

# Municipal Analysts

FEBRUARY 2008 VOL 18.- NO. 1

## BULLETIN



### LETTER FROM THE CHAIR



**This year is the NFMA's 25th anniversary and on this special occasion I think it is important to look back at some of our accomplishments over the past 25 years. Before we get into that, I want to thank those who have come before me. In particular, I want to thank Tom Weyl for his hard work, perseverance and his constant focus on improving disclosure, keeping the NFMA on the leading edge of industry topics and raising the NFMA's profile. Tom has spent innumerable hours speaking at industry conferences and fielding questions from the press. Tom, your efforts are greatly appreciated.**

I am blessed to work with a superb Board, but want to call special attention to our executive director who has helped mold the organization into what it is today. Lisa Good has done an incredible job for the NFMA and our success to a large degree lies squarely on her shoulders. Without her focus and leadership, this organization would not be what it is today. I am also fortunate to work with a fantastic executive committee: Bill Hogan as Vice Chair, Chuck Emrich as Secretary, Mark Stockwell as Treasurer, Tom Weyl as Past Chair, Erik Kimball and Mary Colby.

The municipal market has experienced more turmoil in the last 6 months than in any period of time that I can remember. We have many members who have lost jobs and others who work for companies that are struggling. If the NFMA can assist in some way during these volatile times, please let us know. It also might be helpful to remind people of the job bank on the NFMA web site.

There are a many significant market events that we are watching in 2008 and we will act as appropriate. We expect a ruling on the Kentucky v. Davis case which, depending on the ruling and the subsequent congressional response, could dramatically affect our industry. We are also watching the real estate correction, subprime market crisis and the resulting turmoil in the bond insurance industry, and the effect on both the long-term and, more dramatically, the short-term markets. And finally, we will watch the creation of the municipal EDGAR system to be run by the MSRB, currently named EMMA. The NFMA has been battling for improved disclosure for the last 25 years and with SEC Chairman Cox's proposed changes to the disclosure system we have an opportunity to push our initiatives further during this time than since the creation of 15c2-12.

The NFMA has several projects underway including updating four recommended best practice papers on disclosure. The topics covered are: Land Secured, Hospital, Swaps and Housing. We also published a Securities Law White Paper that will be finalized shortly, and a White Paper on Disclosure for Financial Guarantors that is available for public comment through March 10. The online training project on CCRC's is taking shape and will hopefully be available by the Annual Conference in May. We also expect to publish a GASB paper in the next few weeks that will outline the NFMA's position on SEA (service efforts and accomplishments) and other GASB specific items.

I look forward to seeing many of you at our 25th Annual Conference in Miami. Lisa Washburn and Bob Donahue, the Annual Conference chairs, have put together a fantastic conference and we will have a special presentation to commemorate our 25th year.

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Our **25th anniversary** is a great time to reflect on some of the many ways the NFMA has influenced each of us and the municipal marketplace in general. Over the years, the NFMA has been instrumental in improving disclosure through best practice papers, white papers, term-sheets, checklists and comments on various industry issues including 15c2-12. The educational opportunities that our conferences and seminars afford our membership are second to none, and I believe they are still the benchmark by which other conferences are measured. And, finally, I can't think about the NFMA and not think about the many friendships I have developed over the years, working on papers, projects, attending conferences or serving on the board. As you all know, the NFMA is a volunteer organization, and if it weren't for the commitment of time and energy by the officers, board members and various committee members to this organization, we would not have completed the projects or carry the influence in the market we currently enjoy. *Thank you all for making the NFMA what it is today.*

*Rob Yolland*

## Industry Practices and Procedures Committee

The Industry Practices and Procedures Committee acts as an advocate, representing the interests of the NFMA membership within the municipal finance industry. This Committee oversees preparation of all position papers published by the NFMA. In addition, on behalf of the NFMA, the Committee responds to requests from and positions taken by other participants in the municipal market. Erik Kimball and Mary Colby co-chair this Committee.

The "Draft White Paper on Federal Securities Law Relating to Municipal Securities" was made available on the NFMA web site, [www.nfma.org](http://www.nfma.org), for public comment through November 30, 2007. The goals of this paper are to provide (a) information regarding the applicability of federal securities laws to municipal bonds, both at issuance and in the secondary market, (b) a glossary of common securities law terms relating to municipal securities, and (c) answers to frequently asked questions that analysts may use as a resource in their day to day work. The NFMA received comments to the paper, considered those comments, and incorporated certain changes. It is expected that the final white paper shortly will be published on the NFMA web site and potentially in pamphlet form.

As previously reported, the NFMA filed a brief with the United States Supreme Court as amicus curiae in connection with the Kentucky v. Davis matter. The Supreme Court heard argument on November 5, 2007. Although no decision has been issued, some believe that questions from the Justices during oral argument suggest the Court will side with the State of Kentucky in maintaining existing state tax exemptions for municipal securities.

During 2007, the Industry Practices and Procedures Committee formed a sub-committee to consider recent developments relating to GASB. The sub-committee included Natalie Cohen, Richard Larkin, Ruth Levine, Anne Ross, Tom Weyl, Eric Friedland and Erik Kimball. The sub-committee drafted a "Position Paper on GASB and its Importance to Municipal Credit Analysis." It is expected that this paper will be released in March, 2008 and will be posted on the NFMA web site.

To a great extent, we rely on NFMA members to bring matters of import to our attention, and we rely on our members to assist in developing projects that result from such membership concerns. If you have concerns which you would like to bring to our attention, please contact Lisa Good at [lgood@nfma.org](mailto:lgood@nfma.org).

*Erik Kimball and Mary Colby*  
*Co-Chairs*



California Society of Municipal Analysts

The CSMA held its year-end cocktail party on December 11 at Palomino's. The event drew even more participants than usual. Given the uncertainty in the market at the time, it was particularly nice getting together with sympathetic colleagues.

Our most recent event took place on February 13. We were pleased to have as a speaker Steven Cochrane from Moody's Economy.com who discussed the current state of the California economy with a focus on the various impacts of the current real estate market, the Governor's proposed budget, and national and international economies.

*Dari Barzel*

## TREASURER'S REPORT

Despite market volatility, the NFMA ended the 2007 calendar year in a sound financial position. Based on unaudited 2007 reports, the NFMA continued a trend of strong end-of-the-year fund balances. Cash positions have been buoyed by generous support from our sponsors, which has also continued into the new year. Sponsorships are a key component for the NFMA to maintain its ability to produce top-flight seminars and conferences, as well as ensuring that market participants, regulators and legislators hear the concerns of the analyst community. Our thanks go out to our sponsors, and their continued participation through changing market conditions is appreciated.

Our thanks also go to Chuck Emrich, who fulfilled his term as Treasurer and now serves as Secretary of the NFMA. Chuck implemented budgeting procedures and investment policies that helped sustain NFMA's financial position in 2007.

*Mark Stockwell*  
Treasurer

## MAGNY

Municipal Analysts Group of New York

MAGNY's annual Holiday Party at the Yale Club featured a new "evening cocktail party" format - instead of a sit-down luncheon, members were able to mingle in the beautifully decorated room of the Yale Club and listen to live Jazz music performed by the Metro Tang Band. Members enjoyed the flexibility to chat informally with friends and former colleagues.

The January MAGNY lunch, "The Subprime Crisis an Issuer's Perspective." featured Lasana K. Mack, Washington DC's Treasurer and Deputy CFO and Carol Kostik, NYC Deputy Controller for Public Finance. These two leading issuers shared their thoughts about the sub-prime debacle and its impact on large issuers.

The February meeting featured a hot topic, Tender-Option Bond Programs. TOBs rely on bond insurers for the highest AAA ratings to get cheaper financing from money market investors. Muni traders fear billions more dollars of tax-free bonds will hit the market if more of these programs close positions due to fears that additional bond insurers will lose the top "AAA" rating. Eric Vander, Morgan Stanley, and Lisa Washburn, Moody's, spoke at this event and analyzed the impact that the volatility of the bond insurers has had upon this corner of the municipal bond market.

The current Board continues to seek interesting and timely topics for upcoming programs, and we will make sure that those of interest to the larger membership are posted on the NFMA website.

*Linda Hird, MAGNY Chair 2007 - 2008*

*John Hallacy, MAGNY Chair 2008 - 2009*

# MSMA

Minnesota Society of Municipal Analysts

As you all know by now the municipal market got quite interesting in early 2008. The municipal bond industry was and remains in the national news and on Capitol Hill.

On December 19th, the Minnesota Society of Municipal Analysts had a seasonal celebration. The venue was the M&S Grill in Minneapolis and was attended nicely.

It appears 2008 will be a busy year for our society. Under construction currently are two new outdoor stadiums; a home for the baseball Minnesota Twins and a new football stadium for the University of Minnesota Golden Gophers. We are also the site for the 2008 Republication National Convention scheduled for early September.

Following the tragic 35W bridge collapse on August 1st, 2007, construction on the new bridge is occurring at a fevered pace. The new bridge completion is expected by the end of 2008! The MSMA board will attempt to schedule a tour of the new construction followed by a luncheon as the project draws nearer completion.

The MSMA board is busy making plans for several programs during 2008, if any MSMA members have additional topics they would like visited please pass them on to a MSMA board member or me.

We are looking for a location for a social outing this summer.

The MSMA Board is thankful for Ken Kauffman of FAF Advisors for providing space for our recent meetings.

The Board would also like to thank Paul Jungquist (SIT Investment Associates) for his service and leadership on the MSMA and NFMA boards the past several years.

The MSMA Board is looking forward to seeing everyone at the NFMA Annual Conference in Miami in May.

*David Statham*

## Disclosure

The Disclosure Committee continues to work on several fronts. The Financial Guarantor White Paper draft was posted NFMA's website on December 10, 2007 and the comment period extends through March 10, 2008. The Swaps group, headed by Ruth Levine, is holding regular meetings. First drafts of a GASB 45 paper and an update of the Land Secured Financings paper have been completed. A number of volunteers have expressed interest in working on the Healthcare paper update. If you have a project that you would like to participate on, or any suggestions, feel free to contact Greg Aikman [greg.aikman@bnymellon.com](mailto:greg.aikman@bnymellon.com) or Greg Clark [gregory\\_clark@hvbamericas.com](mailto:gregory_clark@hvbamericas.com).

*Greg Aikman*

*Greg Clark*

## SPONSORSHIP 2008

Amidst the backdrop of an unprecedented negative market environment, our fundraising efforts must continue. As of February 26, 2008, we are extremely happy to report total contributions of \$117,500, a new high for support. In a down year, that's pretty impressive.

A few sponsors gave us more this year and we even added a few new contributors. A full list of sponsors is included in this newsletter, and updates are made regularly to our website.

Special thanks to Lisa Good without whom we would not have achieved this successful outcome.

It's never too late to add to our total. Please do what you can to encourage your firms' support. When you see one of sponsors, don't forget to say thanks!

*Susan Dushock*





## EDUCATION COMMITTEE

The Education Committee held three successful meetings over recent months. In October, an Advanced Seminar on Legal and Regulatory Issues was held in Arlington, Virginia. Philadelphia was the site of our annual Introduction to Municipal Bond Credit Analysis in November. Special thanks are due to Anne Ross, who has chaired this event for several years. Finally, in January, the Advanced Seminar on Transportation Debt was held in Marina del Rey, California. All of these events are successful due largely to the hard work of the seminar committees, moderators and speakers. On behalf of Mark Stockwell, who steps down as Education Chair in 2008 to become NFMA Treasurer, the Board of Governors and myself, I would like to express our gratitude to all of you who volunteer your time and efforts to maintaining the high standards of excellence for NFMA educational offerings each year.

For 2008, we are planning an Advanced Seminar in October, topic and location to be determined, the Intro Course in October or November in Philadelphia, and the January Advanced Seminar, topic and location to be determined. To volunteer for any of these efforts, or simply to make suggestions, contact Lisa Good at [lgood@nfma.org](mailto:lgood@nfma.org) or me, at [alexander\\_fraser@sandp.com](mailto:alexander_fraser@sandp.com).

*Alex Fraser*

## BMAF

Boston Municipal Analysts Forum

The BMAF welcomes Geoff Buswick to the 2008 BMAF Board. Geoff, who works in S&P's Boston office, will serve as this year's Treasurer, alongside Vice President, Susan Kendall (Moody's). The BMAF also thanks Bob Donahue (Fidelity), last year's President, for his leadership and ongoing support.

The BMAF has been very active holding meetings spotlighting some key topics of interest to members. In November, the BMAF hosted a "Bond Insurance Update" with broad representation from different market participants including Matt Fabian of Municipal Market Advisors, John Hallacy of Merrill Lynch, Kathleen Shanley of Gimme Credit Publications, and Steve Stelmach of Friedman, Billings, Ramsey & Co.

In December, we held our annual Bowl-O-Rama, a social event. Thank you again to Assured Guaranty for their continued sponsorship of this popular BMAF event.

In January, the BMAF hosted Dr. Joseph Mason, of Drexel University and the Wharton School. Dr. Mason gave a presentation titled "Municipal Bond Industry in Flux" and shared his thoughts on municipal bond ratings, bond insurance, and subprime.

In February, our meeting included a discussion of land secured financings featuring Bob Burch of Banc of America Securities, and Erik Kimball of Akerman Senterfitt.

***The Board is grateful to Columbia Management for providing space for recent meetings.***

*Jeffrey B. Burger*

## 2008 BOARD

last name	first name	seat/represents	society	term	phone	e-mail
Aikman	Greg	At-Large	BMAF	2007-08	617 722-7168	<a href="mailto:Aikman.ga@mellon.com">Aikman.ga@mellon.com</a>
Akesson	Johann	MSMA	MSMA	2008-09	612 340-6841	<a href="mailto:johan.akesson@thrivent.com">johan.akesson@thrivent.com</a>
Barzel	Dari	CSMA	CSMA	2008-09	415 274-1707	<a href="mailto:dari.barzel@moodys.com">dari.barzel@moodys.com</a>
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Hird	Linda	MAGNY	MAGNY	2007-08	212 796 9172	<a href="mailto:Linda.Hird@DEPFA.COM">Linda.Hird@DEPFA.COM</a>
Hogan	Bill	Vice Chair	MAGNY	Officer	212 408-6006	<a href="mailto:bhogan@assuredguaranty.com">bhogan@assuredguaranty.com</a>
Kimball	Erik	At-Large	SMFS	2007-08	407 419-8571	<a href="mailto:erik.kimball@akerman.com">erik.kimball@akerman.com</a>
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Yolland	Rob	Chairman	CSMA	Officer	650 312-3023	<a href="mailto:ryolland@frk.com">ryolland@frk.com</a>





# Annual Conference – Miami Beach – May 2008

**Mark your calendars**, the **25th Annual Conference is scheduled for May 6-9th!** The Annual Conference Sub-committee has developed a content rich program focused on exploring the impact of the current market environment on the municipal sector and other issues at the forefront of today's analytical debates. A copy of the program can be accessed at <http://www.nfma.org>.

*Lisa Washburn and  
Robert Donahue*



## Art Deco District





## T W E N T Y - F I F T H   A N N U A L   C O N F E R E N C E

**NFMA Sponsors 2008**

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First Southwest Company  
Lehman Brothers  
Roosevelt & Cross  
Wells Fargo

**Welcome**

**Reception:** Standard & Poor's Corporation

**Luncheon:** Mintz, Levin, Cohn, Ferris & Glovsky,  
Interactive Data

**Martini Bar:** Assured Guaranty

**Sponsorship Opportunities:** Contact Lisa Good, NFMA Executive Director, at 412-341-4898, or lgood@nfma.org, if you firm is interested in sponsoring the NFMA Annual Conference.





# SMFS

Southern Municipal Finance Society

We've strapped on our seatbelts and are trying to survive the wild ride. You guys at the rating agencies sure are keeping us busy! We continue to work a lot of overtime and look forward to when the market "normalizes", whatever that means.

The SMFS is planning an Energy Conference in Charlotte, North Carolina on April 7-9. Energy 2008, should have something for every one. We have commitments from a number of the top experts in the field of public finance and expect topics to be timely and discussions lively. Some of the areas to be covered are: Nuclear Energy (moderated by Gary Krellenstein, JPMorgan), Prepaid Utility deals (moderated by John Murphy, Fidelity) and a case study on the sector with Jean Lu from Vanguard among others. We're even including an afternoon of golf at one of Charlotte's premier facilities. Please mark the dates on your calendar. We look forward to seeing as many of you as possible in our beautiful city.

The Board has recommended increasing our dues from \$90 to \$100 for 2008.

Barbara VanScoy from Community Capital Management, Inc. is working on setting up a website for the SMFS.

Dyer Greer still working on tightening our by-laws and will report back to the membership on those efforts later this year.

I am very excited about working with the rest of our Board for another productive year: Dale Hoffman, Treasurer, Paula Permenter, Secretary, Ann Early, Membership, Susan Dushock/Keith Lowe, Education, Alex Fraser, Dyer Greer and Dennis Whitaker. I really appreciate their time and commitment to the organization. We are always looking for members who would like to become involved on any of our committees. If anyone has an interest, please contact any board member to volunteer. Hope to see everyone in Charlotte April 7-9 for the Energy Conference and in May for the NFMA's Annual Conference in South Beach!

*Julie Egan*

# CMAS

Chicago Municipal Analysts Society

CMAS held its Holiday Party and Annual Meeting in December at Carnivale Restaurant. At the meeting, the Society elected its new board members for 2008.

**President:** Helen Samuelson, Standard & Poor's

**Vice President:** Edward (Ted) Damutz, Moody's Investors Service

**Treasurer:** William (Bill) Trauner, State Farm

**Secretary:** Craig Falduto, Van Kampen Investment Management

**Member:** James (Jim) LeBuhn, Fitch Ratings

**Member:** Andrea McKeague, McDonnell Investment Management

**Member:** Derek Wolff, Nuveen Investments

**Member:** Antoinette Maxwell, Standard & Poor's.

The board is currently planning the annual economic update seminar, to be held in March. We are looking forward to another good year of interesting topics and fun events.

*Helen Samuelson*

# NFMA CALENDAR

## April 7-9 2008

SMFS Energy Conference  
Omni Charlotte  
Charlotte, North Carolina

## May 6-9, 2008

NFMA Twenty-fifth Annual Conference  
Loews Miami Beach Hotel  
Miami Beach, Florida

## May 5-8, 2009

Twenty-sixth Annual Conference  
Grand Hyatt Seattle  
Seattle, Washington

## May 4-7, 2010

Twenty-seventh Annual Conference  
Hyatt Regency Tamaya Resort  
Santa Ana Pueblo, New Mexico

**If you are traveling and would like to attend another society's meeting, please contact Lisa Good or the applicable society.**



# NFMA

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