

Municipal Analysts

BULLETIN

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OCTOBER 1998

Message from the Chairperson

Ray Kubiak

Dear Member:

As 1998 draws to a close, there continues to be a lot of activity in our areas of major focus. The MSRB is sponsoring what should prove to be an important industry-wide forum on Rule 15c2-12, with several NFMA members representing the analyst community participating on panels. We are continuing in our quest to find examples of poor disclosure to better document our arguments on this topic. Planning for the 1999 Annual Conference, scheduled for May in Boston, has begun in earnest. Finally, our web site continues to expand - please have a look at www.nfma.org. As always, we need your help. If anyone has any ideas with the desire to help see them through to implementation, please feel free to call me at **617-457-5038**.

BOSTON

Our first fall meeting was with Jerry Solomon of First Albany. His discussion, "Hospital Sector 1998 - Lessons Learned," highlighted some interesting trends both within and outside of the healthcare industry. Red flags within the industry include an over-reliance on home health care revenues given the Balanced Budget Amendment, ongoing erosion of inpatient admissions even if there is growth in outpatient procedures, and losses from non-obligated members of a system. Jerry also noted a divergence in the surveillance efforts of the rating agencies and discussed the insurers' healthcare exposure and underwriting criteria. All in all, it was a very timely and informative discussion.

The Boston board is planning the final two meetings of the year, one of which will be on secondary school credits, and recruiting new volunteers for the upcoming year. We are looking for a new Secretary/Treasurer for the Boston group and a representative for the NFMA Board. We are also planning to have a holiday cocktail party this year. Stay tuned!

Jennifer Rynne

1999 CONFERENCE UPDATE

Do you have ideas for speakers/topics for the 16th Annual Conference to be held in Boston May 5-7? The Conference Committee would like to hear from you now, as they have begun to plan next year's conference. Please contact *Joe Rosenblum* at **212-756-4130**, email rosenblumjz@bernstein.com.

THE GOOD, THE BAD AND THE SEC

Earlier this year, SEC Chairman *Arthur Levitt, Jr.* asked the NFMA to periodically update the SEC on our view of the status of disclosure under SEC Rule 15c2-12. We are now in the process of writing Chairman Levitt a letter specifying entities with good secondary market disclosure and those with poor secondary market disclosure. We will also discuss aspects of 15c2-12 that are giving the analytical community problems.

Special thanks to *Patrick Early, Ed Nabmias, Maryanne Shutzberg, Alan Richmond* and *Kevin Lane* who either called me to discuss 15c2-12 or sent me examples of good and bad disclosure. This is a project that will be ongoing. Therefore, please consider contacting me with your thoughts on the best and worst disclosure in the secondary market. The more examples we have, the better we can communicate with the regulatory and issuer based organizations. Our voice is being heard but we can have an even greater influence in the market with a larger degree of feedback from the NFMA membership. Please feel free to contact me a **212-270-6428** or at jeffrey.baker@chase.com.

Jeff Baker

Minnesota

The Minnesota society is preparing for its final meeting of 1998 which is planned for November 4. We will be hearing a presentation by the Minnesota Housing Finance Agency, an important local issuer. At that meeting we will also install new officers and committee chairs for two-year terms.

The Society met on September 3 for a presentation by Judi Dutcher, State Auditor for Minnesota. The Office of State Auditor was in the news this year. The office was petitioned by citizens to perform a special audit in Cambridge, Minnesota. The audit revealed startling mismanagement and was almost a textbook case for municipal analysts. As anticipated, the meeting was very interesting and informative.

The MSMA Board is hopeful that we have achieved our primary goal of bringing interesting and informative topics and speakers before our membership. **And we appreciate the support of our members** as shown by the excellent attendance at these meetings.

Patricia D. Hovanetz, President

NEW YORK

The new season for MAGNY began recently with the election of a new slate of officers.

The new officials are:

Chairman -	<i>Michael Johnston, FGIC</i>
Treasurer -	<i>Donald K. Cirillo, Smith Barney UIT</i>
Secretary -	<i>Gerard J. Lian, Morgan Stanley Dean Witter Advisors</i>
Membership Comm. Chair -	<i>Paul Thompson, AMBAC</i>

A word of special thanks to our past Chairman *Joe Rosenblum* for his outstanding leadership in the 1997-98 year. We are hopeful that the coming year will be as productive and interesting as last year.

MAGNY's first meeting of the year was on September 25th. Our guest speaker was *Donald Evans*, Chief Information Officer of Montgomery County, Maryland who spoke on the County's efforts to achieve full Year 2000 compliance. The county has been recognized nationally for its Y2K compliance program and Mr. Evans identified both the critical components to any successful Y2K compliance program and the areas where he sees the most weakness in municipal government compliance efforts.

Future speakers and topics include a panel discussion on the implications of the AHERF bankruptcy filing, a visit from a senior fellow of the Securities and Exchange Commission to talk about both the Commission's yield burning investigation and their ongoing disclosure compliance efforts, as well as our annual holiday party. Planned activities for the second half of the year include a site visit to a New York metro area issuer and a discussion of the implications of the global economic meltdown on the outlook for municipal credit quality.

Michael Johnston

WE'RE CHANGING, EVOLVING, GROWING!

For those of you who have not checked out the NFMA's web site (www.nfma.org), you might be surprised at what you find! We have made great strides with four new additions.

Some of our additions are up and ready for viewing today, others are close to finished and should be available not long after you read this Bulletin. Up and running is the NFMA's new central Job Bank and the Boston Society's web site. Additionally, we are testing a page for changing your NFMA membership information and a list service for our membership.

Our new centralized Job Bank has its first posting but is looking for more! Interested parties with new postings should email Lisa Good (lgood.nfma@worldnet.att.net). Societies who have web sites and want to link to this page need only email Susan Drake (sdrake@ssrm.com) to work out the details. This site answers the membership's complaint of not having a central location to view job postings. We hope this will prove to be a successful and useful page.

While we are still waiting for the launch of the next two additions, we are nonetheless very excited about them. We are developing an NFMA membership list service. This will allow our members to subscribe to the service and join in an email discussion with other subscribers. As a subscriber, members will be able to post queries, news, questions or any topic for discussion. There will be an archive of the postings available so subscribers can review old as well as new postings. We are also close to finishing a page for NFMA members to change their membership information. With all the changes among our members, it's often hard to get the correct information to the NFMA. We urge you to use the form if your information in the last NFMA Directory is incorrect. The form should make this process easier and more expedient.

We hope these exciting additions will prompt you to visit the NFMA's site soon!

Susan Drake

STRATEGIC PLANNING REPORT

The NFMA's Strategic Planning Committee last met in the summer of 1997. At that time, the committee came up with a number of goals and objectives for the organization grouped in the following broad categories:

1. The dissemination of investment information in the marketplace
2. Educational programming
3. Information flow among NFMA members, other market participants, and regulatory agencies
4. NFMA Board structure and governance
5. Staffing
6. Advocacy positions
7. Ethics

Now we are taking stock of our success in meeting these goals and objectives during the past year. We have prepared a report, posted on our website at www.nfma.org, in which we evaluate our progress in reaching each objective. At this time we must reassess our plan and determine how to proceed. The NFMA must decide which goals and objectives are priorities, which are of secondary importance, and which need to be altered or abandoned. We may also need to add new goals and objectives to our list.

FOR THIS WE NEED YOUR HELP.

Please take some time to review the Strategic Planning Committee October 1998 Update on the NFMA website, and let us know what you think. You may contact Lisa Good at lgood.nfma@worldnet.att.net with your ideas for the future of the NFMA, or call her at (412) 341-4898. If you prefer, you may also contact any board member, or communicate with me directly. We want to hear from you.

Mary Metastasio

Strategic Planning Committee

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MARMET@SAFECO.com

Outside Council Appointments

The following individuals represent the NFMA on the boards or councils of other industry organizations: *Richard Ciccarone*, Van Kampen Investments, is beginning his third and final year as the NFMA's representative on the Governmental Accounting Standards Advisory Council. He is one of 27 members on the council and is chair of the Committee on Communications and Public Relations. Members wishing to contact Richard concerning GASAC can send him email at CICCAROR@VKM.com.

Paul Thompson, Ambac, is completing his two year appointment on the Comptroller General of the United States Government Auditing Standards Advisory Council. *David Hitchcock*, Standard & Poor's, has been appointed by the Board of Governors to replace Paul for a two year term. David's email address is hitchcoc@mcgraw-hill.com.



Education Committee

I am pleased to announce that *Mike Zaroogian* has agreed to co-chair the Education Committee in 1999. Mike's contributions will be a welcome addition to the activities of this committee. We will be attempting to provide a wider range of educational programs in the future. The Strategic Planning Committee has suggested that we begin developing programs with other professional organizations (e.g., GFOA, NACUBO and NABL) and disciplines (e.g., taxable fixed income and equity analysts). We are also trying to focus on providing more sector-specific conferences.

The Education Committee has two programs scheduled in the next few months. On October 29-30 the Introduction to Municipal Bond Credit Analysis will be held at the Grand Hyatt in Buckhead, Georgia. This short course is designed to teach basic credit and analytical skills to municipal market participants. This year's seminar is being co-chaired by *A.G. Anglum* (Harris Trust & Savings Bank) and *Mike Zaroogian* (Van Kampen Investments). Their continued involvement is greatly appreciated.

The Advanced Seminar will be held on January 14-15, 1999 at the Loew's Santa Monica Beach Hotel. As many communities look to generate revenues more and more "non-traditional" transactions are coming into the marketplace. Many of these projects are issued by newly established revenue authorities, are entertainment related and were not previously common in the tax-exempt market. The upcoming Advanced Seminar topic will look at these non-essential revenue bonds and help provide analysts with some perspective on their risks and rewards. *Rafael Costas* (Franklin Templeton) has graciously agreed to chair this conference once again.

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

Disclosure Committee

I am very pleased to report the addition of another sector specific disclosure subcommittee to the Disclosure Committee roster, that of Land Secured Finance. This subcommittee is being co-chaired by *Fritz Goss* of MBIA MuniFinancial, and *Ron Mintz* of Stone & Youngberg. This brings the number of active disclosure subcommittees to four: Healthcare (co-chaired by *Emmeline Rocha Sinba* of MBIA and *Tom Weyl* of Eaton Vance), Housing (chaired by *Peter Fugiel* of Nuveen), Land-secured, and Solid Waste (chaired by *Janet Martin* of Fitch IBCA). All four committees are in various stages of their process, however, all share the common goal of developing workable disclosure requirements for their sector that both issuers and investors agree are reasonable and achievable. A challenge to be sure!

If you are interested in chairing or co-chairing a disclosure subcommittee for any other sector, or would just like to find out what that involves, please give me a call or send me an email. I am particularly interested in getting the Higher Education subcommittee up and running as disclosure in this area, at least to my eyes, appears to be weakening.

Also, if you are doing research via the web and are accessing issuer sites, please remember to post feedback to the site when you are complete - this is greatly appreciated by the issuers, and can only help our collective efforts to have more and timelier access to issuer information!

Dina Kennedy, 212-339-3519, e-mail dina_kennedy@fsa.com

Chicago

The Chicago Municipal Analysts Society held its final business meeting for 1998 on Thursday, October 22. The topic discussed was emerging markets. Speakers at the meeting were:

- *Jane Eddy*,
Managing Director,
Infrastructure Finance Ratings,
Latin America, Standard & Poor's
- *John Hallacy*,
Managing Director, Merrill Lynch
- *Sheila Hanley*,
Assistant Vice President,
Sovereign Analyst, Van Kampen
Investments

The Society's annual holiday party will be held on Friday, December 4 from 12:30 p.m. to 4:00 p.m. at Southport Lanes & Billiards in Chicago.

Karen Szerszen

CALIFORNIA

The CSMA will be holding its fall conference on November 4-5, 1998 in San Francisco. The conference begins on the 4th with a tour of the East Bay Municipal Utility District (EBMUD) facilities in Oakland. The full day conference takes place on November 5th and will feature panels on electric utilities, health care, and a local government panel. Our featured luncheon speaker is the Honorable Willie Brown, Mayor of San Francisco.

The CSMA will be holding the new board elections for 1999 during the fall conference. For information on the conference refer to our web site at www.nfma.org/csma.

Tom Walsh

CONSTITUENT SOCIETIES:

- BMAF** - Boston Municipal Analysts Forum
- CSMA** - California Society of Municipal Analysts
- CMAS** - Chicago Municipal Analysts Society
- MSMA** - Minnesota Society of Municipal Analysts
- MAGNY** - Municipal Analysts Group of New York
- SMFS** - Southern Municipal Finance Society

NFMA Calendar

October 22

CMAS Meeting - "Emerging Markets," Chicago

October 29-30

Introduction to Municipal Bond Credit Analysis, Grand Hyatt Atlanta - In Buckhead

November 4

MSMA Meeting - Minnesota Housing Finance Agency, Minneapolis

November 4-5

CMAS- "Power Deregulation, Bay Area Local Issuers, Health Care, ...and Willie Brown," San Francisco

November 6

BMAF-"The ABC's of Secondary School Financing" Boston

December 3

BMAF-"The Anatomy of a Workout from an Insurer's Perspective," Boston

December 4

CMAS - Holiday Party, Chicago

January 13, 1999

NFMA Board of Governors Meeting, Loews Santa Monica Beach Hotel, Santa Monica

January 14-15, 1999

NFMA Advanced Seminar, Loews Santa Monica Beach Hotel, Santa Monica

May 4, 1999

NFMA Board of Governors Meeting, Westin Copley Place, Boston

May 5-7, 1999

NFMA 16th Annual Conference, Westin Copley Place, Boston

May 17-19, 2000

NFMA 17th Annual Conference, Loews Miami Beach Hotel, Miami Beach

NFMA

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NFMA

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NFMA ON THE WEB

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CHECK IT FOR THE LATEST INFORMATION!