



# Evaluation of Municipal Securities

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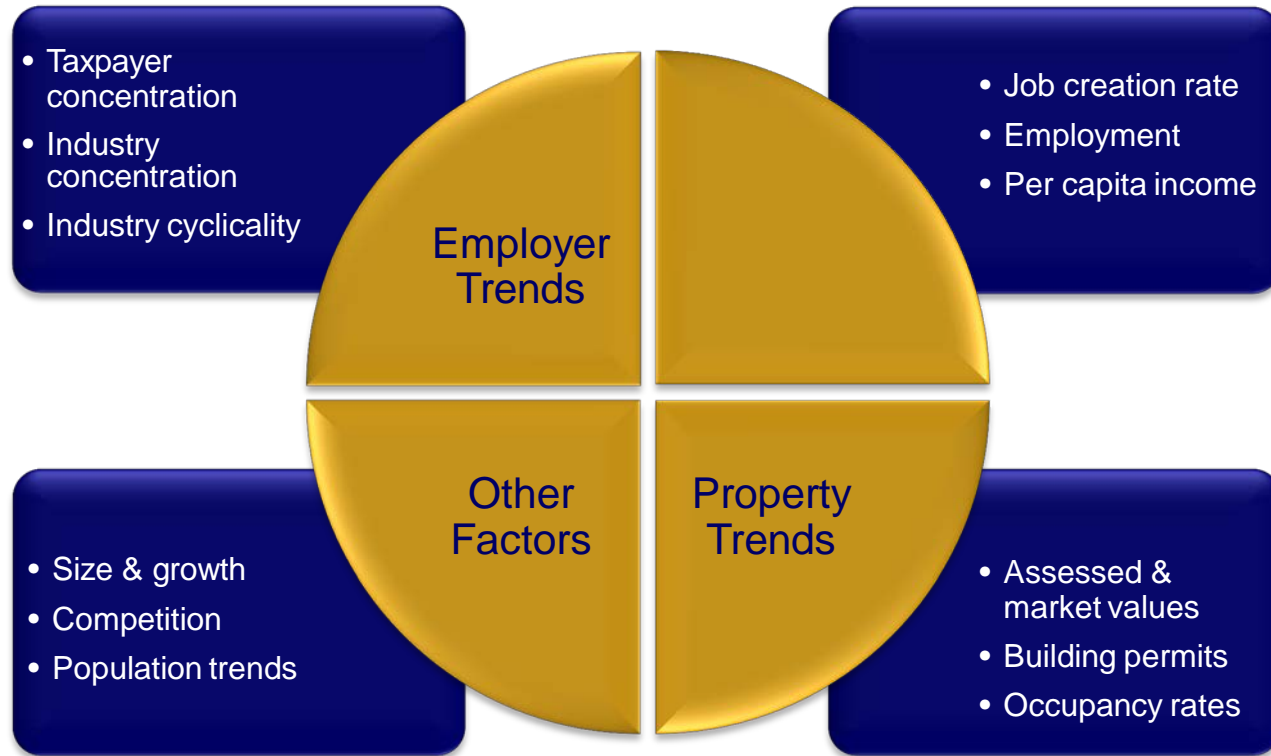
## IV. Expanded Analysis

# Credit Risk Analysis Factors



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

# Expanded: Economic Conditions



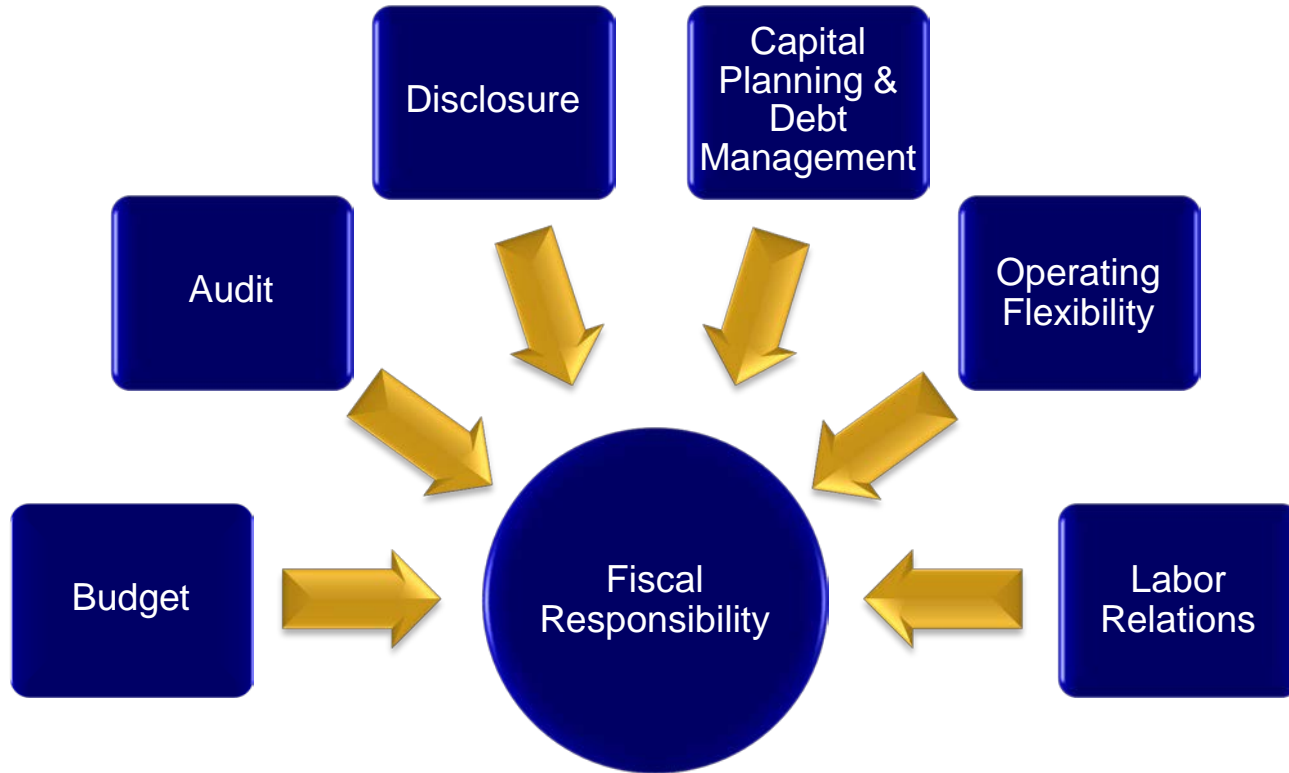
# Expanded: Financial Condition

Financial Condition General Obligation Bonds (Potential Examples)	Ratio	Within Policy Guidelines?
Leverage (Debt Per Capita)		
Leverage (Debt To Assessed Value)		
Liquidity (General Fund Balance To Revenues)		
Revenue Concentration (Ten Largest Taxpayers To Assessed Value)		
Repayment Capacity (Debt To Personal Income)		
Debt Burden (Debt Service To Total Expenditures)		

# Expanded: Financial Condition continued

Financial Condition Revenue Obligation Bonds (Potential Examples)	Ratio	Within Policy Guidelines?
Capacity (Debt Service Coverage Ratio)		
Protection (Covenant Compliance)		
Leverage (Debt To Capital)		
Liquidity (Cash To Total Debt)		
Revenue Concentration (Top Ten Customers To Total Revenue)		
Competition		

# Expanded: 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](http://www.emma.msrb.org)
- Issuer
- State Auditor/Attorney General
- Other third-party providers

# Summary

- **Higher-risk bonds and those outside the bank's local area require expanded analysis**
  - ◆ Economic Conditions
  - ◆ Financial Condition
  - ◆ Fiscal Responsibility