



July 2010
PE 10-04-471

Departmental Review

DEPARTMENT OF REVENUE MUNICIPAL BOND COMMISSION

AUDIT OVERVIEW

The West Virginia Municipal Bond Commission Provides Credit-Enhancement Services, as Recognized by Leading Bond Rating Agencies, Which Contributes to Lower Borrowing Costs on the Bond Markets



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EXECUTIVE SUMMARY

Issue 1: The West Virginia Municipal Bond Commission Provides Credit-Enhancement Services, as Recognized by Leading Bond Rating Agencies, Which Contributes to Lower Borrowing Costs on the Bond Markets.

The Municipal Bond Commission serves as the fiscal agent for all issuers of municipal revenue bonds and some general obligation bonds in the state. The Commission was formed as the State Sinking Fund in 1921, and its mission has not changed substantially since then. The Legislative Auditor analyzed the agency's operations, conducted a user satisfaction survey and studied the impact of the Commission on bond ratings in the state to determine the effectiveness and need for the Commission. This analysis showed that the agency works in accordance with WV Code §13-3-1 et seq.

Along with meeting statutory requirements, the survey results revealed that fifty-nine percent of survey respondents describe the overall quality of advice and assistance provided by the Commission as exceptional, 38 percent as satisfactory, and no respondents characterize the service as unsatisfactory. The survey responses also indicate that most users have no major complaints about repaying bonds with the help of the Commission. Furthermore, the Commission offers stability to local government users when staff changes occur by educating new users on the debt repayment process.

Finally, the Commission is categorized by Standard & Poor's as a credit enhancement program due to the annual appropriation language which allows the governor to transfer funds to overcome shortcomings in the repayment of state revenue and general obligation bonds serviced by the Commission. Moody's also considers this aspect of the Commission as well as its active role in debt repayment when assigning bond ratings, so the Commission serves to improve bond ratings in the state. Given this, the Legislative Auditor concludes that the Commission be continued and commended for its service to West Virginia.

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Recommendations

1. *The Legislative Auditor recommends that the Municipal Bond Commission be continued.*

2. *The Legislative Auditor recommends that the Municipal Bond Commission consider the results of the user satisfaction survey to improve constituent service.*

3. *The Legislative Auditor recommends that the Commission consider adding useful information regarding bond finance to current and potential bond-issuers in West Virginia to its website.*

OBJECTIVE, SCOPE & METHODOLOGY

The performance review of the Municipal Bond Commission (Commission) is authorized by the West Virginia Performance Review Act, specifically §4-10-8(b)3 of the West Virginia Code, as amended. This review was conducted in conjunction with the 2010 agency review of the Department of Revenue. The Municipal Bond Commission is statutorily obligated to act as the fiscal agent for some bond issues of the State and its political subdivisions where designated by statute.

Objective

The purpose of this performance review is to determine if the Municipal Bond Commission should be continued based on user satisfaction and cost-benefit analysis.

Scope

The review focuses on the operations of the Commission to ensure compliance with WV Code requirements from FY 2007 to FY 2009. The history and purpose of the Commission is also discussed with an emphasis on the distinguishing features of the Commission. The review specifically relates the role of the Commission and existing statute to the opinion of prominent bond rating corporations. It should be noted that this review does not address the financial accounts managed by the Commission in detail.

Methodology

The information presented in the review was gathered from the Commission, the West Virginia Municipal League, Moody's Investor Services, Standard & Poor's, and other state's bond agencies. Survey contact information was obtained from the Commission and the Municipal League, and the survey was delivered using the Legislative Auditor's online survey service, SurveyMonkey. Every aspect of this review complied with Generally Accepted Government Auditing Standards (GAGAS) as set forth by the Comptroller General of the United States of America.

ISSUE 1

The West Virginia Municipal Bond Commission Provides Credit-Enhancement Services, as Recognized by Leading Bond Rating Agencies, Which Contributes to Lower Borrowing Costs on the Bond Markets.

Issue Summary

The Municipal Bond Commission (Commission) manages the repayment of all municipal revenue bond debt and general obligation bond debt issued by municipalities, county commissions and school districts in the state. The Legislative Auditor finds that the Commission efficiently works to serve bond issuers, as evidenced by an analysis of the operations of the agency as well as responses to a user satisfaction survey. The cost of the Commission for its service is minimal compared to the benefits the state receives from the positive impact the agency has on both state and municipal bond ratings. The value derived from the positive impact on bond ratings cannot be measured exactly. However, the leading bond credit rating institutions provide an extensive analysis on the Commission's positive role in debt-service management. This indicates that the Commission's debt-service function factors positively in the state's bond ratings, which in turn contributes to a lower cost to borrow through the bond market. These cost savings can be substantially above the cost of the Commission, depending on the amount of bond issues.

The Legislative Auditor finds that the Commission efficiently works to serve bond issuers, as evidenced by an analysis of the operations of the agency as well as responses to a user satisfaction survey.

The Municipal Bond Commission Effectively Fulfills Its Statutory Mission

The Municipal Bond Commission serves as the fiscal agent for all issuers of municipal revenue bonds and some general obligation bonds in the state. Originally, the Commission was formed as the State Sinking Fund in 1921, and, since its inception, few changes have been made to its statutory mission. According to the Commission's 88th Annual Report:

The agency was charged with the responsibility of receiving the deposits of the various issuers, investing them for maximum return consistent with State statute and bond ordinance requirements, disbursing funds to the appropriate paying agent banks or bondholders to

meet debt services, receiving and reconciling cancelled securities, maintaining and reporting the financial accounts of each depositor, and aiding the issuers in the management of their resources. The agency would encourage the financial growth of the State by helping to maintain a receptive financial market for West Virginia bond issues through professional management services and to provide a central information source.¹

The Commission consists of five members including three ex-officio members: the State Auditor, the State Treasurer, and the State Tax Commissioner. The Tax Commissioner serves as Chair of the Commission. The two appointed board members must be a mayor or former mayor of a municipality and a member or former member of a county commission, respectively. Appointments to the Commission expire after four years. The Commission is required to meet three times each fiscal year. The Legislative Auditor finds that the Commission is in compliance with its enabling legislation, WV Code §13-3-1 et seq.

The Commission is granted the authority to appoint an Executive Director to carry out the duties of the Commission and hire the necessary support staff. The Commission has a staff of four employees including the Executive Director, an Accountant, an Office Assistant and a Reconciliation Administrator. It acts as the fiscal agent for all municipal revenue bonds issuers in the state as required by §8-16-17. In accordance with WV Code §13-3-6, the Commission also oversees the repayment of municipal, county, and school district general obligation bonds in the state. The Commission serves as fiscal agent for bond issues in all 55 counties. Users of the Commission include bond issuers and bondholders. Bond issuers include municipalities, public service districts, county schools and commissions. The service provided to bondholders is free of charge. The Commission provides the following services:

- Provide debt-service management for all lenders;
- Provide information regarding all managed bond issues on a semi-annual and annual basis;
- Compile annual levy letter for general obligation bonds;
- Certification that refunded issues are within levy vote;

The Legislative Auditor finds that the Commission is in compliance with its enabling legislation, WV Code §13-3-1 et seq.

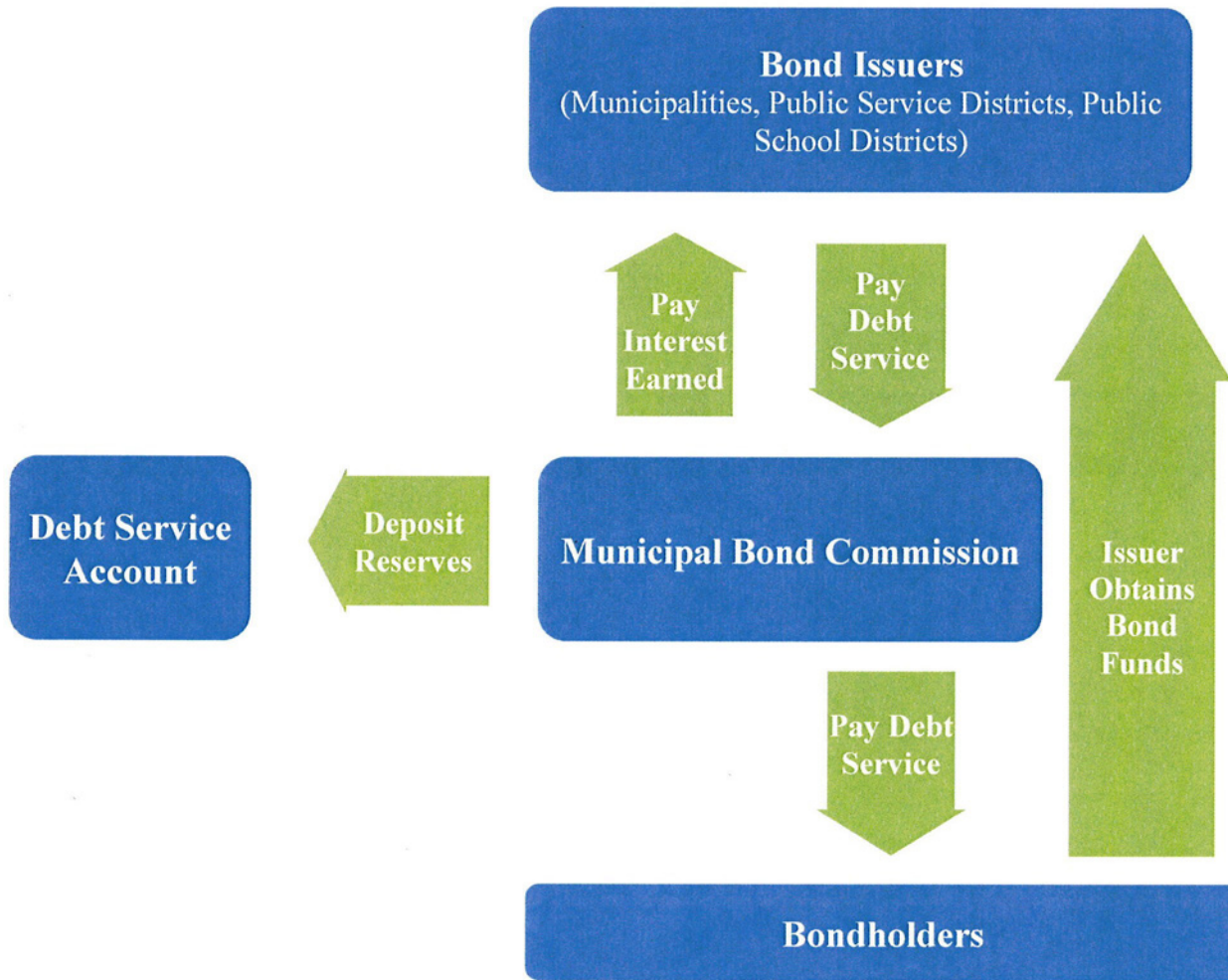
The Commission serves as fiscal agent for bond issues in all 55 counties.

¹ “State of West Virginia Eighty-Eighth Annual Report, West Virginia Municipal Bond Commission: Annual Summary of Receipts & Disbursements, July 1, 2008-June 30, 2009”

- Generate investments, withdrawals and escrow purchases for issuers' funds;
- Prepare monthly status reports of each bond issue;
- Manage daily cash balance of issuer's funds in secure accounts;
- Submit monthly, quarterly and annual reports to users via email;
- Review bond ordinances and prepare amortization schedules;
- Update public website monthly;
- Maintain an electronic payment system;
- Maintain information for both current and paid bond issues in a central location;
- Refund issuers annually for accounts with interest earnings;
- Prepare monthly debt-service payment for bond issuers.

The operations of the Commission are depicted in Figure 1.

Figure 1
The Role of the Municipal Bond Commission



The Commission is fully funded by user fees which are held in an appropriated special fund. Currently, the Commission charges bond issuers a fee of 0.26 percent of the total bond debt service requirement of the issuer, but the Commission may increase the fee to 0.5 percent if necessary—not to exceed \$2,000 annually as allowed by statute. On average, bond issuers pay \$304 in fees annually. Furthermore, the Commission provides bond issuers with an interest return due to depositing reserves in the state treasury. Since FY 2007, the number of bond issues has increased. However, between FY 2008 and FY 2009, as the financial crisis greatly decreased interest rates, the yield significantly fell off for

The Commission provides bond issuers with an interest return due to depositing reserves in the state treasury.

the deposited reserves. Still, the average annual interest income for bond issuers was \$2,928 in FY 2009. This coupled with the improvement of bond ratings, which is discussed later, leads the Legislative Auditor to find that the Municipal Bond Commission is beneficial to bond issuers in West Virginia.

The average annual interest income for bond issuers was \$2,928 in FY 2009.

Table 1			
Summary of Bond Issue Fees and Interest Earned			
	FY 2007	FY 2008	FY 2009
Number of Issues	852	880	915
Total Fees Collected	\$246,249	\$272,268	\$286,699
Average Issuer Fee	\$289	\$309	\$313
Total Interest Earned	\$9,198,623	\$9,263,378	\$2,965,580
Average Interest Rate	5.134%	4.200%	1.208%
Total Interest Income	\$8,952,374	\$8,991,110	\$2,678,881
Average Interest Income	\$10,507	\$10,217	\$2,928

Source: Municipal Bond Commission

Finally, the Commission provides this service at a low cost. The following table depicts the Commission’s current fiscal year budget. Thus, the agency minimally impacts the state’s budget while providing a valuable service to bond issuers.

Table 2			
Municipal Bond Commission Expenditures			
	Actuals FY 2007	Actuals FY 2008	Actuals FY 2009
FTE Positions	4.00	4.00	4.00
Total Personnel Services	\$130,437	\$141,183	\$137,299
Employee Benefits	\$46,116	\$45,649	\$43,091
Other Expenses	\$80,378	\$85,188	\$79,871
Subtotal	\$256,931	\$272,020	\$260,261

Source: State of West Virginia Executive Budget FY 2009, FY 2010 and FY 2011

The Municipal Bond Commission Is a Distinguishing Agency for West Virginia State Government

An analysis of other states' bond-related agencies reveals that the Commission is distinctive given its active involvement in bond repayment. Many states have agencies that manage some aspects of the mission of the Commission; however, the statutory requirements of the Commission coupled with its ability to compel municipalities to reserve funds, positions it uniquely among state government instrumentalities.

According to Standard & Poor's (S&P), 23 states including West Virginia have state credit enhancement programs, which are government entities that serve to protect bond issuers from default. S&P rates these programs based on the state's bond rating and the type of program. S&P identifies four types of programs. The first of these are Intercept/Withholding Programs, which operate based on the availability of state aid to cover local governments' bond payments in the instance of default. The second of these is the Standard and Annual Appropriation Programs which rely on the state's ability to use cash reserves to relieve a debt-service deficiency at the local level. The third and fourth types are State Guarantee and State Permanent Fund Programs. These last two types are present in seven states, and both guarantee the repayment of deficient school bond debt only, either from the state's general fund or special funds held intentionally to account for bond deficiencies. Although these appear to be the most stable, they are not as closely linked to the state's bond rating as the other types of programs.

According to Standard & Poor's, 23 states including West Virginia have state credit enhancement programs, which are government entities that serve to protect bond issuers from default.

According to S&P, Standard and Annual Appropriation Programs closely link the program rating with the state bond rating, revealing the value of such programs. Five states have these types of programs—West Virginia, Minnesota (which has two separate programs), Texas, New Jersey, and South Carolina. Of these six programs, the Commission and the Minnesota County Credit Enhancement Program are the only programs that protect both state general obligation bond debt as well as local bond issues in the event of a deficiency. However, the Minnesota County Credit Enhancement Program does not act as fiscal agent for local bond issuers except in the event of a deficiency. Each of these Appropriations Programs requires that the bond-issuer warn the state program of any payment deficiencies and formally request aid from appropriated funds typically between 15 and 10 days before the payment

is due. The Commission is unique among these structures in that it notifies the bond issuer of any upcoming fund deficiencies 35 days prior and again 15 days before the payment is due, taking a proactive role to attempt to prevent deficiencies and defaults rather than reacting to them. This distinction is also considered when State and local bonds in West Virginia are rated. It is this proactive and involved role the Commission plays in bond repayment that sets it apart from other government bond oversight entities, and the Legislative Auditor further analyzed other state entities to explore the benefit of continuing the Commission.

One method of state assistance with municipal bonds is the bond bank. Several states such as Vermont and Alaska have these. Bond banks package municipal bonds for the capital market. By doing so, bond banks give bond issuers a broader potential market. This allows smaller municipalities with issues that would be unattractive to bond purchasers to access capital through a derivative bond issuance. Thus, the bond banks serve bond-issuers by offering the possibility of lower borrowing costs, but they do not act as a bond fiscal agent like the Commission.

It is this proactive and involved role the Commission plays in bond repayment that sets it apart from other government bond oversight entities.

Other states have different forms of bond oversight agencies, but no other state entity offers the debt payment service provided by the Commission. In Connecticut, the State Bond Commission deals directly with the bond approval process for municipalities by approving funding request and bond sales to ensure that they are in the state's best interest. This commission deals strictly with state-level bond issues and does not deal with localities, and it also takes a different role in the bond process than the Commission, as the Commission does not take any role in the initial phases of bond issuance. Also, it should be noted that Connecticut's bond agency operates expressly to determine if bond issues are in the interest of the state, while the Commission allows voters and administrators to determine if locally issued bonds are in their interest.

Like Connecticut, Oklahoma also takes an active role in bond issuance. Oklahoma has two entities that aid both state and municipal bond-seekers. Specifically, Oklahoma's State Bond Advisor operates to:

...serves as staff to the Council of Bond Oversight and provides advice and assistance to the Governor and Legislature on matters relating to capital planning, debt issuance, and debt management. The Office also serves as staff to the Long-Range Capital Planning Commission

and administers the Private Activity Bond Allocation Act.²

In this role, the agency operates in more of a policy research and planning capacity. This active role in bond issuance as well as policy research and planning taken by the Oklahoma bond entities distinguishes it from the Municipal Bond Commission, which does not take any role in bond issuance or research and planning.

Finally, representing a broader but less regulatory approach to state bond issues, Texas operates a Texas Bond Review Board that has authority over state and municipal bonded indebtedness. Its mission is to ensure a high bond-rating for issues, encourage transparency, and approve and coordinate local bonds so that the public interest is considered and legislative mandates are followed. However, this board does not directly service bond issues. To carry out its mission, the Board serves municipal bond issuers by making information regarding bond funding readily available on its website and responding to specific requests from issuers and potential bond issuers. The Board provides links to relevant publications and data, a searchable local debt database, a bond election database, and links to other Texas entities which play some role in bond issuance or management. Though the Texas Bond Review Board does not directly assist with debt repayment, the resources it provides are helpful to its users. **The Municipal Bond Commission should consider the addition of similar information on its website to benefit users.**

The Commission could glean some insight into best practices and ideas for improvement by keeping track of its peers.

To conclude, the Legislative Auditor's analysis of other state bond entities reveals that these entities vary widely in authority and missions. Though some entities share some characteristics with the Commission, the Commission remains unique in its mission and function. Nonetheless, the Commission could glean some insight into best practices and ideas for improvement by keeping track of its peers, regardless of the dissimilarities.

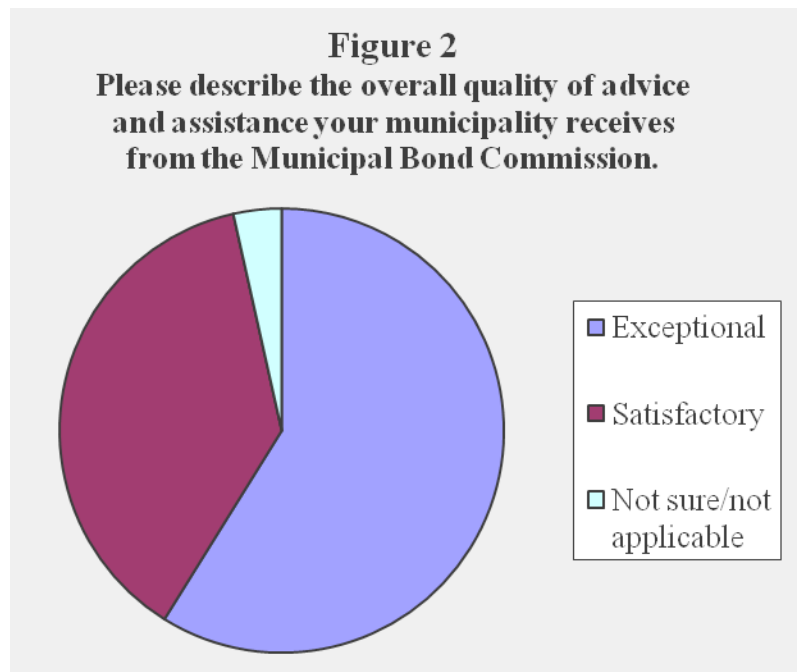
²Title 62, Oklahoma Statutes, Section 695.2 et seq.

Respondents to the Legislative Auditor’s User Satisfaction Survey Are Satisfied With the Service Provided by the Commission

The Legislative Auditor analyzed the Commission’s performance through interviews, information provided by the Commission, and a user satisfaction survey. The survey was conducted online and sent to all bond issuers with valid email addresses as well as individual municipalities with available email contact information provided by the Commission and the West Virginia Municipal League, respectively. The selection of recipients was based on email capacity, so this resulted in a sample of convenience. The Commission has a total of 437 issuer contacts, and 368 of those contacts provide email addresses to the Commission. Thus, 84 percent of the issuers received the survey. Of the bond issuers, many of the contacts were identical for two distinct bond issues, so all duplicates were filtered from the list. The total number of recipients was 352 after removing the duplicate email addresses. The survey sample included 131 municipalities that are members of the Municipal League and 296 email contacts for bond issuers. The 105 survey respondents include municipalities, public service districts, water and sewer authorities, sanitary boards and county school representatives.

The 105 survey respondents include municipalities, public service districts, water and sewer authorities, sanitary boards and county school representatives.

Due to the mixed population of respondents, the Legislative Auditor estimates that, of the total number of recipients, 62 organizations received two or more links to the survey. While the results of the survey do not make up a statistically significant response rate, these overlapping entries may partly account for the low response rate of 30 percent. Furthermore, sending the survey to Municipal League contacts may account for the low response rate as those contacts were not necessarily bond issuers, so it is likely that the survey was simply ignored by non-users. Taking into account the duplication of municipality representatives in the sample, the response rate is approximately 90 percent. Given that the survey was conducted to determine satisfaction, the results of the survey provide adequate information to draw conclusions about the performance of the Commission.



The survey results indicate that most bond issuers are satisfied with the service provided by the Commission. Eighty-nine of the 105 respondents have utilized the services of the Municipal Bond Commission in the past 5 years, and 56 respondents (66 percent) have been working with the Commission for more than 10 years. **Fifty-nine percent of respondents described the overall quality of advice and assistance provided by the Commission as exceptional, 38 percent as satisfactory, and no respondents characterized the service as unsatisfactory as shown in Figure 2.** Three respondents to the question replied that it was not applicable. Regarding the ease of communication with the Commission, responses were nearly identical to the satisfaction measure with 62 percent describing the ease of communication as exceptional. Also, when asked if the Commission should provide additional services, only 1 of 82 respondents indicated an interest in new service, specifically suggesting daily access to accounts online. Similarly, only 4 of 82 respondents suggested other improvements to the Commission. The suggestions provided include two requests to see annual and monthly statements sooner and a suggestion that the quarterly statement presentation be updated. The few suggestions do not indicate any notable performance issues. Aside from ascertaining the satisfaction with the services given by the Commission, the survey also sought to determine user satisfaction with the Commission's role as fiscal agent.

Fifty-nine percent of respondents described the overall quality of advice and assistance provided by the Commission as exceptional, 38 percent as satisfactory, and no respondents characterized the service as unsatisfactory.

The majority of survey respondents believe the Commission is necessary and that the fees are reasonable. **When asked if the Municipal Bond Commission is necessary for bond issuers to repay debt, approximately 88 percent agreed.** Ten respondents did not agree that the Commission is necessary and provided a comment as required by the survey. Six of the respondents' comments pointed out that their organization could simply repay debts directly to the issuing bank or maintain reserve accounts in-house rather than using the Commission. One commenter mentioned that private firms could provide the same services as the Commission, two of the respondents indicated that they do not understand the reason they must use the Commission other than that it is required, and one respondent pointed out that the service makes bond repayment easier.

Finally, 60 percent of survey respondents find the service fees charged by the Commission to be reasonable for their organization with only one respondent indicating that the fees are not reasonable. The

remaining 33 respondents answered “not sure/not applicable”, expressing no opinion of the fees. A full report of the survey is available in Appendix B. Although the user satisfaction survey is not statistically representative, the results indicate that most bond issuers are pleased with the service of the Commission. **The Legislative Auditor recommends that the Municipal Bond Commission consider the results of the survey to improve constituent service.**

The Municipal Bond Commission Provides Assistance to Local Government Employees

According to the Executive Director of the Commission, the agency receives phone calls regularly from new local government and public service district employees whom are unaware of how to handle repayment of a bond issue. Often, the only other option for assistance with a bond issue is a Bond Counsel, which would be expensive for bond issuers. The Commission offers assistance with user requests at no additional cost to the bond issuers. The presence and accessibility of the Commission provides continuity to bond issuers when staff changes occur, further safeguarding the issuer from missed payments. In the case that no staff is available to send the debt service payment to the Commission, the issuer would be contacted and reminded that payment is due rather than unknowingly slipping into default. This continuity is one of the benefits of the Commission, factoring into the most notable benefit—the improvement of bond ratings in the state.

The Municipal Bond Commission Positively Affects State and Municipal Bond Ratings

The Legislative Auditor finds that ratings for state and municipal bonds are improved by the existence of the Commission. The most prominent bond rating corporations, Moody’s and S&P, consider the role of the Commission in calculations of bond ratings. Moody’s Special Comment in 2003 cites both the debt-service requirements of the Commission as well as the emergency appropriation of funds in the event of bond repayment deficiencies. The appropriation language reads:

The presence and accessibility of the Commission provides continuity to bond issuers when staff changes occur, further safeguarding the issuer from missed payments.

The Legislative Auditor finds that ratings for state and municipal bonds are improved by the existence of the Commission.

There is hereby appropriated to the governor a sufficient amount to meet any deficiencies that may arise...in the funds of the municipal bond commission because of the failure of any state agency for either general obligation or revenue bonds or any local taxing district for general obligation bonds to remit funds necessary for the payment of interest and sinking fund requirements. The governor is authorized to transfer from time to time such amounts to the municipal bond commission as may be necessary for these purposes. The municipal bond commission shall reimburse the state of West Virginia through the governor from the first remittance collected from the West Virginia housing development fund or from any state agency or local taxing district for which the governor advanced funds, with interest at the rate carried by the bonds for security or payment of which the advance was made.³

This moral obligation, while never exercised, allows the governor to appropriate funds to overcome shortcomings in the repayment of state revenue and general obligation bonds serviced by the Municipal Bond Commission.

This moral obligation, while never exercised, allows the governor to appropriate funds to overcome shortcomings in the repayment of state revenue and general obligation bonds serviced by the Municipal Bond Commission. **However, the appropriation language would only allow for a temporary deposit to cover deficient bond issues.** The Commission would have to repay the funds immediately upon recovery of the deficient payments. Furthermore, the State Constitution prohibits the State from assuming the debt of any county, city, township, corporation or person, including bond issues, so this appropriation language poses little risk to State funds.

Nonetheless, this appropriation language and the operations of the Commission are consistently noted by Moody's and S&P ratings publications. Moody's stated:

Moody's will consider these features when assigning ratings to debt issued by cities, counties, special districts, and other entities issuing debt through the MBC [Municipal Bond Commission]. Potential credit enhancements will be considered on a case by case basis, and will hinge on

³West Virginia Budget Bill Section 14 FY 2011

the underlying credit characteristics of the issuer as well as the support provided by MBC.⁴

Standard & Poor's also identifies the value of the Commission in the State's bond market, and they assign the Commission itself a rating of AA-. Concerning the Commission, S&P states, "The rating for West Virginia's program reflects the state's strong debt service oversight and the legislature replenishment provision for the bond commission's sinking fund."⁵ **These comments indicate that the Commission enhances the value of state and municipal bonds in West Virginia, and, in turn, these higher ratings should lower the cost of bond issuance in the state.**

Conclusion

As evidenced by the Legislative Auditor's analyses, the Municipal Bond Commission is a unique agency among state governments and provides several valuable services for agencies and municipalities within the state. The Commission serves to enhance bond ratings throughout the state based on the opinions of both Moody's and S&P rating services. This, in turn, helps to lower the borrowing costs associated with municipal and state bonds. While the Commission fulfills its statutory mission, it could better serve as a clearinghouse for information regarding municipal bonds by adding a section of useful links on the website. Overall, the Commission should be commended for its service to the State.

Concerning the Commission, S&P states, "The rating for West Virginia's program reflects the state's strong debt service oversight and the legislature replenishment provision for the bond commission's sinking fund."

Recommendations

1. *The Legislative Auditor recommends that the Municipal Bond Commission be continued.*
2. *The Legislative Auditor recommends that the Municipal Bond Commission consider the results of the user satisfaction survey to improve constituent service.*
3. *The Legislative Auditor recommends that the Commission consider adding useful information regarding bond finance to current and potential bond-issuers in West Virginia to its website.*

⁴ Moody's Special Comment, April 2003

⁵ Standard & Poors. "U.S. Public Finance: State Credit Enhancement Programs" November 13, 2008. p. 17.

Appendix A: Transmittal Letter

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John Sylvia
Director

July 6, 2010

Sara Boardman, Executive Director
Municipal Bond Commission
Suite 401
1207 Quarrier Street
Charleston, WV 25301

Dear Executive Director Boardman:

This is to transmit a draft copy of the Performance Review of the West Virginia Municipal Bond Commission. This report is scheduled to be presented during the July 19-21, 2010 interim meeting of the Joint Committee on Government Operations and the Joint Committee on Government Organization. We will inform you of the exact time and location once the information becomes available. It is expected that a representative from your agency be present at the meeting to orally respond to the report and answer any questions the committees may have.

If you would like to schedule an exit conference to discuss any concerns you may have with the report, please notify us by July 9, 2010. We need your written response by noon on July 14, 2010 so that it will be included in the final report. If your agency intends to distribute additional material to committee members at the meeting, please contact the House Government Organization staff at 340-3192 by Thursday, July 15, 2010 to make arrangements.

We request that you do not disclose the report to anyone not affiliated with your agency. Thank you for your cooperation.

Sincerely,

A handwritten signature in cursive script that reads "John Sylvia".

John Sylvia

c. Virgil T. Helton, Cabinet Secretary, Department of Revenue

_____ *Joint Committee on Government and Finance* _____

Appendix B: Municipal Bond Commission User Satisfaction Survey Results

Question 1

Respondent Identification

Question 2

Has your municipality used the services of the Municipal Bond Commission within the last 5 years?		
Answer Options	Response Percent	Response Count
Yes	84.8%	89
No, this municipality has not issued bonds that require the services of the Municipal Bond Commission within the past 5 years.	11.4%	12
Not sure	3.8%	4
answered question		105
skipped question		0

Question 3

How long has your municipality been receiving services from the Municipal Bond Commission?		
Answer Options	Response Percent	Response Count
Less than 5 years	12.9%	11
6 - 10 years	15.3%	13
More than 10 years	65.9%	56
Not sure	5.9%	5
Comments		4
answered question		85
skipped question		20

Comments:

1. We have been very pleased with the service from them with the exception of the current interest rate.
2. I have only worked here as the office manager since 6/1/06.
3. You have been giving services since before I was hired and that was three years ago.
4. PSD has existed since 1976. I've been here going on 14 years.

Question 4

Please describe the overall quality of advice and assistance your municipality receives from the Municipal Bond Commission.		
Answer Options	Response Percent	Response Count
Exceptional	58.8%	50
Satisfactory	37.6%	32
Unsatisfactory	0.0%	0
Not sure/not applicable	3.5%	3
answered question		85
skipped question		20

Question 5

Please describe the overall level of responsiveness and ease of communication between your municipality and the staff of the Municipal Bond Commission.		
Answer Options	Response Percent	Response Count
Exceptional	62.4%	53
Satisfactory	35.3%	30
Unsatisfactory	0.0%	0
Not sure/not applicable	2.4%	2
answered question		85
skipped question		20

Question 6

Are the service fees charged by the Municipal Bond Commission reasonable for your municipality?		
Answer Options	Response Percent	Response Count
Yes	60.0%	51
No	1.2%	1
Not sure/not applicable	38.8%	33
Comments:		2
answered question		85
skipped question		20

Comments:

1. [The Executive Director] is exceptionally capable and very pleasant to work with.
2. Dissatisfied that the 98A Bonds cannot be refinanced at a lower rate. It doesn't seem right that a loan of 500,000 has interest of 796,000. Tough to make any capital improvements without rate increases.

Question 7

Is your municipality satisfied with the electronic billing system used by the Municipal Bond Commission?		
Answer Options	Response Percent	Response Count
Yes	72.0%	59
No	0.0%	0
Not sure/not applicable	28.0%	23
Comments:		6
answered question		82
skipped question		23

Comments:

1. Just start with the electronic billing 3/30/10
2. However, each municipality should really be on top of their A/P and not depend on WVMB-I enter all bond billing due in my system for each month.
3. Just started this a couple months ago. Not sure yet.
4. We just send in the payment.
5. Don't use electronic billing system
6. Our account was swept for the [name redacted] County Commission once which could have cause the District a lot of problems.

Question 8

Overall, has the service provided by the Municipal Bond Commission benefited your municipality?		
Answer Options	Response Percent	Response Count
Yes	90.2%	74
No	1.2%	1
Not sure	8.5%	7
Comments:		1
answered question		82
skipped question		23

Comments:

1. This service streamlines an otherwise complicated bond payment system-with Revenue accts, reserve accts, depr. accts, and interface with debt issuer. WVMB knowledge is invaluable. Also on line reporting has greatly helped.

Question 9

Do you think the Municipal Bond Commission is necessary for your municipality to repay its bond debt?		
Answer Options	Response Percent	Response Count
Yes	87.8%	72
No (Comment Required)	12.2%	10
answered question		82
skipped question		23

Comments:

1. But it definitely makes it easier.
2. I really don't see the need of paying the MBC instead of paying the bank directly.
3. For normal bond debt repayment, it seems that we could handle sending payment directly to the bond holder in lieu of sending payment to the Municipal Bond Commission. We know up front the payment schedule, and the levy rates necessary to achieve the payment amounts.
4. We always maintained our own reserve accounts in-house as required.
5. This is something that our District could do on our own, however, since we are required to use them, we are pleased with their service.
6. It was necessary back when we had bonded debt. However, ours has now been paid off and we just left the excess funds invested at MBC.
7. Private agencies could make the debt payments on our behalf.
8. The City of [name redacted] is perfectly capable of servicing its own sinking fund requirements but many municipalities aren't.
9. Don't know - would have to see a program WITHOUT them!
10. I tried to check the yes, but checked no when I wanted to make comments. We have historically had little to no difficulty in maintaining our payment. I understand why the system was set up, I just am not sure that we absolutely have to be a part of it.

Question 10

Are there services that the Municipal Bond Commission currently does not provide that in your opinion it should provide?		
Answer Options	Response Percent	Response Count
No	98.8%	81
Yes (please indicate the services below)	1.2%	1
answered question		82
skipped question		23

Comments:

1. On line access to accounts on a daily basis.

Question 11

Are there any improvements that your municipality would like to see from the Municipal Bond Commission?		
Answer Options	Response Percent	Response Count
No	95.1%	78
Yes (please indicate the improvements below)	4.9%	4
answered question		82
skipped question		23

Comments:

1. Would like to see the Annual Statements available in a more timely manner due to Audit Scheduling.
2. Quarterly statement presentation could be updated.
3. Access account information online.
4. Speedier posting for quicker availability of month end transactions.

Question 12

Please provide any additional comments necessary that would be beneficial to the Municipal Bond Commission and/or the Legislative Auditor's review.	
Answer Options	Response Count
	7
answered question	7
skipped question	98

Comments:

1. Executive director is VERY accessible and helpful. THANK YOU.
2. We appreciate the convenience of paying online.
3. They have always been very helpful.
4. Nothing at this time to add to service.
5. Very satisfied with MBC service.
6. I have always found them very helpful when I need assistance or information.
7. The current administration has made significant technological improvements. We very much appreciate that and look forward to continued upgrades.

Appendix C: Agency Response



**WEST VIRGINIA
MUNICIPAL BOND COMMISSION**

CRAIG GRIFFITH
State Tax Commissioner
Chair

JOHN D. PERDUE
State Treasurer

GLEN B. GAINER III
State Auditor

Suite 401
1207 Quarrier Street
Charleston, West Virginia 25301
(304) 558-3971
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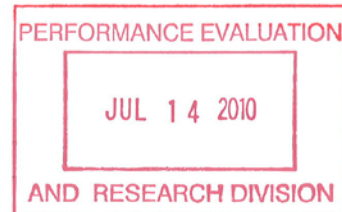
LARRY CHAPMAN
Member

JOHN ROACH
Member

SARA L. BOARDMAN
Executive Director

July 14, 2010

West Virginia Legislature
Performance Evaluation and Research Division
Building 1, Room W-314
Charleston, WV 25305-0610
Attn: Mr. John Sylvia



Dear Mr. Sylvia,

Please accept this letter as the formal response of the WV Municipal Bond Commission to the Performance Review conducted by this office. I will respond to each of the recommendations below.

1. The Legislative Auditor recommends that the Municipal Bond Commission be continued.

Please accept my thanks to you and your office for the positive comments reflected in your Performance Review of the WV Municipal Bond Commission.


2. The Legislative Auditor recommends that the Municipal Bond Commission consider the results of the user satisfaction survey to improve constituent service.

The Commission and our staff look forward to reviewing the users' survey and hope to find ways of improving our services and website. Starting this fall, I will be a speaker at the Public Service Commission's public service district training. They hold two seminars each year tailored for new employees and board members throughout the State. I will be presenting information on the Commission and our functions along with understanding their accounts. We are hoping this added information will be helpful to issuers and deter any slow payments.

3. The Legislative Auditor recommends that the Commission consider adding useful information regarding bond finance to current and potential bond-issuers in West Virginia to its website.

Currently, several years of our account summary and annual report are posted on our website. These reports list each bond we manage and their summary information. There is also a section for statements on a monthly, quarterly and annual basis. We will be reviewing websites of the other states mentioned in your report in determining any new information to display on our website. The internet provides us with efficient reporting along with great availability to constituents. Advancements to our website are a need that we recognize. We will continue to strive to improve our reporting and information on a regular basis.

Sincerely yours,



Sara Boardman
Executive Director



WEST VIRGINIA LEGISLATIVE AUDITOR

PERFORMANCE EVALUATION & RESEARCH DIVISION

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