Evaluation of Municipal Securities

IV. Expanded Analysis
Credit Risk Analysis Factors

- Location & Economic Conditions
- Type of Issuance
- Financial Condition
- Fiscal Responsibility
- Rating Agency Reports
Expanded: Economic Conditions

- Employer Trends
  - Taxpayer concentration
  - Industry concentration
  - Industry cyclicality

- Property Trends
  - Assessed & market values
  - Building permits
  - Occupancy rates

- Other Factors
  - Size & growth
  - Competition
  - Population trends

- Trends
  - Job creation rate
  - Employment
  - Per capita income

FEDERAL DEPOSIT INSURANCE CORPORATION
Expanded: Financial Condition

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<thead>
<tr>
<th>Financial Condition</th>
<th>Ratio</th>
<th>Within Policy Guidelines?</th>
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<td>General Obligation Bonds</td>
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<td>(Potential Examples)</td>
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<td>Leverage (Debt Per Capita)</td>
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<td>Leverage (Debt To Assessed Value)</td>
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<td>Liquidity (General Fund Balance To Revenues)</td>
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<td>Revenue Concentration (Ten Largest Taxpayers To Assessed Value)</td>
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<td>Repayment Capacity (Debt To Personal Income)</td>
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<td>Debt Burden (Debt Service To Total Expenditures)</td>
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<td>Liquidity (Cash To Total Debt)</td>
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<td>Revenue Concentration (Top Ten Customers To Total Revenue)</td>
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Expanded: Fiscal Responsibility

- Disclosure
- Capital Planning & Debt Management
- Operating Flexibility
- Budget
- Labor Relations

Fiscal Responsibility
Expanded: Rating Agency Reports

- **Credit rating**
  - Can be one component of the credit analysis process
  - Not always updated on a timely basis after issuance

- **Credit rating median reports**
  - Can be one tool for establishing policy guidelines
  - Can compare individual municipal bonds against current median levels
  - Limited to that rating agency’s universe of rated bonds

- **Other rating agency reports (examples)**
  - Sector outlook
  - Rating methodologies
Ongoing Monitoring

- Ongoing monitoring should be completed annually or more frequently, as warranted
- Ongoing monitoring must be documented
Resources

- EMMA – www.emma.msrb.org
- Issuer
- State Auditor/Attorney General
- Other third-party providers
Higher-risk bonds and those outside the bank’s local area require expanded analysis

- Economic Conditions
- Financial Condition
- Fiscal Responsibility