Chartered Institute of Public Finance and Accountancy Conference

Trust and Accountability in Public Financial Management

Government and Financial Market Disclosure

Robert M. Reardon, Jr.
Senior Investment Officer

U.S. Municipal Market Participants

Bond Issuers – State and Local Governments

Investors – Individual and Institutional

Broker-Dealer Investment Banks

Rating Agencies

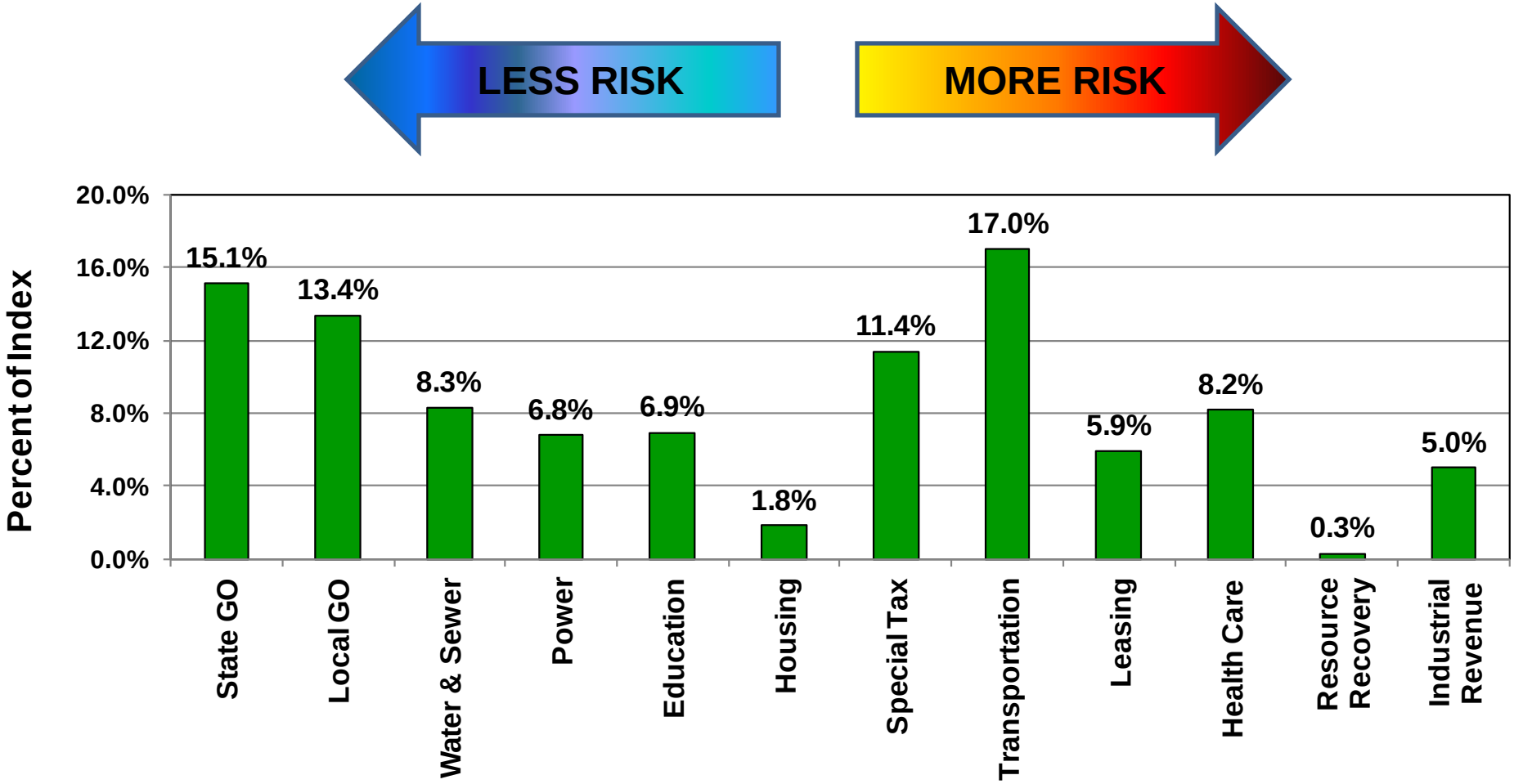
GASB, Accountants, Auditors, Attorneys

U.S. Government – IRS, SEC, Other Agencies

Elements of Municipal Market Investment Strategy

- **Income Tax Exemption**
- **Credit Quality**
- **Upward Sloping Yield Curve**
- **Price/Yield Inefficiencies**
- **Optionality – Embedded Issuer Call Options**
- **Consistent Retail Demand**

Barclays Capital Municipal Bond Index
Sector Risk
at March 7, 2011



Credit Analysis
General Obligation Bonds

- **Statutory or Legal Security**
- **Economic and Tax Base of the Entity**
- **Level of Diversity of Resources**
- **Sustainability of Resources**
- **Financial Condition and Position**

Revenue Bond Analysis

- **Legal Security**
- **Breadth of Revenues Pledged**
- **Purpose of Government, Scope and Essentiality Of Service Provided**
- **Competitive Environment**
- **Financial and Operating Position and Results**

Desired Disclosure

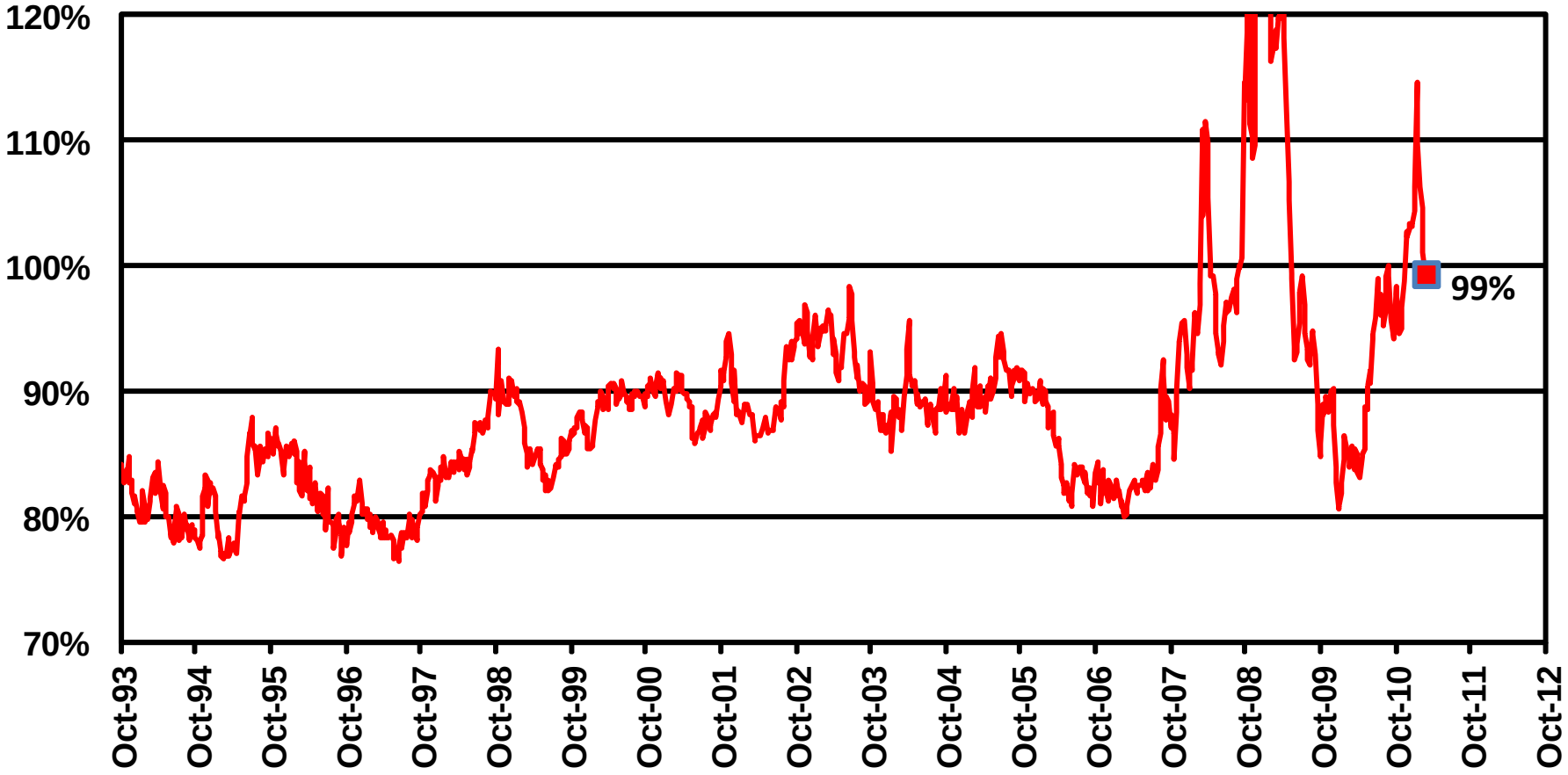
- **Information about Level of Security Provided to the Bondholder**
- **Economic Data**
- **Demographic Information**
- **Clear discussion of Operations or Legislative Priorities**
- **Financial Statements Providing Clear Picture of Results and Financial Position**

Primary Disclosure Sources

- **Financial Statements, Notes, Management Discussion and Analysis**
- **Data Repositories – Bloomberg, MSRB, EMMA System, NRMSIR's**
- **Federal, State, and Local Websites**
- **Rating Agencies**
- **Local Government Oversight, General Media, 'Good Government' Groups**
- **Bond Issuers**

Disclosure During Distress

Twenty-Year AAA Municipal Bond Yield as a Percent of Twenty-Year US Treasury Yield: October 1, 1993 thru March 1, 2011



Study by DPC DATA, Inc.

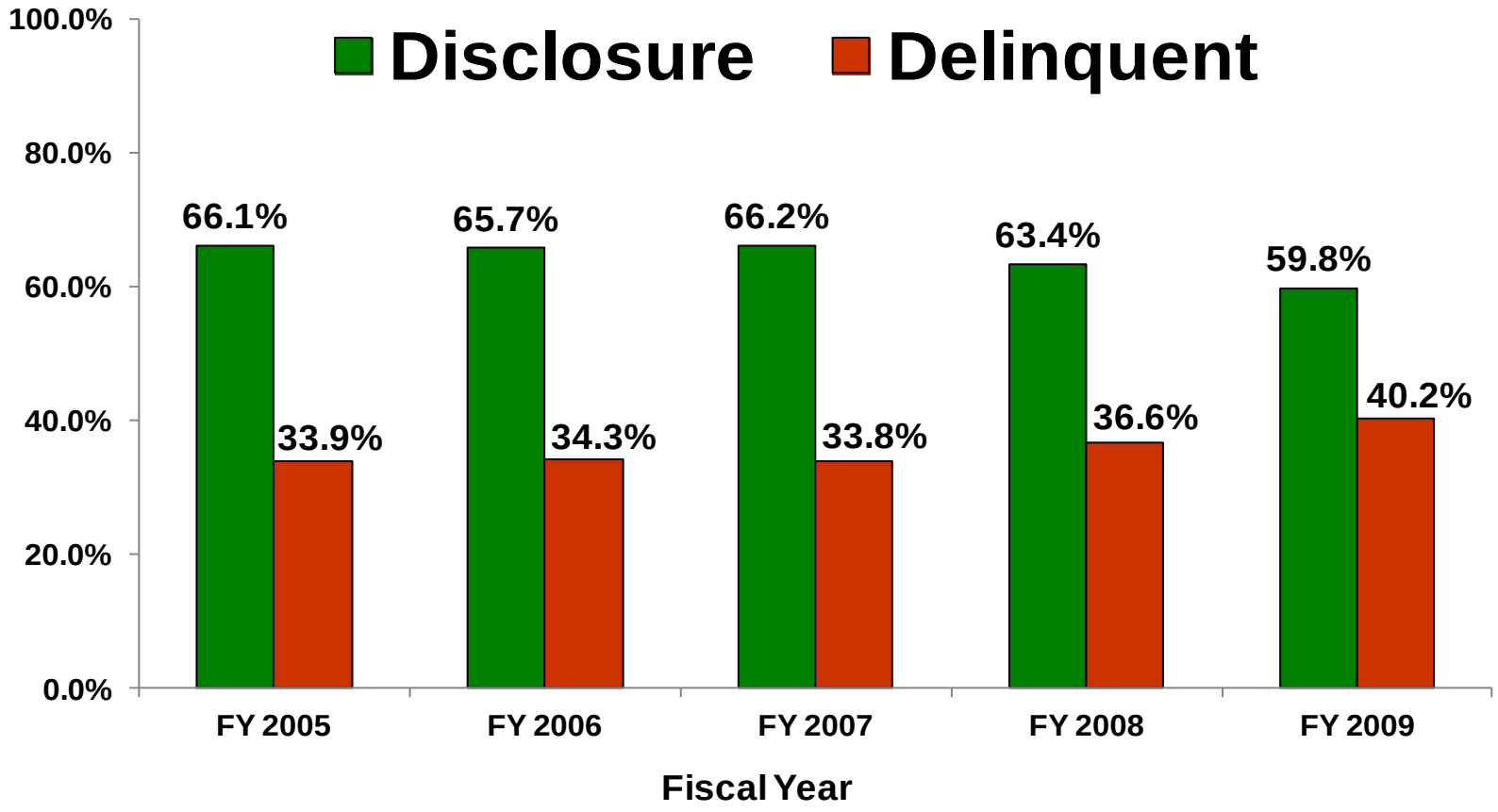
Recent Trends in Municipal Continuing Disclosure Activities

Peter J. Schmitt

February 3, 2011

www.dpcdata.com

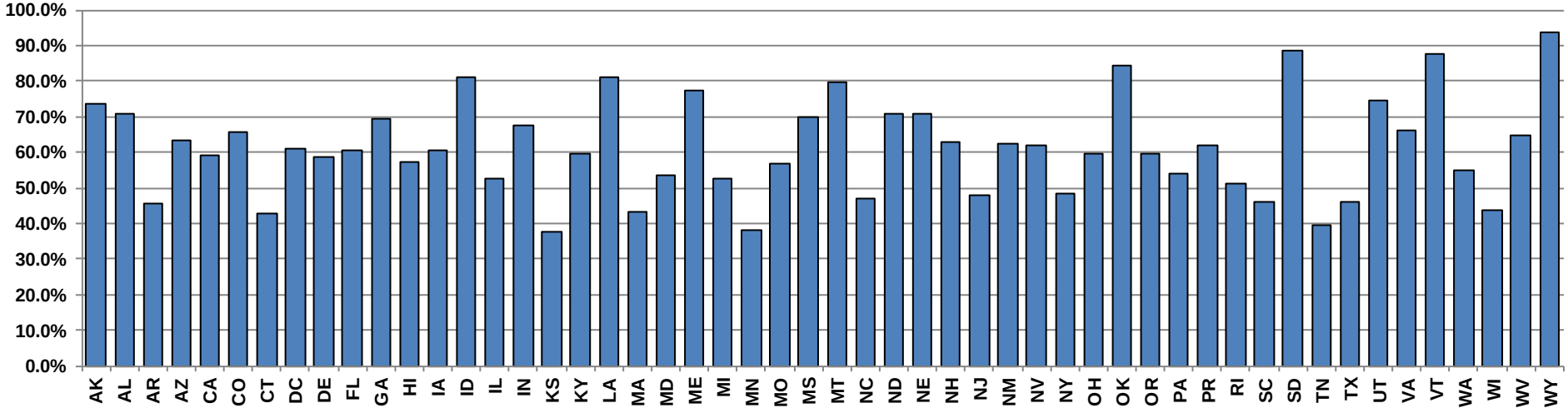
Municipal Bond Market
Annual Financial Disclosure Filing
For Fiscal Years 2005-2009



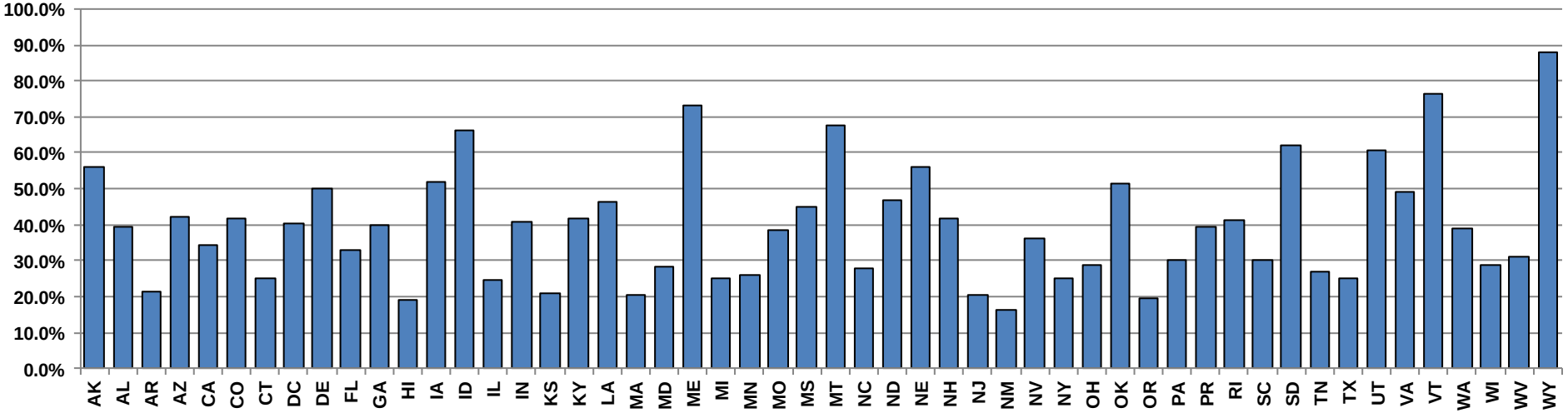
Source: DPC DATA Inc.

Municipal Bond Market
Noncompliance of Annual Financial Disclosure
by State by Percent of Filings 2005-2009

YEARS DELINQUENT => 1 OR MORE



YEARS DELINQUENT => 3 OR MORE



Source: DPC DATA Inc.

Municipal Disclosure in 2011

- **The GASB has driven a process of improvement in financial disclosure over the past 30 years**
- **Further progress is necessary, investors need consistent, dependable disclosure by government entities**
- **Timeliness of financial statements remains a major problem**
- **The market lacks an effective enforcement mechanism, although the U.S. Securities and Exchange Commission has taken action recently on pension disclosure by state governments**
- **Capital is not always free and plentiful, Bond Issuers need to step forward in providing continuing disclosure even beyond filing accurate and timely annual financial statements to assure market access**

Disclosure Resources in the U.S.

Municipal Securities Rulemaking Board

- Electronic Municipal Market Access (EMMA) System

www.msrb.org

National Federation of Municipal Analysts

- Model Disclosure Guidelines

www.nfma.org

DPC DATA

- Municipal Disclosure Filings Resource

www.dpcdata.com

Merritt Resource Services

- Municipal Database with Financial, Operational, and Socio-economic Demographic Data

www.merrittresearch.com

City-Data.com

- Database of City Profiles throughout the United States

www.city-data.com

Epilogue

The continued operating loss is due to a decrease in water sales resulting from State-mandated water conservation.

City of Miramar, Florida