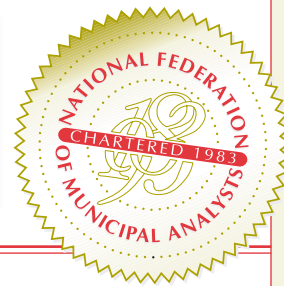


# Municipal Analysts

## BULLETIN

JUNE 2011

Vol. 21, No. 2



### LETTER FROM THE CHAIR

As we reach mid-year, the municipal market in 2011 continues to be characterized by a heightened level of public scrutiny and greatly reduced new issue volume.

Those of you who were able to attend our Annual Conference last month in Charleston – which, I'm pleased to say, set an attendance record - gained a brief respite from at least one of these concerns. The other topic expressed itself via our panel on Municipal Headline Risk and through numerous conversations among conference participants. And we were especially pleased to have as our Keynote Speaker the Honorable Elisse Walter, an SEC Commissioner who has taken a special interest in the municipal market. I would like to thank Jennifer Johnston and David Belton, our conference co-chairs, and their committee for the excellent job they did in putting together the conference. Lisa Good and Betsy Harkins are also to be commended for their organizational skills and for ensuring that everything ran as smoothly as possible.

For the rest of the year, NFMA's activities include the expected release of at least five Recommended Best Practices and/or White Papers on Health Care, General Obligation Bonds, Dedicated Tax-Backed Bonds, Variable Rate Demand Obligations, and Expert Work Products. Given the concerns about and publicity regarding public sector pensions, we are also working with a group assembled by the National Association of Bond Lawyers (NABL). We expect this process to result in a much greater understanding on the part of the market of state and local pension information.

Finally, we are also looking forward to our Fall Advanced Seminar to be held in Austin on October 20 and 21, and the Introduction to Municipal Bond Credit Analysis to be held in Philadelphia on November 3 and 4.

*Gregory Clark*

## Industry Practices and Procedures Committee

The Industry Practices and Procedures Committee has played a vital role in the NFMA, providing a venue for municipal analysts to develop, support and convey NFMA views in the municipal finance industry. The dramatic changes in the municipal market over the past three years, and the recent proliferation of commentary in the popular press have created much subject matter for the Industry Practice Committee review. Typically, the Industry Practices Committee views have been expressed through position papers. Given the unbalanced views on the state of the municipal market that took center stage since late 2010, the NFMA Board felt that it was important to sponsor a venue where the analyst community, other market participants, and outside commentators could present a variety of viewpoints on the key credit and investment issues affecting the market. The Industry Practices Committee worked with the NFMA Education Committee and MAGNY to develop the agenda for the Symposium on Municipal Stress, Bankruptcy and Pensions, which was held in New York before a capacity audience at the Yale Club on April 1. The Committee was pleased to have participated in a project where NFMA analysts could join other market participants to engage in a rational discussion on the various opinions regarding the state of the market.

The Industry Practices Committee is also preparing to work, in conjunction with the Disclosure Committee, to represent the NFMA on the National Association of Bond Lawyer's (NABL) Pension Plan Disclosure Report. NABL has contacted the NFMA and other organizations inviting them to participate in their project.

We are also reviewing proposed initiatives that have been suggested by Committee members and other NFMA members. We are prepared to respond to concerns that NFMA members believe are crucial, particularly given the current state of perceptions of market conditions. If there are concerns which you would want to bring to the Committee's attention, please contact Lisa Good at [lgood@nfma.org](mailto:lgood@nfma.org).

*Lisa Washburn*

*Mark Stockwell*

*Co-Chairs*



The CSMA Board is pleased to welcome Michael Wertz of Moody's Investor Services as our newest Board member. Michael has replaced Amy Tanaka, who left the industry to pursue other endeavors. The Board thanks Amy for her service.

On March 30th, we held a luncheon/speaker event that focused on the legal framework of California's public pension's and implications for investors. Our speaker was James Baker, a Partner at the law firm of Winston & Strawn LLP. The luncheon was very well attended and spurred a great deal of discussion from our members during and after the event.

The CSMA Board is currently planning a one-day conference in San Francisco during the summer months that will focus on fiscal and economic stress on the State and local issuers. Please keep an eye out for event details and registration information which should be out shortly.

As a reminder, there is a Suggestion Box on the CSMA webpage which can be accessed by visiting [www.nfma.org](http://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*

# MAGNY

Municipal Analysts Group of New York

MAGNY continues its theme of "Crisis of Confidence" with several excellent programs this spring. On March 11, the buyers panel had Susan Buffum of MetLife, Joseph Darcy of Hartford Investment Management Company and Guy Davidson of Alliance Bernstein addressing the current market conditions. One of the encouraging take-aways from that discussion was the importance of good municipal credit analysis in the current market environment.

On June 3, we hosted a very timely panel on reassessing nuclear risk with Dave Bodek of Standard & Poor's and Chris Mier from Loop Capital Markets. The program was a balanced discussion of the credit issues associated with public power agencies that have nuclear power exposure and the market for the bonds for these agencies.

For our final program before our summer break, Scott Pattison of the National Association of State Budget Officials returns to tell us how things have evolved since his last presentation to us in March 2010, and an excellent bookend to the season's first luncheon that had Raymond C. Scheppach, Executive Director, of the National Governors Association.

MAGNY was pleased to work with NFMA on the half day seminar April 1, and we look forward to collaborating on such programs in the future.

Have a great summer. When we return in September, Dan Berger of Thomson Reuters will be the chairman of MAGNY, and Sandy Brinkert of Bank of America/Merrill Lynch will join the board as program chair.

*Mary Francoeur and Matt Fabian*

## ADVANCED SEMINAR

Jason and I have begun the initial planning for this fall's Advanced Seminar in Austin, Texas. The seminar will explore the new era of austerity, federalism, and impact on the municipal asset class. We are currently considering panels and speakers for this fall's Advanced Seminar, so please let us know if you have any ideas/suggestions. We look forward to seeing you all in October.

*Scott Andreson  
Jason Kissane*

# MSMA

Minnesota Society of Municipal Analysts

MSMA held its third educational luncheon of the year on May 26th with Laura Porter, a Managing Director at Fitch Ratings who focuses on state-level credits across the country. She shared Fitch's 2011 outlook for state ratings, discussed hot topics and compared and contrasted states in the Upper Midwest including Minnesota, Wisconsin, Michigan and Illinois.

Our second annual summer social highlighted by a night at the Twins game took place on June 15th. And we are also working on arranging a presentation for late July or early August on the Central Corridor Light Rail Transit project (ahead of the issuance of grant anticipation notes by the Metropolitan Council).

*Todd Emerson*





Chicago Municipal Analysts Society

The second CMAS event of 2011 was a great success. On April 21, we hosted a luncheon and panel presentation entitled, "Municipal Credit: Expert Opinions," during which industry professionals discussed their view of municipal credit quality. Robert Reardon of State Farm Insurance Companies moderated the panel, which consisted of Richard Ciccarone of McDonnell Investment Management, Robert Kurtter of Moody's Investors Service, and Christopher Mier of Loop Capital Markets. CMAS members and the media were invited. The event was very well-received; in fact, attendance was among the highest ever for a CMAS event.

CMAS has several upcoming programs planned for the spring and summer. On June 9, Jim Spiotto of Chapman and Cutler, LLP, provided an update on municipal bankruptcy, including his outlook on the potential impact of relevant federal and state legislation. On July 21, Tariq Malhance, the Chief Financial Officer of Cook County, will speak to CMAS at a lunch hosted by Fitch Ratings. At this event, Fitch analysts will discuss their recent report on the impact of state budget actions on local government credits. CMAS is also planning a September forum that will focus on other local credits. On the agenda for August is our summer social outing: an architectural boat tour on Lake Michigan and the Chicago River.

*Rachel Cortez*



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 can pay using your credit card at [nfma.org](http://nfma.org).

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 Fraser*

## Disclosure Committee

The Disclosure Committee continues work to complete a number of updates of Recommended Best Practices (RBPs) and the white paper on Expert Work Products. Two brown bag sessions were held at the Annual Conference: one for the draft Variable Rate Demand Obligations RBP update and one for the companion drafts of the GO RBP update and the Dedicated Tax RBP. These two papers will shortly be released for a comment period before being finalized later in 2011. In addition to these RBP updates, other efforts currently underway include:

- The Expert Work Products white paper has been released.
- The RBP update for Housing Bonds is drafted. A draft of the paper should be released for comments in the coming weeks.
- The RBP update for Hospital Debt Transactions has also been drafted, and a comment period will also be forthcoming soon.

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

## GASB Advisory Council (GASAC) Update

The next meeting of the GASB Advisory Council will be held June 29th and 30th at GASB's offices in Norwalk, CT. The topics to be discussed include: (1) the tentative agreements reached on the Economic Condition Reporting: Fiscal Sustainability project; (2) Electronic Financial Reporting to monitor the effect of electronic median on information delivery and user needs; (3) Financial Guarantees Project to establish additional guidance on disclosure of financial guarantees made and received by state and local governments; (4) feedback on how GASB can most effectively communicate the information presented in two Exposure Drafts (EDs) (see below); and (5) Government Combinations, such as acquisitions, mergers and shared-service arrangements.

In June/July, GASB will be releasing new statements and documents requesting feedback. We will notify NFMA members of their release and respectfully request volunteers to help review for comments.

### Two new pronouncements:

1. Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position
2. Statement No. 64, Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53

### Three Exposure Drafts:

1. Accounting and Financial Reporting for Pension Benefits by Employers and Non-employer Contributing Entities
2. Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans
3. Deferred Inflows of Resources and Deferred Outflows of Resources: Omnibus (provides additional guidance of Statement 63)

### Preliminary Views:

Recognition of Elements of Financial Statements and Measurements Approaches (conceptual framework nomenclature)

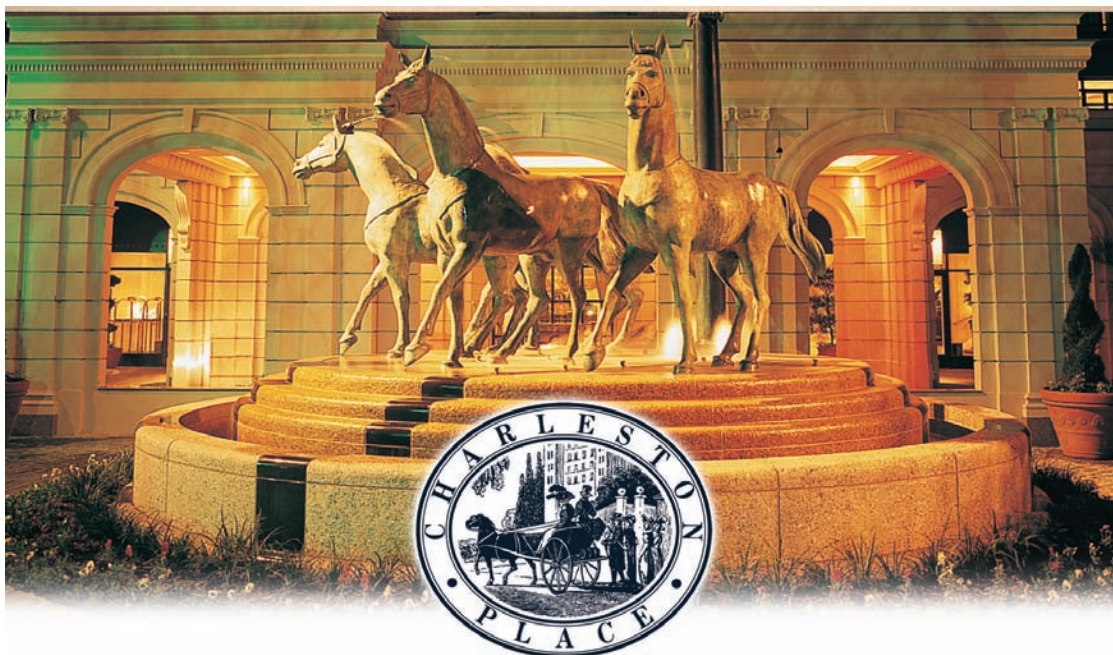
In other GASB and Financial Accounting Foundation (FAF) news, FAF announced in mid-May that, as part of its oversight of the GASB, it has commissioned an independent and comprehensive academic study on the purposes of financial accounting and reporting of state and local governments. The study will examine the role of financial reporting standards and guidelines issued by the GASB in enabling users of governmental financial reports to assess the accountability of governments.

Remember to look at the [www.GASB.org](http://www.GASB.org) website for this and other technical information. At the local level, the GASB staff would love to be considered as speakers at your chapter meetings as they highly value feedback from the NFMA user community.

*Mary Kay Cooney*



## NFMA TWENTY-EIGHTH ANNUAL CONFERENCE



We are thrilled to report that the NFMA's 28th Annual Conference in Charleston, South Carolina was a tremendous success. We had record attendance at the conference and have received great feedback on both the general session and breakout panels. We wanted the conference to feature some new speakers with distinctive perspectives and we think we accomplished this goal with the panel on headline risk as well as the inclusion of a demographics expert on the panel on the economy. This conference would not be possible without the work of conference planning committee members who spent nine months brainstorming potential topics, working hard to find great speakers and then organizing and moderating the panels. We would like to extend our thanks to Dan Berger, Hal Burger, Greg Clark, Natalie Cohen, Ted Damutz, Mary Francoeur, Robert Gardella, Judi Harvey, Betsy Hill, Dave Hitchcock, David Moore, Ben Schuler and Sweta Singh. We would also like to thank both Jeff Burger and Susan Dushock who served as Education Chair during the planning process as well as the NFMA Board of Governors and its two chairmen, Mark Stockwell and Greg Clark, who were supportive of everything we wanted to do. This conference also would not be possible without the tireless efforts of Lisa Good and Betsy Harkins.

We hope you will join us again in 2012 for the 29th Annual Conference in Las Vegas, Nevada. If you are interested in volunteering for the planning committee, please contact David Belton at [dbelton@standish.com](mailto:dbelton@standish.com).

*Jennifer Johnston and David Belton, Co-Chairs*





## NFMA TWENTY-EIGHTH ANNUAL CONFERENCE

## 2011 NFMA Awards

The NFMA presented its annual industry awards last month during its Annual Conference dinner in Charleston, South Carolina. The NFMA has presented awards annually since 1984. The Awards Committee Chairman, Mark Stockwell of PNC Capital Advisors, presided over the ceremony.

**Mary Colby** of Charles Schwab was presented with the 2011 Meritorious Service Award. In recognizing Mary, Mark cited her numerous contributions to the NFMA over the years, including co-chairing the Disclosure Subcommittee for the Recommended Best Practices in Disclosure for Variable Rate and Short-Term Securities in 2002, serving as NFMA Board member, Executive Committee member, and her invaluable contributions as Industry Practices Chair, where she represented the NFMA to the SEC and to the industry, and authored and/or edited a number of the NFMA's position papers.



**Richard Ciccarone**, founding member of the NFMA, and its second Chairperson in 1985, was honored with the Career Achievement Award. He has continued to support the profession of municipal analysis in the intervening years both from within the NFMA and out in the industry as a frequent speaker on the municipal market, and is a recognized expert on municipal credit by the media. Rich's many accomplishments were noted, including his development of Muninetguide.com with over 2 million pages indexed on Google. He continues to develop new ideas to advance the profession and has been a vocal proponent of full disclosure for over 25 years. Rich is Managing Director & Chief Research Officer of McDonnell Investment Mgmt. LLC and is also President of Merritt Research Services, LLC. Rich was named Analyst of the Year by the NFMA in 1988.





## NFMA TWENTY-EIGHTH ANNUAL CONFERENCE

**William Oliver**, also a past chair of the NFMA, was the third honoree of the evening. Bill has had a distinguished career as a municipal analyst, also having served as NFMA chairperson in 1995, and as Disclosure Committee chair, during which time he was among those who led the effort to promote secondary market disclosure, the result being changes to SEC Rule 15c (2)-12. Bill is currently Senior Vice President at AllianceBernstein. He was integral to the merging of the Alliance Capital And Sanford C. Bernstein research teams when the two companies joined in 2000; has served as a mentor for and trainer of new analysts as the group expanded over the years; and has frequently been part of client relation efforts. Bill is a frequent speaker at NFMA conferences and has been recognized two other times by the NFMA, in 1992 as Analyst of the Year, and in 1994 for Industry Contribution. He is the first person in NFMA history to be recognized with three separate awards.



The final presentation of the evening was to **Steve Scheier**, husband of Amy Doppelt, Fitch Ratings, who passed away last fall. Amy was a long time member of the California Society of Municipal Analysts and the NFMA, and was recognized posthumously with an Industry Contribution award at her service last December. Amy's plaque read:

*"The NFMA would like to recognize Amy for her commitment to the advancement of the profession and her many contributions over the years to the NFMA, and its constituent society, the California Municipal Analysts Society. Analysts and other municipal professionals who came into contact with Amy recognized her professional manner, her willingness to teach, and her dedication to the ethical conduct of business. She was respected as an analyst and a person."*





## NFMA TWENTY-EIGHTH ANNUAL CONFERENCE



Peter Bianchini and Steve Scheier.





## NFMA Twenty-Eighth Annual Conference



2011 NFMA Board of Governors

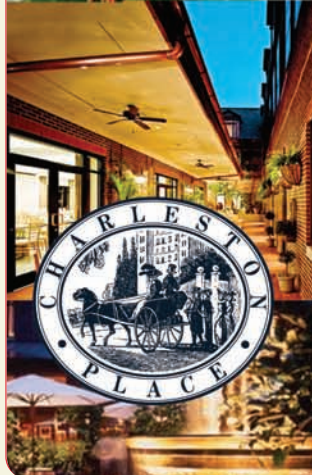




## NFMA Twenty-Eighth Annual Conference



*NFMA Past Chairs*







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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](mailto:lgood@nfma.org), if your firm is interested in being a sponsor.

# BMAF

Boston Municipal Analysts Forum

The BMAF held its fourth meeting of the year on May 25th. We had representative from the Massachusetts Taxpayers Foundation (<http://www.masstaxpayers.org/>) in to talk to our group. The MA Taxpayers is the state's premier public policy and non-partisan analysis group. They deal with state and local fiscal, tax, and economic policies. Their mission is to educate and make recommendations to state and local leaders on these types of issues. The focus of this meeting was a recent OPEB report that was published by Carolyn Ryan. The report was called "Retiree Health Care: The Brick that Broke Municipalities' Backs." This report looked at the 50 largest municipalities in the state and calculated the total OPEB liability that each has municipality faces. It was a very informative meeting with a lot of dialogue between our analysts and the foundation. We had over 30 members attend this meeting.

We held our third meeting on April 28th. This meeting was a Insurer Panel with representatives from Assured Guaranty and National Public Finance Guarantee. We had over 30 members at the meeting and I think it was very good experience for the insurers and our members.

The BMAF had a strong showing at the Annual Conference in Charleston with over 35 members making the trip out during the first week in May.

Bill Delahunty, Jude Scaglione, and I are working on finalizing plans for our summer outings. We are trying something new this year for our outing. We are planning two events, one is a golf outing at Granite Links in Quincy and an after work event for the non-golfers.

We are also putting ideas together for our second half of the year meeting schedule and plan to have another 4 or 5 meetings. We are finalizing plans to have George Friedlander in to speak to the group. We have heard that there is interest in possibly having a housing market discussion, a pension meeting with representatives from the Center for Retirement Research at Boston College, and a few others. We're always interested in other ideas, so please feel free to give us a call.

*Richard M McBain*

# NFMA CALENDAR

**June 23** – MAGNY Meeting, Scott Pattison, NASBO

**July 21, 2011**- CMAS Meeting, Presentation by Tariq Malhance, the Chief Financial Officer, Cook County

**October 20-21, 2011** – NFMA Advanced Seminar, Austin Hilton, Austin, TX

**November 3-4, 2011** – NFMA Introduction to Municipal Bond Credit Analysis, Le Meridien, Philadelphia, PA

**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

**April 30 – May 3, 2013** – NFMA 30th Annual Conference, Westin Gaslamp, San Diego, CA,



## NFMA

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