Catherine Interviews Joe Mysak
Insight on the Municipal Market
The Solari Report: April 5, 2012

Catherine: We're calling this interview with Joe Mysak "Insight on the Municipal Market." Joe is certainly a person who has extraordinary insight on this market. He's made a career of helping his readers understand the municipal bond markets and on all sides of it. He's got a wonderful book called *Handbook for Muni Bond Issuers*. If you're a public official, handling your bond issuance and your finances is unbelievably important.

Because this is a complex market, there are many things that have to go right to do manage municipal finances smoothly. If bond issuance goes wrong, it can significantly raise your cost of capital or hurt the local finances, so it's very important. I think the handbook is a wonderful book for you or government officials you know who could benefit from it. Now Joe has a new book that's fantastic. It's the *Encyclopedia of Municipal Bonds: A Reference Guide to Market Events, Structures, Dynamics and Investment Knowledge*.

One of the things I find with my clients is they're very smart. They're very sensible. They understand a lot of about finance. What they're missing is good definitions of words and technical terms. When they go into a market that they don't understand, like municipal bonds, if they just have a great encyclopedia and can look up the words, they can navigate a lot by themselves. So if you need such a book, if you're investing in municipal bonds or dealing with them in any way, I recommend Joe's new book. It's a very rich and complete resource book. It also has a lot of very interesting stuff about – hidden beneath those stories and sections.

Joe began writing for *The Bond Buyer*, which was when I was on Wall Street *the* paper covering the municipal markets, and then wrote for *Grant's Observer*, starting his own municipal piece for *Grant's Observer*, which was at the time one of the finest subscriptions you could have in the fixed income market. For many, many years I was a subscriber to *Grant's Observer*. In 1999, Joe went to Bloomberg where he serves as the editor for the *Bloomberg Brief Municipal Market*. So this is somebody who has a very rich insight and background in the municipal market.

And with that, let me bring him in. Joe, are you with us?

Joe: I am, Catherine. Thanks for having me on.

Catherine: Oh, it's good to hear your voice. This is – it's funny because I love talking about the municipal market, and I never get to talk to people who are real pros in the municipal market these days. So this is a real treat for me. So let me just give you a chance to bring us up. Tell us what you've been doing most recently.

Joe: Well, I generally keep baker's hours, because I put out a daily report on the municipal market called *Bloomberg Brief: The Municipal Market*. It's about four or six pages – sometimes a little more. It comes out every day. It goes out over the terminal. It's also sent out to subscribers. And so that's what I do. I get in the office around 3:45 a.m. and put the publication together, and we send it out every day at around 7:00 a.m.

Catherine: Wow! That is baker hours! Okay – so give us a little overview. I think many of the people listening tonight are familiar with the municipal market, but just give us a little overview of the size and scope of the market.

Joe: Well, you know, the thing is with the municipal market, and what I try to do in the encyclopedia, if there are three words that investors can take away with them, it's that generalization is meaningless. There –

Catherine: Boy, that's the case.

Joe: Yeah, you have this – it's an enormous market. It is particular and specific to a remarkable degree. It requires study. It requires a little bit of analysis, and this is the kind of thing that for years I think investors really didn't want to do. That's primarily because as MSRB statistics have shown – Municipal Securities Rulemaking Board – is that most bonds go to bond heaven. They are sold. They are priced, and after about 30 days they're no longer there.

Catherine: There's no secondary market for a lot of the issues.

Joe: There is – you know, there is a secondary market, but most municipal bonds after 30 days go away. Investor's put them away and don't think about them, and that's why the market is not as liquid as people might expect a market to be. So when things go wrong – when lots of people are selling – when lots of institutions are selling – things get a little gummy. So it's an enormous market, and you have – it's $3.7 trillion worth of municipal bonds out there.

There are, as I always try to tell people, according to the latest census of governments which is done every five years, almost 90,000 governmental entities in the United States: 90,000. So it's sort of amazing to me when you have Harrisburg or Jefferson County or Detroit or Stockton – reporters play connect-the-dots and say, "Well, here's a trend here."

And I read stories like this and say, "Really? Trend? 90,000 individual governments out there, and you call this a trend?" So you know, 90,000 – maybe between 50,000 and 60,000 have actually sold bonds at one time or another. So it's this enormous thing, and it's very difficult to get a handle on.

Catherine: Right – in some ways it's sort of the opposite of the – you know, the government – the treasury market. The treasury market, you have one credit and trillions of dollars, and in this one you have trillions of dollars and just an enormous amount of different issuers, and it's very – I always thought of this market as quirky. It's very quirky.

Joe: Right, right – yeah.

Catherine: One of the things I wanted to mention is that – maybe if you could just talk a little bit about the difference between a general obligation and a revenue bond.

Joe: This is something that's been very much in the news. For the longest time, people would describe the market as having essentially two bond structures. One is a revenue bond, which is supported by, as you might think, revenues such as water bills – something like that – toll fares – and the other is general obligation where a municipality pledges its full faith credit and its taxing power. And what's happened – and for the longest time, we all thought that general obligation bonds were sort of sacrosanct, that municipalities were bound to make payments on this kind of debt, that it was the safest possible bond you could get.

And over the last I really wanna say just months, we've come to realize that certain municipalities may opt not to pay their general obligation debt, and some municipalities if they go into Chapter 9 bankruptcy, the general obligation bondholders are unsecured creditors. They are unsecured creditors in 22 states; 28 states say that general obligation bondholders are secured creditors.

Catherine: So that means that ad valorem taxes and taxpayers aren't on the hook.

Joe: Right – right – so this is very – it's somewhat disconcerting to the market. I carried something in the brief today about Jefferson County, and Jefferson County says – and it's bonds – you know, "These are general obligation bonds, and here's the variety of revenues that are behind them," and then it says, "While this is true, no – none of these taxes are specially pledged to the repayment of the bonds," which most people would never take a look at something like that, and most people wouldn't fathom it. But it just goes to show that if you're going to get involved in this market, you really have to read the documents, which is – you know, it's not that difficult a thing to do.

Just get a hold of the official statements and take a look. Go through there. Read a little bit. After a while you get to know what kind of boilerplate you could throw out and not pay attention to. And that's fastened upon the security for the bonds, you know, exactly what it's being used for, etc., etc.

Catherine: The one thing that frustrates me in the municipal market is I find it very hard to find the official statements. So if you want the official statement, you've – unless you are part of an expensive service, you've gotta start calling up the issuer, and it can be a real runaround to try and get it. Do you have any idea on how we get the official statements?

Joe: Yeah, well, nowadays you can go on the Municipal Securities Rulemaking Board's website, and they have a lot of the official statements online, and that's a remarkable resource.

Catherine: Now, isn't that just for the biggest issuers, or they have it for the little guys, too?

Joe: They have it for the little guys as well.

Catherine: Okay - that's good to know.

Joe: Yeah – a remarkable amount of information is out there. You know, there's – people like to say, "Well, the municipal market is murky, and there's no disclosure.

Catherine: Well, there's a ton of disclosure.

Joe: There's a ton – exactly, there's a ton of disclosure. There's a ton of stuff out there if you take a look and try to – you have to try to find it first, but then really the Municipal Securities Rulemaking Board's website is an amazing resource that contains tons of material – lots of material event notices, all sorts of things that are very useful for investors.

Catherine: I should just note for everybody listening who hasn't spent any time in this market, an official statement is the municipal bond equivalent of a prospectus. So what's called a prospectus in the equity markets – this is an official statement in the municipal markets. I remember when I was in –

Joe: That other market – yeah.

Catherine: That other market! There used to be a guy at New York State whose full-time job was just to do the economic section of the official statement.

Joe: Yeah, yeah.

Catherine: And he was fabulous, and that was just the kind of investment that a lot of these issuers put into maintaining unbelievable quality.

Joe: I like that story. There's some I guess misapprehension that – that all the people on the government side are a bunch of feckless rubes and sort of don't know what they're doing. Maybe it's a kind of a Wall Street view. But there are a lot of public servants out there who try very hard to sweat the details and, you know, like you say, you know, "Here, you just work on the economic section of this document." And there's lots of people like that in the municipal market, as you know.

Catherine: Well, I often get asked the question, "How do I learn about the economy in my county and in my state?" and one of the things I try and do is I encourage people to go read the official statements, because generally they have a wealth of resources about the local or the state economy. I will also say that generally the quality of state and local officials in this area is very, very high.

If you look at the complexity of doing these kinds of financings how few problems there have been over the last 20 years. I think the biggest problem was you had a lot of very high-priced people being paid a huge amount of money to talk them into doing really stupid things.

Joe: Oh, no!

Catherine: I know! You know, I hate to bring this up because it's gotten so many press, but the – you know, there really are very few stories of crazy things going on, but when you get one of those stories, you just roll your eyes – because I've been reading your articles on Jefferson County (Alabama), and I'll occasionally follow that. And you think, "How could it have ever gotten this bad?"

Joe: Yeah.

Catherine: I know.

Joe: Yeah – just kind of amazing when you think about it – yeah. But like you say, there's a very – you know, we're – I mean, I guess if you wanted to generalize, yes, you have very smart, very well-paid bankers on the one hand, and their knowledge of what they're selling is enormous. And on the other you have the local official who's trying to do his best or her best, and their knowledge of the municipal market may be very small because maybe they don't come to market every three months like a big New York issuer. Maybe they come to the market every year or couple of years. Terrible things.

Catherine: I had a very funny – when I was FHA commissioner, I had a – the security – it was the SIA, not the MSRB, but it was this securities association wanted to meet with me. So finally, I had them over to my house for lunch one weekend. And the chairman came over and this one banker from a firm I will not mention that starts with – whose initials are GS – and the guy basically said something to me that was a complete lie. And I looked at him, and I said, "How – you know, I can understand why you'd want to lie to a regulator to get what you want, but why would you lie to somebody who knows you're lying?"

And the chairman of the SIA just went right – he just went under the table, he was so embarrassed. I can say this because I was one of the investment bankers – you see that kind of aggressive lobbying year after year after year, and it's part of the challenge of what the government officials have to deal with. Well, let's turn and talk about some of the big trends that if you're a municipal official that you're facing and how that's going to impact the bond market. I just wanted to talk through so much.

There was a report in *Kiplinger* I just wanted to read about the budget pressures that municipalities are going to be dealing with next year. It's from *Kiplinger's* last week. "Still watching post-recession red ink and facing the prospect of fewer federal dollars to come as Washington reins in budget, many states will raise taxes and fees to make up for shortfalls of $49 billion in 2013. Some 30 state budgets will be in the red next year, and legislatures' hands are tied. States can't run a deficit the way Uncle Sam can, and many have already made severe cuts in services or exhausted their stop gap measures."

It goes on and on. Interestingly enough, *Kiplinger's* says, "Blame demographics - next year alone, 350,000 more kids in public schools than in 2008, 1.7 million more in public colleges and universities, and 5.6 million more folks added to Medicaid roles because of job losses and wage and benefit cuts," and it goes on. So Kiplinger is saying is the pressure is going to be on state and local budgets after the election.

Joe: Yeah, and, you know, here's where some people might say, "Well, the municipalities are just going to throw in the towel," so to speak. They're just going to say – the idea that, "Well, we have to choose between our constituents and paying debt service, so we're going to stop paying debt service, and we're going to try to just do our jobs every day," which of course you can't do because then you're cut off from the credit markets. You know, what are issuers going to do? Well, they're going to do what they always do. They're going to do their jobs.

There are very few public officials who desire to lose power. If you wanna come down to the most raw angle, a city council member doesn't wanna say, "That's it; game over." Everybody is going to be fighting right to the last trench. Look what's happening in Detroit right now. They just voted to allow a sort of oversight board, which I guess is sort of like a financial control board, but not quite. Almost – but that's the kind of thing they do. You're not going to – you very rarely have a municipality that just sort of gives it up.

What are they going to do? They're going to make hard choices.

Catherine: Right – they're going to make hard choices. They're going to work their way through it.

Joe: Right.

Catherine: And it's where the rubber is going to meet the road on reengineering the economy –

Joe: Yeah – some people won't, and some municipalities will get into further trouble. But then again, you know, there is that level of the state. The state comes in and says – some states. Not all. Certainly it doesn't seem like Alabama's working very hard, but some states are going to come and say, "Okay, you have to stop right now. Here – let's get things back in order here; otherwise, this is a bad thing." You know!

Catherine: Well, I don't mean to brag, Joe, but I live in a town – our cash reserves are more than ten times our annual expenditures.

Joe: Very good.

Catherine: Yeah – our city council meets once a month, and you know what they do at the city council meeting? They look at the bills, and they write the checks because we don't have any staff.

Joe: All right – you know, that's – okay, at a very basic level that's what they do, and that's what they're going to continue doing. And so, I don't know, I somehow don't see this big, massive meltdown of the market. This is – they just – they muddle along. You know, I guess what we've become accustomed to is this sort of insane hyperbole, and I really blame the Internet a great deal for this, where everything is the end of the world. And you know, guess what? When it's Armageddon, you'll know it.

So thing – what happens? Things tend to just muddle along, and they just bump along, and people grind it out. That's how things work. There's no big fireball.

Catherine: Well, here's – here is one of the questions that I don't know the answer to, and I'm fascinated to hear what you have to say, which is one of the things that municipalities are struggling with is the pension fund requirements. And I would love to know what you think is coming over the next ten years in terms of their ability to continue to fund and support the pension funds.

Joe: Well, once again, if you look back at the year – I think it was 2000, almost all the pension funds were 100 percent funded, which is amazing to think after reading so many stories in the press you'd swear that municipalities and states have been shortchanging pension funds forever. But, no. What really happened? They lost money in the stock market. And what's going to happen? They're going to make money back in the stock market and other investments that they've made. They're not going to get crushed by these pension obligations.

There's also the obligations of the unfunded pension – you know, the mainly healthcare benefits that they've handed out. They are making cuts and adjustments. They already have done a lot of that. I forget which association it is – it might be the Retirement Administrators – but they come out with a report saying, "Well, you know, 40 states have already made various adjustments," and this goes on every year. So I don't see this massive wave – this tsunami coming and wiping out all the pensioners. There are bad spots and hot spots, if you will.

But, you know, guess what? Things go along, and there's going to be taxes raised, and there are going to be various reforms put in. So just like – how can I say it? Muddling along is probably the way that most municipalities and states are going to be handling their pensions. Ten years? People don't know what's going to happen in two years, so I can't even – as I say, if you look back at 2000, 100 percent funded. And you know, there's a problem with that, too, because once the politicians and the lawmakers see that a pension is 100 percent funded or more, they start playing games, and bad things happen then.

So I'm not thrown completely by this. I know there's certain people who think that it's going to be this absolutely crushing burden, and that it's the end of the world. But, you know, it just – no, that doesn't happen.

Catherine: Well, I don't think we're going to see Armageddon whatsoever, but I do think that you're going to see municipalities right at the heart of this vice, because the federal government for now can just print paper, and that drives everybody's expenses up, including municipalities. But they have to balance their budget, and they can't print paper. And that means their incomes fall as the unemployment and the household incomes have fallen. And so they get more dependent on the federal money, and they get squeezed just like every one of us is squeezed in our own household budget.

And so they're in a position where they have to balance the budget. So they're going to make the choices.

Joe: It's going to be very difficult. This is not an easy job. This is a – you know, maybe – maybe if everyone doesn't go to Wall Street like they did for – I don't know – the last decade – maybe decade and a half – maybe if you have lots of smart people who go into public sector for a few years, maybe that'll be a big help. It's going to be a very challenging job.

Catherine: Hey, you know something? It wouldn't – one of the things I try and do is get all of my subscribers terribly, terribly interested in local elections. And it's always amazing to me in a year with a presidential election how much we pay attention to the presidential, and we don't pay attention to the local, which is where a lot of the decisions get made. So it wouldn't surprise me to see a lot more people interested in serving in local government as a result of what's happening. And I think that could be very positive.

I live in Tennessee, and the caliber and the quality of people who go into state government here is extraordinary. And it makes an enormous difference in the quality of the life.

Joe: That's great! Yeah.

Catherine: I've dealt with state and local government in many different – you know, just as a citizen or dealing in business or – and it's amazing. Everywhere you go, you get somebody that you like and his highly competent and really knows their stuff, and it makes an enormous difference to the day-to-day life and the productivity of business. What do you think are some of the other important trends, Joe?

Joe: I think that the market – if you look back at the last few years – is remarkably resilient. I mean, the municipalities are still selling bonds, and people are still buying bonds despite various really amazing things where you had a few years ago the auction rate securities market basically go away. You know, it froze up causing tremendous disruption. Then you had the municipal bond insurers – almost all of them downgraded – oh, no, all of them downgraded eventually because of their involvement, not in municipal securities, but in mortgage bank securities and other things – structured securities – things like that.

So just those two things were amazing. Then you also had this entire big-rigging scandal that has been infecting the market for, I don't know, ten years maybe. This is – you know, we've had this enormous investigation going on and rumors, and –

Catherine: This wasn't the yield burning? This was something else.

Joe: Well, this was like son of yield burning. You know, like, "Yield burning never stopped," as an IRS official once said, you know, somewhat ruefully.

Catherine: Okay.

Joe: So any of these things on their own would have been enormous, but you had them all take place in the last three years, and then you also have – you know, this year you have the business with Harrisburg and Stockton and Vallejo and Detroit and Providence and Central Falls – so you have all this going on. So what do we see going forward? Probably more skepticism about Wall Street and about various security structures.

Catherine: Well, most of the purchases in the municipal market are institutional. So when retail buys, they buy through the funds. And I would assume that some of the protection is the people – you know, a lot of the scare headlines don't scare an institutional manager who's managing a big fund and who knows why that doesn't affect them. Isn't that part of what is impacting this market?

Joe: Well, yeah, I mean, we sort of like – why is that – when we talk about the market a second, I'm thinking about two things here. On the one hand, I'm thinking about the issuers being more skeptical when bankers come in and offer them various –

Catherine: Well, that's good, Joe.

Joe: That's a good thing – right.

Catherine: That's a good thing!

Joe: Yeah! And on the other side, I see investors who aren't really shaken – and really both individuals and institutions, yeah. And then there are so many stories that you can tell about all different sectors and parts of the market, which is part of the – you know, one of the things I tried to get into the encyclopedia – some of the little stories –

Catherine: You've got a lot of very delicious nuggets into the encyclopedia. I thought that was good.

Joe: Well, you know, the inspiration for it was – I was on the phone with a publisher, and they asked me, "Do you wanna update the handbook?" which as you pointed out was published in 1998. And it aims at issuers. It's aimed at, "Here's how to get your bond issues sold; here's how to access this market." And I said, "Well, I don't think so." You know, it kind of hangs together still, even though it was published in 1998. And then I had a review copy on my desk of a book by Edward Steers, Jr. called *The Lincoln Assassination Encyclopedia*.

And I said, "How about *Encyclopedia of Municipal Bonds*?" And they said, "Sold!" Like, "Let's – you know, give us a pitch. That sounds good!" because he has – you know, his format was just small entries, some larger than others, and listing sources, and I thought, "Gee, there's so many stories on the market that haven't been told because the books out there, by and large, have been written by professionals who wanna sell you something, whether you're an investor or whether you're an issuer. They wanna sell those services, so they wanna sell banking services or legal services.

And there's also the – the sort of managed books – you know, the big, dense books full of, you know, maybe 30 or 40 different articles written by everyone – you know, bond lawyers, bankers, investors, issuers – you know, all about various aspects of the market, but without much of a sense of the history of what's gone before and without much sense of the history of all the little things that have occurred. And then – you know, and by the way, the encyclopedia – this has been a horrible time to come out with any sort of book that tries to say, "Okay" – I mean, it's just a snapshot in time, you know.

I mean, I look at it now and say, "Wow, I wanna add this. I wanna add this. I wanna add this." So if everyone goes out and buys it, then we'll get to a second edition, and I could update it like that. But *The Lincoln Assassination Encyclopedia* –

Catherine: Well, the reviews have been very positive.

Joe: Well, you know, I tried to take a different approach to a subject that's sort of topical right now after the whole *60 Minutes* Meredith Whitney business. And –

Catherine: But you did – I have to – I just have to stop you. You did a great job of refuting Whitney's comment. You communicated this is a far more complex and quirky thing. You didn't say, "This person knows nothing about this market," but you did a very good job, I thought.

Joe: Well, thank you. You know, the – one of the things Meredith Whitney was saying, and she's repeated, she says, "I can't believe nobody is saying these things. I can't believe nobody" – meaning – and I take it as a journalist – "I can't believe nobody's writing stories about this." So as I take pains in the encyclopedia to show, "Oh, lots of people have been writing stories about these things, and there's been lots of very good coverage."

I mean, just because you haven't read it doesn't mean it hasn't been there. And the whole business about the pensions – I mean, it's important for people to know that, yes, in 2000 the pensions were fully funded. And what happened after that? Okay, well, lots of different things. But it's not as though – or take for example another thing with pensions: the investment returns. And I read the other day a story that said the return assumptions were wildly optimistic.

And in fact, no, I mean the pensions – the assumptions on investments were in the eights, and at the time the investors looked back 25 years and said, "Well, we've made 9.3 percent over the last 25 years; 8 percent does not seem unreasonable or wildly optimistic." And you know, of course, some people had 8.5; some people had 9, but this – there's lots of stuff. There's lots of stories, lots of information out there. Just because some people hadn't read this stuff like you have, obviously, doesn't mean it wasn't out there and that nobody was writing it.

Or like nobody was saying that municipalities are experiencing a great deal of fiscal pain. Of course, people have been writing about it, both on the local level and on the national level.

Catherine: Right – but I think when Whitney – I never looked at what the details of what Whitney – I don't know if she had a report or not or if it was just her interview. But I don't think Whitney understood the number of rabbits that can get pulled out of the hat in the process of municipalities and states muddling through.

Joe: Oh, yeah – that whole business about kicking the can down the road.

Catherine: Right – so municipalities have a thousand things they can legitimately do to kick the can down the road, and I think for 2013 and 2014, the squeeze is definitely going to be on. The big question in my mind that could swing it – you know, as Tina Turner said, "We can do this nice or rough."

Joe: I was wondering where you were going with that, Catherine.

Catherine: So is the squeeze going to be nice or rough? Is the debasement issue – because I'm an investment advisor these days, and one of the reasons my clients have been doing less and less municipal bonds is they are dollar denominated, and they can't afford to get debased. And so since 2003, it hasn't in most years been a good bet versus things that have more inflation protection. And so the question is if that debasement continues in the dollar, municipal bonds are going to pay the price for that.

If they have to pay that price when they're also getting squeezed on the budgets, that's going to make it – you know, the swing between nice versus rough is more and more investors say, "Look, we just can't afford – we have to downsize our dollar denominated investments," and they get caught in that squeeze, which is not really about municipalities. So debasement's impact on their cost of capital and budgets is one big question in my mind. The second big question is employment.

Household incomes have been falling steadily, and if you come to – I live in a poor county, and the number of households that are dependent on government checks – you know, food stamps, unemployment, disability – on and on and on – have been rising steadily. And at some point what municipalities need are they need enough employment and rising income to generate the taxes they need to just maintain their overhead. And if they don't do that, they're going to have to significantly reengineer who and what they are.

Joe: Oh, yeah, yeah –

Catherine: These two issues of debasement and household income bring a wide spread. One of the things I would love to see is more creative conversations about what municipalities can do about it. Instead of, you know, just getting shocked with the latest four stories or the four issuers who've been very ill-behaved is, you know, let's discuss how are we going to reinvent ourselves. When I was FHA commissioner – and you would appreciate this story, Joe. My staff brought in a town where 72 percent of the mortgages were in default and owned by Freddie, Fannie and FHA.

Joe: Oh, wow!

Catherine: And I said to them – I know, that's the first thing I said to them. "Wow!" And then I said, "Well, why don't you have the town buy the mortgages?" because the town needs to reinvent itself. And they said, "Well, the town doesn't have any money," and I said, "Well, you know, I'm from Wall Street. We didn't have any money. We created an entity and issued paper. So tell them to create a REIT or a trust or some such structure, and we'll swap them paper for the mortgages."

And they looked at me like I was nuts, but that's what needed to happen. You know, there's no point in aggressively servicing 72 percent of the mortgages in the town. What that town needed was to rebuild their economic base.

Joe: Yeah – boy, those – well, okay, I'll write those stories in the future. Okay? There it is. You've inspired me.

Catherine: Well, Joe, tell us – before you go, tell us where we can get the books and how we check you out on Bloomberg and stay current on your work.

Joe: Well, you know, you should – everyone should go to Amazon and click in, and I think it was number 650,000. It's M-Y-S-A-K. That's the last name, and you can – there it is: *Encyclopedia of Municipal Bonds*. And you know, it's the funniest thing. I have not noticed this on Amazon, but the discounts slide. The discounts change every day. Sometimes the discount's 19 percent. Sometimes you have a discount of 37 percent.

Catherine: Oh, my God! If they were an underwriter, they'd be in jail!

Joe: Well, I think the ideal – I think if one person buys the book, the – you know, your ranking changes, of course. But then another discount will take place. And I think the ideal discount for Amazon is 37 percent or 32 percent – something like that. And I was amazed to see that it switched like that. So – you know, so that's the easiest place to buy the encyclopedia because it is sort of a premium item at $95.00. It's really not in bookstores, unfortunately. Maybe we'll get to a paperback edition.

And then on Bloomberg, you could go to Bloomberg, and if people wanna click on the – there's a little icon there for the *Bloomberg Briefs*, and there's a whole series of them. And they come out every day, and the inspiration there was that we had people say, "You know, Bloomberg has so many stories and so much data on it. Can't you collect it for just my market and put it to sort of a format that I could print it out and take a look –

Joe: We put together the Municipal Market Brief. We have a hedge funds brief. We have a mergers brief. But the Municipal Market Brief comes out daily, and that's also a premium product, although we had various offers out there for – oh, it's between $500.00 and $600.00 a year. We actually had an offer out to members of the Government Finance Officers Association.

And – you know, several of them take us up on it, and what the brief is – you know, as we were talking about baker's hours – it's a collection of a couple stories from our wire – maybe a Q&A – we've done lots of those – other little items that we stuff in there, and some data. We have lots of data about yields and data about the most actively traded bonds from the MSRB and results of sale. It's like a little daily newspaper on municipal bonds.

Catherine: I have two quick questions before you go. Can we – if I'm an investor, and I wanna due diligence on a bond I'm interested in buying, can I still trust the rating agencies?

Joe: Well, you're certainly going to find in the municipal market very much more detailed analysis – you know, more of it and more detailed work than you've seen in the past ten years. And I always think that the rating companies did a pretty good job in munis. Maybe not the best – I never liked it when I – I remember calling up an analyst about Jefferson County and saying, "How come you didn't mention that they have 17 different slops?" And he said, "Well, that's the sewer district. That's not the county."

And my jaw dropped, and I was so angry I wanted to write about that. But I said, "You know, no, I'm going to hold my tongue. I can't believe that he just said that." But I think nowadays – you know, I think now there's just so much more scrutiny – there's just such good analytical material coming out about the municipal market both from the rating agencies and from various firms. But it's amazing – I mean, really, I'm sure you'd be surprised at just the depth of analysis and really good insightful stuff.

Catherine: Okay – another quick question. If I'm a government official or an interested citizen, and I wanna stay abreast of all the different innovations that municipal officials and municipalities are coming up with to kind of muddle through this mix. Where do I go? How do I stay current on that? Where do I find the information?

Joe: It all depends where you live, but I would certainly begin with your local paper. You know, if you have a good local paper, they're going to have a lot of – you know, unfortunately, they used to send the rookie reporters to the city council meetings. I think that's changed a little bit, but it depends on where you live and how good the paper is. Unfortunately, we've seen a certain – you know, you used the word debasement. We've seen a debasement in journalism of there not being that many good local papers.

But there are lots of them. I mean, in Pennsylvania, for example, there were several really good local papers that were covering the disaster it was when that state legislature said, "It's okay for school districts to engage in interest rate swaps and other kinds of financial engineering." And there were papers that covered it right from the word go and did a fairly good job. So certainly I'd stay on top of it that way. Then of course, you have the – you know, the larger media, and you kind of set up a Google filter.

You could get the *Municipal Market Brief* from *Bloomberg News*. You know, all – there's a lot of different ways to get news, especially on the Internet. God, there's such a ton of places that will bring you very good public finances. I mean, that's what I –

Catherine: I'm just trying to get out of the collapse-niks into the innovation-niks. Anyway, you probably didn't hear this because I talked about it at the beginning. But I have a prediction, and that is that this market is going to start getting a lot more attention. You think it's gotten a lot of attention in the last two years – a lot more attention in 2013 and 2014, and people are going to be seeing your name a lot more on the national news. So that's my prediction. So make sure after the election you get some real rest, Joe, because you're going to have a busy two years. That's my prediction.

Joe: Thank you very much.