

Municipal Analysts

BULLETIN

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A NEWSLETTER OF THE NATIONAL FEDERATION OF MUNICIPAL ANALYSTS

MARCH 1998

Letter from the Chairperson

Ray Kubiak

Dear Member:

Once again, we face an exciting and challenging year. Under the direction of past Chairperson Jeff Baker, we are completing an updated position paper with respect to the Amendments to Rule 15c2-12. We have been busy meeting with officials at the SEC and MSRB, and continue to speak to groups such as the GFOA on the Disclosure issue. I know as well that some of you have been addressing this topic at various forums around the country. Please feel free to call if we can help provide information or answer any questions.

As this issue of the newsletter goes to press, 1998 Annual Conference Co-Chairs Mark Orsi and Ruth Levine are putting the final touches on this year's conference, scheduled for April 28 - May 1. Due to popular demand, we are making a return trip to New Orleans - the first time in the 15 year history of our conferences that we have returned to a previous site. This year's program looks great and may prove to be our best one yet. Anyone who has ever been involved in conference planning knows how much hard work is required. Many thanks to Mark, Ruth, Lisa Good and everyone else who pitched in to get the conference off the ground.

We continue to make progress on our web site (www.nfma.org). Undoubtedly, the Internet can be an extremely powerful tool, and we are looking for ideas to better utilize this technology. If you have any thoughts, please come forward. Susan Drake is the champion of our web efforts and deserves much praise for her work at turning notions into "cyber-reality."

As you know, we have spent a tremendous amount of time and energy on improving disclosure in the municipal bond marketplace. We are hoping to re-energize our attack on this very important topic, and to take our activities to a new level. Using the Housing Bond group's excellent work as a model, our plan is to move forward with Disclosure Subcommittees on various sectors. It will be important to update our Disclosure Forms (now available on the web) as well. Dina Kennedy has agreed to be the leader of our disclosure team, and, without doubt, will be looking for help. Several people have called looking for volunteer opportunities-please feel free to call Dina if you have an interest in disclosure or volunteering in general.

Finally, we are always looking for ideas, be it in education, disclosure or web-related. Perhaps you would like the NFMA to **get involved** in a new activity outside of those topics. **Don't be shy!** Participation by the membership has to drive our organization. I'm available to answer any questions and appreciate comments. Feel free to call me at **617-457-5038** or e-mail me at Rkubiak@saw.com.

MAGNY

The New York Municipal Analysts Group continued its diverse program. In January, our speaker was Jim Poterba from MIT and the National Bureau of Economic Research. He and Kim S. Reuben of the Public Policy Institute of California co-authored a paper entitled "State Fiscal Institutions and the U.S. Municipal Bond Market." His presentation to the group focused on the research findings, which tied State bond spreads to various tax and expenditure limits. Put briefly, the market responded more favorable to expenditure limits than it did to tax limits. (The National Bureau of Economic Research can be reached at <http://www.nber.org> or **(617) 868-3900**.)

The scheduled February 27th speaker is John Cape, the Assistant Director of the Budget for New York State. For many analysts, New York State has been a good example of what a State should NOT be doing fiscally; late budgets, borrowing for operating purposes, large gaps. More recently however, the trend has been much more positive. This meeting will hopefully provide an update on the just released FY 1999 proposed budget.

Finally, our next meeting after that will be a presentation by the Port Authority of New York and New Jersey on its plans for upgrading and modernizing John F. Kennedy International Airport. This is a multi-billion dollar program, not without some controversy. What we hope to add to the meeting, and something unique for **MAGNY** meetings, is the presentation will be on-site and followed by a tour of the airport. All this is still in the preliminary planning stage.

After that, it's on to the NFMA conference.

Joe Rosenblum

Volunteers Needed!

Volunteers are needed for the following NFMA committees:

- 1) The Web Committee
- 2) The Education Committee
- 3) The Conference Survey Committee
- 4) The Industry Practices and Procedures Committee
- 5) Disclosure Subcommittee on Solid Waste
- 6) Disclosure Subcommittee on Health Care
- 7) Disclosure Subcommittee on Whatever Sector You'd Like to Be in Charge Of!
- 8) The Audit Committee

To learn more about these opportunities, or to volunteer, please call *Dina Kennedy* at **212-339-3519**.

NFMA Position Paper on SEC Rule 15c2-12

The NFMA is in the process of writing a position paper on the Amendments to SEC Rule 15c2-12. Drafts on this paper commenced last fall when a committee of various members gave their thoughts on items that were working well and areas where the Amendments to the Rule were detrimental. At the Strategic Planning Committee meeting last June, it was suggested that the NFMA use lawyers when an appropriate situation arises. Therefore, Ann-Ellen Hornidge of Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, PC in Boston is assisting us on developing this paper. At the time of writing this article, we are still working on the paper. While certain areas of concentration may change, the following are some of the aspects that we currently plan to cover:

- Favorably, many issuers that hesitantly provided financial information in the past, are now providing such data.
- The goal of increasing access of secondary market disclosure has been hampered by certain issuers in the level of disclosure in response to the promulgation of the minimum standards as set forth in the Amendments.
- The SEC's goal of bringing the level of secondary market disclosure to the level of primary disclosure has resulted in some issuers reducing the amount of primary market disclosure.
- The goal of increased dissemination has been hampered by the cost and limited means of access to the information.
- The goal of increasing the availability of timely information has been hampered by the absence of a filing deadline in the Amendments.
- The July 1995 effective date created an entire class of issuers that are not required to provide secondary market disclosure.

When this paper is completed, we will distribute it to NFMA members and to the entire municipal industry. It is our desire to have this position paper available as soon as possible. At our Annual Conference in New Orleans, Ann-Ellen Hornidge and I will be available to answer questions on this subject. In addition, I can be reached at **212-552-4924** in case you would like to discuss this matter. I look forward to seeing everyone in New Orleans.

Jeff Baker

DISCLOSURE COMMITTEE REPORT

As Mary Metastasio wrote in the last newsletter, the Board of Governors recently approved the formal establishment of Sector Specific Subcommittees within the Disclosure Committee. These committees will be examining the performance of 15c2-12 within their respective sectors, preparing white papers about their findings, updating the sector disclosure forms as needed, and examining other relevant sector issues. Committees will interact with issuer groups and with other industry groups. Every effort will be made to involve a broad cross section of analysts (e.g., buy and sell side, insurance and rating agency) in each of the committees. Please call me if you would like to join in.

All of the new Disclosure Subcommittees will owe a large thank you to the Housing Disclosure Subcommittee, and to its Chairs, Peter Fugiel and Mike Zaroogian. This Subcommittee has actually drafted an excellent piece which they hope will be distributed later this spring. The experiences of this Subcommittee as it engaged in issuer and industry outreach will provide invaluable guidance for the rest of us. Thanks are also due to Mary Metastasio, who has put in a tremendous amount of time and effort as Chairperson of the Disclosure Committee over the last two years.

Dina W. Kennedy

212-339-3519

e-mail: dina_kennedy@fsa.com

Housing Disclosure Update

Representatives of the NFMA's Housing Disclosure Subcommittee met with members of the National Council of State Housing Agencies (NCSHA) Disclosure Committee this past October, and again in December. We discussed many of the disclosure issues addressed in the NFMA's "Proposed Guidelines for the Improvement of Housing Disclosure" which was released for comment this past July. This document can be found on the NFMA's web site.

These meetings provided a forum to discuss issues, share ideas, and propose solutions. Subsequent to the December meeting, the NFMA Housing Disclosure Subcommittee recommended certain improvements to the NCSHA recommended, quarterly single family disclosure format, at the request of the NCSHA Disclosure Committee. The NCSHA is currently considering the suggested improvements.

Comments on the NFMA's proposal are welcome. If you are interested in participating in the NFMA's disclosure efforts in the housing sector, or in other sectors, please contact Lisa Good or Dina Kennedy.

Mike Zaroogian

CMAS

The Chicago Municipal Analysts Society held its first meeting for 1998 on Thursday, February 5. The meeting focused on demographics. Jay Siegel, economist for Allstate Insurance Co., presented his views on demographics and their relationship with the current stock market. Peter Fugiel, Vice President at John Nuveen & Co., presented demographic information which will likely impact future housing demand.

The chapter's next meeting is scheduled for Thursday, April 2. It will be a luncheon meeting on school reform with the following individuals slated to speak: Richard Chandler, State Budget Director, State of Wisconsin; Dr. Roger Giroux, President, International Association of School Boards; Gary Chico, President, Chicago School Board; and, Madhu Anderson, Chief Deputy Director, Michigan Department of the Treasury.

Karen Szerszen

The California Society of Municipal Analysts had an outstanding 1997 and is looking forward to another great year in 1998. The year began with the election of a new board and the advanced scheduling of future conferences held by the Society. Our first conference is scheduled for May 21, 1998 and will be held in San Diego. Picking up on the momentum of our Sacramento conference, the San Diego Spring Conference will be only the third time the Society has utilized a venue different from San Francisco or Los Angeles. Potential topics include the economic change occurring in Mexico/Tijuana and the potential effect on California and San Diego in particular. Topics will also include local issuers, recent initiatives impacting San Diego, local health-care providers, and update on the much publicized Rider decision.

Also, mark your calendar for November 5, 1998 for our fall conference in San Francisco. For additional information see our web site at www.nfma.org/csma.

The 1998 board is:

Chair: Tom Walsh (Franklin-Templeton)

Vice Chair: Peter Bianchini (Standard & Poors)

Secretary/Treasurer: Ron Mintz (Stone & Youngberg)

Senior Program Chair: Ken Kurtz (Moody's)

Program Chair: Eric Friedland (FSA)

At Large: Jim Phillips (Van Kampen American Capital)

Tom Walsh

The Southern Municipal Finance Society is busy planning our annual conference to be held June 17-19, 1998, at the Renaissance Vinoy Resort in St. Petersburg, Florida. Sessions will include Local Issuer Presentations, CCRCs: Current Credit Issues and Trends, The Use of Technical Analysis, A New Approach to Analyzing GOs and ACA: A New Path for Insurance.

Please contact Ed Evanouskas for more information. Phone: **813-573-8364**
Fax: **813-573-8055**.

The First Annual SMFS Awards Program will be presented on Wednesday night at this year's conference. A committee, chaired by Bill Foley of USAA, has established the criteria for both the Outstanding Achievement Award and Excellence Award for Published Research. Consideration for the awards will be given to SMFS members or analysts covering southern credits. Please contact Bill for more information on the program and to submit research or individuals for nomination. Phone: **210-498-0093**, Fax: **210-498-4174**, E-mail: foleyw@usaa.com.

Mary Burnes



Education COMMITTEE REPORT

The Education Committee has several programs scheduled over the coming months. In late spring we will be sponsoring a new type of credit symposium. Rather than focusing on a particular sector or individual credit, we will be having a day and one-half issuer conference. The first of two we plan to hold this year will be in Southern California. It will focus on disclosure and several key issuers from the region. Joe Rosenblum, Education Committee Co-Chairman, will be coordinating this event. We anticipate a second in the series will be held during the third quarter somewhere on the east coast. This new programming format should allow members a good opportunity to get updated on a wider range of regional credits.

We will also be scheduling an advanced seminar on multifamily housing in June. This seminar, to be held in Denver, will focus on the technical issues associated with this product. Tentative plans include a discussion of underwriting criteria, credit enhancement and affordable tax credit programs. My thanks to Peter Fugiel of Nuveen and Helen Gair of Newman and Associates who have agreed to lend their expertise to the organization of this seminar.

The Introduction to Municipal Bond Credit Analysis will again be held in October of this year. The planning of the course has been turned over to the always reliable Mike Zaroogian of Van Kampen American Capital. This course is structured to offer any municipal market participant a better understanding of fundamental credit issues. It is an excellent resource for new analysts and can be a welcome refresher for more experienced analysts.

Look for more information about these programs in the months ahead. As always, we welcome feedback from members about both past and upcoming seminars of the Federation. Thank you for your continued support of NFMA educational programs.

Alan Polsky

1998 NFMA Board of Governors

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1998 COMMITTEE CHAIRPERSONS

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Membership

Finance/Budget

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Education

Industry Practices & Procedures

Disclosure

Strategic Planning

1998 Conference

Nominations

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612-376-4103

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650-312-2394

212-339-3519

212-392-6765

206-545-5736

650-312-2847

212-908-0605

212-339-3519

612-667-8959

617-357-1280

617-357-1280

Financial Report

Neill Conkling

Through the success of our annual conference and diligent fund raising efforts, our financial position has improved significantly in recent years. We are, we believe, now on a firm financial footing and have the resources to consider expanding our educational offerings as well as Internet services. In the coming months, the Board of Governors will be reviewing our investment policy and financial procedures to ensure that we are properly fulfilling our fiduciary duties and achieving the mission of the NFMA. Any comments from members are appreciated



Statement of Financial Position December 31, 1997

| | |
|---------------------------------|-----------|
| Cash and cash equivalents | \$216,528 |
| Equipment - at cost | 4,609 |
| Less - accumulated depreciation | 132 |
| Total Assets | \$221,005 |
| Accrued payroll taxes | \$655 |

Net Assets:

| | |
|--------------------------------------------|-----------|
| Temporary reserve for educational programs | \$33,297 |
| Board designated | 50,000 |
| Unrestricted and undesignated | 137,053 |
| Total Net Assets | \$220,350 |
| Total Liabilities and Net Assets | \$221,005 |

Statement of Activities - Cash Basis For the Year Ended December 31, 1997

| | |
|-----------------------|-----------|
| Revenue | \$194,308 |
| Expenses | 161,382 |
| Other income | 6,364 |
| Changes in Net Assets | \$39,290 |

NFMA Calendar

April 28

Local Issuers Forum, Westin Canal Place, New Orleans

April 28

Board of Governors Meeting, Westin Canal Place, New Orleans

April 28

Welcome Reception, Westin Canal Place, New Orleans

April 29 - May 1

NFMA 15th Annual Conference, Westin Canal Place, New Orleans

June

Advanced Seminar, Housing, Denver (Date TBD)

June 17-19

SMFS Annual Conference, Renaissance Vinoy, St. Petersburg

October

Introduction to Municipal Bond Credit Analysis (Date and Location TBD)

May 5 - 7, 1999

NFMA 16th Annual Conference, Westin Copley Plaza, Boston

Spring 2000

NFMA 17th Annual Conference, Miami

NFMA

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

NFMA

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NFMA ON THE WEB

<http://www.nfma.org>

CHECK IT FOR THE LATEST INFORMATION!

We look forward to seeing you in New Orleans.

The NFMA's 15th Annual Conference in New Orleans is approaching quickly. The programs went out in early February and are also available through the NFMA's web site. If you plan to attend, please

register now and also make your travel plans, as our conference is sandwiched between the two weekends of the Jazz and Heritage Festival. To make hotel reservations, please call the Westin Canal Place directly at **504-566-7006**. At press time there were still a significant number

of rooms available in the NFMA's block. If you have any trouble getting reservations, don't hesitate to call me, and I will assist you in getting a room at the Westin, or one of the hotels nearby, if necessary.

Lisa Good

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