



The Education Committee of the
National Federation of Municipal Analysts

Advanced Seminar
on
Tax-Backed Debt

January 13-14, 2005
Disney's Grand Floridian Resort & Spa
Orlando, Florida

PROGRAM

Thursday, January 13

7:30-8:00 am *Registration and Continental Breakfast*

8:00- 8:15 am *Opening Remarks – Natalie Cohen, Financial Security Assurance, NFMA
Education Chair*

8:15-9:30 am *State and Local Fiscal Outlook - Is the Crisis Over?*
Many experts believe that governmental finances are not out of the woods after the fiscal crisis of recent years. Despite the economic recovery, FY2005 budget balancing required large deficit financings in both California and New Jersey, as well as the ongoing use of one-shots in many other states. Many states continue to face large structural imbalances in the years ahead. What are the factors causing the weak recovery of state finances? Are their revenue systems really becoming obsolete? What is causing the rise of anti-tax advocates? Who are they and how might this affect the creditworthiness of state and local governments?

Moderator: *Robert Donahue, Fidelity Investments*

Panelists: *Don Boyd, Rockefeller Institute • Iris Lav, Center for Budget and Policy Priorities • Christopher Atkins, Tax Foundation*

9:30 – 9:45 am *Break*

9:45 – 11:00 am

Legal Challenges: Lawsuits, Politics and Bankruptcy

The New Jersey Supreme Court recently sided with Republicans who sued that the recent deficit financing was unconstitutional. However, the court let the financing go through this time, but won't allow it again. Corruption in the world of public finance is in the news and the IRS has increased its audit program to include general obligation bonds. And what about bankruptcy? The "B-word", which hasn't been heard since Orange County's debacle in 1994, has recently been used in San Diego and Pittsburgh. This session will combine a look at three cornerstone areas of the tax-backed market: the authority to issue, the use of bankruptcy and recent challenges to tax-exemption.

Moderator: *Mark Stockwell, PNC Advisors Municipal Investment Group*

Panelists: *Loretta R. Richard, Esq., Ropes & Gray • Representative, XLCA*

11:00 – 11:15 am

Break

11:15 am– 12:30 pm

Advanced Topics in Lease Finance: Pay As You Go, Pay As You Need, Pay As You Want?

This panel will explore the current state of lease debt analysis. Subject matter will include the evolution from the traditional "one notch off" rating category approach of the 1970's to today's default-study driven criteria, the relationship of lease debt to general creditworthiness, project essentiality, the "credit-band" theory approach to lease ratings, and case studies in default or near-default. Each panelist has the first-hand benefit and broad viewpoint of experience at two or more of the major rating agencies.

Moderator: *Richard Larkin, J.B. Hanauer & Co.*

Panelists: *Kathy McManus, CIFG • Richard Marino, Standard & Poor's*

12:30 – 2:00 pm

Luncheon – Speaker, Ben Watkins, Director, Division of Bond Finance, State of Florida

2:15 – 3:30 pm

Dedicated Tax Bonds

The securitization of dedicated revenues continues to be an important financing vehicle for issuers around the country. This panel will explore the relative strength of different taxes securing these bonds and the various legal provisions supporting them. In addition, the panel will take a closer look at those bonds that have been structured to provide equal or superior security to that of the issuer's GO rating. The session will also include a discussion on which legal provisions are most important to the various market participants (issuer/rating agency/investor) and forecast what the future holds for new and innovative securitizations.

Moderator: *Jeffrey Kaufmann, AIG*

Panelists: *David Hitchcock, Standard & Poor's • Amy Laskey, Fitch Ratings • Julie Turner, RBC Dain Rauscher*

3:30 – 3:45 pm ***Break***

3:45 – 5:00 pm ***Deficit Financing***

Throughout the last economic downturn, state and local governments have found increasingly creative ways to cover their deficits. While tobacco settlement monies, sale of assets and forward swaptions have provided the one-time cash infusions, these approaches may have long-term consequences. Will state and local governments ride out their fiscal problems unblemished or should we be concerned?

Moderator: *John Hallacy, MBIA*

Panelists: *Tim Blake, Moody's Investors Service • Other speakers (TBD)*

5:00 – 6:00 pm ***Cocktail hour***

Free evening

Friday, January 14

7:30 – 8:15 am ***Special Breakfast – New Pathways to Improving Disclosure:
Presentation by the Disclosure USA.org (Central Post Office)***

Moderator: *Gerry Lian, Morgan Stanley Investment Management*

Panelists: *Laura Slaughter, Municipal Advisory Council of Texas • Lynnette Kelly Hotchkiss, The Bond Market Association*

8:15 – 9:45 a.m. ***The Growing Use of Swaps in the Municipal Market***

More states are paving the way for governments to use swaps and bankers and issuers are jumping on the bandwagon. What new risks are local governments assuming? Could an unusual imbalance of interest rates create a systematic risk? Are issuers prepared?

Moderator: *Pamela Peters, Financial Security Assurance*

Panelists: *Jerry Ford, Ford and Associates • Gretchen Saunders, Supervisor of Special Projects, Hillsborough County School District, FL*

9:45 – 10:00 am ***Break***

10:00 – 11:30 am

Pension Tensions – Unfunded Liability Dilemma

What are the credit implications of unfunded pension liabilities? How extensive are investment losses on portfolios? What are the consequences for a municipality repeatedly failing to fund its pension and retiree health benefits? As with San Diego, how prevalent is the practice of taking funds from pension plans to meet ongoing operating needs? What are the potential pitfalls of issuing pensions bonds? Is this the solution, or are municipalities setting themselves up for future financial problems?

Moderator: Natalie Cohen, FSA

Panelists: Paul Maco, Vinson & Elkins • David R. Bean, Director of Research and Technical Activities, GASB

11:30 am

Seminar Adjourns

The views expressed at the Advanced Seminar are those of the speakers alone and do not necessarily represent those of the National Federation of Municipal Analysts.

SEMINAR CO-CHAIRMEN:

Natalie Cohen, FSA

Judith Harvey, American Express

NATIONAL FEDERATION OF MUNICIPAL ANALYSTS

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REGISTRATION:

Registration for the seminar is \$450, which includes all seminar materials, two continental breakfasts, one luncheon and the cocktail reception. Firms sending three or more registrants to the seminar may deduct \$50 per person. Please make checks payable to the NFMA and send to: NFMA, P.O. Box 14893, Pittsburgh, PA 15234. The registration deadline is December 20, 2004. Cancellations will not be accepted after December 20, 2004; however, substitutions may be made with advanced notice to the NFMA. Please call Lisa Good, Executive Director, at 412-341-4898 with any questions.

HOTEL:

Disney's Grand Floridian Resort & Spa has been selected as the site of the Advanced Seminar. A block of rooms has been set aside for seminar attendees for the nights of January 12 and 13. The group rate is \$225/night single/double and \$25/night for each additional adult. Subject to availability, the group rate will be charged for rooms reserved three days before and three days after the meeting. Individuals should call the hotel directly at 407-824-1383 and request the National Federation of Municipal Analysts group rate. *The room block will be closed on **December 15**. Reservations received after the cut-off date will be accepted on a space availability basis.*

ATTIRE:

Business casual is acceptable for the seminar.

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