

Presents at

THE BOND BUYER'S 24th Annual California Public Finance Conference

13th Annual Pre-Conference

October 8, 2014

Manchester Grand Hyatt San Diego

Alternative Financing in the Municipal Market: Financial and Policy Considerations

Years ago, the practice of public agencies borrowing directly from commercial banks to finance public purposes, including facilities, was commonplace. Over time, the volume of these transactions as well as the economics of borrowing led to a greater reliance on loans underwritten and distributed by investment banks. Several recent trends, including the decline in liquidity products and other credit supports along with regulatory and tax reforms, have led to the reemergence of bank lending and the entry of other capital providers in the municipal market. This program is designed to explore the changing practices of municipal borrowers and lenders and the implications of alternative financing on municipal finance. The program also highlights the confluence of economic, market, and policy trends that may introduce yet unperceived risks that require new forms of analysis and reporting.

8:00 AM **Registration**

Complimentary Coffee and Rolls

8:30 AM **Welcome and Introduction**

Michael Ballinger, Publisher, The Bond Buyer

Mark Campbell, Executive Director, California Debt and Investment Advisory Commission

SESSION ONE

8:45 AM **The Makeup of Alternative Financing in the Municipal Market**

With changes in the economic, administrative, and regulatory framework of public finance, alternative lending accounts for a growing share of the debt taken on by public agencies. What are the trends driving alternative lending? Why are lenders, including

new entrants in the municipal market, encouraged to provide capital to borrowers? What are the benefits to municipal borrowers?

David Doyle, 12th District Credit Risk Coordinator – Banking, Supervision & Regulation, Federal Reserve Bank of San Francisco

SESSION TWO

9:15 AM Public Agency Debt Portfolios and New Sources of Capital

Municipal borrowing has evolved over time to include access to capital in a variety of different forms from directly placed debt to loans that do not involve the participation of financial intermediaries such as bond counsel or financial advisors. This session identifies the range of new entrants in the market including non-bank lenders such as hedge funds, pension plans, and multi-national corporations.

Speaker and Moderator: Readie Callahan, Vice President, Capital Strategies, Wells Fargo Securities

Jay M. Goldstone, Managing Director, Public Finance, MUFG Union Bank, N.A.

Peter Luchetti, Partner, Table Rock Capital LLC

Hector E. Negroni, Principal, Fundamental Advisors

10:15 AM Break

SESSION THREE

10:30 AM Financial Management—Risk Analysis and Allocation

When compared to the commonly recognized forms of municipal debt, alternative financial arrangements may impose unique terms and conditions that may be unfamiliar to municipal borrowers. The structural, financial, and legal inconsistencies or conflicts that may exist between traditional bonds and alternative financial obligations in a single debt portfolio may pose little or no risk in a growing economy, but what happens when conditions change? This session considers the expanding scope of analysis that may be required as municipal borrowers further diversify their debt portfolios. The discussion includes:

- What risks are inherent in a well-structured debt portfolio? What risks emerge when a debt portfolio is out of balance?
- What risks may be introduced by alternative structures?
- When viewed as a corporation, what other factors should be considered in assessing the sustainability of a municipal borrower that plans to embrace alternative financings? What type of data is needed to assess the ability of a municipal borrower to not only repay its debt, but also to continue to meet its public purpose?

*Moderator: Anna V. Sarabian, Senior Vice President, Fieldman, Rolapp & Associates
Matthew D. Covington, Managing Director, Conway MacKenzie, Inc.
Matthew T. Reining, Senior Director and Analytical Manager, Standard and Poor's
Alex Wallace, Managing Director, Head of Public Finance, US Bancorp Municipal
Securities Group
Lisa Washburn, Managing Director, MMA and Treasurer of the National Federation of
Municipal Analysts*

11:45 PM Luncheon (All participants and speakers)

Keynote Speaker: Honorable Bill Lockyer, California State Treasurer

SESSION FOUR

12:30 PM Disclosure and Reporting—Exposing the Intersection between Municipal Securities and Other Forms of Debt

There exists a well-established regime of reporting and disclosure for municipal securities. At this time, however, the disclosure of alternative forms of debt is neither required nor expected. This session considers the differing levels of transparency and reporting for municipal securities and alternative financing obligations. The discussion includes:

- What are the existing requirements to report and disclose traditional and alternative financings? Where are the gaps in information?
- How are the two forms of debt accounted for and represented in financial reports?
- How do investors and municipal analysts assess the risk contained within a diversified debt portfolio given the existing reporting and disclosure requirements?

*Speaker and Moderator: Lisa Washburn, Managing Director, MMA and Treasurer of the National Federation of Municipal Analysts
Lynnette Kelly, Executive Director, Municipal Securities Rulemaking Board
Jenna Magan, Partner, Public Finance, Orrick, Herrington & Sutcliffe LLP
David A. Vaudt, Chairman, Governmental Accounting Standards Board*

SESSION FIVE

1:45 PM Policies and Procedures—How to Connect the Dots

Is it time for public agencies to develop specific policies and procedures that support the analysis and determination of the appropriate uses of debt by the agency, including alternative financings? This session will consider the use of debt and disclosure policies that support internal and external review of the agency's debt portfolio. The discussion includes:

- What does it mean to prepare a sustainable financial plan?
- What enhanced financial, legal, and policy analysis may be required of public agencies to enable them to benefit from a diversified municipal debt market?
- What response may be needed to adjust the existing regulatory framework to embrace the opportunities offered by alternative financing? Specifically, what financing reporting and disclosure requirements may be needed to ensure the risk is fairly and completely represented?

Speaker and Moderator: David L. Cohen, Managing Director and Associate General Counsel, SIFMA

Richard A. Ciccarone, President and CEO, Merritt Research Services LLC

Triet M. Nguyen, Managing Director, NewOak Capital LLC

Naomi G. Richman, Managing Director, Public Finance, Moody's Investors Service

Nathaniel R. Singer, Managing Director, Swap Financial Group, LLC

2:45 PM Close of Pre-Conference

(Evaluation)