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People

Kentucky's Retiring Tom Howard Reflects on Career, Muni Market

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BRADENTON, Fla. — When the Kentucky Court of Appeals ruled that it was unconstitutional to tax out-of-state interest on municipal bonds while exempting in-state interest from taxation, Tom Howard convinced his state's general counsel to appeal.

Allowing the decision to stand would affect a long-held right of Kentucky and dozens of states to give preferential tax treatment to their own bonds.

With Howard serving as a municipal market expert to the state's legal team, the case resulted in a landmark U.S. Supreme Court ruling in 2008 upholding states' rights to tax interest on out-of-state bonds.

It was one of the highlights of Howard's career in public service, he said this week while reflecting on 23 years in various finance roles with the Bluegrass state.

Kentucky's executive director of financial management retires Dec. 31.

"It's been a great journey. It's been very rewarding," he said. "I think I'm ready for a new chapter."

Howard leaves a legacy in public finance as one of the most respected and knowledgeable issuers, according to those who know him well. Industry experts and friends said his rare combination of professionalism and personability will be missed.

Howard, 52, has executed billions of dollars in transactions for Kentucky and served on the board of directors of the Municipal Securities Rulemaking Board. He is talking with "different folks" in the private sector, he said.

Though he worked in banking and investments before joining the issuer's side of the business, Howard said it is premature to elaborate about jobs he is considering. For now, he plans to take some time off and relax.

"I'll do something. I can't sit around nor would my wife allow me that option to sit around," he said. "I suspect that I'll be back doing something in February or March."

Roger Peterman of Peck Shaffer & Williams LLP, who has been bond counsel for a number of the state's credits the last 20 years, said Howard brought confidence and creativity to Kentucky's financings.

Peterman described Howard as thorough and demanding, but fair and pleasurable to work with.

"With his oversight and involvement, he saved the state literally millions of dollars in finance costs through the careful use of the best financing techniques available in the municipal market," he said. "He's going to land somewhere that I'll probably have the opportunity to work with him again, and I'm looking forward to that."

Ryan Barrow, former budget director for Lexington, has been appointed Kentucky's new director of financial management.

While Howard is leaving the public sector, he is concerned about ongoing discussions in Washington that could lead to the loss of the tax exemption for municipal bonds.

Though he knows "tough" fiscal decisions must be made, he said tax-exempt bonds provide critical infrastructure financing for schools, water, transportation, and electricity.

"I think that munis are such a niche market, and a lot of folks don't appreciate how they affect their lives," Howard said. "I think some of those things get lost in the discussion about what it means to everyday people. It's not just folks in upper-income levels who benefit."

Tax-exempt financing brought many needed projects to life that were very gratifying to work on, he said, including the \$2.6 billion Ohio River Bridges project, Kentucky's largest public works project. The first financing for a portion of Kentucky's share of the project with Indiana could come to market in the late spring or early summer, he said.

Howard also said he found it rewarding to work on the Kentucky Asset/Liability Commission's \$467 million taxable funding note deal to refinance internal loans the commonwealth owed to the state Teachers' Retirement System, which was The Bond Buyer's Southeast Deal of the Year in 2010.

The 22,000-seat arena project in Louisville known as the KFC Yum! Center was another memorable project, he said.

Jim Host, former volunteer chairman of the Louisville Arena Authority, said he and Howard worked hard to get the arena financed.

Host said he would ask Howard for advice after talking with underwriters about the arena deal.

"Tom never wavered from the facts, or how issues should be structured," said Host, who also worked with Howard as a state official for many years. "He had an impeccable reputation among the people in New York, at both the investment banking firms and the rating agencies, and every time I was with him I gained more and more respect for him."

Host, now chief executive officer of a sports Internet company called iHigh.com, said he considers Howard to have been the state's "most valuable player."

Similar sentiments came from market experts.

In his role as curator of the state's debt, Howard would consistently try to provide the state and its issuers with unimpeded access to the municipal market and the lowest borrowing costs, while taking advantages of all available "resources and ingenuity" the market offered, said Mark Muller, a senior portfolio manager with Loews Corp.

"To do all that I think it takes a unique person that not only has the technical expertise but the ability to develop the invaluable relationships which support that effort," said Muller, who got to know Howard while reviewing municipal credits including Kentucky. "I hold Tom in such high regard and include him amongst a small population of outstanding professionals."

Muller cited Wisconsin's finance director, Frank Hoadley, who also retired this year, and Ben Watkins, Florida's director of bond finance, being among Howard's peers as particularly well-respected issuers.

"From my perspective the industry has benefitted immensely, and I have benefitted as an institutional investor, from such outstanding examples as those three," said Muller. "I think our muni market is going to miss Tom, as it will miss Frank."

Howard also brought an outlook that was needed on the MSRB, said Muller, who was on the board during two of the years that Howard served from October 2008 until September 2011.

"I think that the MSRB needed to find people of leadership quality representing various constituencies in the marketplace," Muller said. "Tom was able to provide a viewpoint with regards to the impact of the rules that were under consideration or had been authored, and how they would play out ultimately in his own state and similar entities."

Michael Bartolotta, vice chairman of First Southwest Co. and former chairman of the MSRB, said that Howard brought an important perspective on the market to the board.

"He commanded the respect of all of his fellow board members, and provided a straightforward approach that was a tremendous benefit to the MSRB and its role in safeguarding the municipal market," Bartolotta said.

Howard, among the first appointees to the revamped, majority-public MSRB, said it was a "fabulous experience" though it was during one of the most unsettling times in the bond market's history.

"I can't think of a better time to serve than when the market was going through the financial crisis, and the Dodd-Frank Act was starting to be implemented," Howard said. "I think we left a legacy for the board so it will have the expertise and support to carry on. I'm glad to have been a small part of that."