

Municipal Analysts

BULLETIN

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A NEWSLETTER OF THE NATIONAL FEDERATION OF MUNICIPAL ANALYSTS

MARCH 2003

Letter from the Chairman

Karen Szerszen

It is an honor to serve as the NFMA Chairman for 2003. I would first like to take this opportunity to thank our past chair, Peter Bianchini, for all the effort and enthusiasm he displayed in 2002. I know I can count on his support and guidance in the coming year.

At the Board meeting in October, Gerry Lian of Morgan Stanley, was elected Vice Chairman, Don Cirillo of Radian, was elected Treasurer, while Eric Friedland of FSA, was elected Secretary. Executive Committee elections were held at our January board meeting. The organization's four officers are automatically on the Executive Committee while Peter Bianchini of Charles Schwab, Judi Harvey of American Express, and Jeff Wilson of Saybrook Capital will also serve on the committee during 2003.

The year 2003 promises to be an interesting year for the organization. While we continue to work on getting better disclosure in the municipal market through our involvement in the Muni Council and through our Recommended Best Practice papers, we will also try to get feedback from our membership about what they want to get out of the organization and what direction it should be taking. The year 2003 is the twentieth anniversary of the organization and it is time to sit back and be a little introspective. Therefore, Board members, Anne Ross, Mary Carmean, and I, will be working on getting a survey out to our membership to learn where you think the NFMA is doing a good job, where there is room for improvement, and what it should be working on in the future.

We have made good progress on our Recommended Best Practice papers. In the past year we released the guidelines for the long-term care sector. We have just released our paper on short-term debt and are in the process of releasing one on tax increment financing. We are also in the beginning stages of formulating a paper on airport revenue bonds and airport special facility bonds. A paper on public power is underway and other sectors that are on the horizon are water & sewer, toll roads, and project finance. Anyone willing to assist in drafting these papers for the remaining sectors, should give either Gerry Lian (212-762-8479) or Chuck Emrich (410-454-5925) a call. Members of the Disclosure Committee are also starting work on sector specific NFMA Recommended Guidelines on Operating Data which summarizes utilization statistics and supplemental financial information needed to monitor credit quality.

As a result of our fall 2002 Advanced Seminar on Health Care, Rob Yolland and Tom Weyl are heading a seventeen-member committee that is working with NABL to come up with a model term sheet for hospital bonds. Ruth Levine and Diane Viacava are setting up a task force that will address the status of issuers'/obligors' disclosure on their use of swaps. If there are any other projects of these types that you would like the NFMA to undertake, please forward your suggestions to any one of the Board members. Usually the chairman of your local chapter is on the NFMA Board and is more than willing to present your idea at the next Board meeting.

Remember, a directory of all NFMA members is now available on the NFMA website at www.nfma.org. Also available on our website are research papers authored by our membership. If you are interested in submitting research for publication, please contact Lisa Good at 412-341-4898. Details are also available on our website.

I would like to thank all of the speakers and moderators from our January Advanced Seminar on Transportation. Their efforts were most appreciated and I heard many positive comments about the seminar. The Education Committee is co-chaired by Eric Friedland and Judi Harvey, who are working on a possible fall seminar. Anyone with topic ideas or who is willing to help organize these seminars can give either Eric (415-995-8033) or Judi (612-671-4142) a call.

Our next major event is our annual conference to be held in Chicago on April 30 through May 2. It looks like an interesting agenda and there is something for everyone. Therefore, I encourage your attendance, especially since it is the twentieth anniversary of the organization. Due to this monumental event, we are planning a special event for our award dinner on Thursday evening. We are contracting with Second City for a 45-60 minute show. **It should be fun. Hope to see you there!**

BMAF

Boston Municipal Analyst Forum

On December 17, 2002, the Boston Municipal Analyst Forum hosted Betsy Taylor, Director of Finance at the Massachusetts Port Authority. Her presentation, entitled "Massport – Changes Since 9/11/01", provided fascinating insight into the sweeping changes that have occurred at Logan Airport and the Authority's other facilities since the terrorist attacks. Because of her role as the person responsible for developing and financing Massport's capital program, her remarks were particularly well suited to those in attendance.

Following Ms. Taylor's presentation, the BMAF held its annual Holiday Party at the Au Tain Restaurant. Attendance was better than at our Summer Party, and everyone seemed to have a very good time.

James Dearborn

MSMA

Minnesota Society of Municipal Analysts

The 2002 program year for the MSMA was successful, with three well-attended meetings covering a variety of topics. Tom Stinson, a professor at the University of Minnesota and the State of Minnesota's Economist, discussed the impact of a recession on the State of Minnesota and various levels of municipal government. A second meeting was held, with a presentation on electronic trading of municipal securities. We wrapped up the year with a presentation and tour of the high profile Block E redevelopment project in downtown Minneapolis.

In November we elected our Board for the year 2003. President: Mary Carmean – Thrivent Financial for Lutherans; Vice-President: Heidi Hukriede – Stonebridge Capital Advisors; Secretary/Treasurer: Thor Raarup – RBC Dain Rauscher; At-Large: Ken Kauffman – U S Bancorp Asset Management and Paul Jungquist – Sit Investment Associates. For 2003, the MSMA Board's goal is to present meetings that cover timely topics and have broad appeal to our membership.

Mary Carmean

**Education**

The Education Committee is currently co-chaired by Eric Friedland of FSA and Judi Harvey of American Express, who was just appointed in January 2003. We want to thank Nancy Belz, who served as an Education Committee co-chair over the past two years, for her excellent work.

On January 16-17, the Education Committee sponsored an Advanced Seminar on Transportation in Salt Lake City. Eric Friedland was the seminar chair. We had excellent turnout with over 60 attendees and over 30 speakers. The panels included speakers representing various sectors of the transportation industry and topics covered airport, toll road, and seaport issues. The discussions were lively as various points of view were expressed. We would like to thank all of the speakers for their advance preparation, excellent presentations, and interesting discussions. We would especially like to thank Jeff Holt, whose contacts enabled us to have the Governor Mike Leavitt of Utah as our lunch speaker.

On November 7-8, the annual Introduction to Municipal Bond Credit Analysis seminar was held in Philadelphia. Nancy Belz was the chair of the seminar. We were very pleased by the attendance of 70 analysts, who represented rating agencies, insurance companies, investment banks, and investment management firms. We want to thank all of the speakers for their very instructive and well-focused presentations.

On October 3-4, the Advanced Seminar on Health Care was held at the Claremont Resort and Spa in the San Francisco Bay area. Andy Matteis was the chair of the seminar. We would especially like to thank Rob Yolland for assuming full responsibility for being the on-site chairperson, as Andy was not able to attend the seminar. The seminar was well attended and the panels were comprehensive and informative. We want to thank all of the speakers and moderators for a job well done.

The Education Committee is in the beginning stages of planning the advanced seminars to be held in October 2003 and January 2004. Although, the topics for the upcoming advanced seminars are still being discussed, there has been much interest in having a seminar focusing on bankruptcy and workouts for distressed transactions. In addition, the annual Introduction to Municipal Bond Credit Analysis will again be held in Philadelphia in early November.

Members with ideas for future advanced seminars or who are interested in working with the Education Committee are encouraged to contact Eric Friedland at efriedland@fsa.com or Judi Harvey at judith.harvey@aexp.com.

Eric Friedland

MAGNY

Municipal Analysts Group Of New York

MAGNY hosted a luncheon presentation on February 13, 2003. Speakers included Katherine McManus, MD of Fitchratings and Peter Shapiro, MD of Swap Financial Group. The topic, "Municipal Swaps; Their Proliferation in the Market and the Questions They Raise" drew a standing room only crowd from a broad list of member and non-member attendees.

The next MAGNY luncheon is scheduled for March 21st at the Yale Club. The topic will be posted in the Bond Buyer and on the MAGNY Website.

Anne G. Ross

NFMA TREASURER'S REPORT

Please let me begin this report by thanking everyone for the opportunity to serve as your Treasurer for another year. Also, heartfelt congratulations are in order to our new NFMA Chairman, Karen Szerszen, to the NFMA Vice Chairman, Gerry Lian (my friend and colleague from MAGNY) and to Eric Friedlander our newest Executive Board member now acting as NFMA Secretary. I look forward to working closely with every one of these intelligent and professional people. Good luck to all in their new positions. Finally, thanks to Peter Bianchini, our former Chairman, for all of his hard work and dedication. We all appreciate your efforts and working with you was a distinct pleasure for me. Enough with the bouquets and kudos — now for some other good news!

According to our accountants, Schneider Downs of Pittsburgh, we finished our FY2002 (on a cash basis) firmly *"in the black"*! (Our fiscal year is coterminous with the calendar year.) This great news is something we should all be proud of as it means we can continue to do the important work of running our advanced seminars, holding our annual conference and operating our web site, etc. without that red cloud of "deficit spending" hanging over our heads. Although we are a volunteer organization, we do have staff that needs to be paid and expenses that need to be met. Now, at least, we have some breathing room.

Continuing with the good news, as Chairman of the Sponsorship Committee, I can report we are off to a good start with four "Platinum Sponsors" already committed, as noted in the list of sponsors in this newsletter. If you've gotten a call from me or the other members of the Committee (Karen Szerszen or Bill Hogan) you know how important it is to follow-up your pledge with an actual check. We're hoping to make our 20th Anniversary in Chicago the best fundraising year ever.

Finally, I also chair the exploratory committee that is pursuing the pros and cons of forming an NFMA Educational Foundation. We will be making a final presentation to the full Board in the coming months and asking for their vote on whether or not to continue this endeavor under direct NFMA auspices or whether it will be pursued with an affiliated organization or, perhaps, as a stand-alone enterprise. We'll know soon and I'll report back here to all of our members.

See you in Chicago! *Don Cirillo*

CSMA

California Society of Municipal Analysts

The California Society of Municipal Analysts celebrated the new year by holding its semiannual cocktail party at Palomino's in San Francisco on January 30th. Membership turnout for the event was excellent. CSMA has scheduled its Spring Conference for Thursday, April 10 in San Francisco. The sessions will include a review of interest rate swaps and the use of other derivative products by state and local governments. The impact of State budget cuts on local government in California also will be examined in both a plenary session and by a luncheon speaker familiar with political developments in Sacramento. Pension funding and the sale of pension obligation bonds by the State of California and by its county governments also will be covered. The conference site in San Francisco will be selected soon. CSMA members will be notified by e-mail of the venue. Further information also will be posted on the CSMA web site.

I want to take this opportunity to thank Jeff Wilson for his leadership of the California Society during 2002. We had a very successful year and owe a debt of gratitude to Jeff for all of his hard work on our behalf.

Tom McLoughlin

CMAS

Chicago Municipal Analysts Society

The Chicago Municipal Analyst Society held its annual holiday party at Pazzo's Bar & Grill in early December. The annual elections for officers were also held at this time. The 2003 Board of Directors for the Chicago Municipal Analysts Society are as follows:

President:	<i>Shun L. Dyes</i> Harris Bank
Vice President:	<i>Brian Winters</i> Van Kampen
Secretary:	<i>Jane McCart</i> Northern Trust
Treasurer:	<i>Marilyn Rinaldi</i> Nuveen
Board Members:	<i>Karen Flores</i> Standard & Poor's <i>Mike Ross</i> Dain Rausher <i>Julia Harris</i> Moody's

CMAS held its first general meeting of the year Thursday, February 27, 2003. The event was a luncheon held at Harris Bank's downtown office, from 12 noon – 2pm. The topic was - "The Weakened Economy and its Impact on State and Local Governments". The guest speakers were Anthony L. Karydakos, Senior Financial Economist and Vice President, Bank One Capital Markets and Christopher Mier, Managing Director and Chief Strategist, Loop Capital Markets, LLC. The discussion was moderated by Catherine Krawitz, Municipal Analyst, Harris Bank.

Shun L. Dyes

Disclosure Committee

The NFMA Disclosure Committee continues to make considerable progress both in developing new *Recommended Best Practices Disclosure Guidelines* and in addressing challenges relating to secondary market reporting. Recommended Best Practices Disclosure Guidelines have already been developed for nine credit sectors. On Feb 7, 2003 a subcommittee co-chaired by Mary Colby of Charles Schwab & Co. and Nancy Belz of Federated Investments submitted the final text of an eighth sector release, *Recommended Best Practices in Disclosure for Variable Rate and Short Term Securities*. A subcommittee co-chaired by David Hitchcock of Standard & Poor's Corporation and Mark Stockwell of PNC will issue by month end a final a release of a ninth sector, *Recommended Best Practices in Disclosure for Tax Increment Bonds*. These documents are listed and available for download at the NFMA web site located at www.nfma.org.

Highlights of the strong effort being undertaken by other dedicated groups of municipal analysts to augment the NFMA's *Best Practices* documents are these:

Eric Friedland of FSA is Chairing a subcommittee that has begun drafting a tenth sector, *Recommended Best Practices in Disclosure for Airport and Airline Special Facility Debt* that will be distributed for comment in 2003; and

Gary Krellenstein of JP Morgan and Kathy Mock Masterson of Standard and Poor's Corporation are co-chairing a subcommittee to develop an eleventh sector, *Recommended Best Practices in Disclosure for Public Power Bonds*, which is now in start-up mode.

Ann Manley of Federated Investments and Bill Streeter of Fitch are co-chairing a subcommittee to develop a twelfth sector, *Recommended Best Practices in Disclosure for Toll Road Bonds*, which is also in start-up mode;

Ruth Levine of The Vanguard Group and Diane Viacava of Moody's Investor's Service are Co-Chairing a Disclosure subcommittee on *Municipal Swaps*;

Doug Nelson of Delaware Management will Chair a subcommittee to develop a final sector, *Recommended Best Practices in Disclosure for Project Financings*, which is also just getting underway.

Another top priority for the NFMA Disclosure Committee has been to review and evaluate the adequacy of Rule 15c2-12 reporting practices, particularly with respect to the provision of operating data. To facilitate better secondary disclosure, the Disclosure Committee, working in conjunction with industry representatives, is developing sector-specific *NFMA Recommended Guidelines for Operating Data*. Judi Harvey of American Express Investment Advisors and Elizabeth Hill of FSA, Co-Coordinator for Secondary Market Disclosure, are overseeing development of these guidelines. Initial sectors being covered include:

- Tax Increment Debt, (*David Hitchcock, Standard & Poor's*);
- GOs and Tax Supported Debt, (*Anne G. Ross, Roosevelt & Cross*);
- Solid Waste Transactions (*Chuck Emrich, Legg Mason*);
- Private College and University Transactions, (*Karen Hofstein, FSA*);
- Hospital Debt Transactions, (*Shelley Michelson, FSA*);
- Airport and Special Facility Debt (*Mark Taylor, FSA*);
- Multifamily Housing Revenue Bond Issues (*Judi Harvey, American Express*);
- Single Family Housing Revenue Bonds, (*Robin Ginsburg, FSA*);
- Long-Term Care/Senior Living Debt, (*Patricia Eitrheim, American Express*);
- Public Power Bonds (*Josephine Zeppieri, FSA*); and
- Land Secured Transactions, (*Karen Hofstein, FSA*)

If you are interested in volunteering to work on any of the foregoing disclosure projects, 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 and Chuck Emrich
Co-Chairs, Disclosure Committee*

*Judi Harvey and Elizabeth Hill
Co-Coordinator, Secondary Market Disclosure*

BOARD OF GOVERNORS 2003

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Comptroller General	Robert Reardon	309-766-2371	robert.m.reardon.azk7@statefarm.com

SMFS

Southern Municipal Finance Society

SMFS began 2003 with a luncheon in Charlotte, North Carolina. The event was held on February 20. Dan Gerlach, who serves as an advisor on fiscal affairs to the Governor of North Carolina, was the featured speaker. Dan discussed the current financial outlook for the State of North Carolina.

Mark Clayton



NFMA CALENDAR

April 30 – May 2, 2003 – NFMA
20th Annual Conference, Westin
River North, Chicago, IL

October 2003 – Advanced Seminar
– Topic TBD, Philadelphia, PA

November 2003 – Introduction to
Municipal Bond Credit Analysis,
Philadelphia, PA

May 4-7, 2004 – NFMA 21st
Annual Conference, Kiawah
Island Resort, SC

April 27-29, 2005 – NFMA 22nd
Annual Conference, Wyndham
Canal Place, New Orleans, LA

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