
T W E N T Y - F I R S T
A N N U A L
C O N F E R E N C E



Kiawah Island Inn
Kiawah Island
South Carolina
May 5-7, 2004

T W E N T Y - F I R S T A N N U A L C O N F E R E N C E

Tuesday, May 4

8:00 – 9:00 p.m. **Welcome Reception**

Wednesday, May 5

7:30 – 8:30 a.m. **Registration and Continental Breakfast**

8:30 – 8:45 a.m. **Welcoming Remarks** –*Peter Stettler*, Fitch Ratings and *Howard Mischel*, Standard & Poor's Corporation, Conference Co-Chairs • *Gerry Lian*, Morgan Stanley, NFMA Chairperson

8:45 – 9:15 a.m. **Keynote Address** – *Mayor Joe Riley*, City of Charleston

9:15 – 10:30 a.m. **Political Risk**
Gone are the days when analysts could easily assess the underlying socio-economics of a municipality or state, the current condition of the regional or national economy and then make a confident credit opinion. As the American political landscape is more polarized, analysts need to factor the political environment into their assessment of credit quality. A municipality's intentions concerning maintaining or releasing airline gates and the authorization of casino gambling are two examples of situations rife with political risk. The ongoing turmoil in California illustrates the need for increased sensitivity by analysts to the intangible aspects of the political environment. The Political Risk panel will provide analysts with a basis for evaluating political situations.

Moderator: *Charles Nellans*, Senior Analyst, Northern Trust Global Investments

Panelists: *Chris Sperry*, Portfolio Manger, Franklin Templeton Group • *David Blair*, VP, Nuveen Investments • *Timothy Blake*, SVP, Moody's Investors Service • *Joe Stewart*, Chief Deputy State Treasurer, Office of the State Treasurer, North Carolina

10:30 – 10:45 a.m. **Break**

10:45 – Noon **Pensions and Other Retirement Costs- A Ticking Time Bomb?**
This panel will discuss the current status of public pension plans and their financial impact on plan sponsors' operating budgets. Is there a pension funding "crisis", or is this just a temporary problem? How can we make comparisons of the fiscal health of differing pension systems given differing valuation methods? Does recent market experience argue for changes to actuarial assumptions or investment strategies? The pros and cons of various budgetary and financing solutions to pension funding will be explored, including expenditure deferrals and pension obligation bonds. The panel will also look to the future to discuss the implications of the new GASB standard regarding other post employment benefits.

Moderator: *Joseph Mason*, Director, Fitch Ratings

Panelists: *Keith Brainard*, Research Director, National Association of State Retirement Administrators • *Anne G. Ross*, SVP & Research Department Manager, Roosevelt & Cross • *Parry Young*, Director, Standard & Poor's • *Larry Langer*, Senior Consultant, Gabriel, Roeder, Smith & Company

12:30 – 2:15 p.m. **Luncheon – Speaker:** *Jim Lebenthal*, Chairman Emeritus, Lebenthal, A Division of Advest

NFMA Business Meeting

2:30 – 3:15 p.m. **Industry Roundtable, Part I**
Discussion of the various securities laws that directly and indirectly govern the municipal bond market, focusing on the overall, indirect regulatory framework and the specific individual laws that affect the job of analysts. The NFMA's draft White Paper on Securities Laws is expected to be a major topic of the discussion.

Moderator: *Tom Weyl*, VP/Manager of Municipal Research, Eaton Vance Securities, NFMA Industry Practices & Procedures Co-Chair

Panelists: *Martha Mahan Haines*, Chief, Office of Municipal Securities, SEC • *Walter St. Onge*, Palmer & Dodge • *Richard Moche*, Mintz, Levin Cohn, Ferris, Glovsky & Popeo, PC

3:15 – 3:30 p.m. **Break**

3:30 – 4:15 p.m. **Industry Roundtable, Part 2**
Key municipal market leaders will meet again to consider current issues in our marketplace. We anticipate an informal and lively discussion with representatives of several industry organizations.

Moderator: *Gerard J. Lian*, VP and Senior Analyst, Morgan Stanley Investment Management, NFMA Chairman.

Panelists: *Ben Watkins*, Director, Florida Division of Finance, MSRB Representative • *Patrick Born*, CFO Minneapolis, GFOA Representative • *Lynnette Hotchkiss*, SVP and Associate General Counsel, TBMA • *Dan Black*, Executive Director & Terrence Spencer, Director Information Technologies, TMAC

Free Evening ***Optional evening in Charleston via bus (reservations required)***

Thursday, May 6

8:00 – 8:30 a.m. **Continental Breakfast**

8:30 – 9:30 a.m. **Break-out sessions 1,2,3,4**

and

10:00 – 11:00 a.m. **Break-out sessions 1,2,5,6**

and

11:30 a.m. – 12:30 p.m. **Break-out sessions 3,4,5,6**

Break-out sessions – Six distinct break-outs will be presented. Each session will be presented twice. Registrants will have the opportunity to attend three of the sessions.

1. Federal Transportation Funding Reauthorization: Where Do We Stand and Where Do We Go From Here?

The new AIP conference bill provides a small increase in funding for airports; however, Congress is still debating TEA-21 reauthorization proposals, which may allocate up to \$300 billion to infrastructure over a six-year period. A transportation funding backlog of needs greatly exceeding this amount, coupled with the stressed financial condition of the states, paves the way for increased competition for Federal dollars over the next reauthorization cycle to fund highway, rail and airport projects. Our panelists will discuss the current status of the reauthorization bills, and highlight key changes from the prior ones.

Moderator: *Maria Matesanz*, SVP/Team Leader, Infrastructure Finance, Moody's Investors Service

Panelists: *Scott Biehl*, Assistant Chief Counsel for Legislation and Rule-Making, Federal Transit Administration • *Mark Sullivan*, Project Finance Coordinator, Federal Highway Administration TIFIA Joint Program Office • *Ben Deleon*, Director, Airport Planning and Programming, Federal Aviation Administration

2. Swaps Panel

For years we have seen and heard many presentations on when and why to use swaps to reduce borrowing costs. A recent GASB report estimated that there are between \$200 - \$400 billion in outstanding municipal derivatives in the market today. This panel will consist of professionals as well as issuers who have used swaps. Do they work? What are the current reporting requirements and what does it mean to an already mature market?

Moderator: *Michael J. Marz*, Vice Chairman, First Southwest Co.

Panelists: *Matthew Roggenburg*, VP, JPMorgan Chase • *Teresa Slack*, CFO, Orlando Orange County Expressway Authority • *Dave Dennis*, Partner, KPMG

3. Lifecycle of a Tender Option Bond

This panel will walk through the lifecycle of a tender option bond (TOB) or secondary market derivative; from its creation to collapse. The panel will provide insight from

the perspective of both the floating rate and the inverse certificate holder, including topics such as:

- Motivation for creating a TOB program
- Structuring programs and tax implications
- Buy-side due diligence for new programs
- Bond selection and hedging
- Purchase of specific deals
- Risks to floating rate certificate holders
- Collapse and potential distribution of gain

Moderator: *Nancy Belz*, Senior Investment Analyst, Federated Investment Management Company

Panelists: *Bob Jacobsen*, Managing Director, Municipal Capital Markets Group, Merrill Lynch • *Al Sawyers*, Partner, Orrick, Herrington & Sutcliffe LLP • *Mary Colby*, VP, Municipal Research, Charles Schwab Investment Management

4. The Health Care Construction Boom: Building or Leveraging the Future?

After years of hospital consolidations and reduction of capacity, hospitals are back in the expansion mode. Whether for added capacity in growth markets, expansion of service lines, or simply modernization projects to meet the changing technologies and demands of an increasingly savvy consumer base, hospitals are once again going to the capital markets for a significant amount of funding. Will these projects pay off? If, as many believe, the outlook for hospitals is a more constrained funding environment going forward, who is going to absorb the increase in capital costs? What are the risks and opportunities, and how do we factor this into bond ratings and pricing? Our panel will take an in-depth look at this issue from several sides, providing insight into how analysts can evaluate capital spending and the risks and opportunities that such projects entail.

Moderator: *Martin Arrick*, Managing Director, Standard & Poor's Corporation

Panelists: *Michael Blaszyk*, EVP & CFO, Catholic Healthcare West • *Therese Wareham*, Principal, Kaufman Hall • *Rob Yolland*, VP, Research Analyst, Franklin Templeton Group

5. Challenges Facing Public Power

The panel will focus on several issues relating to municipal electric power generation and transmission. Dan Hartman will discuss the impact that federal legislation and regulation is having upon the siting and construction of new generation and transmission. Gary Krellenstein will provide an overview on the technology, economics and financing of alternative energy sources by municipal utilities. Primary focus will be on the credit issues, bond structure and security for Wind, Biomass, Solar and Coal Gasification Projects.

Moderator: *Eric Friedland*, Director, FSA

Panelists: *Gary Krellenstein*, VP, JP Morgan • *Dan Hartman*, Director, Citigroup Global Markets Inc.

6. Analyzing Non-Profits

Outside of the traditional areas of higher education, healthcare and housing, non-profit organizations have been playing a growing role in the tax-exempt market. The largest number of issuers have been cultural institutions, followed by membership organizations, research institutions and endowed foundations. Each sub-sector is unique and within each sub-sector every organization has characteristics that present a host of challenges to analysts. How do analysts from the rating agencies, bond insurers and buy side look at a “one-off” entity that doesn’t have much in the comparables? This session will provide the various perspectives.

Moderator: *Paul Jungquist*, VP, Sit Investments Associates, Inc.

Panelists: *Josh Stern*, Director, Standard & Poor’s Corporation • *Doug Nelson*, CFA, VP, George K. Baum & Company • *Thomas McLoughlin*, Managing Director, MBIA

12:30 – 1:30 p.m.

Optional Disclosure Workshops on Toll Roads, Public Power and Water & Sewer– The Subcommittees on Recommended Best Practices in Toll Road Disclosure, Public Power Disclosure and Water & Sewer Disclosure will present draft papers. Please register in advance; box lunches will be provided to those who register. These workshops are not open to the press.

Free afternoon

Optional afternoon in Charleston via bus (reservations required).

7:00 – 10:00 p.m.

Putting Contest, Reception and Awards Dinner
Reception Sponsor: *MBIA Corporation*

Friday, May 7

7:30 – 8:30 a.m.

Continental Breakfast

7:30 – 8:30 a.m.

Airport Special Facility Bonds After The United Bankruptcy Decision

The recent Bankruptcy Court decisions in the United Air Lines bankruptcy case regarding the treatment of certain structures under the Bankruptcy Code sent a mixed message to bondholders, as well as the municipal market in general. Please join us as our panel of three established bankruptcy / bond attorneys discusses the decision, what it may mean for holders of the bonds involved, and the potential impact it may have on outstanding and future special facility lease-backed bond transactions.

Moderator: *Peter Stettler*, Director Fitch Ratings

Panelists: *William W. Kannel*, Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, PC • *Erik P. Kimball*, Akerman, Senterfitt • *Eric A. S. Richards*, O’Melveny & Myers LLP

8:30 – 9:45 a.m.

U.S. Airports – Navigating a Changing Operating Environment

Demand for domestic air travel peaked in the summer of 2000, with record volume taxing the US air system’s infrastructure and producing extensive delays. The outcry for increased capacity was short-lived, as an economic downturn and the events of September 11, 2001 resulted in a drastic drop in volume. The focus for US airports changed overnight from addressing capacity constraints to survival, with management facing reduced revenues, increased security costs and airlines in, or close to, bankruptcy. With traffic volume rebounding and delays mounting, the industry’s capital needs are again coming to the forefront. However, the financial strength of the US airline industry remains weak, with little financial flexibility to absorb the additional costs associated with the needed capacity expansion. The panel will discuss the recent events in the aviation industry, the impact on airport/airline relations, and how the system’s infrastructure needs should be addressed.

Moderator: *Karen Szerszen*, Senior Credit Research Analyst, Allstate Investments, LLC

Panelists: *Daniel Champeau*, Managing Director, Fitch Ratings • *Lynn Hampton*, CFO, Metropolitan Washington Airports Authority • *Phil Hill*, Senior Consultant, Leigh Fisher Associates • *Pat Wildenburg*, VP, Supply Chain Management and Corporate Operations, Delta Airlines

9:45- 10:00 a.m.

Break

10:00 – 11:15 a.m

Tobacco Settlement Bonds

Tobacco Settlement Bonds have been among the most interesting, and volatile, sectors in our market for the last several years. In this exciting panel, Mark Greenwold, Chief Counsel for Tobacco for the NAAG, will share his insights on the latest legislative and litigation developments affecting the Master Settlement Agreement. Farrell Delman, who represents the main trade association providing information on all aspects of the tobacco market, will discuss the competitive dynamics between the various manufacturers, especially related to the Non Participating Manufacturers. Greg Aikman, the primary intermediate and long- municipal bond analyst at Mellon, will provide a buy-side perspective on Tobacco Settlement Bonds. He will discuss duration/extension risk, the usefulness of equity valuations and credit default swaps as leading indicators of credit quality, and use of derivatives as risk mitigation tools.

Moderator: *Donald R. Lipkin*, CFA, Managing Director, Bear, Stearns & Co.

Panelists: *Mark Greenwold*, Esq., Chief Counsel for Tobacco and Director of the Tobacco Project, National Association of Attorneys General • *Farrell Delman*, President, The Tobacco Merchants Association • *Greg Aikman*, CFA, VP, Mellon Private Wealth Management

11:15 a.m.

Conference adjourns

NFMA

Twenty-First Annual Conference

Kiawah Island Inn

Kiawah Island • South Carolina • May 5-7, 2004

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