

Municipal Analysts

BULLETIN

VOL.13, NO.3

A NEWSLETTER OF THE NATIONAL FEDERATION OF MUNICIPAL ANALYSTS

NOVEMBER 2003

Letter from the Chairman

Karen Szerszen

As my terms as Chairman draws to a close, I would like to thank my fellow NFMA officers and Board members as well as all of the other individuals who helped make 2003 such a success and memorable 20th anniversary year.

At the Board meeting held on October 8 in Cambridge, the NFMA Board elected the officers for 2004. They are as follows:

Chair	Gerry Lian (Morgan Stanley, MAGNY)
Vice Chair	Don Cirillo (Radian, MAGNY)
Secretary	Eric Friedland (FSA, CSMA)
Treasury	Tom Weyl (Eaton Vance, BMAF)

The election for the 3 available at-large Board seats was also held at this Board meeting. The organization was extremely fortunate that 10 very qualified candidates expressed interest in these 3 seats. It was a shame that only 3 could be elected. Judi Harvey (American Express, MSMA), Bill Hogan (CDC IXIS, MAGNY), and Rob Yolland (Franklin, CSMA) were elected to fill these 3 at-large seats. The remaining candidates were asked and, fortunately, expressed willingness to serve on either the Education Committee and/or the Annual Conference Committee.

I strongly urge anyone interested in getting involved, be it on the Education Committee, Annual Conference Committee, or Disclosure Committee, to please contact any of the NFMA officers or Board members or Lisa Good. It is only through the involvement of a meaningful portion our members that the organization continues to exist and remain relevant to its membership. I would like to comment further on these two points.

Historically, the NFMA could claim that its members numbered closed to 1000. Unfortunately, and a concern of the Board, our membership has dropped to around 800. The consolidation and downsizing of the industry has obviously contributed to this drop. The Board is asking each member that if he/she is aware of a municipal analyst who is currently not a member, to encourage that analyst to join the NFMA. Information on membership and an application form is available on our website www.nfma.org.

An e-mail membership questionnaire will be sent, if it has not been done already, to each member of the NFMA. It is a very simple and short (around 10 questions) questionnaire, so it should take no more than a few minutes to complete. Please take the time to complete this questionnaire. The Board is hoping that the feedback will help it build the type of organization its membership wants. The feedback will be utilized by the organization at an upcoming strategic planning meeting. This strategic planning meeting is expected to take place during the first quarter of 2004 and will address the future direction of the NFMA. Anyone interested in participating in this discussion should give me a call at 847-402-8147 or e-mail me at Kszersze@allstate.com. I'm hoping to include non-Board members from each constituent society on this committee. The organization is at a crossroad and we need to decide which path to take. I want to make sure it's the path that our membership wants.

If you are a regular reader of *The Bond Buyer*, you are aware that this summer, the NFMA filed an amicus brief in partnership with The Bond Market Association (TBMA). This brief was filed in the UAL (United) bankruptcy case and argued that the leases securing various airport special facility bonds issued by the Cities of Denver, Los Angeles, New York, and San Francisco, should not be reclassified as loans to UAL. This was the first time that the NFMA has filed an amicus brief. While it was disappointing that the court did not recognize the brief, we can take comfort that in order for the judge to make such a decision, he had to read the brief. Therefore, our message got through. I would like to mention that TBMA bore the full cost of filing the brief and not one dollar of NFMA funds was utilized in this effort.

My report would not be complete without an update on the Muni Council. In my last report, I indicated that the Council was going forward with the CPO/NRMSIR option. It has now been decided that the simpler and less costly option of a CPO (Central Post Office) will be taken. The five finalist vendors, Bloomberg, DAC, Disseminating Partners (DPC), Texas Mac, and Wall Street on Demand, have been asked to recompute their bids in such a way that the Council could compare "apples to apples". These bids will be considered at the next Muni Council meeting scheduled for November 12. DAC has since decided to eliminate itself from this final bidding process; therefore, the Muni Council is down to four prospects.

The NFMA's next scheduled event is our advanced seminar on municipal utilities. It will be held in Tucson, Arizona on January 22-23. I hope to see a lot of our members there.

HAVE A WONDERFUL HOLIDAY SEASON!

CSMA

California Society of Municipal Analysts

Plans are underway for a one-day conference in January in the City of San Francisco. The Conference, tentatively entitled "Meet the Market", will be co-sponsored by *The Bond Buyer* and will provide members with an opportunity to meet the new executive administration in Sacramento. Further details will be posted on the CSMA and NFMA web sites as they become available.

After two years of dedicated service to the CSMA, Rick Smyth of Franklin Templeton has informed the Board that he will step down at the end of the year due to competing professional obligations. The Board of Directors has nominated Mary Colby of Charles Schwab and Co. to replace Rick on the Board effective January 1. The Board also has nominated Mary Ellen Wriedt of Standard & Poor's for an open Board seat effective January 1.

In addition, the Board will propose an amendment to the Society By-Laws. The proposal would allow the Board to grant Regular Membership to individuals prior to the completion of one-year in the business. The Board believes that earlier membership may be appropriate in some circumstances, including instances when an individual has joined an investment company, rating agency, bond insurer, etc. and would like to participate more fully and more promptly in NFMA activities. Ballots will be mailed to Society members in early November.

Finally, a CSMA holiday party will be scheduled for December. All CSMA members are invited to attend. While December 18 now appears the likely date, please keep an eye on the web site for location and time. NFMA members from other societies also are welcome to attend if they are in San Francisco on the 18th; please contact Tom McLoughlin in advance to let us know that you're interested in joining us.

Tom McLoughlin

SMFS

Southern Municipal Finance Society

The SMFS will be hosting a luncheon on November 21 in Austin, Texas. James LeBas, from the Texas State Comptroller's Office, will be the featured speaker. Mr. LeBas, who is the Chief Revenue Estimator, will discuss the financial outlook for the State of Texas. Anyone interested in attending should contact Mark Clayton at 210-498-3788 by November 17. The SMFS is also busy coordinating a program which will be held in Florida. An announcement will be forwarded to all SMFS members when the details are completed.

Mark Clayton

BMAF

Boston Municipal Analysts Forum

On June 11, the BMAF held its summer outing at Fenway Park where we watched the Boston Red Sox defeat the St. Louis Cardinals.

On September 18, 2003, the Boston Municipal Analysts Forum hosted a panel discussion on "Life After Munis." Members had an opportunity to hear from BMAF/NFMA alumni about different directions their careers have taken them. Steve Bocamazo, a former Moody's analyst now with Loomis, Sayles & Co., spoke about his transition to corporate bond analysis. Eric Shapiro of Wellington Management Company discussed his new duties as a sovereign credit analyst. International consultant Kimberly Forsyth had several fascinating stories about her experiences as an urban, political and financial consultant in Eastern Europe and Africa. A small group of BMAF members questioned the panelists about comparisons between their municipal analyst jobs and their current occupations. Following the panel, BMAF hosted a fall get-together at a Financial District watering hole.

On October 2, the BMAF took a guided tour of Boston's new Convention Center that is slated to open in mid-2004. The Convention Center, which will be the largest in New England, is the cornerstone of the South Boston waterfront area redevelopment. Our hosts for the tour, the Boston Redevelopment Authority, also gave us an extensive presentation on planned development projects in the redevelopment area.

James Dearborn

Industry Practices & Procedures

The Industry Practices & Procedures Committee continues work on several initiatives including the following: a Model Term Sheet for Hospital Bond Transactions and a Securities Law Project.

The Model Term Sheet project had its genesis in discussions at the Advanced Seminar on Healthcare in the fall of 2002. The project hopes to provide guidance on legal provisions included in typical healthcare transactions, including recommendations for favorable provisions. The project has been separated into 9 sections addressing major sections of Hospital Bond legal documents such as Collateral, Financial Covenants, Duties of the Trustee and six others. The 17-member subcommittee working on this project expects to deliver a draft paper to the NFMA Board by the May 2004 Board meeting, with availability for discussion with the membership at the 2004 Annual Conference in South Carolina.

The Securities Law Project was undertaken to survey the relevant laws and regulations that govern or intersect the municipal bond market and develop a tool to assist communications with borrowers in the municipal bond market, particularly when securities law issues are used to deny access to information. Many analysts would like to have one source of information or guidance to help them deal with concerns raised by issuers, obligors and/or their counsel. The project also supports one of NFMA's core missions: to educate analysts and other market participants while promoting a dialogue regarding these issues. The subcommittee working on the project began by surveying various relevant sources (NFMA, NABL, GFOA, SEC, etc.) to help determine what is currently available and how this information clarifies (or not) the legal issues involved. The subcommittee met several times over the summer and fall and had a meeting at the October Advanced Seminar. The focus of the project is on the life-cycle of a bond transaction and the various issues that arise from the beginning (sale) to end (secondary markets and disclosure) of the process. The subcommittee is currently soliciting legal expertise to help synthesize information and determine the appropriate final product. The end result may include a white paper, a reference document that provides access to relevant documents, a question and answer piece highlighting typical analyst interactions and NFMA suggestions for improvements. The subcommittee plans to provide a draft of the final product by the January 2004 Board Meeting.

Tom Weyl and Peter Bianchini

NFMA TREASURER'S REPORT

This will be the last Treasurer's report of my tenure as I pass the books and audit responsibilities over to my very capable colleague, Tom Weyl, the NFMA's new Treasurer, starting January 2004. With that thought in mind, please indulge me a minute while I thank everyone who has helped get the NFMA out of the red and into the black (on a cash basis) while also increasing our assets/fund balances (on an accrual basis) by over 50% during my time in office.

The last two fiscal years presented many revenue challenges but the greatest in my opinion is the dramatic decline in our overall membership. We at the NFMA are nothing if we are not an organization that represents the interests of municipal bond analysts and, thus, without them --- well, there simply is no NFMA.

It is not just the loss of revenues from non-paid dues that hurts us, as we can always try and compensate with corporate sponsorships; no, it is mainly the loss of actual people who care and who want to be part of the NFMA organization that hurts the most. All the corporate donors & sponsorships you can imagine won't help get our message out if there's no one left to be a volunteer.

Tom will have his hands full addressing the issue of lost revenue (100 fewer NFMA members translates into a direct revenue loss to the bottom line of \$8,000) and I expect he'll be working closely with our Membership Committee and our affiliate chairmen. It is not a crisis yet but it will be if we don't act soon.

On the fundraising side, I'm happy to report that both Karen Szerszen and Bill Hogan have signed on to work closely with me for one more year (at least, guys!) in trying to raise money for the NFMA's various causes. We have some new ideas and we're going to try (again) to expand our base of sponsors even further, so many of you reading these words will be hearing from us soon.

Thank you all for the honor of being allowed to work for you as your Treasurer. I truly appreciated the experience. I leave this office pleased that using any type of objective measuring criteria, the NFMA is now much more financially solvent and secure than when I first entered the Treasurer's position and for that I am very grateful.

Good luck and best wishes, Tom. I have every confidence you'll be great.

- Donald King Cirillo

MSMA

Minnesota Society of Municipal Analysts

On June 25, 2003, the Minnesota Society of Municipal Analysts hosted a meeting discussing Municipal Derivatives and their Impact on the Marketplace. Presentations were made by Robert Etteldorf, Vice-President Financial Products Group for RBC Dain Rauscher and Randy Jacobus, Principal, Alternative Strategy Advisors, LLC. Mr. Etteldorf discussed how issuers are approached when considering entering into derivative transactions, specifically swapping from fixed to variable or vice versa. He also provided a framework of specific areas to evaluate and discuss when communicating with issuers about their transactions. Mr. Jacobus discussed the various secondary market derivatives and hedges used by the leveraged buyer. He specifically discussed the mechanics of Tender Option Bond programs and Total Return Swaps, which was helpful for our members that are not actively using derivatives. His presentation gave a better understanding of when the leveraged buyer may be buying or selling municipals, and how that may affect the general municipal market. Attendance at the meeting was strong.

On October 23, 2003 we hosted our third meeting of the 2003 Program Year. This meeting focused on Airports and the Airline Industry, with a presentation by Jeffrey Hamiel, Executive Director of the Metropolitan Airports Commission. Also at this meeting we held our elections for the 2004 MSMA Board.

President - Heidi Hukriede - Stonebridge Capital Advisors

Vice-President - Thor Raarup - RBC Dain Rauscher

Treasurer/Secretary - Ken Kauffman - US Bancorp Asset Management

Member At-Large - Paul Jungquist - Sit Investment Associates

Member At-Large - Steve Eldredge - Voyageur Asset Management

Mary Carmean

MAGNY

Municipal Analysts Group Of New York

MAGNY's first speaker of the 2003-2004 season was Elizabeth Lynam of the Citizens Budget Commission, whose topic was "What's Driving Medicaid Spending in New York State?". In October, we hosted representatives of the New York Power Authority and New York Independent System Operator, who addressed the August 2003 blackout and its causes.

Our November 14 event features Barbara A. Lloyd, Deputy Treasurer of California, and John J. Hallacy of Merrill Lynch. Their topic is "California: Does the Golden State Have a Golden Future?". Our final event in 2003 will be the Holiday Party on December 5.

For information on any past or future MAGNY events, please contact any member of the MAGNY Board. NFMA members are always welcome at MAGNY events! Please let us know if you plan to be in town.

Greg Clark

Annual Conference Update

Mark your calendars for the NFMA's 21st Annual Conference in Kiawah Island, South Carolina, May 5-7, 2004. Conference committee preparation began this summer and a tentative program is in development. Distribution of the program will occur in late January. Subsequent to contracting to hold our meeting at Kiawah Island Inn, we were presented with an opportunity to move our conference to The Sanctuary at Kiawah Island, a five-star/five diamond resort to open in March. To learn more about The Sanctuary, go to <http://lodging.kiawahresort.com/sanctuary.html>



EDUCATION

The Education Committee is currently co-chaired by Eric Friedland of FSA and Judi Harvey of American Express.

On October 9-10, the Education Committee sponsored the Advanced Seminar on Bankruptcy and Workouts in the Tax-Exempt Market in Cambridge, MA. We had record turnout with over 100 attendees and speakers. The panels covered bankruptcy issues relating to the housing, health care, airport sectors, along with panels on workout strategies, a primer on municipal bankruptcies, and alternatives to bankruptcy. 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.

On October 30-31, the annual Introduction to Municipal Bond Credit Analysis seminar was held in Philadelphia at the Loews Hotel. Anne Ross served as the chair of the seminar.

On January 22-23, the Advanced Seminar on Municipal Utilities will be held at the Westin La Paloma, which is located in Tucson, AZ. The panels will include speakers representing various sectors of the utility industry and topics to be covered will include electric power, water, solid waste, gas, and SRF issues.

Members with ideas for panel topics or speakers, and 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.

Thanks to Mintz Levin and Saybrook Capital, LLC, Fall Advanced Seminar sponsors.

Eric Friedland

CMAS

Chicago Municipal Analysts Society

The Chicago Municipal Analysts Society held our annual Board of Director's Seminar on Friday, October 3 at the Gleacher Center of the University of Chicago Graduate School of Business. Our keynote speaker was Charles Wheelan, Director of Policy and Communications, Chicago Metropolitan 2020. A panel discussion on "The Issues and Challenges Facing Higher Education" was led by Kathleen Goepfinger, President and Chief Executive Officer, Midwestern University and Susan Carlson, Director, Standard & Poor's. A second panel on "Swaps and Issuer Considerations" was conducted by Thomas Glaser, Chief Financial Officer, Cook County, Illinois, and Eric Rockhold, Managing Director, JP Morgan.

Our next meeting is tentatively set for November 14 and will likely cover the topic of public pensions. We will conclude the year with our annual Holiday Party and business meeting.

Brian Winters

Disclosure Committee

The NFMA Disclosure Committee continues developing new Recommended Best Practices Disclosure Guidelines and is also addressing challenges relating to secondary market reporting practices. With the release of an exposure draft for *Recommended Best Practices in Disclosure for Airport and Airline Special Facility Debt* this month, Recommended Best Practices Disclosure Guidelines have now been completed for ten credit sectors. These documents are listed and available for download at the NFMA web site located at www.nfma.org. Highlights of the ongoing efforts of a dedicated group of municipal analysts to expand NFMA's Best Practices documents are these:

- Gary Krellenstein of JP Morgan and Kathy Mock Masterson of Public Financial Management are co-chairing a subcommittee that is nearing completion of an eleventh sector, *Recommended Best Practices in Disclosure for Public Power Bonds*;
- Ann Manley of Federated Investments and Bill Streeter of Fitch are co-chairing a subcommittee that is in the process of finalizing a twelfth sector, *Recommended Best Practices in Disclosure for Toll Road Bonds*;
- Mary Francouer of FGIC is chairing a subcommittee to develop a thirteenth sector, *Recommended Best Practices in Disclosure for Water & Sewer Bonds*, which is in start-up mode;
- Thomas McLoughlin of MBIA is chairing a subcommittee to develop a fourteenth sector, *Recommended Best Practices in Disclosure for Project Financings*, which is in start-up mode;
- Matt Fabian of UBS PaineWebber Inc is chairing a subcommittee to develop a fifteenth sector, *Recommended Best Practices in Disclosure for Municipal Bond Insurers*, which is in start-up mode.

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 has developed an initial set of sector-specific appendices to the NFMA Recommended Best Practice documents in draft form which are available for download at www.nfma.org. We ask all members to carefully review these drafts for completeness so that we can integrate your comments and ideas. Analysts interested in participating on various disclosure subcommittees should contact the appropriate individuals listed herein:

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

If you are interested in volunteering to work on disclosure projects, please contact Gerry Lian phone: (212)762-8479 gerard.lian@morganstanley.com or Chuck Emrich phone: (410) 454-5925 ceemrich@leggmason.com.

*Gerry Lian and
Chuck Emrich
Co-Chair, Disclosure Committee*

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

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

NFMA

P.O. Box 14893

Pittsburgh, PA 15234

Lisa S. Good, Executive Director

Phone: **412-341-4898**

Fax: **412-341-4894**

E-mail: **lgood@nfma.org**

NFMA CALENDAR

January 21, 2004 – Board of Governors Meeting, Tucson, AZ

January 22 & 23, 2004 – Advanced Seminar on Municipal Utilities, Westin La Paloma, Tucson, AZ

May 5-7, 2004 – NFMA 21st Annual Conference, The Sanctuary at Kiawah Island, SC

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

NFMA