

# Municipal Analysts

## BULLETIN

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### LETTER FROM THE CHAIR

The NFMA held its 29th Annual Conference in April at the Four Seasons Las Vegas. We had a record turnout with more than 370 attendees. Our keynote speaker was Mary Miller of the US Treasury, and our luncheon speaker was Kate Marshall, the Nevada State Treasurer. Special thanks to the conference chairs, panel organizers and speakers for a successful and well-received program.

During the conference we presented our first ever awards for excellence in disclosure in three categories: general government, government enterprise, and not-for-profit. We were pleased that officials from all three winning issuers – the State of Florida, Dallas-Fort Worth Airport, and Dignity Health –accepted the awards in person.

The NFMA has embarked on a number of initiatives that aim to strengthen the institution. These initiatives fall into three broad categories: engagement, viability and advocacy.

- 1) **Improving engagement with its members.** For example, we recently gave our entire membership the opportunity to vote for the disclosure nominees. We have helped MAGNY broadcast its sessions to analysts who live outside the New York metro area. We are posting our financial statements on our website. Going forward, we are developing a more transparent ‘volunteer bank’ for our non-board members who want to get involved with committees and conferences.
- 2) **Enhancing our institutional viability and effectiveness.** The NFMA is in good financial health thanks to a surge in membership (we went from 800 members a few years ago to almost 1200 currently), successful conferences, and the generosity of our sponsors. Several years ago, all of our cash was in a checking account earning a very low return. Since then, we adopted a conservative investment policy and have increased our returns. Our longer term goal is to increase our endowment to \$2 million. This will allow us to diversify our revenue base and support more activities. We are also exploring ways to increase our visibility in the broader public finance community.
- 3) **Advocating issues of importance to the municipal finance industry.** We recently responded to the MSRB’s request for comment on its notice concerning bondholder consents by municipal bond underwriters. In February, we published a comment on the need to clarify uncertainties resulting from California’s Redevelopment Agency Dissolution Act. Over the past couple of years we have filed amicus briefs in the Vallejo Case (concerning the sanctity of revenue pledges) and the Lake of the Torches Case (concerning the severability of bond documents). We continue to respond to GASB’s new accounting proposals. Going forward, the NFMA will continue to advocate for good industry practices.

The NFMA, which is mostly a volunteer organization, was founded almost 30 years ago. As long as there is a call for our main activities – education, disclosure, and advocacy – it is my hope and expectation that the NFMA will be here to serve its members’ needs. Remember: the NFMA is your organization. Welcome your comments, suggestions, and volunteer efforts.

*Greg Aikman*

[Greg.Aikman@bnymellon.com](mailto:Greg.Aikman@bnymellon.com)

## Industry Practices and Procedures Committee

The Industry Practices Committee provides a means by which the NFMA conveys our views regarding the municipal finance industry. The Committee currently has several projects underway:

- Working in conjunction with the Disclosure Committee to represent the NFMA's views on a project led by National Association of Bond Lawyers (NABL) to enhance primary market disclosure of pension information. This project is nearing completion.
- The NFMA, through the committee, has organized an industry-working group that is developing a framework for market participants to consider when making determinations regarding the disclosure of direct bank loans/purchases. The working group has held several conference calls and has tentatively agreed on the items to be addressed in a white paper.
- Industry Practices is also working with an NFMA committee on a response to GASB's recent *Preliminary Views document on Economic Condition Reporting: Financial Projections*.

Later this year, the Committee would like to begin work on developing a means by which industry standards for the reporting of municipal bond sectors might be improved.

If you are interested in these projects or have other ideas that you would like to bring to our attention, please feel free to contact us at [gclark@concordiapartners.com](mailto:gclark@concordiapartners.com) or [lwashburn@mma-research.com](mailto:lwashburn@mma-research.com).

*Greg Clark and Lisa Washburn*



Chicago Municipal Analysts Society

CMAS's third event of 2012 was centered on the City of Detroit. Another great turnout for a presentation that took attendees a few steps further into understanding the challenges that Detroit faces. The discussion started with a detailed analysis of the finances of the City by Genevieve Nolan and Henrietta Chang of Moody's. Dr. Eric Scorsone, Professor of State and Local Government, Michigan State University, followed with an in depth history and grassroots look into how Detroit rose and fell over the years, insights into the State's review process, and whether or not bankruptcy is a worthwhile venture. It was timely, and filled with a great mix of quantitative and qualitative analysis.

*John Schorle*

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California Society of Municipal Analysts

CSMA will hold a luncheon on May 30 at the San Francisco Ferry Building, Port Commission Room. The luncheon Speaker will be Karol Denniston, Partner, SchiffHardin LLP. Ms. Denniston played a key role in the drafting and passage of AB506 requiring municipalities in the state to participate in an arbitration process prior to filing bankruptcy. She will provide a presentation about what objectives AB506 is designed to achieve and welcomes feedback from the investing community about the legislation and proposed changes to it. Afterward, we will have the following panel: RDA Dissolution: Implications for the Bond Market. Now that redevelopment agencies are dissolved, what are the implications for the bond market? As newly-created successor agencies and oversight boards put AB26 into practice, RDA obligations are subject to a new and evolving environment. The panel will discuss the unprecedented change in California's public finance world, and will be moderated by David Mealy of Urban Analytics.

*Terry Goode*

# MAGNY

Municipal Analysts Group of New York

MAGNY's 2012 season themed "Restoring Trust," has continued with a couple of very well-received luncheons.

For the April 13th luncheon, MAGNY returned to its roots and had a member presentation about bankruptcy and default. Defaults have been lower than predicted in 2011, but are muni bond investors out of the woods or will they see more surprises? Dick Larkin, of HJ Sims, discussed his research entitled "The Real Dope on Where Defaults Can Be Anticipated in 2012." David Dubrow, of Arent Fox, gave us an update on recent developments in the world of municipal bankruptcies including lessons learned in Stockton, Vallejo, Harrisburg, Central Falls and Jefferson County.

On May 11th, MAGNY had its second member presentation. The theme for this luncheon was the sea changes in the climate, regulatory and otherwise, and how they may impact municipal credits. Shifts in the availability of bank credit, bank ratings downgrades and prolonged short-term interest rates are having a profound impact on the short-term market. Kurt van Kuller, of Bank of Tokyo Mitsubishi UFJ, discussed the impact of bank downgrades and other developments in the short-term market. Michael Zetas, of Morgan Stanley, talked about the likelihood of changes to the tax treatment of municipal bonds and investing against that backdrop. Dan Aschenbach, of Moody's, wrapped it up with comments about regulations addressing a different sort of challenge - the challenge of climate change - and how these changes are affecting municipal issuers.

MAGNY will hold a social event at the New York City office of National Public Finance Guarantee Corporation on the evening of May 17th.

Nancy Winkler, Philadelphia's Treasurer will speak at MAGNY's last luncheon which will occur on June 1st.

On June 7th MAGNY will be holding its 13th Annual Golf Outing at New Jersey National Golf Course in Basking Ridge, New Jersey.

*Dan Berger*

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# MSMA

Minnesota Society of Municipal Analysts

On April 12th, Jane Hudson Ridley, the director and analytic manager in S&P's Chicago office, made a presentation to MSMA on the rating agency's recently proposed changes to its rating methodology for local governments. Sara Eubanks and Spiro Hountalas, directors at S&P, accompanied Jane on her visit. The luncheon meeting was well attended on this timely topic. Our next meeting is planned for Thursday, May 24th, as we have invited the MSRB chair (and MSMA member) Alan Polsky to speak to our group about the current regulatory environment and proposals in the muni bond market, and we expect another excellent turnout, as typically at least half of our record 69 members attend. Usually we do not hold meetings in the summer, but will hold that option open should events warrant. The Board has already arranged for an October meeting, when George Friedlander, the chief municipal strategist at Citi, will speak at a luncheon.

We also have our summer social planned on June 13th at Kieran's Irish Pub, followed by a Twins game, where we hope we continue to bring the team good luck, as they are 2-0 with our attendance.

*Judith Harvey*

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## EDUCATION COMMITTEE

### 2012 Annual Conference

We are pleased to report that the NFMA's 29th Annual Conference in Las Vegas, Nevada, was a great success. For the second year in a row, we had record conference attendance. In putting together the Annual Conference, we were seeking timely and thought-provoking topics, to be addressed by informative and engaging speakers. Based on the positive feedback for both the general session and the breakout panels, we think we accomplished these goals. The Annual Conference's planning committee members 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 Nicole Byrd, Hannah DeQuadros, Julie Egan, Ann Ferentino, Ray Kubiak, Gerry Lian, David Litvack, Andrea McKeague, Doug Offerman, Mike Royce, Lisa Shirley and Stephen Stowe. We would also like to thank both Susan Dushock and Jen Johnston who served as Education Chairs during the planning process as well as the NFMA Board of Governors and its two chairmen, Greg Clark and Greg Aikman, who were supportive of our efforts. 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 2013 for the 30th Annual Conference in San Diego, California. If you are interested in volunteering for the planning committee, please contact [Geoffrey Buswick](#) at [Geoffrey\\_Buswick@standardandpoors.com](mailto:Geoffrey_Buswick@standardandpoors.com) or [Lisa Good](#) at [lgood@nfma.org](mailto:lgood@nfma.org).

*David Belton and Geoffrey Buswick, 2012 Co-Chairs*

### Introduction to Municipal Bond Credit Analysis

Please save the date! The NFMA will be holding its 26th Annual Introduction to Municipal Bond Credit Analysis Course on November 15-16, 2012. Philadelphia will again play the host as we meet at the Le Meridien. Attendance continues to grow, as this course is the premier educational opportunity for analysts looking for an introduction and overview of municipal bond analysis. The one and a half day course will include more than a dozen seasoned experts discussing sector-specific topics as well as current issues in the industry. For more information, please contact Anne Ross at [aross@roosevelt-cross.com](mailto:aross@roosevelt-cross.com).

*Anne Ross*

## ADVANCED SEMINAR

The Advanced Seminar Committee is in the initial planning stage for the Fall 2012 Advanced Seminar. Our topic will focus on Fiscal Emergencies & Distressed Credits and will be held in Detroit, MI on October 4th and 5th. We have the unique opportunity to link the topic with a specific location, something we felt would be a great draw for our members. A steering committee is currently being formed to consider panels and speakers for what will certainly be a timely and educational program. If you have ideas/suggestions please feel free to reach out to Rachel or Jason. Also, the NFMA Executive Committee has recently approved the topic and location of the Winter 2013 Advanced Seminar, which will focus on Healthcare & Medicaid to be held in New Orleans. Specific dates are not yet determined. We are requesting volunteers for the planning the Winter 2013 Advanced Seminar as well.

*Jason Kissane*

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*Rachel Cortez*

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# NFMA



# Disclosure Committee

## NFMA Issues Draft Housing RBP and Recognizes Excellence in Disclosure

A subcommittee chaired by Susan Dushock and Robin Ginsburg issued in March a draft Recommended Best Practices in Disclosure for Housing Revenue Bonds. The NFMA is taking comments through June 30. The draft represents an update of the RBP originally released in 2000. Many thanks to Susan and Robin for shepherding this update through a review process that included significant consultation with the National Council of State Housing Agencies. The draft is available on NFMA's website.

The NFMA has devoted significant effort to improve the quality and timeliness of continuing disclosure, and many issuers have responded positively. The Board this year approved the creation of the Excellence in Disclosure Award in order to recognize the many examples of high quality and timely disclosure by issuers. The inaugural awards were presented to their recipients at the annual conference. The committee received many nominations, narrowed the selection to three finalists in each category, and issued a ballot to all members for voting. Thanks to all who participated in this effort. And the winners are –

- General Government: State of Florida, Division of Bond Finance, represented by Ben Watkins, Director
- Government Enterprise: Dallas-Fort Worth Airport Board, represented by Mike Phemister, Vice President for Finance
- Not-for-Profit: Dignity Health (formerly Catholic Healthcare West), represented by Lisa Zuckerman, Vice President, Treasury Services

We have several disclosure projects in process including an update of the RBP for General Obligation and Tax Supported Debt and a new RBP on Charter Schools.

*Bill Trauner and Mary Francoeur*  
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[mfrancoeur@assuredguaranty.com](mailto:mfrancoeur@assuredguaranty.com)



*Michael Phemister, DFW Airport Board*



*Greg Aikman, NFMA Chair, with Ben Watkins, State of Florida*



*Lisa Zuckerman, Dignity Health, with Greg Aikman*

# TREASURER

## Management Discussion and Analysis

The financial compilations for the fiscal year ended 12/31/2011 were prepared by Schneider Downs & Co., Inc. on 3/13/2012 on a cash basis. The financials will be posted to the NFMA website ([www.nfma.org](http://www.nfma.org)) in June. Total assets at 12/31/2011 equaled \$913,128 vs. the prior year's \$770,971. Our year-end surplus was \$139,037 vs. \$86,244 the prior year. The increase was mainly due to an increase in sponsorship dollars, on which we rely heavily. The following illustrates the NFMA's major sources of revenue and clearly indicates our organization's dependence on continued and strong sponsor participation:

	F/Y ended 12/31/2011	Percent of Total Revenue	F/Y ended 12/31/2010	Percent of Total Revenue
<b>Total Revenue</b>	<b>\$604,173</b>		<b>\$505,226</b>	
<b>Sponsorship</b>	<b>179,500*</b>	<b>30%</b>	<b>100,000</b>	<b>20%</b>
<b>Conference Registration</b>	<b>150,800</b>	<b>25%</b>	<b>141,756</b>	<b>28%</b>
<b>Membership Dues</b>	<b>121,358</b>	<b>20%</b>	<b>103,905</b>	<b>21%</b>

\*Includes sponsorship moneys for 2010, 2011 and 2012.

The NFMA Executive Committee had an in-depth conference call with Schneider Downs to discuss the organization's financials, strategic planning and financial goals for the future. The accountants suggested we maintain at least 2-years of operating expenses in reserve (cash and investments) – and we are almost there. The Executive Committee intends to establish an endowment over and above our suggested reserve so that our organization can grow comfortably and within its means and provide members with additional services.

Our funds are conservatively invested with PNC (checking and savings) and several Vanguard Funds (money market, Total Stock Market Index, Total International Index and Bond Index funds). The return for the current year through April 9, 2012 was a good 5.7%.

The Finance Committee will meet via conference call early in the next quarter to begin to construct our 2013 budget. Please feel free to send comments or questions to me at [susan.v.dushock@suntrust.com](mailto:susan.v.dushock@suntrust.com) or call me at 561-805-8697.

*Susan Dushock*

## Amendment to Constitution for Membership Review

The Board of Governors voted on April 17, 2012 in favor of an amendment to the NFMA Constitution proposed by Greg Aikman. The following language is the text of the amendment:

### Article XII – Section 3 – Staff Compensation

The Executive Committee shall perform an annual compensation review for our professional staff prior to the end of each calendar year. At least every five years the Executive Committee shall either conduct or commission a compensation survey and review to make sure that our professional staff are compensated in a reasonable market range. Save harmless: in no instance shall a compensation review result in a reduction in compensation for our paid staff.

With the publication of these proposed changes in the Municipal Analysts Bulletin, a 60-day comment period has commenced. Any regular or affiliated individual member objecting to any of the proposed changes should do so in writing to the Secretary of the NFMA's Board of Governors before the expiration of the 60-day comment period. For additional information, see Article XV, Section 2 (Amendments to the Constitution, Requirements for Amendments) of the NFMA Constitution, available on the NFMA's website.



## NFMA TWENTY-NINTH ANNUAL CONFERENCE

## 2012 Awards

The NFMA presented its annual industry awards last month during its Annual Conference dinner in Las Vegas. The NFMA has presented awards annually since 1984. Each year the Awards Committee convenes to determine which individuals or entities further the goals of the NFMA for the enhancement and betterment of the municipal bond industry. This year's Awards Committee Chairman, Greg Clark, presided over the ceremony. Other Awards Committee members included: Greg Aikman, Alex Fraser, Rachel Cortez, Mark Stockwell, Terry Goode, Natalie Cohen and Judith Harvey.

Receiving the Award of Excellence for 2012 was the Municipal Analysts Group of New York (MAGNY), a constituent society of the NFMA. In presenting the award, Greg Clark noted: "MAGNY this year has put together an extraordinary series of events for its members. Among speakers in the past year have been Dave Bing, Mayor of Detroit, and John Young, the court-appointed Receiver for Jefferson County, Alabama. MAGNY has also opened several of its meetings to all NFMA members through teleconferencing, furthering the professional education of our members who were not able to attend MAGNY events in person." Dan Berger of Thomson Reuters, the 2012 MAGNY chair, accepted the award on behalf of the group.

The Career Achievement Award for 2012 was given to Joe Mysak, Editor and Columnist at Bloomberg. In recognizing Mr. Mysak for this award, Greg Clark remarked, "Joe's value to our industry is his encyclopedic knowledge of it, combined with his ability to synthesize and explain important municipal finance topics and concepts to a wide audience. Just as impressively, Joe has authored a number of books about municipal finance that have become references for us, most recently the Encyclopedia of Municipal Bonds. NFMA's focus on education requires the perspective of long-time and thoughtful observers such as Joe." Joe Mysak is a previous winner of an NFMA Award; in 1998, he was given the Industry Contribution Award for his work in improving the municipal bond industry through "well-articulated positions on industry practices and events, which have contributed to the dissemination of information in the municipal market".



*Greg Clark, Awards Committee Chair  
with Dan Berger, MAGNY*



*Dan Berger, MAGNY*



*Joe Mysak*







NFMA TWENTY-NINTH ANNUAL CONFERENCE







## NFMA TWENTY-NINTH ANNUAL CONFERENCE







## NFMA TWENTY-NINTH ANNUAL CONFERENCE





## NFMA TWENTY-NINTH ANNUAL CONFERENCE

### PAST CHAIRS:



Front row (L-R): Mark Stockwell, Tom Weyl, Alan Polsky, Bill Hogan, Richard Ciccarone, Gerry Lian, Jeff Baker Back row: Rob Yolland, Peter Bianchini, Eric Friedland, Greg Aikman, Ray Kubiak

### BOARD OF GOVERNORS:



Front row: Jason Kissane, Allen Hoppe, Dan Berger, Jeff Burger, John Schorle, Julie Egan, Susan Dushock Back Row: Bill Trauner, Geoff Buswick, Alex Fraser, Greg Aikman, Judith Harvey, Mary Francoeur Missing: Scott Andreson, David Belton, Greg Clark, Mary Kay Cooney, Rachel Cortez, William Delahunty, Patrick Early, Matt Fabian, Terry Goode, Jennifer Johnston, Richard McBain, Lisa Washburn





## NFMA Sponsors 2012

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***THANKS to all of our 2012 sponsors!***

**See you next year in San Diego - April 30 - May 3, 2013**

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

On April 26th, the BMAF held its second meeting of the year, in which Karl Case provided an update on the housing market. Karl Case is Professor of Economics Emeritus at Wellesley College, he is currently a Senior Fellow at the Joint Center for Housing Studies at Harvard University, and is also a founding partner of Case Shiller Weiss, which developed the Case-Shiller Index. Over forty BMAF members attended the event, which was very informative and entertaining. Professor Case predicted that the Case-Schiller Index would likely be higher by year end 2012 than it is today, but also cautioned that looking at one index, or talking about the housing market in general is a misnomer as there are thousands of different "housing markets." In his mind, the key statistic to watch for a turnaround in the housing market is housing starts, which currently remain at depressed levels.

Unfortunately, Gina Raimondo, Rhode Island's Treasurer, had to cancel the BMAF meeting scheduled for March 26th. However, we are currently working with the RI Treasurers' office to schedule a meeting for the early Fall. The Board is also working on putting together a healthcare event for the fall of 2012. Please let the BMAF Board members know if you have any ideas for additional events.

Finally, the BMAF recently finalized plans for its second annual golf tournament, which will be held on June 21st at Granite Links Golf Club in Quincy. Please keep your eye out for the invitation, which will be forthcoming. We hope to see you there!

*Bill Delahunty*  
[wdelahunty@eatonvance.com](mailto:wdelahunty@eatonvance.com)

# SMFS

It was nice seeing some of you in sunny Las Vegas at the NFMA annual conference. I would like to thank the education committee for putting together a great luncheon on April 24. The luncheon was held in Dallas, Texas, and also included a teleconference. Speakers included:

**Carolyn Brittin, Texas Water Development Board**

**Ted Chapman, Standard & Poor's**

**Wayne Owen, Tarrant Regional Water District**

**Doug Scott, Fitch Ratings**

Speakers discussed the evolving water supply situation in the State of Texas. Drought conditions continue to exist in significant portions of the State and may result in either additional use restrictions and/or ratings implications for municipal water utility issuers.

We are planning another lunch/call in the Atlanta area focusing on the tri-state water issues. Watch for more details.

As always, we would love to hear ideas from any members. Please feel free to contact any board member.

*Julie Egan*  
[jegan@ccmfixedincome.com](mailto:jegan@ccmfixedincome.com)

# NFMA CALENDAR

**May 17** – MAGNY Social, National Public Finance Guarantee offices, New York, NY

**May 24** – MSMA Meeting, Alan Polsky, MSRB Chairman, Minneapolis, MN

**May 30** – CSMA Luncheon & Panel, San Francisco Ferry Building, San Francisco, CA

**June 1** – MAGNY Luncheon, Nancy Winkler, Philadelphia Treasurer, New York, NY

**June 7** – MAGNY 13th Annual Golf Outing, New Jersey National Golf Course, Basking Ridge, NJ.

**June 13** – MSMA Summer Social, Receptions & Twin's Game, Minneapolis, MN

**June 21** – BMAF Second Annual Golf Tournament, Granite Links Golf Club, Quincy, MA

**October 3** – NFMA Board of Governors Meeting, Detroit MI

**October 4-5** – NFMA Advanced Seminar on Fiscal Emergencies & Distressed Credits, Detroit, MI

**November 29-30** – NFMA Introduction to Municipal Bond Credit Analysis, Le Meridien, Philadelphia, PA

**January, 2013** – NFMA Advanced Seminar on Healthcare & Medicaid, Location TBD, New Orleans, LA

**April 29, 2013** – NFMA Board of Governors Meeting, Westin Gaslamp District, San Diego, CA

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

**May 6 – 9, 2014** – NFMA 31st Annual Conference, Disney's Grand Floridian, Orlando, FL

## NFMA

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