

Municipal Analysts

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MARCH 2000

Letter from the Chairman

Dina Kennedy

Year 2000 Greetings to You All! I am honored to be serving as the 2000 NFMA Chairman and look forward to a productive year. 1999 was an outstanding year for the NFMA. Many thanks to the efforts of our immediate past Chair, Mary Metastasio, and all of the 1999 committee chairs and members for their efforts. In 1999, the NFMA offered comments and position papers to the market on many topics, ranging from sector specific disclosure, to yield burning, to disclaimers; board and committee members represented the analyst community/NFMA at many conferences and seminars; and the Education Committee and its participant volunteers provided useful and well received conferences and seminars to our members. Our organization continues to increase its industry visibility, and is now a respected voice which other industry participants expect to hear from on a broad and diverse range of topics concerning our markets.

In 2000, I expect to continue to focus on many of the efforts that were begun last year, and to initiate some new efforts. I think that it is important that the NFMA continue to increase its visibility by being topical and involved. I know that it is critical to the organization that we continue member outreach and education. And I agree with last year's decision to begin examining the NFMA's fundamental organizational structure to ensure that we are structured in the way which will allow us all to provide the best service to each other.

It is exciting to see so many new faces on the Board of Governors this year. I urge you to get involved, too. The workload continues to grow, and we need your help. Please think about getting involved with your local chapters, and with the national NFMA. We are all volunteer organizations. Many of the jobs we need volunteers for are one time tasks, while others are of longer duration. Any amount of time you can squeeze out of your schedule is appreciated. Andy Matteis at Putnam and Peter Bianchini at Schwab are coordinating the NFMA volunteer placement effort this year -- please think about giving either of them a call.

And one final note -- I am here to serve you. If there is an item you think needs to be placed on our agenda, something you want to see posted on our web site, a topic which you think we need to provide an educational seminar on, or any other issue you want discussed or addressed, please don't hesitate to call me at 212-339-3519, or email me at dina_kennedy@fsa.com.



Education

In January, the Education Committee sponsored an Advanced Seminar on Hospital Finance in Phoenix, Arizona. We want to thank the semina co-chairs, Andy Matteis of Putnam Investments and Tom Weyl of Eaton Vance for all of their hard work in putting together this well-received offering. The seminar covered a number of issues critical to hospital finance analysis, including a financial and operational turnaround case study, the current drivers of mergers and acquisitions, and uncovering investment opportunities in this out-of-favor sector.

Our second offering, held in conjunction with the Spring meeting of the California Society of Municipal Analysts, was a Symposium on California Water Issues on March 8 and 9 in Sacramento, California. Joe Rosenblum of Sanford C. Bernstein & Co., Inc. was the NFMA Symposium Chairperson and Ben Stairs was the CSMA Program Chairperson for this event. The CSMA Spring meeting included a financial update and legislative agenda for the State of California and a local issuers panel. A guided tour of the Department of Water Resources Project Operations Center was on the Symposium's agenda as well as sessions with various issuers.

The Education Committee, which includes Steven Bocamazo of Loomis, Sayles and Company, A.G. Anglum of Harris Trust and Savings Bank and Darrick Hills of Dain Rauscher, is asking the membership for assistance in ascertaining what topics they believe should be addressed in future advanced seminars or symposiums. In addition, the committee is always on the look-out for volunteers to assist in putting these educational offerings together. Please call or e-mail any one of us, if you are interested.

Steven Bocamazo

Disclosure Committee

The NFMA's sector specific disclosure efforts reached full stride during the last half of 1999. There are five active sub-committees including Healthcare, Housing, Land Secured, Solid Waste and Higher Education. We are also in the formative stages of establishing a General Obligation sub-committee. I am pleased to report that the enthusiasm and support surrounding our efforts remains strong. A wide cross-section of market participants including representatives of issuers, mutual funds, insurance companies, retail investors, rating agencies, underwriters, law firms and regulators are involved in the formation of the various NFMA disclosure papers. So far, the results have been extremely successful. The Housing sub-committee, under the guidance of Bill DeSante from Muller Data, is in the final stages of completing their paper. Their current objective is to elaborate on the multi-family section of the document by developing specific language to address credit-enhanced housing, assisted projects (Section 8) and unassisted/unenhanced credits. Meanwhile, the paper will be reviewed by the National Council of State Housing Agencies with the goal of finalizing the single-family housing section by the end of March 2000.

The Healthcare sub-committee has finalized their working draft, having solicited comments for the piece from the marketplace during the last half of 1999. The group received extensive feedback and suggestions and are currently incorporating those suggestions under the guidance of co-chairs Tom Weyl of Eaton Vance and Emmeline Rocha-Sinha of MBIA Insurance. Tom also spent time bringing the Board of Governors up to speed on the status of the Healthcare paper at the Board meeting in January. The NFMA participated in two forums on hospital finance disclosure sponsored by the Municipal Securities Rulemaking Board (MSRB). These events were held in March in New York and in San Francisco.

The Land Secured sub-committee advanced their paper on the heels of several MSRB forums on land secured disclosure in 1999. They also received extensive feedback and suggestions from numerous market participants on how to reconcile the challenging issues involved in gaining access to valuable information in that sector. The group, under the leadership of Ron Mintz from Putnam Investments and Fritz Goss of Muni Financial, spent the last part of 1999 reconciling the comments they received and are incorporating those suggestions into the land secured paper for final adoption of the paper by mid-2000.

The Solid Waste sub-committee, under the guidance of Chuck Emrich of Legg Mason and Janet Martin from Fitch IBCA, are the latest group to have developed a "white paper" involving disclosure issues in that sector. Both Janet and Chuck did an outstanding job in presenting the paper to the Board at its meeting in January. They received positive feedback from the Board and were commended on the thoroughness and scope of the committee's work product. The committee will make their paper available for comment via the NFMA's web-site in the Spring. The Higher Education subcommittee is diligently drafting their position paper for presentation to the Board of Governors before the NFMA's annual conference in Miami Beach, Florida on May 16-19, 2000. Patrick Early of AG Edwards and Judi Harvey of American Express lead that effort.

We are in the formative stages of assembling a disclosure sub-committee to address issues relevant to general obligation bonds. Initially, the focus of this group will be to tackle the Governmental Accounting Standards Board Statement (GASB) No. 34 regarding basic financial statements and management's discussion and analysis for state and local governments. The requirements of Statement 34 phase-in over the next four years. This committee will work with the Governmental Accounting Standards Advisory Council (GASAC) to formulate a NFMA position paper which is consistent with the new GASB guidelines. The membership of this sub-committee will be finalized over the next several months with the goal of drafting a position paper by the end of 2000.

The Solid Waste, Higher Education and General Obligation sub-committees are scheduled to conduct box lunch disclosure workshops on the afternoon of May 18th at the annual conference in Miami Beach. Please join us to discuss the committees' goals and agenda and get an inside view on the progress of the committees. Also, don't miss Paul Maco, Director of Municipal Securities at the Securities and Exchange Commission, Fredric Weber Esq., Partner at Fulbright & Jaworski, LLP, Maureen Newman, Vice President at Colonial Management Associates and me as we tackle a disclosure case study on the afternoon of May 16th under the leadership on Ann-Ellen Hornidge, Esq., Partner at Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C.

The NFMA is built on a model of volunteerism. If you feel passionate about disclosure issues in a sector not currently considered by the NFMA, please let me know. I can be reached by phone at (650) 632-4522, or via e-mail at jwilson@saybrook.net. There are over 45 individuals dedicating their valuable resources to our efforts. We are always looking for people to help facilitate one of the primary missions of the NFMA--disclosure advocacy.

Each of the position papers is available via the NFMA's web-site (www.nfma.org). They are located in the disclosure guidelines section. Please visit the NFMA's web-site or contact the disclosure sub-committees if you have feedback on the disclosure process or content of the papers. Together, we can make a difference toward gaining better, timelier access to information related to issues in the municipal bond market. On behalf of everyone involved in the NFMA's disclosure effort, I would like to thank Dina Kennedy of FSA, current chair of the Board of Governors, for the outstanding leadership and administrative oversight she provided during her tenure as Disclosure Chair. Her efforts are evident throughout the various committees and disclosure papers. Dina, thank you.

Jeffrey M. Wilson

MAGNY

The Municipal Analysts Group of New York finished 1999 on a strong note. Our November 19th guest speaker was William P. Smith, a municipal bankruptcy attorney with McDermott, Will & Emery of Chicago, who addressed an overflow crowd of members at the Yale Club in mid-town Manhattan. At our monthly lunch, Mr. Smith shared his perspectives on the changing atmosphere of Chapter 9 municipal bankruptcies and his take on recent court decisions on this very important topic. We followed this up on Dec 16th with our exceptional MAGNY Holiday party, the last of the century. For the first time ever (and maybe the last time!) we celebrated every conceivable holiday and feast day all rolled into one big soiree. We even had the "Twelve Days of MAGNY" --- door prizes that were handed out to some winners who are still trying to figure out what they did to deserve them! It was truly the mother of all parties.

We started what many non-mathematicians consider to be the beginning of the new millennium with an excellent speech made on January 14th at the Yale Club. It was given by Eugene W. Harper, Jr., an attorney with Squire, Sanders & Dempsey based here in New York. Mr. Harper gave a lively talk on the topic: "Charter Schools and Other Alternatives - Their Effect on Public School Credit and the Municipal Bond Market". This very important issue is moving more and more to the forefront of society as the general public becomes less and less enchanted with the quality of education provided by public schools. Mr. Harper gave many insights into the potential effect of these new initiatives on existing (and potential) municipal debt supported directly by school district taxes.

Our guest speaker in February was James J. Nipper, from the American Public Power Association, where he is the Associate Executive Director. Mr. Nipper spoke about "A New Era for Electric Utilities." Speakers for the March meeting are Hans Arnold, Executive Director of the Oneida-Herkeimer Solid Waste Authority and Michael Cahill, Esq., an attorney who successfully argued the Smithtown case in U.S. District Court. They will address the topic "The Demise of Flow Control: What Works After Carbone?" Also down the road, we are planning a large interactive presentation on May 12th when we go "surfing the Net" in search of the best web sites for municipal bond research. There's still time to sign-up and join us as we take a live computer tour on a large projection screen that will give everyone who attends a new outlook on information sources. It should be a wild journey as we track down late-breaking municipal bond news on the Internet! We will be visiting local, state and Federal sites --- but no luggage is needed, just an open mind. Finally, our 50th Anniversary Celebration is coming up--- details will follow.

Donald King Cirillo

California Society of Municipal Analysts

Last year was an extremely successful one for the CSMA. We had our traditional Spring and Fall Conferences. Attendance at the Fall Conference in Long Beach was among the highest we have had in Southern California. In August, in San Francisco, we had our very first after work get-together. CSMA membership hit a new high - 130!

We are off to a great start in 2000. In January, we had our second social get-together - a "Post Y2K Celebration." Although the Y2K stories were in short supply, a good time was had by all. Thanks to Liz Isaacs and Molly Butler for putting it all together.

In March, we are combining our Spring Conference with the NFMA's Symposium on California Water Issues in Sacramento. The CSMA's program included presentations by local issuers, a panel on the state budget and legislative issues, and a presentation on the California economy.

Ken Kurtz

Industry Practices and Procedures

The Industry Practices and Procedures Committee is charged with "examining municipal market issues and addressing the concerns of the Federation with regards to practices and standards within the industry". We have done so on a couple of issues in recent months, with more on the horizon.

In late 1999, we responded to with our comments to the National Association of Bond Lawyers regarding its proposed Form Indenture for municipal bonds. We also commented on The Bond Market Association's draft of Recommended Uniform Disclosure Practice for Municipal Bond Official Statements. Both documents can be found on our web site at www.nfma.org.

We will next be turning our attention to the SEC's proposed rule on Selective Disclosure and Insider Trading, currently in its comment period. If there is an issue you feel the NFMA should be addressing, please contact me at (206) 545-5736 or marmet@safeco.com.

Mary Metastasio

Minnesota Society of Municipal Analysts

1999 was an extremely successful year for MSMA. We celebrated our sixth anniversary and hosted five meetings during the course of the year. We began with a panel discussion on senior housing featuring Daniel Lindh, CEO of Presbyterian Homes and Mark Landreville, Executive Vice President of Dougherty Summit Securities. Our second meeting featured another panel with Steve Cramer, the new Executive Director of the Minneapolis Community Development Agency and Chuck Ballentine, the Planning Director for the City of Minneapolis. Dr. Gordy Alexander, Senior Vice President of the Fairview University Medical Center headlined our third meeting. David Litvack of Fitch/IBCA discussed his latest research into municipal defaults at our fourth meeting. We concluded with a fascinating presentation by Richard Hokenson, the Chief Economist of Donaldson Lufkin & Jenrette who shared his unique perspective on demographics. We held our first meeting of the new millennium on March 9, when Martha McMurry, a senior researcher in the State Demographer's office, discussed the research her group conducts.

At the last Board of Governor's meeting of the NFMA, MSMA was granted a second Board seat which will be filled by Patricia Eitrheim. For the year 2000, our current board will be entering the second year of their two-year terms and are: President: Darrick Hills, Dain Rauscher Inc. Vice President: Patricia Eitrheim, American Express Financial Advisors Secretary/Treasurer: Debbie Sit, Sit Investments At Large: David Rowland, St. Paul Companies and Michael Frederickson, US Bank/Piper Jaffray.

Darrick Hills

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SEE YOU IN MIAMI?

This year's 17th Annual Conference in Miami Beach, Florida promises to be extraordinary in many respects. Conference brochures were mailed to members late last month. If you have not received yours, check out the program on our web site, www.nfma.org under the events calendar, or call Lisa Good at 412-341-4898.

The week begins on Tuesday, May 16 with a pre-conference Issuers' Day featuring the region's largest and most visible issuers. A Welcome Reception will be held that night. Conference registration will take place on Wednesday morning, followed by a full day's program including an economic update panel, an industry roundtable discussion, a panel on financing K-12 education and a disclosure case study. To update members on the workings of the Board of Governors and various key committees, the luncheon will include an NFMA business meeting.

Thursday's program begins with a session on E-Commerce, followed by five break-outs on various topics. The break-outs will be presented twice, enabling registrants to choose two. In the afternoon, NFMA members will have the option of registering for one of three workshops on disclosure. Following the workshops, there is a presentation on tourism as an economic development tool and tour of Miami Beach's Art Deco District. Thursday evening includes the NFMA's annual Awards Dinner. MBIA has once again agreed to sponsor the reception preceding dinner.

The Governmental Accounting Standards Advisory Council (GASAC) will hold its spring meeting in conjunction with the Annual Conference, so attendees will have the opportunity to meet with a number of the council's members (Mary Metastasio is the NFMA representative). On Friday morning, GASAC will make a presentation to the NFMA general session to discuss new reporting standards for governments, user guides and current GASB projects to improve reporting. Two compelling sessions on credit issues and credit quality will follow the GASAC presentation. The conference will adjourn at noon.

For those of you who are unfamiliar with the Loews Miami Beach Hotel, it was opened in late 1998. It consists of a brand new structure, as well as a refurbishment of an old hotel, the St. Moritz. It is featured on the cover of the 2000 edition of *Resorts & Great Hotels, the Connoisseur's Guide to the World's Best*.

NFMA

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NFMA

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NFMA ON THE WEB

<http://www.nfma.org>

CHECK IT FOR THE LATEST INFORMATION!

NFMA Calendar

May 12 - MAGNY Luncheon

May 16 - NFMA Board of Governors Meeting - Miami Beach, FL

May 16 - NFMA Pre-Conference Issuers' Day, Loews Miami Beach Hotel, Miami, FL

May 17 - 19 - NFMA 17th Annual Conference, Loews Miami Beach Hotel, Miami, FL

October - Introduction to Municipal Bond Credit Analysis

May 9-11, 2001 - NFMA 18th Annual Conference, Four Seasons Hotel, Las Vegas, NV

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