

# Municipal Analysts

## BULLETIN

Vol. 7, No. 1

A NEWSLETTER OF THE NATIONAL FEDERATION OF MUNICIPAL ANALYSTS

MARCH 1997

### Letter from the Chairperson

— Jeff Baker —

Since our inception in 1983, the NFMA has afforded its members with a variety of quality educational opportunities. Among these programs are our advanced seminars, annual conferences, introductory courses and various symposia. Based on recent discussions with fellow analysts and other market participants, it has become obvious that we must now educate the debt issuer community on the importance of providing adequate secondary market financial and other material utilization data in a timely and efficient manner. Recently, I have become aware of certain issuers who have not filed their annual financial statements and other material data with the NRMSIRs on a timely basis. In addition, some issuers are refusing to directly provide analysts with their financial information. Some issuers have told analysts/investors that they should get the requested documents from a NRMSIR. Not only can this be an expensive proposition (about \$25 per request), but it is a poor investor relations maneuver on the part of the issuer. Certain bond counsels and financial advisers have recommended that issuers should provide the minimum as far as secondary market disclosure is concerned as long as they are in compliance with SEC Rule 15C2-12. Therefore, it is up to us to educate the issuer on the importance of providing financial and utilization data to the analytical community. If anyone has any questions or concerns about this situation, please call Rafael Costas (415-312-2828), Mary Metastasio (206-545-5736) or me (212-552-4924).

A few years ago, the NFMA held off-site strategic planning meetings. Many good ideas were developed and incorporated. It is now time to update our strategic plan, and Ray Kubiak, our Vice Chairperson, will chair this important forum. The function of this committee will be to discuss the overall goals and objectives of our organization. This is a great opportunity for you to get involved and to express your thoughts on the NFMA's future direction. The Board wants to hear about your ideas and the types of programs that should be considered. Please call Ray at 617-457-5038 if you would like to participate on this very important committee.

The NFMA is off to a fast start in 1997. We held our Advanced Seminar in Miami Beach in January. The topic was senior housing. Attendance was at a record level! While we are now reviewing the results of the seminar survey, the initial response was extremely positive. Kudos to Mark Orsi, Seminar Chairperson, and Robin Huntley and Alan Polsky, co-chairs of the Education Committee. Also many thanks to our survey guru, Susan Drake.

We are currently working on putting the finishing touches on the Annual Conference in San Diego. Our conference co-chairs, Robert Gardella and Mark Orsi, with their committee, have put together an interesting and educational program. By now, everyone should have received a brochure for the April 30 - May 2 meeting. If you have not, please call our Executive Director, Lisa Good, at 412-341-4898.

The NFMA is moving to establish a site on the World Wide Web. Our goal is to have this up and running in 1997. Many thanks to Erik Zettelmayer for his efforts on this matter.

As you know, we are a volunteer organization. To make the NFMA as successful as possible, we need the assistance of ALL of our members. Please support your local constituent society and the NFMA.

If you would like to discuss any NFMA-related matter, please feel free to call me at 212-552-4924. I look forward to seeing everyone in **SAN DIEGO!**



## Government Auditing Standards

Paul Thompson has recently been sworn in as a member of the Advisory Council on Government Auditing Standards. He represents the NFMA on this body which makes recommendations to the Controller General of the United States regarding auditing standards for both financial and performance audits for the federal government, state and local governments receiving federal money, as well as not-for-profit organizations such as universities and hospitals which receive federal funds. In addition, these standards have been adopted by many states for all of the governments in their jurisdictions. If any member of the Federation wishes to forward points of view which they think the Federation should be advocating, please contact Paul at **212-208-3306** or by E-mail at **PThompson@AMBAC.com**.

## SEE YOU IN SAN DIEGO?

The NFMA's 14th Annual Conference in San Diego (April 30 - May 2) promises to be another edifying and fun-filled event. In response to some of your survey comments, we have expanded the time allotted for each panel by 30 minutes to allow for more in-depth coverage, and will devote Thursday morning to break-out sessions. The general sessions will address some of the timely issues affecting our industry, including Prop 218, dirt bonds, lease financing, ISTE reauthorization, and the role of bond insurers. The break-out panels will deal with more traditional credit concerns affecting the hospital, electric and water sectors as well as a session exploring the use of the Internet as a research tool. Also, the Housing Bond Surveillance Workshop will be held again this year on Thursday afternoon.

On the lighter side, the San Diego Zoo will serve as the venue for the annual Awards Dinner. A twilight bus tour of the zoo will be available for anyone interested — all others can get an early jump on the cocktail reception. We hope to see you all in sunny (hopefully) California!

- *Mark Orsi*
- *Robert Gardella*
- *Conference Co-Chairs*



## Education Committee

I am pleased to report that the Advanced Seminar held in Miami on January 30 and 31 was a great success. This year's session was the biggest ever and provided an excellent overview of long-term health care finance. Many thanks to Seminar Chairperson Mark Orsi, committee members and speakers for their involvement and support. As always, Ann-Ellen Hornidge's efforts provided for a fascinating (and amusing) case study.

Professors Ron Picur and James Chan of the University of Illinois-Chicago will be presenting the Governmental Accounting Seminar in San Mateo, California on March 20 and 21. This course is co-sponsored by the NFMA to provide members with the tools necessary for effective analysis of governmental financial statements. My thanks to Rafael Costas and Franklin Templeton

Funds for their help in arranging this event. Professors Picur and Chan may offer a second Accounting Seminar (somewhere in the eastern U.S.) in the fall.

The Credit Symposium program will revisit Washington, D.C. later in the spring for an update on the District. Susan Heide and Joe Rosenblum have graciously agreed to co-chair this event. Speakers from the District administration and third party experts familiar with the status of this District are expected to participate in this one-day session. Look for more information in late March or early April. Tentative plans call for a Credit Symposium on Higher Education bond analysis later this year. This course will, in part, address the new accounting issues associated with the analysis of these credits. Ideas for future Credit Symposia are both welcome and encouraged. Please do not hesitate to call with any suggestions.

The Introduction to Municipal Bond Credit Analysis is tentatively scheduled in Chicago in the fall. The objective of this session is to provide exposure to a full range of sectors. In the past, each session has been led by an authority in that sector. This course also invites issuers to attend.

Last, but far from least, I would like to take this opportunity to sincerely thank Robin Huntley for her tireless efforts on behalf of the NFMA and its education program. She has been, and continues to be, an essential resource in the successful programming of the Federation. Both the broad scope and the quality of our educational programming are a credit to Robin's determination.

*Alan Polsky*

## CHICAGO

The Chicago Municipal Analysts Society held its annual Christmas party at Goose Island Pub in December. The new officers, who were elected during the business portion of the meeting, are: Steve Willson, President, Karen Szerszen, Vice President, A.G. Anglum, Secretary/Treasurer, and Board members Jill Mason, Brad Mincke, Chuck Nellans and Bob Reardon. The Society observes its twentieth anniversary this year, and a celebration is planned for June. Also planned are half-day seminars on the following topics: New York hospitals, the new GASB reporting model, and how municipal bonds default. Further details on these meetings will be published as they become available.

*Steve Willson*

## PITTSBURGH

New officers for PMAS are David Belton (Federated Investors), President and Joanna Bewick (Federated Investors), Vice President and Treasurer. The society's first meeting of the year was held on February 11. Chris Dillon, Municipal Market Statigist at J.P. Morgan Securities, gave his outlook on the municipal bond market for the year.

*David Belton*

## BOSTON

The Boston Municipal Analyst Forum (BMAF) has just completed a successful 1996 roster of monthly presentations. Highly successful sessions included: a discussion of the Orange County bankruptcy, a session on the recent solid waste legislation, the "new" Moody's, a tour with Massachusetts Wholesale Electric, and a lunch co-sponsored with Mintz Levin on "The Big Dig" in Boston. For attendees to the Annual Dinner, a rollicking good time was had at "The Barking Crab" adjacent to Boston's now much cleaner harbor!

The BMAF Board has tried to map out our future session topics so we can begin to gather the best speakers for our meetings. As we set the actual dates for these and future sessions, we will post them to the new NFMA web calendar. Meeting topics through June include the following: March - Public Power; April - Internet as a Research Tool; May - Healthcare; and June - Annual Dinner.

We also have two new members to our local and NFMA boards. Eric Shapiro from Wellington Management has joined the BMAF Board as the Treasurer/Secretary. Also on the BMAF Board are Howard Mischel, Chair, MFS and Jennifer Rynne, Vice Chair, Eaton Vance. Trish Gildea of Colonial has joined Susan Drake from State Street Research & Management on NFMA Board.

*Susan Drake*

## CALIFORNIA

The California Society of Municipal Analysts (CSMA) is planning its spring meeting for June 11 at the World Trade Club in San Francisco. Following a business meeting, the following topics will be discussed: (1) Credits in the Pacific Northwest, including local economies, Oregon's Measure 46 and BPA; (2) Update on California's budget, including a discussion of negotiations between the Legislature and the Governor prior to the July 1 adoption date; and (3) Credits in the Bay area, including a discussion of local credits, representatives from BART, San Francisco Airport, and potentially, Oakland and San Francisco.

CSMA currently has 110 members. In January, it elected a new board and adopted new bylaws. The society plans to work on establishing its own website in conjunction with the NFMA website underway.

*Steve Permut*

## MINNESOTA

The Minnesota Society of Municipal Analysts is one of the youngest of the constituent societies but it is by no means "fledgling." The group was formed in May 1994 and found immediate support from the investment community in Minnesota. Initially our membership was in the 45-50 range and has increased slightly to fifty-four. For the 1996 membership year, we requested and were granted affiliation with the NFMA. We

applaud the work of the NFMA and hope to be valuable contributors to its efforts.

The MSMA meets about four times each year, usually luncheon meetings. We have had a wide variety of speakers covering such topics as changes in the health care and public power industries, expansion of the metropolitan airport, development of the Minneapolis riverfront and an update on the City of St. Paul by Mayor Coleman. Our meetings have been well attended and have afforded members a valuable opportunity for education and interaction.

We are exploring several topics for 1997 including the proposed stadium for the Minnesota Twins baseball team, property tax reform, the effect of welfare reform and the implication of demographic trends in the state.

The MSMA board members for the 1997/98 year are: Patricia Hovanetz, President, Darrick Hills, Vice President, Linda Bauch, Secretary/Treasurer, Debra Sit and Patricia Eitrheim, At-Large Members.

*Patricia Hovanetz*

## MAGNY

The Municipal Analysts Group of New York is having another outstanding season! We have had good member and press representation at the six monthly meetings held through February, and expect the same to be true for the remainder of this season. To date, we have held discussions on the viability of the moral obligation as a security; on making the career transition from the sell

to the buy side; on how to interpret the new higher education reporting; on solid waste; on the transition occurring at Moody's Investors Service; and, on eminent domain and condemnation. Most of the speakers have been MAGNY and Federation members, and all have been excellent.

The current MAGNY officers are Dina Kennedy, Chairman, Joe Rosenblum,

Treasurer, Michael Johnston, General Secretary, Don Cirillo, Membership Committee Chairman, and Paul Thompson, Program Chairman. The Membership Committee includes, in addition to Don Cirillo, Gerry Lian, Ruth Levine and Susannah Page. Please call any of us if you'd like to know more about MAGNY.

*Dina Kennedy*

## 1997 Board of Governors

Name	Represents	Firm	Phone	Fax
Jeffrey M. Baker* Chairman	At-Large	Chase Manhattan	212-552-4924	212-552-4743
Raymond Kubiak* Vice Chairman	At-Large	Standish Ayer & Wood	617-457-5038	617-695-0651
Neill Conkling* Treasurer	SMFS	Morgan Keegan	901-579-4320	901-579-4474
Mary Metastasio* Secretary	At-Large	SAFECO	206-545-5736	206-545-3446
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David Belton	PMAS	Federated Investors	412-288-7799	412-288-8230
John Cejka	Affiliated	A.G. Edwards	314-955-3020	314-955-4897
Rafael Costas*	At-Large	Franklin Templeton	415-312-2828	415-312-4994
Susan Drake*	BMAF	State Street	617-357-1280	617-951-9913
Tricia Gildea	BMAF	Colonial Mgmt Assoc.	617-772-3759	617-737-0358
Robin Goldston	Affiliated	NMI	206-780-5080	206-780-9070
David Hitchcock	MAGNY	Standard & Poor's	212-208-1838	212-412-0506
Patricia Hovanetz	MSMA	Norwest Inv. Mgmt.	612-667-8959	612-667-6124
Chris Irwin	CSMA	Standard & Poor's	415-765-5010	415-433-7839
Dina Kennedy	MAGNY	FSA	212-826-0100	212-755-5165
Joyce Miller	CMAS	Griffin Kubik	312-441-2500	312-441-2665
Maureen Newman	—	Colonial Mgmt. Assoc.	617-772-3701	617-737-0358
Steven Permut	CSMA	American Century	415-967-9682	415-961-5420
Alan Polsky*	At-Large	Dougherty Dawkins	612-376-4103	612-673-0584
Christopher Valtin	SMFS	Connie Lee	202-728-3435	202-785-2823
Steve Willson	CMAS	Zurich/Kemper	312-537-1828	312-537-8511

\*Executive Committee

## 1997 COMMITTEE CHAIRPERSONS

<u>Standing Committee</u>	<u>Chairperson</u>	<u>Phone</u>
Membership	Ray Kubiak .....	617-457-5038
Finance/Budget	Neill Conkling .....	901-579-4320
Awards	Maureen Newman .....	617-772-3701
Education	Alan Polsky .....	612-376-4103
	Robin Huntley .....	617-346-9711
Industry Practices & Procedures	Rafael Costas .....	415-312-2828
Disclosure	Mary Metastasio .....	206-545-5736
Strategic Planning	Ray Kubiak .....	617-457-5038
1997 Conference	Robert Gardella .....	212-748-5615
	Mark Orsi .....	415-312-2847
Nominations	Jeff Baker .....	212-552-4924
Constitution	Dave Hitchcock .....	212-208-1838
Audit	Patricia Hovanetz .....	612-667-8959
Educational Program Development	Dina Kennedy .....	212-826-0100



# Disclosure Committee

Mary Metastasio

The NFMA's Disclosure Committee is continuing its work in several areas in 1997. Our projects fall into two categories: monitoring compliance with SEC Rule 15C2-12, and working toward improved voluntary disclosure in areas not specifically addressed in the rule.

Jeff Baker, in his letter, discusses some concerns we have with the way certain issuers are discharging their disclosure responsibilities under Rule 15C2-12. Since the implementation of the rule, we have been gathering information from our members on problems they have had in obtaining relevant financial and operating information. Based on this, we are working with issuers and other market participants to educate them as to the types of information analysts need, and the importance of compliance with the spirit, as well as the letter, of the rule.

Another project we have been working on is improved disclosure for housing issues. A group of housing bond analysts met for a workshop at the Federation's Annual Conference last year. Concerned with the lack of information available on many issues in that sector, the group has been working to improve the flow of information to bondholders and other market participants. Particularly frustrating to this group is that much of the information that goes from the issuers to entities such as HUD, the FHA, FNMA, and GNMA is not available to the municipal market. The group is in discussions with these organizations regarding the specific types of information that are of particular interest to municipal analysts, and plans to draft a statement with recommendations to improve voluntary disclosure in this sector. That draft will be completed later this year, and will be circulated among market participants for comments. The group is planning to meet again at the NFMA's 1997 Annual Conference in San Diego, and welcomes any interested analysts to attend.

We are also continuing in our efforts to improve disclosure on short-term issues, which are exempt from Rule 15C2-12. As analysts and portfolio managers of tax-free money market funds know, SEC Rule 2A-7 requires that investment advisors make a determination of minimal credit risk for all securities in these funds. Therefore, the securities which are subject to the most stringent review may have the least information available. In our last newsletter, I asked our members to contact me regarding their experiences getting information on these issues, and their ideas on improving disclosure in this area. I thank those who have responded to this request. Your comments have helped define the nature of the problem, and I have also heard some interesting ideas on how to improve disclosure in this area.

The current activities of the Disclosure Committee are an indication that the implementation of Rule 15C2-12 is a valuable starting point in improving disclosure on municipal issues, but not the full answer to the problem. We will continue our activities in an effort to encourage disclosure of financial and operating information which will benefit all market participants. If you have any thoughts, questions, or concerns on these or any other disclosure-related issues, please feel free to call me.

# SOUTHERN MUNICIPAL FINANCE SOCIETY

At the Southern Municipal Finance Society's 1996 annual meeting held last October in Washington, D.C., the following were elected to the society's Board of Directors: Chris Valtin, Chair, Mary Burnes, Program Chair, Ed Evanouskas, Administrative Chair, Patrick Hennessey, Treasurer, Chuck Grob, Executive Secretary, Will Clarke and Bill Foley, Directors- at-Large, and Neill Conkling, Immediate Past Chair.

The SMFS is currently in its 17th year. Relative to other NFMA societies, the Southern group is different in two basic ways: (1) membership is comprised of many different industry types (not exclusively analysts), and (2) membership is geographically dispersed (not located in one city). These inherent features of the group make it far more difficult to organize relative to other societies. Nonetheless, the SMFS is currently in excellent shape, as evidenced by its 76 members and its financial position.

The SMFS 1997 annual conference will be held in St. Louis on June 11-13. The agenda and registration materials should be available on April 15. Contact Mary Burnes for more information:  
phone **314-515-3505**;  
fax **314-515-2164**;  
e-mail [mary.burnes@edwardjones.com](mailto:mary.burnes@edwardjones.com).

The SMFS is also planning one-day seminars in larger, concentrated locations of the membership. As programs are established, they will be listed in the Bond Buyer.

*Chris Valtin*

## Industry Practices and Procedures Committee

Since our last newsletter, the Industry Practices and Procedures Committee has expressed the NFMA's views on two issues.

At the request of the GFOA, the NFMA provided input to their proposed Pocket Guide for Elected and Other Public Officials, which was intended to provide guidance to issuers in the form of questions they should ask themselves before approving a bond issue. The guide was adopted and the GFOA, along with other groups who provided input (including the NFMA), have been commended by SEC Chairman Levitt for their efforts.

The NFMA also expressed its views and concerns to the IRS on the matter of the proposed Revenue Procedure 96-41. Under the procedure, issuers whose bond issues have been determined to have been involved in yield burning would be able to "settle" with the IRS by remitting the difference between the price paid for the Treasury securities in the escrow and their actual market value at the time. Failure to enter into such agreement with the IRS could result in the revocation of tax-exemption of an issue's interest. The NFMA wrote to express its concern that revoking an issue's tax exemption would ultimately punish an innocent party - the bondholders. The IRS has not responded to our letter directly but has been holding meetings with groups like the GFOA, PSA and others to further consider the implementation and effects of the proposed procedure.

As always, we encourage the membership to notify us of any issues which you would like us to bring to the attention of appropriate parties.

*Rafael Costas*

## NFMA Calendar

### March 20 -21

Governmental Accounting and Financial Statement Analysis, San Mateo, CA

### April 3

CMAS Luncheon. GASB

### April 11

MAGNY Luncheon "Pros and Cons of the Restricted Affiliate Legal Structure for Health Care Credits

### April 29

Board of Governors Meeting, Loews Coronado Bay Resort, San Diego

### April 30 - May 2

NFMA 14th Annual Conference, Loews Coronado Bay Resort, San Diego

### Late Spring

Credit Symposium, Washington, D.C.

### June 11

CSMA Meeting, San Francisco

### June 11-13

SMFS Annual Conference, St. Louis

### June

CMAS 20th Anniversary - Conference

### Fall

NFMA Introduction to Municipal Bond Credit Analysis

# NFMA

The Municipal Analysts Bulletin is published by the National Federation of Municipal Analysts.

### NFMA

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