

May 13, 2013

GASB Agenda Process
Financial Accounting Foundation
401 Merritt 7
PO Box 5116
Norwalk, CT 06856

Dear FAF Board of Trustees:

I was recently made aware of the Financial Accounting Foundation's proposal regarding changes to the agenda setting process of the Governmental Accounting Standards Board. I would like to offer the following comment from the perspective of an investor in the municipal bond market.

Approximately two-thirds of debt issued by states and municipalities is held by individuals either directly or through mutual funds. Most of the remaining debt is held by financial institutions providing products and services to retail customers. All investors have a common need for consistent, accurate, reliable and timely information about the financial performance of the governments they have financed. The municipal bond marketplace depends upon the Governmental Accounting Standards Board to set accounting standards which lead to necessary financial disclosure.

Financial statements issued by governments under GASB standards are utilized by a variety of groups within the United States. In the investment industry, they are most intensively utilized by a specialized group within the public finance arena. Municipal analysts employ a dedicated skill set which utilizes financial, economic, and demographic data in forming opinions on credit quality and asset valuation in the marketplace. Analysts assume both an implicit acknowledgement, and an explicit reliance, upon the accounting standards formed by the GASB in the conduct of their work. Their confidence is enforced by the belief that the independence and objectivity of the GASB are above reproach.

The GASB has worked well for almost thirty years to advance governmental financial reporting. While progress has sometimes been slow, it has been steady. There is much to be thankful for today compared with the lack of reporting in the 1970's. It has often been necessary to overcome significant resistance to new requirements, but it is always necessary to balance the pursuit of progress with the need for realistic objections to be heard. The GASB has diligently and thoughtfully observed this process throughout its endeavors.

GASB Agenda Process

2

May 10, 2013

Additionally, the accomplishments of the GASB have all been advanced within the existing oversight of the Financial Accounting Foundation.

Ultimately, the true constituents of the GASB are the citizen/taxpayers who fund government services and hold the debt issued by municipalities throughout the country. Upon reflection, it is difficult to understand how a change in the FAF's role will provide additional value to them. Conversely, many respondents have raised the possibility that the current proposal would hamper the GASB's ability to pursue its unique mission. I would agree with their assessment, and hope that the current proposal will not move forward.

Sincerely,

Robert M. Reardon, Jr.

Senior Investment Officer