
Municipal Analysts

BULLETIN

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A NEWSLETTER OF THE NATIONAL FEDERATION OF MUNICIPAL ANALYSTS

MARCH 2002

Letter from the Chairman

Peter Bianchini

First of all I'd like to welcome everyone to 2002. I am greatly honored to serve as the Federation's Chairman for the current year and appreciate all the help I have received from other members, staff and my employer, in undertaking this role. Coming off near record municipal issuance volume for 2001, I hope everyone has had the opportunity to catch their breath, and that our volunteer organization is ready to face the challenges ahead. These challenges include a recession that will pressure many budgets and likely lead to more debt for our members to analyze. Disclosure, with respect to both the delivery mechanisms and its content, will remain important, and is highlighted by current problems making headlines in the corporate market. The NFMA is off to a good start to the year with our January Advanced Seminar on Project Finance in Orlando drawing a large crowd. The seminar met our usual high standard for content, while also proving entertaining, educational and an excellent place to exchange ideas.

Just prior to the seminar our Board had the opportunity to meet for the first time in its newly expanded form. As we hoped, the increased size has brought additional energy to the group. As a result we have support for numerous projects, from those already in the pipeline, to new ones being undertaken. We expect that 2002 will bring excellent educational symposia for our members through the national and local societies, as well as continued opportunities to advance viewpoints important to us. As a result of the hard work of many of the Board members and officers before me, we have increased our interactions with other municipal market participants like the GFOA, the MSRB, the NABL, the SEC and the TBMA and have increased opportunities to get our views considered. At this point I would like to thank our past Chairman, Alan Polsky for his tireless efforts towards these goals over the last several years. As Alan would readily point out, he did not do it alone. Our success is the result of the efforts of many members, too numerous to thank individually, nevertheless, I thank them as a group. I am also glad Alan remains a valuable resource to the Board. At our Board meeting we continued this interaction with an in-depth discussion with the MSRB's Executive Director, Kit Taylor, learning more about their upcoming plans and how we can cooperate to improve the marketplace.

For the current year we are holding our traditional Annual Conference, in Portland, Oregon from May 8-10. We are planning an Advanced Seminar on Health Care, in the SF Bay area this fall, as well as our Introduction to Municipal Credit Analysis program. Details will appear on the website (www.nfma.org) as they are available. With the introduction of GASB 34, the Chicago Society will sponsor a seminar on April 12 in conjunction with the GASB. NFMA encourages all members to attend if possible. We are pursuing additional seminars with other local societies to better reach membership. On April 11, we also plan to jointly sponsor with the MSRB a Long Term Care Forum focusing on our disclosure Best Practices for that sector. We are pursuing a Roundtable for our General Obligations paper and hope to report progress on that soon. We are continually looking for assistance, ideas and feedback for our education efforts, so please contact our Education Co-Chairs, Nancy Belz and Eric Friedland, Lisa Good or other Board members with thoughts for these or other conferences.

Disclosure continues to occupy a significant amount of the Federation's efforts. We are now up to 6 sector-based Best Practices papers, with General Obligations and Solid Waste papers completed in 2001. The diversity of our membership, as well as the process we have developed to include issuers and other market participants, have led to comprehensive, well vetted papers. These papers are universally well regarded and reflect truly exceptional efforts by our members. They are truly "best" practices, and as we readily point out, are not one-size-fits-all, but I believe that closer adherence to these papers by our own members is among the best ways we can improve disclosure in our market, and ensure we don't see negative headlines. I hope to make that point when I can in 2002, and encourage you all to do the same. The papers are all on the Federation website for reference. For 2002 the Board's Disclosure Committee, comprised of Gerard Lian, Chuck Emrich, Judy Harvey and Anne Ross and other participants have a busy year planned. We expect the Long Term Care, Short Term Securities and Tax Increment Financing papers to reach completion or draft forms and have just formed a new group to focus on the airport sector. The committee is also planning a secondary market survey regarding utilization data that should be very informative.

The NFMA will continue to participate in the Municipal Council, a group of approximately 20 trade organizations brought together to help improve the current disclosure system. The Council has met twice, with its third meeting coming in March. We believe our efforts have helped the momentum for the council and expect our Best Practices and other ideas will be integral to the group's progress. As reported in the Bond Buyer, we hope to initiate a joint effort with the American Bankers Association-Corporate Trust Group this year to explore Analyst-Trustee issues. I think this will be a good education effort for both sides and hope it will show results shortly.

In closing, we continue to address administrative activities including our membership directory, website content, budget issues and fundraising. I would like to thank all the sponsors of the Federation and our Annual Conference for their help. Please contact me with any thoughts for the Federation. I look forward to updating you all soon and best of luck for a prosperous year.

NFMA TREASURER'S REPORT

This is my first report to the NFMA membership as your new Treasurer for 2002 and I'd like to take the opportunity to thank everyone involved in my election and to extend congratulations to the other officers in their new positions as well. Also, I'd like to give a big welcome and congratulations to all of our new at-large members. This influx of talent and professionalism can only benefit the NFMA and I look forward to working with these dedicated people who are willing to help.

This should be an exciting year as we confront a number of issues and problems that every organization such as ours experiences as it approaches its 20th Anniversary; namely, we are undergoing cash flow restraints and growing pains.

We at the NFMA are facing a holdover deficit of \$25,900 from our most recent fiscal year's end and we have tried to close that gap by increasing our dues to a more competitive level of \$80, effective this past January. Although as analysts we might be concerned with the percentage increase in such a number when comparing year-to-year results, we really can't argue with this concept as members of a large, fraternal organization when we see what other comparable organizations charge their members. In fact, we are quite competitive in the marketplace for an organization with our type of an agenda. That being said, however, it is obvious we can't just depend on membership dues to carry the load as more members retire or leave the business. If we allow that to happen, we will have an increasing load on a shrinking membership base.

Therefore, in my new capacity as Treasurer I will be taking several additional steps to close our budget gap and get the NFMA back into the black where it belongs. I intend to reach out to all the chairmen of our Constituent Societies for ways to enhance our membership rolls and to increase our sponsorship fundings. I hope to have the highest level of participation at our Annual Conference in Portland this coming May 8-10. We will also have some new levels and changes of sponsorship that should be immediately noticeable.

As a last point, I will be exploring with the other Board officers the pros and cons of the NFMA forming a tax-exempt foundation that can accept charitable donations that are tax-deductible. We'll also be looking into being able to use credit cards to charge registration fees, dues, etc.

I look forward to working with everyone in this palindromic year.

Donald King Cirillo

PORTLAND IN MAY

By now you should have received your program materials for the NFMA's 19th Annual Conference in Portland, Oregon. The Conference Committee, led by Bill Hogan and Don Lipkin, has worked hard to put together an informative and provocative program. The conference will follow the traditional format, starting with our Welcome Reception on Tuesday evening, May 7. Wednesday's program includes a full day of general sessions, beginning with the Honorable Randall Edwards, Treasurer for the State of Oregon, with subsequent sessions covering the Tobacco Settlement Revenue Bonds, Financial Guarantors and their Reinsurance Relationships, Public Power, and Airlines and Airports after September 11. Thursday's program consists of six distinct break-out sessions, followed by Disclosure Workshops on Short Term Debt and Tax Increment Financing. Registrants can opt for a Wine Tasting Tour in the afternoon, returning in time for the evening's Reception and Awards Dinner. Friday morning will commence with a presentation on New York City's condition, followed by an Industry Roundtable, featuring representatives of several of the major municipal industry groups and the SEC. The conference concludes with a presentation on work-out and restructuring tools available for troubled credits. To view the full program, see www.nfma.org **Hope to see you in Portland!**

SPONSORS WANTED

The sponsor list for the 19th Annual Conference is growing. Our current list of sponsors is shown below:

- Platinum:** Standard & Poor's Corporation
Moody's Investors Service
- Gold:** MBIA
Radian Asset Assurance
- Silver:** Fitch
FSA
- Bronze:** ACA
Bear Stearns
William R. Hough
Samuel A. Ramirez
RBC Dain Rauscher
Roosevelt & Cross

If your firm would like to be a sponsor for the Annual Conference, or any of the upcoming programs of the Education Committee, it's not too late, but time is running out. Contact Lisa Good at lgoodnfma@adelphia.net.

CMAS

Chicago Municipal Analysts Society

The Chicago Municipal Analysts Society kicked off its 2002 schedule with a program on evaluating the risks of short-term structures, surety bonds, and other credit instruments on February 28. On April 12, CMAS, in conjunction with the GASB, will present a full day program for credit analysts on GASB 34. Dave Bean, Research Director for the GASB, will lead a comprehensive overview of the accounting changes contained in the new reporting model. This event will be available to all members of the NFMA, please look for more information soon.

Peter Stettler

SMFS

Southern Municipal Finance Society

The Southern Municipal Finance Society will meet in St. Louis on March 14. Jerry Widman, the former CFO of Ascension Health and currently a healthcare consultant, will address the current state of healthcare and hospitals. For additional information, please contact Mark Clayton at 210-498-3766 or mark.clayton@usaa.com

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INDUSTRY PRACTICE AND PROCEDURES

In conjunction with the Disclosure Committee, work is being completed on the draft of the guidelines for content and dissemination of disclosure information for short-term and variable rate securities. This joint task force has worked diligently with industry representatives including analysts, trustees, underwriters and attorneys to consider improved information availability for this sector. Since these investments are excluded from the provisions of SEC amendments to Rule 15c2-12, this industry cooperation is particularly important and greatly appreciated. It is anticipated that the committee will present the paper for discussion at the annual meeting to be held in May. Many thanks to the members of this committee for their continued commitment.

The Muni Council will be holding another meeting in March 2002. This newly formed collective, consisting of a large number of trade associations representing many participants in the municipal market, was created out of meetings hosted by the MSRB last year. The group's objective is to further the progress on disclosure. At the March meeting, both the content and dissemination of disclosure is to be discussed. It is hoped that the group will be able to align many of their disparate objectives in an effort to improve market efficiencies through better disclosure.

I am very pleased to welcome Tom Weyl (Eaton Vance Management) and Rob Yolland (Franklin Templeton) as co-chair and a member respectively of the Industry Practices and Procedures committee. Both are industry veterans and their input represents an exciting opportunity to expand the reach of this committee.

Alan Polsky



Education

On January 17-18, the Education Committee sponsored an Advanced Seminar on Project Finance in Orlando. Eric Friedland and Natalie Cohen were seminar co-chairs. We had excellent turnout with over 60 attendees and over 30 speakers. The selection of panels and speakers provided for a very dynamic mix of topics and perspectives. We would like to thank all of the speakers for their advance preparation, excellent presentations, and interesting discussions. We would like to especially thank Natalie Cohen for assuming full responsibility for being the on-site chairperson as Eric stayed on the West Coast in anticipation of the birth of his son, Max (who dragged his feet and waited until January 21 to make his grand entrance).

The next seminar will be Advance Seminar on Healthcare to be held in San Francisco on October 3-4. Andy Matteis is chair of this seminar and is actively working on putting together the panels. Please check the NFMA website this summer for the agenda and registration information.

The annual Introduction to Municipal Bond Credit Analysis will be held in late October or early November. We have not determined the final location but anticipate that it will be on the east coast. The agenda and registration information for this seminar should also be available on the NFMA website this summer.

The first Advanced Seminar in 2003 will be in January and will focus on transportation. A final location has not been selected but we expect it will be in one of the western states. We are also in initial discussions about a 2003 advanced seminar focused on multi-family housing.

Members with ideas for future Advanced Seminars (2003 and beyond) or who are interested in working with the Education Committee are encouraged to contact Eric Friedland at efriedland@fsa.com or Nancy Belz at nbelz@federatedinv.com.

Nancy Belz

CSMA

California Society of Municipal Analysts

In December, the CSMA hosted its holiday party at Palomino Restaurant in San Francisco. The turnout was fantastic and a good time was had by all.

We are pleased to announce our elected officers for 2002. They are Jeff Wilson, Saybrook Capital, Chair; Thomas McLaughlin, MBIA, Vice-Chair; Molly Butler, Franklin Templeton Investments, Secretary/Treasurer; Lisa Zuckerman, Standard & Poor's, Senior Program Chair; Robin Rappaport, Payden & Rygel, Program Chair; and Rick Smyth, Franklin Templeton Investments, At-large member. Congratulations and good luck!

The CSMA Spring 2002 conference will be held in Santa Monica on March 20th and 21st. We have arranged for a special tour of the Getty Museum on Wednesday, March 20th, followed by dinner in downtown Santa Monica at Il Fornaio. Our program will include a tour of the Getty Museum and three exciting panels entitled Credit Factors for Non-Traditional 501(c)(3) Issuers, Challenges Facing California's Local Issuers and Southern California Transportation: Outlook for the Future. We are also pleased to welcome Joan Payden, President and CEO of Payden & Rygel, as our keynote speaker.

We would like to thank Eric Friedland, FSA, who provided capable leadership in his role as CSMA chair for 2001!

Jeffrey Wilson

Disclosure Committee

The Disclosure Committee for the National Federation continues to make progress in the "Best Practices" area and plans to address new challenges this year relating to secondary market reporting practices. Here are the highlights: (i) last fall, we released two final Best Practices in Disclosure and the draft of another; (ii) we anticipate distributing a seventh final release by midyear for the Long Term Care/Senior Living sector; (iii) our eighth, ninth and tenth sub-committees are up and running; and (iv) membership of the Disclosure Committee has changed for 2002. Details of each these topics follow.

We are very happy to report that the General Obligation and Tax Supported Debt subcommittee, co-chaired by Stephanie Peterson of Charles Schwab & Co. and Ruth Levine of The Vanguard Group, released their final paper in December 2001. The release represents the sixth Recommended Best Practices in Disclosure paper since the NFMA initiated this effort in 1999. We extend our sincere thanks and appreciation to members of the General Obligation subcommittee for their hard work and diligence.

The Draft Recommended Best Practices in Disclosure for Long-Term Care/Senior Living Sector is available on the NFMA website and is nearing completion following the close of a public review and comment period. Steve Hiatt of Franklin Templeton and Jerry Solomon of Bear Stearns led this effort and are commended by the Board for their talented work in delivering the sub-committee's white paper. We anticipate that the paper will be available for final release by Spring 2002.

The Disclosure and Industry Practices Committees have advanced a joint effort to promulgate a Best Practices in Disclosure for Variable Rate and Short Term Securities. A sector subcommittee has been formed Chaired by Mary Colby of Charles Schwab & Co. This subcommittee reports that it is in the process of developing an initial draft which is expected to be presented to the Board at its annual meeting in May 2002.

The Tax Increment subcommittee has formed a working group and is in the process of developing an initial draft. This subcommittee is headed up by Co-Chairs David Hitchcock from Standard and Poor's and Mark Stockwell from The Vanguard Group. Their paper is in the formative stages is expected to be released for public comment sometime in 2002.

We are pleased to report that the Board of Governors, at its winter meeting, approved a new Subcommittee to formulate Recommended Best Practices in Disclosure for Airport and Airline Special Facility Debt. Eric Friedland of FSA will chair this new subcommittee and is in the process of recruiting analysts as well as industry representatives.

On behalf of the Board of Governors, we extend our sincere thanks to Jeff Wilson of Saybrook Capital and Fritz Goss for their talented work and effective leadership in serving as Co-Chairs of the Disclosure Committee. The Disclosure Committee has undergone significant transition. Chuck Emrich from Legg Mason has been appointed to serve as Co-Chair of the Disclosure Committee along with Gerry Lian from Morgan Stanley Investment Advisors, Inc., and Judi Harvey from American Express will serve as Secondary Market Coordinator. A top priority for the Disclosure Committee this year is to review and report on the adequacy of Rule 15c2-12 reporting practices, particularly with respect to the provision of core operating data and utilization statistics which are an integral component of disclosure content.

If you have any ideas for other sectors that should be explored or would like to volunteer your service, please contact Gerry Lian (phone: (212)762-8479) gerard.lian@morganstanley.com or Chuck Emrich (phone: (410)454-5925) ceemrich@leggmason.com. Be sure to keep checking the "Disclosure Guidelines" section on the NFMA's website for updates to the working papers, final releases and other disclosure related items and to give us your feedback and thoughts at any time.

Gerry Lian

Chuck Emrich

MSMA

Minnesota Society of Municipal Analysts

The MSMA is planning to have its first quarter meeting on March 14th. We are excited to have Tom Stinson presenting on the impact of recession on the State of Minnesota and the various levels of municipal government. Tom Stinson is the State of Minnesota's Economist and is also a professor at the University of Minnesota.

David Rowland

MAGNY

Municipal Analysts Group Of New York

The Annual Holiday Party on

December 13, 2001 closed the year's well-attended calendar of monthly luncheons. This New Year started with a January 25th luncheon featuring Carol O'Cleireacain as speaker. Discussing Federalism and the Fiscal Fate of Governments, our speaker discussed the impact of federalism on local governments. Ms. O'Cleireacain is a nonresident Senior Fellow of the Brookings Institution and she is a former NYC Finance Commissioner and Budget Director. MAGNY's February 14th luncheon was on Variable Rate Debt in the Municipal Marketplace. A panel discussion included Diane Brosen, S&P, Harold Bean, First Albany, Joseph Campagna, Bayerische Landesbanke, Donna Garban, Goldman Sachs and Maria Sazon, Alliance Capital. The March 15th meeting will feature Bruce F. Bohlen, Treasurer of the Port Authority of New York and New Jersey. That meeting will be held at the Yale Club.

Anne Ross



NFMA
ON THE WEB

<http://www.nfma.org>

CHECK IT FOR THE LATEST INFORMATION!

ONLINE DIRECTORY

The NFMA will unveil its online directory sometime this spring. Members will be able to view current membership lists for all Constituent Societies and Affiliated Individuals, as well as sort by firm and - as the system develops- specialty and type of firm. Existing capabilities to update your entry will be enhanced. Robert Vincent, our webmaster, has been hard at work setting up this directory, which we feel will have the capability to provide NFMA members with more up-to-date information on a timelier basis.

NFMA

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NFMA

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NFMA CALENDAR

March 14 - SMFS Luncheon, St. Louis, MO
March 14 - MSMA Meeting, Minneapolis, MN
March 15 - MAGNY Luncheon, New York, NY
March 20-21 - CSMA Spring Conference, Santa Monica, CA

April 11 - MSRB Forum on Disclosure for Long Term/Senior Living Debt, Washington, D.C.

April 12 - CMAS Meeting on GASB 34, Chicago, IL

May 7 - NFMA Board of Governors Meeting, Portland, OR

May 8-10 - NFMA 19th Annual Conference, Portland, OR

October 2 - NFMA Board of Governors Meeting, Berkeley, CA

October 3-4 - NFMA Advanced Seminar on Healthcare, Berkeley, CA

October/November - NFMA Introduction to Municipal Bond Credit Analysis, Location TBD

2003

April 30 - May 2 - NFMA 20th Annual Conference, Chicago

NFMA

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