
Municipal Analysts

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JULY 2000

Letter from the Chairman

Dina Kennedy

Well, the first half of 2000 certainly got off to a rousing start for the NFMA, with conferences, meetings, disclosure forums, speaking engagements, comment letters to the SEC, and both revised and initial Recommended Best Practices papers all hitting the radar screen. On the conference front, I'd like to offer many thanks to Andy Matteis and Tom Weyl who co-chaired the January Advanced Seminar on Health Care in Phoenix with the assistance of Alan Polsky and Steve Bocamazo as past and current chairs of the Education Committee. The seminar was well attended and well received and generated a lot of good discussion. I'd also like to thank Joe Rosenblum and Peter Bianchini for their co-chair work on our Annual Conference held in May in Miami Beach. This was an excellent event with great speakers and topics, and a strong showing from our members. For those of you who did not attend, I would encourage you to try and join us in the future — even though some of the topics may not appear to be advanced, they are. We are a predominantly seasoned group now (I don't want to say old, but many of us do have a lot of experience), and the speeches and audience questions and discussions reflect this. And thanks also to the California Society and again to Joe Rosenblum for their work on the joint Credit Symposium on California Water Issues held in March.

We continue to work closely with other industry groups to get the NFMA points of view into the market, and in March, the MSRB sponsored two Forums on Hospital Finance Disclosure centered around our Health Care Disclosure Subcommittee's Draft Recommended Best Practices paper. These forums were structured similarly to last year's MSRB Forums on Land Secured Finance Disclosure, and were once again well received, generating a lot of interest and controversy. Many thanks to Tom Weyl and Emmeline Rocha-Sinha, co-chairs of the Health Care subcommittee for their efforts and participation in these meetings, and to Jeff Wilson and Mary Metastasio for their participation as speaker and moderator as well.

Continuing on our industry outreach path, I'm pleased to report that the NFMA was invited and did present at PLI, NABL, MSRB and GFOA conferences and meetings, and at a number of more sector specific conferences. In addition, GASB and GASAC held a meeting in Miami Beach at the same time as our annual conference in their effort to better to know the users of the financial statements.

On the SEC front, in March we released a comment letter to the SEC on its Proposed Regulation FD which focuses on selective disclosure and insider trading. This proposed regulation received thousands of comments from all types of participants in both the corporate and municipal markets. Then in June we released a comment letter to the SEC on its Use of Electronic Media Interpretive Release. Many thanks to Mary Metastasio, chair of the Industry Practices and Procedures Committee and immediate past chair of the NFMA for spearheading these efforts. Rather than describe the two SEC releases to you, I strongly encourage you to read the letters on our web site, and, if you have time, to actually read the releases on the SEC's web site. I believe that both of these SEC releases will impact our market.

Speaking of web sites, take a look at MAGNY's — they have a mind-boggling and user friendly "Municipal Gateway" links page set up with links ranging from census data to job banks. Kudos to Gerry Lian and Don Cirillo for this effort!

As for the rest of this year, well, it's shaping up to be just as busy and as visible for the NFMA as the first half. At a minimum you will see continued industry outreach efforts and related speaking engagements, finalized Recommended Best Practices in Disclosure for Hospitals, Housing, and Land Secured Finance, initial Recommended Best Practices papers for Higher Education and Solid Waste being released to the market for comment, and perhaps a general obligation paper as well, and both an advanced seminar on legals and an intro course in the fall. Please check the website regularly to keep posted on what we're up to — things are hopping!

☆☆☆ Five Awards in Miami Beach ☆☆☆

Patrick Early, Awards Committee Chairman, announced the recipients of the NFMA Awards at the Awards Dinner on May 18, 2000 at the 17th Annual Conference in Miami Beach. Members of the Awards Committee included Julie McKinney, Mary Jo Ochson, Bill Foley, Doug Nelson, Steve Permut, and Jeff Lipton.



Meritorious Service Awards

“Joe Rosenblum — In recognition of his leadership role with the NFMA. In his many years of involvement, Joe has been a valuable, steady contributor to the NFMA, actively participating on the board and organizing seminars and the annual conference.”

Joe, Director of Municipal Research at Sanford C. Bernstein, is a former member of the Board, and has served as Conference Chairman for two years, organized the pre-conference for the 1995 Annual Conference and a number of symposia for the Education Committee.

“Lisa Good —For her enduring patience, ability and conscientious service. Lisa’s efforts at coordinating the operations of the NFMA, organizing events and seeing to details have helped make the NFMA a strong, credible force in the industry.”

Lisa has served as the Executive Director of the NFMA since 1991. She was a founding member in 1983 and served as Secretary, Vice Chairman and Conference Chairman in her tenure on the Board.



Award of Excellence

“Jordan Melick — In recognition of his groundbreaking contribution in the area of long term care. Jordan has made a tremendous contribution in the difficult health care sector, establishing criteria and advancing the understanding of risks related to long term care.”

Jordan is a Senior Director at Fitch IBCA.

Industry Contribution

“Fitch IBCA — In recognition of its role in the ratings industry. Fitch IBCA has added a valuable level of competition to the rating industry, and, through its efforts, expanded the availability, accessibility and quality of research.”

David Litvack and Claire Cohen accepted the award on behalf of Fitch IBCA.



Career Achievement

“Peter Fugiel — In recognition of a lifetime of achievement in the municipal bond industry. During his long career, Peter has set a standard for excellence in municipal bond analysis, and has been a valuable, recognized resource and contributor in the housing bond sector.”

Peter, a Vice President at Nuveen Investments, is a former Chairman of the NFMA. He has also been actively involved in disclosure efforts and served as chair of the Introduction to Municipal Bond Credit Analysis for several years, including the year of its inception.

2000 Board of Governors



Row 1. Mary Metastasio, Patrick Early, Steve Bocamazo, Ken Kurtz, Lisa Good, Alice Hammer. Row 2. Jeff Wilson, Darrick Hills, Andy Matteis, Patricia Eitrheim, Dina Kennedy, Karen Szerszen. Row 3. Peter Bianchini, Alan Polsky, Chuck Grob, Robert Reardon. Missing: Don Cirillo, Edward Evanouskas, Michael Johnston, Kathleen King.

NFMA Chairmen - Past and Present



(Left to Right) Jeff Baker (1997), George Gregorio (1984), Peter Fugiel (1987), Dina Kennedy (2000), Ray Kubiak (1998), Mary Metastasio (1999), Richard Ciccarone (1985).



MIAMI CONFERENCE RECAP

Approximately 190 NFMA members and other participants met in Miami on May 16-19 for four action-packed, and hopefully fun-filled, days to hold the 2000 Annual Conference. The Conference included the usual mix of activities, kicking off with a Southeast Issuer Forum and Welcome Reception on Tuesday. Wednesday began the formal agenda and informal gatherings where the state of the Municipal Market was covered in great detail. General sessions included Industry Roundtables, a discussion of E-Commerce's Impact on Municipal governments, economic and sector updates and finished on Friday with 2 panels focusing on changes in the industry and what we can expect for the future. Our breakout and disclosure sessions also covered many areas and were very informative. Nearly all sessions ran long, with excellent audience participation, proving again what we all know—that the interest and spirit of our members is high and it tends to rub off on the presenters. The conference also included our annual business meeting, a walking tour of the Miami Beach Art Deco District and the traditional Awards Dinner.

As conference Co-Chairs, we would like to thank the Conference Committee members, other NFMA members and Lisa Good for their assistance in putting this together. We'd also like to thank the speakers and our hosts from the City of Miami Beach and the State in welcoming us to their community. Finally we'd like to thank the attendees for participating and making the meeting a place for us to get together to know each other better and promote the high standards of the municipal analytical community.

Mark your calendars. Next year's Conference will be held on May 8th to 11th in Las Vegas. Please provide input on topics of interest and feedback on how to make these meetings better in the future to us or any Board members. We look forward to seeing you all soon.

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GASB

This past May, the NFMA hosted a meeting of the Governmental Accounting Standards Advisory Committee (GASAC) during our annual conference in Miami Beach. (They were the people in the suits.) So "What is the GASAC?" you may ask. "And why were they in Miami Beach?" (Other than the sun, the sand, and the palm trees, that is.)

To answer those questions, first a little background. The accounting gods set up the Financial Accounting Foundation in 1972. The FAF in turn created the Financial Accounting Standards Board (FASB) and, more recently, the Governmental Accounting Standards Board (GASB). The GASB is charged with establishing and improving the rules that state and local government entities follow when accounting for their finances and reporting them to the public. It researches and seeks opinion, going through extensive due process before setting any standard. It is independent and representative, and is composed of and advised by individuals from its various constituent groups—preparers of financial information, their advisors and attestors, and the users of that information. This is where the GASAC comes in.

The GASAC works with the GASB in an advisory capacity as the Board seeks to improve financial accounting and reporting. The Council is made up of a diverse group of representatives from groups representing issuers, auditors, users, and others. I am the NFMA representative, but I am not the only NFMA member on the Council. Claire Cohen of Fitch IBCA represents the rating agencies, Anne Ross of Roosevelt & Cross serves for The Bond Market Association, Bob Reardon of State Farm Insurance represents the insurance industry investors, and Bob Moore of AMBAC, the Association of Financial Guaranty Insurers. We're dangerously close to forming a cabal.

So what *were* these GASAC people doing at the NFMA Conference? All kidding aside, the GASB and the NFMA are very important to each other. We chose to underline that importance by hosting a meeting of the GASAC, so that members of the NFMA and the GASAC would have a chance to meet and interact. The NFMA represents a large group of intensive users of financial statements, and it is in our interest to become as involved as possible in the standard-setting process. This participation can take many forms—comment letters, testimony, surveys, focus groups, etc. Interested members can work with their GASAC representatives, or individually.

The GASB and the NFMA are organizations which have at least one common concern—for state and local government entities to have financial statements that are accurate and useful. In working with the GASB, we have the opportunity to provide input and opinions to an entity that is not only interested in those opinions, but actively seeks them. This is a rare pleasure, and one we should take advantage of.

For more information about the GASB, check out their website at www.gasb.org.

Mary Metastasio

MSMA

The 2000 season is under full swing for the Minnesota Society of Municipal Analysts (MSMA). We kicked off our seventh year with a March presentation by Martha McMurry, Senior Research Analyst at the Minnesota State Demographer's office. Ms. McMurry briefed our members on the role of the Demographer's office and highlighted some of the group's recent research. In May, our group hosted Natalio Diaz and Beth Widstom-Anderson of the Metropolitan Council. The main topic of conversation was the controversial Light Rail project currently planned for the Twin Cities. Mr. Diaz and Ms. Widstom-Anderson highlighted the planning process for the Light Rail project within the context of overall mass transit planning with particular focus on cost/benefit analysis and economic redevelopment issues associated with the project.

A fall meeting is being planned on the subject of charter schools. We hope to include perspectives from both the buy side and sell side in addition to sponsoring a representative from the administrative side. The topic of charter schools is particularly timely here in Minnesota as we were the first state to sponsor charter school legislation and a high profile charter school in the Twin Cities recently lost its sponsorship and was closed.

Darrick Hills

Disclosure Committee

Since our Spring 2000 update, the Disclosure Committee has been extremely busy. We are pleased to report that the Land Secured, Healthcare and Housing disclosure subcommittees recently released their final Best Practice papers to the public. This process began in the Spring of 1998 and culminated with "living documents" meant to serve as the model for disclosure in their respective sectors. Please extend congratulations to the large number of individuals involved in taking these pioneering steps on behalf of the NFMA. We would particularly like to recognize Ron Mintz of Putnam Investments and Fritz Goss of MuniFinancial for their efforts on behalf of the Land Secured subcommittee, Emmeline Rocha-Sinha of MBIA and Tom Weyl of Eaton Vance for their leading roles on the Healthcare subcommittee and Bill DeSante of Interactive Data for leading the Housing subcommittee.

We are also pleased to report that we have added three members to the Committee. Andy Matteis of Putnam Investments has agreed to serve as co-chair of the Disclosure Committee and will provide oversight to the Higher Education and Long Term Care subcommittees. In addition, we have added Fritz Goss and Emmeline Rocha-Sinha. Fritz and Emmeline bring their successful experiences in developing Best Practices for their respective sectors to the review process for subsequent papers. We are extremely pleased to have such capable and experienced individuals leading the NFMA's ever-growing disclosure effort.

There are three subcommittees currently involved in developing Best Practices for the general obligation, higher education and solid waste sectors. Each of these groups conducted disclosure workshops at the NFMA Annual Conference on May 21, reporting on their progress and soliciting feedback from attendees on the content and structure of the papers. The Solid Waste subcommittee continues to refine its working draft and is expected to have its white paper available for comment on the NFMA web-site by mid-summer. The Higher Education subcommittee presented their paper to the Board of Governors at the NFMA annual meeting in Miami Beach, FL. The Board approved the initial working draft of the paper and the committee is shooting to have it on the web-site by mid-summer as well. The General Obligation subcommittee is in the formative stages. Stephanie Petersen from Charles Schwab & Co. and Ruth Levine of Vanguard are co-chairs of the group. Their goal is to have a working draft available for Board of Governor approval by the end of the year.

We have commenced the formation of a seventh subcommittee to focus of the Long Term Care sector. Andy Matteis is spearheading the organization of that effort. If you have interest in helping the NFMA meet the challenge of creating a Best Practices paper for this committee, please contact Andy at the phone number below.

If you would like to suggest a sector for which Best Practices for disclosure should be developed, or if you would like to volunteer some of your valuable time for one of the subcommittees, please phone or e-mail either Jeff Wilson (ph: 650-632-4522 or jwilson@saybrook.net) or Andy Matteis (617-292-1247 or at Andrew_Matteis@putnaminv.com). Our efforts are visible via the NFMA's web-site (www.nfma.org). Working papers, releases and other disclosure content can be found in the disclosure guidelines section. Please visit the NFMA's web-site or contact the disclosure subcommittees if you have feedback on the disclosure process or content of the papers. Together, we can make a difference toward gaining better, timelier access to information related to issues in the municipal bond market.

Jeffrey M. Wilson

The Official Municipal Analysts Group of New York Day!"

Wow ---- that was some party!!! On June 8th the Municipal Analysts Group of New York (MAGNY) gathered at the prestigious Hudson River Club in lower Manhattan, overlooking New York Harbor and the Statue of Liberty. We convened there to have a celebratory dinner that commemorated our Golden Jubilee --- 50 years of fellowship, camaraderie and good old "nuts and bolts" municipal bond research.

Over one hundred and fifty of our supporters and fellow municipal industry cohorts showed up, including twenty former MAGNY Chairmen --- and I'm happy to report it was a great time. We even had reminiscences from some of our retired colleagues who, among many other things, recalled bond documents that were only six pages long, big "deals-of-the-week" worth all of \$20 million and basis point books starting at a mere one-quarter of a percent.

The biggest highlight, however, was Mayor Rudy Giuliani officially decreeing that June 8th, 2000 would henceforth be known in the City's record books as "MAGNY DAY"! A beautifully printed Mayoral Proclamation, complete with the Mayor's signature and the great seal of the City of New York, was read aloud to the audience by the Hon. Adam L. Barsky, the Director of New York City's Office of Management & Budget on behalf of the Mayor who, regrettably, could not attend. Long and enthusiastic applause greeted this official pronouncement. It was truly a night to remember and I am personally glad I was there to be a part of it.

Donald K. Cirillo

California Society of Municipal Analysts

In March, we held our regular Spring Conference in Sacramento in conjunction with the NFMA's Symposium on California Water Issues. The CSMA's program included presentations by local issuers, a panel on the state budget and legislative issues, and a presentation on the California economy. While attendance was somewhat less than we had hoped for due to competition from the Bond Buyer's Tobacco Securitization symposium, I think all who attended felt the sessions were relevant and informative. We look forward to doing more joint events with NFMA in the future.

We are currently planning our Second Annual Summer Get-Together (tentatively scheduled for August 3) and our Fall Conference (target dates October 4-5 or October 11-12). CSMA members -- watch your electronic mailboxes for confirmation of these dates! The board welcomes ideas for topics for the fall conference.

Ken Kurtz

NFMA TREASURER'S REPORT

The NFMA's fiscal year end is December 31. For fiscal 1999, the federation incurred an operating loss of \$24,223 compared to an operating loss of \$6,274 reported for fiscal 1998. The federation's net loss for 1999 was \$22,914 compared to a net loss of \$246 in 1998. Revenues for 1999 declined over \$23,000 from 1998 due to fact that the federation held only one advanced seminar in 1999 compared to two in 1998. Corporate sponsorships were also down over 30% from 1998. It is important to note that over 50% of the federation's revenues are derived from its annual conference while annual dues account for only 8% of revenues. Operating expenses actually declined \$5,275 between 1998 and 1999 primarily due to the lack of expenses associated with a second advanced seminar.

I would like to take this opportunity to thank the following firms for their sponsorships at this year's annual conference in Miami:

Gold Level: MBIA INSURANCE CORPORATION. **Silver Level:** ASSET GUARANTY, J.J. KENNY/STANDARD & POOR'S, FITCH IBCA, INC., WILLIAM E. SIMON & SONS. **Bronze Level:** BEAR, STEARNS DAIN RAUSCHER, INC., FGIC, FINANCIAL SECURITY ASSURANCE, RAMIREZ & CO., INC., VAN KAMPEN INVESTMENTS, INC.

The NFMA continued to incur a loss (\$10,547) for the first three months of fiscal 2000. Given the federation's increased involvement with industry matters like disclosure and responding to SEC draft documents, we are incurring increased professional fees and need to hire a second part-time employee. Given this, the NFMA's Board of Governors will be reviewing its dues policy for fiscal 2001 and beyond. Lastly the Board of Governors approved at its last meeting, a multiple attendee discount for firms sending three or more persons to an NFMA sponsored seminar. The discount will be \$50 per person.

Karen Szerszen

Industry Practices and Procedures

The Industry Practices and Procedures Committee has been involved with two issues of interest to NFMA members since the last newsletter was published. The first is the SEC's Proposed Rule on Selective Disclosure and Insider Trading. This proposed rule (available on the SEC website) does not apply to municipal bonds, but had been cited by some as a possible shield, and an excuse not to disclose. Concerned about this possibility, the NFMA responded to the Commission during the comment period. In our response (which is available on the NFMA website as well as the SEC website), we express our concerns, pointing out some of the differences between the municipal market and those markets to which the proposed rule applies, and asking the SEC for additional guidance on the issue of disclosure in the municipal market.

The SEC has also recently issued an Interpretation and Solicitation of Comment on the Use of Electronic Media (also available on the SEC website). Of particular interest to us is the discussion of the use of the internet as a medium for issuers to provide financial and operating information to bondholders, potential bondholders, and the public at large. Our comments to the SEC on the issues raised in this Interpretation can be found on our website.

As always, we seek your input on issues you think should be addressed by the Industry Practices and Procedures Committee. You may reach me at (206) 545-5736 or marmet@safeco.com.

Mary Metastasio



Education

Our next offering will be an Advanced Seminar on Legal Issues to be held on September 14 and 15 in Atlanta, Georgia at the Grand Hyatt Hotel in Buckhead. It will be co-chaired by Gary Lasman of Colonial Management and Darrick Hills of Dain Rauscher. The seminar will cover a number of topics critical to municipal analysis, including tax opinions and covenants, foreclosure and bankruptcy, investor letters and compliance issues, among others. Registration materials, including a more detailed agenda, will be mailed to all NFMA members. Space is limited so please return your registration promptly to guarantee your attendance. The NFMA's annual offering of the Introduction to Municipal Bond Credit Analysis Course will be held on Thursday and Friday, November 2 and 3 at the Fisherman's Wharf Hyatt in San Francisco, California. A.G. Anglum of the Harris Trust and Savings Bank and I will serve as the co-chairs again this year. We want to thank all the municipal professionals who have already agreed to speak at this always popular offering. Registration materials, along with a more detailed agenda, will be mailed around Labor Day.

Steven Bocamazo

NFMA Calendar

July 19 - MAGNY's Summer Shindig

September 13 - Board of Governors Meeting, Atlanta

September 14 - 15 - Advanced Seminar on Legal Issues, Grand Hyatt Atlanta Governors Meeting, Atlanta, Hyatt at Fisherman's Wharf, San Francisco

November 2- 3 - Introduction to Municipal Bond Credit Analysis

May 8-11, 2001 - NFMA 18th Annual Conference, Four Seasons Hotel, Las Vegas, NV

NFMA

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NFMA

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