

# Municipal Analysts

## BULLETIN

June 2008

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### LETTER FROM THE CHAIR

**The NFMA's 25th Annual Conference in Miami Beach was a tremendous success** and I would like to thank the many individuals who contributed to once again make this the preeminent annual municipal bond conference. I'd like to thank the Conference Chairs, Lisa Washburn and Bob Donahue, and the entire conference committee for putting together a very strong program. It can be difficult to plan a timely conference when you start planning up to a year in advance and the market is changing as quickly as it currently is, but from a content standpoint I think this was one of the finest annual conferences I have attended. I also would like to thank the sponsors for making the conference possible. Not only do the sponsors help keep the cost of the conference reasonable, but their donations allowed an exceptional outdoor banquet, awards dinner and cocktail party. We could not celebrate our 25th Anniversary without a special thank-you to all the past chairs and founding members who have come before us, and I want to thank all those who were in attendance. It was great to see many people I hadn't seen in years. We also are grateful to John Hallacy and his wife, Mary Ann LoFrumento, for putting together a commemorative 25th anniversary video that made its theatrical debut at the conference. And finally, I want to thank Lisa Good and Betsy Harkins for their tireless service and hard work. Lisa is the backbone of the NFMA, and without her dedication none of this would be possible. The NFMA presented Lisa with a nice watch to commemorate our 25th anniversary and her years of service. The '09 Annual Conference will be in Seattle, May 5th to 8th, under the direction of conference co-chairs, Bob Donahue and Mark Stockwell. Anyone interested in assisting should contact Bob, Mark or Lisa Good.

The Education Committee is working on the Fall Advanced Seminar in Memphis and the January Advanced Seminar in Orlando. The Memphis Advanced Seminar will take place at the Peabody Hotel on October 16th & 17th, 2008 with a focus on current topics in public finance, and the January seminar will take place at the Grand Floridian on January 15th & 16th. If you are interested in volunteering for either, please contact the Education Chairs, Alex Fraser and Jeff Burger, or contact Lisa Good.

One of our legal friends pointed out that one of the most significant events in NFMA history took place this past month when the U. S. Supreme Court ruled on the Davis v. Kentucky case and cited the NFMA's amicus brief several times. In fact, one of the opening footnotes referenced our amicus brief. We are all extremely proud that our brief was considered helpful in this landmark case, and owe a great deal to Mintz Levin for a beautifully written brief, and to all the NFMA members who worked on it.

I also want to call attention to a recently released paper on Global Scale Ratings. I think this paper was particularly well-written and timely and again want to thank all those that put time and effort into it, to make it a well received paper.

The municipal market has continued to experience significant turmoil. 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. One of our members recommended posting a job board at the annual conference, which we did. It also might be helpful to remind people of the job bank on the NFMA web site and also direct people to the constituent societies, as many have job banks as well.

*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 had chaired this committee for two and one-half years, providing a tremendous wealth of knowledge and leadership to the committee as well as the Board. Many of the committee's initiatives were the direct result of Erik's insight into the municipal market and NFMA's role therein.

Erik resigned from the committee and the Board of Governors on May 6, following being tapped for an appointment to the federal bench as a bankruptcy judge in Florida. At that time, David Belton was named as a co-chair with Mary Colby, who joined the committee in January 2008.

The "White Paper on Federal Securities Law Relating to Municipal Securities" was released on March 13, 2008 and can be found on the NFMA website. 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 Board has elected to send copies to all members; your copy will be in the mail this week.

On March 17, 2008, the NFMA released a position paper: "GASB and Its Importance to Municipal Credit Analysis" prepared by a subcommittee that included Natalie Cohen, Richard Larkin, Ruth Levine, Anne Ross, Tom Weyl, Eric Friedland and Erik Kimball. The paper is posted on the NFMA website.

On May 1, 2008 the NFMA released a "Comment on the Current Market Dialogue Regarding Municipal Bond Ratings" in response to remarks from a number of municipal market participants and observers regarding the unfairness of the municipal ratings scale. The comment calls for a civil and deliberate dialogue about the use of the municipal ratings scale rather than a rush to implement a scale more reflective of default rates and ultimate recovery levels, particularly given the peculiarities of the municipal market.

On May 19, 2008 the US Supreme Court released its decision on the Davis v. Kentucky matter, overturning the state court ruling. The decision included several references to the amicus brief filed by the NFMA, which had provided information about the potential impacts on the market of the lower court's decision. Our thanks go out to Len Weiser-Varon and his cohorts at Mintz, Levin, Cohen, Ferris, Glovsky and Popeo, P.C. for their help in preparing the brief for the NFMA.

On June 16, 2008 the NFMA released a position paper on the importance of "Underlying Ratings of Municipal Bond Issuers" which urges municipal issuers to apply for underlying ratings when issuing insured bonds, and to request that existing insured bonds also carry underlying ratings. Given the disruptions in the market in recent months due to the downgrade of several of the bond insurers, the NFMA felt a timely reminder to issuers of the benefits of underlying ratings was critical.

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 [lgood@nfma.org](mailto:lgood@nfma.org).

*Mary Colby and David Belton*  
Co-Chairs

# MSMA

Minnesota Society of Municipal Analysts

It was good to see our many friends and colleagues at the 25th NFMA Annual Conference in South Beach. As we head into the summer vacation season, we at the MSMA have several luncheon seminars in the works. Potential topics include the newly announced Moody's Municipal Bond Rating Scale, the Auction Rate Securities unwind and site visits to our large construction projects (35W Bridge, Minnesota Twins and Minnesota Gopher Football Stadiums) as they become nearer completion.

The MSMA board would like to welcome from Todd Emerson of SIT Investments to an At-Large Board Member position. Thanks Todd for "stepping up".

The MSMA 2008 Board looks like this:

**President:** David Statham, Wells Capital Management

**Vice President:** John Akesson, Thrivent Financial

**Treasurer:** Andy Clark, FAF Advisors

**At-Large Board Member:** Todd Emerson, SIT Investment Associates

MSMA membership is now up around 50.

On April 23rd, 2008 the MSMA had a luncheon presentation "Municipal Bond Insurance- An Industry in Turmoil" with Tom Abruzzo, Head of Fitch Ratings' Financial Guarantor Group. Tom discussed the deterioration of the insurers' credit quality and gave Fitch's view on individual credits. Tom also discussed the future of the bond insurance industry. The luncheon was very well received. A special "thank you" goes out to Michele O'Brien of Fitch Ratings.

As summer progresses, we are all looking forward to a little market "stability".

As always, if anyone has additional topics of interest please feel free to contact a board member.

*We are still seeking ideas for a mid-summer social outing.*

David Statham

## Disclosure

Volunteers on the Disclosure Committee continue their work on a number of projects including GASB 45, land-secured bonds, swaps, housing, and health care. We have also recently contributed to NFMA initiatives such as the Comment on the Current Market Dialogue Regarding Municipal Bond Ratings.

Please call us if you have any opinions regarding how to improve market disclosure or if you would like to volunteer for one of our subcommittees.

Greg Clark and Greg Aikman, Co-Chairs

## SPONSORSHIP

It was a very difficult environment to solicit donations for our annual conference and other events, but we did it! We actually surpassed the prior year's amount of \$107,500 by \$15,000 for a grand total of \$122,500.

Thanks to all of you who played a part in getting those donations – especially our esteemed leader, Lisa Good. She was relentless and so was the rest of the committee. It's never too early to start the ball rolling for 2009, so let's get to it. If there are any fundraisers in our midst, come on down and introduce yourselves. We can use all the help we can get.

Susan Dushock

## MEMBERSHIP

Membership is growing steadily. Each society continues to add members and at last count the NFMA boasted 1,074. The new membership brochure is available through Lisa Good in hard copy and via e-mail. Get hold of the brochure and put it in front of likely candidates. Without your help, our membership will never grow. Please get in touch with either Lisa or me with ideas on how you think we can put new members on the role.

Susan Dushock



# MAGNY

Municipal Analysts Group of New York

In this year of tremendous volatility in the markets that was driven primarily by credit events, the MAGNY leadership made a concerted effort to focus on the topics of the day. We started out with a strategy focused session with George Friedlander of Citi and the portfolio manager Joe Deane of Western Asset Management. They provided some context of the ensuing subprime meltdown and provided views on future volume and the implications for rates. Since the subprime debacle continued to crest, we followed with a half day session at the Yale Club on subprime. A unique feature of this session was the contribution from the buy-side in sharing their views of what had been transpiring and ways to cope. Certainly, if there is a major topic on the scale of subprime in the future, we will try this format again. Other sessions included one strictly devoted to volatility and products, featuring Lisa Washburn of Moody's and Eric Vandecaar of Morgan Stanley. Another session focused strictly on Municipal CDS and how the market is developing, including the discussion of the new Municipal CDS Index.

So as not to be strictly focused on the market, we had speakers from New York City, MTA, ESDC, and many others. We did have one session completely focused on healthcare with Jim Cain, the founding partner of Cain Brothers. Analysts who attended came from Philadelphia and Boston as a welcome supplement to our regular attendees. Most of our lunches attracted a minimum of approximately 75 people. For the programs of particular interest, attendees at the lunches approached 200. We are delighted to have more people attending the lunches. This physical attendance helps to keep MAGNY strong from a financial perspective. We raised the luncheon fee to \$70 last year and we have managed to maintain that level for this year. We may be taking an approach of raising the fee every other year. Manhattan is an expensive place to have these programs and every effort is being made to keep cost under control.

We finished the year with a session on bankruptcy given the recent filing in Vallejo, CA. We had two very accomplished and erudite attorneys, William Kannel and Richard Moche, present at the session. There was a high degree of interaction with the audience on the different fine points of a Chapter 9 filing versus a Chapter 11 filing. Of course, one of the major differences is that municipal bankruptcy is voluntary.

We decided for the new year in the Fall to have a Program Chair and a Deputy Program Chair. Program Chair will be Thomas Paolicelli of Moody's, and Deputy Program Chair will be Sandy Matthews of Aroya Capital. We feel this will assist in blending programs with an emphasis on concerns or topics of particular interest to issuers and the buy-side. Of course, sell-side analysts are always included and they often populate our luncheon speaker roster.

We look forward to the Fall program. We will probably start out with a program focused on infrastructure. We will make every effort to make the program diverse and rich in information over the course of the new MAGNY program year.

All suggestions are welcome. Perhaps, if there is a possibility for a joint program with another society, we may explore the benefits of entertaining such a program.

*Have a happy and safe summer.*

*John Hallacy*



California Society of Municipal Analysts

The CSMA Board is planning a summer conference scheduled for June 25. Our preliminary topics begin by addressing core needs of California residents, discussing issues associated with water enterprises and districts. Moving to topics of slightly broader interest, we hope to hear from the City of Vallejo or someone in close touch with events there. And, not to be provincial, we plan to cover global scale ratings and credit default swaps. After all that, we'll certainly need a drink! Hence, turning to our local specialty, we expect to schedule a wine tasting to wrap up the conference.

*Dari Barzel*

## TREASURER'S REPORT

The NFMA continues to maintain its sound financial position, based on unaudited first quarter 2008 reports. A vital component of NFMA's ability to fund its programs has been the support of our corporate sponsors, who have graciously maintained their financial and event support through changing market conditions. Our thanks go out to our sponsors, as well as to NFMA members, as your participation has been the keystone to funding NFMA program activities.

*Mark Stockwell*

*Treasurer*

## Training

The Training Committee continues to make progress on its CCRC project, which is our initial on-line training module, and is considering additional topics that could form the basis for future training. Please call one of us if you have any ideas for our committee, which is responsible for providing online training to our members.

*Greg Clark and Howard Mischel, Co-Chairs*



## 25th Annual Conference

Despite extremely turbulent and busy times in the municipal market, over 300 market professionals were in attendance at the NFMA's 25th Annual Conference! The conference kicked off with a dynamic keynote presentation by Chris Thornberg of Beacon Economics on the state of the housing market, which led into a series of well-organized sessions exploring timely issues such as how municipalities are coping with the housing downturn, disruptions in the short-term market, rating scale comparability, municipal disclosure, the current state of the bond insurance industry and much more!

As a testament to market need for timely and specific education, a last-minute brown bag lunch session on liquidity facility provisions drew such a crowd that it was standing room only! The session was lively and involved a lot of audience participation. Issues were surfaced and discussed in a productive manner, which resulted in a deeper understanding of the various views in the market on these provisions.

The special commemorative video presentation featuring the past chairs of the NFMA was a terrific way to honor their contributions to the organization and demonstrate the increasing impact the NFMA has had on the municipal bond market.

Bob Donahue and Mark Stockwell, co-chairs for the 2009 event in Seattle, WA, will be getting to work soon organizing next year's event. If you are interested in working on the Annual Conference committee, please let them know!

*Lisa Washburn*





## EDUCATION COMMITTEE

The Education Committee is now making plans for its next three events. We will hold an Advanced Seminar at the Peabody Hotel in Memphis, TN on October 16-17 covering current market events such as the impact that bond insurance, liquidity, and rating scales are having on bond issuance and investing this year. On October 23-24, the NFMA will host once again its Introduction to Municipal Bond Credit Analysis at the Loews Philadelphia Hotel. Disney's Grand Floridian in Orlando, Florida, will be the site for another Advanced Seminar from January 15-16, 2009. Keep those dates in mind for a long weekend.

The committee has already recruited a few volunteers to serve during the planning stage and it is not too late to get involved. We will begin actively planning the sessions and seeking moderators in late June. Please feel free to contact me directly or through Lisa Good.

*Alex Fraser*

[alexander\\_fraser@sandp.com](mailto:alexander_fraser@sandp.com)



Southern Municipal Finance Society

**It was wonderful to see so many of our members in South Beach.** We missed those of you who couldn't make it! Hopefully, we'll see you at our next event. The annual conference was great – the panels were informative, the hotel was great and the weather was spectacular. Thanks so much to the conference committee and to Lisa Good for putting on such a classy event.

The Southern Municipal Finance Society was honored by the NFMA at the annual conference for two of the conferences it has hosted – Gulf Coast Recovery (2006) and Energy 08. It was truly a great honor and a really big surprise. The SMFS will always cherish its **Award of Excellence**.

The first half of this year has been busy and productive. In addition to our daily responsibilities, we took on the task of hosting Energy 08 in April in Charlotte, North Carolina. Our thanks go to a tremendous group of speakers. Each gave up their precious time during a very tumultuous period to address our well-attended event. Besides learning an awful lot, the attendees were treated to a tennis and golf event.

We are working on updating and clarifying our bylaws and are in the process of retaining an attorney to help us do it right. We also plan to update our website - you know, put a little pizzazz on the page!

Please come to us with local luncheon ideas. We are all so far apart and local events are really what keep us going. We have two possible programs being planned - one in Arkansas hosted by Dennis Whittaker and one in Texas, hosted by Alex Fraser. Stay tuned for more information throughout the year.

The SMFS welcomes your support and input. Please feel free to contact me or any member of the board to get your ideas in the forefront.

*Regards to all,  
Julie Egan*



*Julie Egan and Susan Dushock*

## 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

## Awards



The NFMA's Awards Committee, chaired by Tom Weyl, presented three awards at this year's Annual Conference.

### 2008 Award of Excellence



#### SOUTHERN MUNICIPAL FINANCE SOCIETY

In recognition of the dedication of the SMFS to the educational mission of the NFMA, as represented by the sponsorship of two timely and outstanding conferences, Gulf Coast Recovery in 2006, and Energy 2008. For each program, SMFS gathered industry leaders and analysts for thought-provoking presentations and discussions of important issues facing the municipal market.



*Tom Weyl, Awards Committee Chair, Susan Dushock and Julie Egan*

### 2008 Meritorious Service



#### ERIK KIMBALL, ESQ.

In deep appreciation for his contributions to the NFMA as Chairman of Industry Practices and Procedures, and as a member of the Board's Executive Committee.

His leadership in two seminal efforts of the NFMA, the Hospital Bond Term Sheet and the Securities Law White Paper, were invaluable. In addition to his visible role on important projects, Erik's experience as an analyst and attorney brought a unique perspective to the deliberations of the Board.



### 2008 Meritorious Service



#### GREG CLARK

In recognition of Greg's willingness to take on any project, no matter how difficult.

Greg has always been a great resource, working both in leadership roles and as a member of the team. His leadership as co-chair of Disclosure, Training, Certification and Membership committees are evidence of his deep commitment to the NFMA. He exemplifies the concept of volunteerism.



*In addition to Tom Weyl, the Awards Committee included Paul Jungquist (MSMA), Ted Damutz (CMAS), Susan Dushock (SMFS), Linda Hird (MAGNY), Jennifer Johnston (CSMA) and Jeffrey Burger (BMAF).*





# ★ TWENTY-FIFTH ★ ANNUAL CONFERENCE



2008 Annual Conference co-chairs,  
Bob Donahue and Lisa Washburn



Disclosure Chairs Greg Clark  
and Greg Aikman



CMAS  
representatives to  
NFMA Board,  
Ted Damutz and  
Helen Samuelson



Past Chairs in attendance at Annual Conference (missing:  
Mary Jo Ochson, Gerry Lian, Tom Weyl)







# ★ TWENTY-FIFTH ★ ANNUAL CONFERENCE



*2008 NFMA Board of Governors*



*Education co-chairs Alex Fraser  
and Jeffrey Burger*



*2009 Annual Conference co-chairs,  
Bob Donahue and Mark Stockwell*



*MSMA representatives on NFMA  
Board, Johan Akesson and  
David Statham*







# ★ TWENTY-FIFTH ★ ANNUAL CONFERENCE







# ★ TWENTY-FIFTH ★ ANNUAL CONFERENCE







# ★ TWENTY-FIFTH ★ ANNUAL CONFERENCE







# ★ TWENTY-FIFTH ★ ANNUAL CONFERENCE



NFMA Staff: Betsy Harkins  
and Lisa Good







# ★ TWENTY-FIFTH ★ ANNUAL CONFERENCE





## 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

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### Conference

#### Event Sponsors:

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# BMAF

Boston Municipal Analysts Forum

The BMAF held several recent meetings focusing on key topics of interest to our members. In March, we held a "State of the States Update" featuring Nicole Johnson and Emily Raimés of Moody's and Robin Prunty of Standard & Poor's. We are grateful for their continued support of our organization

In April, the BMAF hosted George Friedlander of Citigroup who gave a presentation titled "Municipal Bonds in an Environment of Capital Market Transformation." This was a well attended, interactive session which was very relevant given the market turmoil.

The BMAF is working on scheduling a July speaker who will provide political perspective from a politician on municipal ratings, bond insurance, and the state of our market. We will be in touch with membership in the near future with more details.

Finally, the BMAF summer outing will be a tour and tasting at the Harpoon Brewery in Boston on July 31. More information will be forthcoming.

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

*Jeffrey B. Burger*



# CMAS

Chicago Municipal Analysts Society

On Thursday, June 12, we explored the pressure on credit quality experienced by healthcare providers in the local area and globally, presented by a panel of experts in the healthcare industry. We are also busy planning our other summer event, a baseball game outing, to take place later this summer.

We would like to extend a special thank you to Alice Hammer at Northern Trust, for her assistance in securing an economist at her firm as a speaker for our annual economic update this past March. Asha Bangalore provided a very informative presentation about the national economy and an outlook for the year.

*Helen Samuelson*

# NFMA CALENDAR

**June 25** – CSMA Summer Half-Day Conference, San Francisco Ferry Building, San Francisco, CA

**July 31** – BMAF Summer Outing, Harpoon Brewery

**October 15** – NFMA Board of Governors Meeting, Peabody Memphis Hotel

**October 16-17** – NFMA Advanced Seminar, Peabody Memphis Hotel

**October 23-24** – NFMA Introduction to Municipal Bond Credit Analysis, Loews Philadelphia Hotel

**January 14, 2009** – NFMA Board of Governors Meeting, Disney's Grand Floridian, Orlando, FL

**January 15-16, 2009** – NFMA Advanced Seminar, Disney's Grand Floridian, Orlando, FL

**May 5, 2009** – NFMA Board of Governors Meeting, Grand Hyatt Seattle

**May 5-8, 2009** – NFMA 26th Annual Conference, Grand Hyatt Seattle

**May 4, 2010** - NFMA Board of Governors Meeting, Hyatt Regency Tamaya Resort Santa Ana Pueblo, NM

**May 4-7, 2010** – NFMA 27th Annual Conference, Hyatt Regency Tamaya Resort Santa Ana Pueblo, NM

**May 3, 2011** – NFMA Board of Governors Meeting, Charleston Place, Charleston, SC

**May 3-6, 2011** – NFMA 28th Annual Conference, Charleston Place, Charleston, SC

## NFMA

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