane as our new Advanced Seminar Co-Chair.

Scott Andreson

MAGNY

Municipal Analysts Group of New York

MAGNY continues to see very strong reception of its monthly luncheon series, with attendance averaging close to room capacity of 90-100. For our February event, "State Oversight and Intervention: Act 47 and Beyond", we were again forced to curtail registration early because of capacity issues. The speakers, Dean Kaplan of PFM and Joseph Boyle of the PA Economy League were excellent, gave detailed explanations of how Act 47 operates and compares with other programs, and are strongly recommended for future NFMA events. Looking ahead, our next luncheon is a panel of buyers on March 11, followed by a dual NFMA/MAGNY symposium on headline risks with will replace our scheduled April 1st luncheon. There will then be three more luncheons before the end of the current season.

From an operating standpoint, the MAGNY board is considering several adjustments, including the outsourcing of day-to-day financial management duties, and, potentially, the event management aspect of the monthly luncheon series. We also continue to see strong interest from firms looking to place employment ads on the MAGNY.org website, a sign of persistent growth for the municipal credit industry.

Matt Fabian

SMFS

Southern Municipal Finance Society

For those of you interesting in getting involved this year, plans are underway for 2011 events throughout our region. If you are interested in serving on the board or have ideas for a program large or small, please contact any SMFS board member.

This is a good time to make sure your membership is up-to-date. You will need that taken care of when registering for the Charleston national conference. You can pay using your credit card at nfma.org. We look forward to seeing you there.

We are always interested in hearing from SMFS members and affiliates in the region about how we could make a difference in your professional development. Please call Alex Fraser at 214-871-1406 with suggestions.

Alex Fras

Industry Practices and Procedures

The Industry Practices Committee, in conjunction with the Education Committee of the NFMA and MAGNY will hold a Symposium on Municipal Fiscal Stress, Bankruptcy and Pensions in New York on April 1, 2011. Registration has begun at www.nfma.org and will run through March 28, or when the room capacity has been reached, whichever comes first.

Objectives of the symposium include:

- providing a venue for more rational discussion of credit stress;
- facilitating discussion of differentiation between credit sectors and revenues pledges during periods of credit stress; and,
- providing insight about the credit impacts of pension liabilities and the implications of bankruptcy in the municipal market.

Mark Stockwell

GASB Advisory Council Meeting Update

On March 3rd and 4th, GASB's advisory committee, GASAC, met in Norwalk, CT at the GASB, FASB and Financial Accounting Foundation (FAF) offices. The NFMA is one of nearly 30 professional organizations that meet three times a year to provide input to GASB staff on current and proposed accounting reporting projects. Updates were provided on the Pension Accounting and Financial Reporting and Fiscal Sustainability projects. On the pension project, some tentative decisions have been made to the proposed rules after review of the comments on the Preliminary View document this fall, including the use of a high-quality municipal bond index rate based on a 30-year tax-exempt double-A or higher bond index rate as of the employer's year end to be used as a discount rate on payments that are projected beyond benefit depletion. Expect an Exposure Draft in June that requests comment on the pension project and proposed decisions as of that date. The proposed changes to pension reporting are a watershed event in municipal credit. Please consider involvement in this next comment document. GASB has revised its website, making it much easier to search and find the status of current, future and past projects. One important way to stay involved is to sign up on the GASB site at the Visitor's Register. You will receive email updates on current developments, including a newsletter released twice annually on the **User's Perspective**. You can also view this at the www.GASB.org USERS tab. In the December 2010 User Perspective, the fifth and final in a series examining the contents of state and local government annual financial reports, examines the nature of supporting information and how it relates to the information in the basic financial statements and notes, describing what this data can tell you about a government's financial health.

Finally, at the local NFMA chapter level, consider when determining programs, hosting a GASB staff member as a speaker. There are a number of projects they are working on, in addition to the high level Pension Accounting and Reporting project, that they would be happy to discuss with NFMA members. Please remember that GASB values the feedback from the NFMA user community.

Submitted by:
Mary K Cooney Sells



Minnesota Society of Municipal Analysts

After wrapping up a successful 2010 that included five member events, MSMA would like to thank Andy Clark for his service to the organization. Judi Harvey, Allen Hoppe and Brian Olson remain on the board in 2011, with Judi assuming the role of Vice President and Allen the role of Secretary/Treasurer. Tim Russell joins the board as an at large member as well.

MSMA is off to a fast start in 2011. Our first educational luncheon took place in January with Barbara Portwood, a veteran bond attorney with Leonard Street and Deinard. She spoke about various Dodd-Frank provisions including regulation of previously unregulated market participants and their fiduciary duty to their municipal clients. We followed that up with a very well attended luncheon on March 4th with Jay Kiedrowski, a Senior Fellow in the Public and Nonprofit Leadership Center at the University of Minnesota's Humphrey School of Public Affairs. He entitled his presentation "Minnesota's Financial Crisis" and spoke about a number of demographic, social and economic trends in the state as well as the current budget impasse.

Going forward, we expect to schedule a third educational luncheon in May and have already planned our second annual summer social for June 15th.

Todd Emerson



The CSMA would like to thank Jennifer Johnston from Franklin Templeton for her leadership as our past Chairperson. Jen has been a great voice for our industry and was instrumental in updating our by-laws, bringing in new board members and planning several informative events. Jen continues to do great work with the NFMA as well. We are also pleased to welcome Renee Dougherty from Charles Schwab Investment Management to the CSMA Board as our At-Large member.

The CSMA started our 2011 calendar of events on February 2nd with a very exciting site visit hosted by the San Diego County Water Authority. The site visit included a tour of the San Vicente Dam Raise Project, currently the largest dam raise in North America. The site visit was the kick-off event to the NFMA's Advanced Seminar on Utilities in La Jolla.

Our second event of the year will be a luncheon in March and will focus on the legal issues surrounding public pensions. Additional details will follow shortly. The Board is also planning several educational and social events for remainder of 2011.

We are also pleased to announce that we have added a Suggestion Box on the CSMA webpage which can be accessed by visiting www.nfma.org. We welcome any and all suggestions for educational topics, potential speakers or social events. The Board greatly appreciates your feedback.

Jason Kissane



The BMAF hosted the new State Treasurer of Massachusetts, Steve Grossman on February 17, 2011. It was a very informal meeting between the Treasurer and our members. There was a lot of dialog back and forth and the treasurer and members really seemed to enjoy the opportunity to get to know each other. The meeting was well attended with close to 40 of our members on hand. Our next meeting will be held on March 22, 2011 and the topic that will be "CCRCs in Distress: The Lights Are On, But Is Anybody Home?" Over the past few years CCRCs have encountered growing financial problems. The extraordinary losses in the housing market have undoubtedly contributed to the financial woes at these communities. There are, however, other contributing factors at these communities unique to their particular situation—whether it is marketing issues, unpaid refunds, deferred capital expenditures or incomplete construction. The upcoming program will feature real life stories surrounding various troubled facilities, pointers on how to spot trouble signs for current holdings and issues to look for – and look out for—in future deals. Some other topics we are looking to discuss are the bond insurance, bankruptcy, and pensions/OPEB. We are still in the planning stages for later meetings, but look forward to having some great meetings with relevant topics.

In January, the BMAF welcomed a new treasurer to the board. Jude Scaglione is a Vice President and senior research analyst at Columbia Management. Jude has also worked at JP Morgan and with the New Jersey State Assembly. He has been involved with the NFMA and is an active member in the BMAF community. He has a strong work ethic and will bring a lot of enthusiasm to the treasurer's position. We look forward to leveraging his diverse employment experience to bring a fresh outlook to our members in 2011 and beyond.

Rick McBain

2011 Board of Governors

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Geoffrey Buswick	BMAF	BMAF	(617)530-8311	geoffrey_buswick@sandp.com
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Lisa Washburn	At-Large	MAGNY	(908)514-1244	lwashburn@mma-research.com
Sheila May	Alternate	BMAF	(617) 951-5839	srmay@wellington.com

* Executive Committee Member

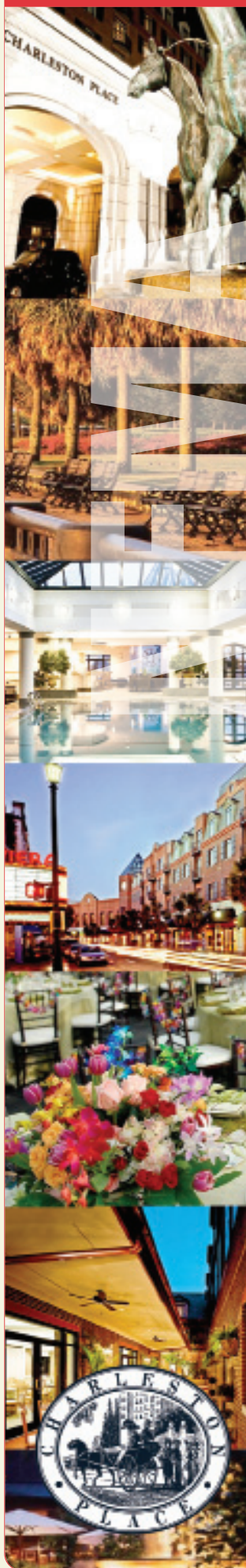
NFMA TWENTY-EIGHTH ANNUAL CONFERENCE

28th Annual Conference

The 2011 NFMA Annual Conference will be held May 3-6, 2011 at the Charleston Place Hotel in beautiful Charleston, South Carolina. The Conference Committee has been hard at work putting the agenda together and we are excited about the selection of topics being offered. Our keynote speaker is SEC Commissioner Elisse Walter who has been running the SEC's muni hearings. We'll also hear from Joseph Riley, Mayor of Charleston and Curtis Loftis, South Carolina's new state treasurer. Our panels cover a broad array of topics that are timely and relevant. We think you'll enjoy our panels on the economy, headline risk, the state of the states, pensions, defaults and bankruptcy and our annual industry roundtable. Our breakouts offer a great opportunity to get a more in depth look at specific sectors or learn something new. This year's breakouts will discuss healthcare, higher education, charter schools, public-private partnerships, short term market issues as well as a "meet the strategists" session. We have a great agenda planned and we hope to see you in May in South Carolina. You can see agenda and get information on how to register at www.nfma.org.

Jennifer Johnston

David Belton



NFMA TWENTY-EIGHTH ANNUAL CONFERENCE

NFMA Sponsors 2011

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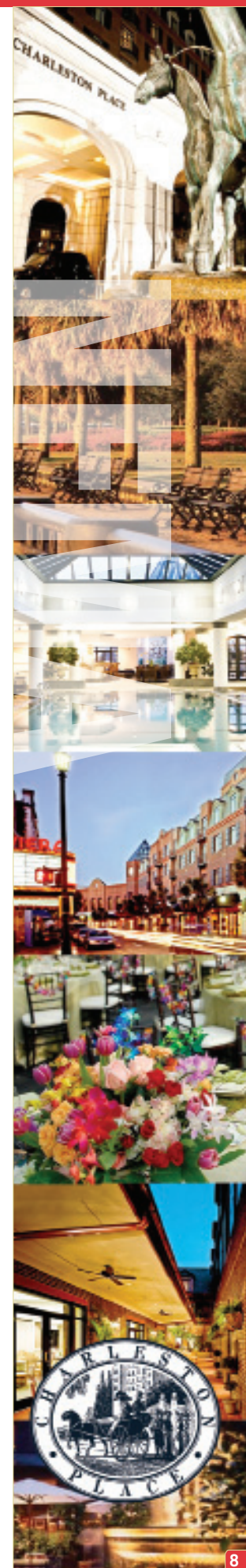
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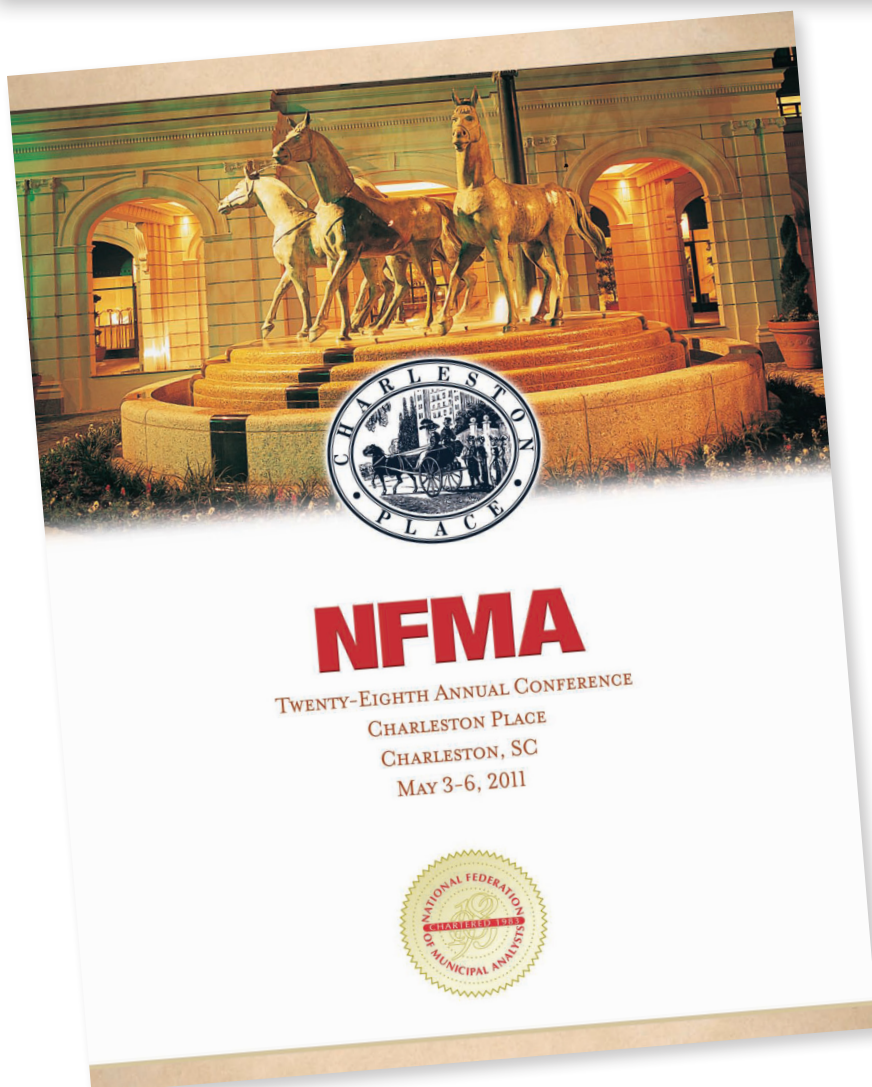
THANKS! to all our 2011 Sponsors

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.



NFMA CALENDAR

Mark your calendar for the Twenty-Eighth Annual Conference.
Charleston Place, Charleston, SC., May 3-6, 2011.



You can see agenda and get information
on how to register at www.nfma.org.

March 22, 2011 – BMAF Meeting,
“CCRCs in Distress: The Lights Are
On, But Is Anybody Home?”

April 1, 2011 – NFMA/MAGNY
Symposium on Municipal Fiscal
Stress, The Yale Club, New York, NY

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

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

June 15, 2011 – MSMA Second
Annual Summer Social

October 2011 – NFMA Advanced
Seminar, Topic, Date and Location
TBD

November 2011 – NFMA Introduction
to Municipal Bond Credit Analysis,
Date and Location TBD

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

May 2013 – NFMA 30th Annual
Conference, San Diego, CA, Location
TBA

NFMA

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