

Municipal Analysts

BULLETIN

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A NEWSLETTER OF THE NATIONAL FEDERATION OF MUNICIPAL ANALYSTS

FEBRUARY 1999

Letter from the Chairman

Mary Metastasio

1999 promises to be a good year for the NFMA, a year with challenges and opportunities. Under the direction of our past Chairman Ray Kubiak, we solidified our position as a respected voice in the municipal market, especially in the area of disclosure. We published our position paper on the amendments to Rule 15c2-12 in the spring of 1998, and have participated since then in meetings and forums on this topic with the SEC and the MSRB. We have also stepped up our own work on the disclosure issue, as Disclosure Committee Chair Dina Kennedy tells us in this issue of the Bulletin. In 1999 we plan to have new disclosure guidelines for several sectors available on our website (www.nfma.org).

Speaking of the cyber-world, soon we will have even more to offer online. Our website offerings currently include information on NFMA educational programs and conferences, research links, an event calendar, a job bank, and copies of NFMA publications and position papers. Thanks go to Susan Drake, who, as the Chair of the Web Committee, has been directing the development of our website since its infancy. In 1999, interested NFMA members will be able to subscribe to a list service we are now in the process of developing. Subscribers will be able to post questions and queries of other subscribers on issues of interest to analysts and to the municipal industry in general. We'll let you know when we're ready to go with it.

Education is another area where we have more to offer to our members. For the first time in 1998, we offered two advanced seminars during the year, along with an introductory course in municipal credit analysis. All were successful and well-received, thanks to the work of Education Chair Alan Polsky and his team. Alan is returning as co-chair this year, along with Mike Zaroogian, and they have an ambitious schedule planned for 1999.

In keeping with the theory that the unexamined life is not worth living, the NFMA now has a Governance Committee, chaired by Robin Huntley. This group is looking at the issues relating to the structure of both the organization as a whole and its governing bodies. As we move through our teenage years, the time seems to be right for such a study. We are looking forward to hearing from this committee in 1999.

And finally, as we go to press, the 1999 Annual Conference co-chairs Ruth Levine and Joe Rosenblum are putting the finishing touches on this year's event, to be held in Boston on May 5-7 this year. The program looks excellent, covering a wide range of issues. Plan to be there.

One more note—we do want to hear from you. We are looking for volunteers and ideas in all areas, from Disclosure to Education to Governance to whatever it is that you are interested in. Feel free to contact the appropriate committee chair, Alan Polsky, or Lisa Good.

REPORT ON 1998'S VOLUNTEER EFFORT

At the 1997 Strategic Planning Committee meeting, which had Board and non-Board participants, it became clear that the NFMA needed to do a better job at getting more NFMA non-Board members involved in its various committees and other efforts.

As such, Ray Kubiak, 1998 Chairman of the NFMA, asked me to serve as the 1998 Volunteer Coordinator charged with (1) helping members who want to serve the NFMA actually get assigned to a current effort, and (2) encouraging more people to volunteer and then placing them with an active effort. Through this process, twenty-eight NFMA members were placed with one of the various active committees or subcommittees, with the majority of these members serving the NFMA as a committee member for the first time. In addition, a number of other people inquired about 1998 openings, but decided not to serve at that time.

The Board and I are very pleased with the way this process worked out, and we hope the same is true for you. Alan Polsky is the new Volunteer Coordinator for 1999; please let him know if you would like to learn more about volunteering.

Dina Kennedy

GET INVOLVED!

Disclosure Committee

I am pleased to report that each of the NFMA's active sector specific disclosure subcommittees, Housing, Healthcare, and Land Secured Finance, have made real progress since my last report to you. In addition, a new disclosure subcommittee, Higher Education, will have been formed by the time you read this newsletter, and the Solid Waste disclosure subcommittee will have been reactivated.

Housing, under the auspices of Peter Fugiel from Nuveen, continues to work with the National Council of State Housing Agencies on disclosure guidelines for multifamily housing, building on the success of the single family guidelines which the two groups have reached a general consensus on. In addition, Peter spoke on the Housing panel at the recent MSRB Forum on disclosure. Peter also spent some time bringing the full NFMA Board of Governors up to date on developments with the Subcommittee at the October Board meeting.

Healthcare has finalized its committee roster which has a great representation of buy and sell side analysts, as well as an issuer representative and a financial advisor. The group's initial thrust is on defining what disclosure information is really necessary to make an informed investment decision in the various segments of the healthcare industry. The initial focus will most probably be on single site acute care facilities and on acute care systems, moving later to the various long term care arenas. Tom Weyl from Eaton Vance, Co-chair of the Subcommittee, spoke on the Healthcare panel at the MSRB Forum mentioned above. Emmeline Rocha-Sinha of MBIA, the other Co-Chair of the Subcommittee, briefed the full NFMA Board on the Subcommittee's progress and intentions at the October 1998 Board of Governors meeting.

Land Secured Finance has also put together a great team from around the country, with buy side, sell side, and advisor/banker members. The group, under Co-Chairs Ron Mintz from Stone & Youngberg and Fritz Goss from MBIA MuniFinancial, is beginning with both an examination by state or region into what disclosure practices are like now in their assigned territories, and with a survey by type of industry participant into what information is available. Unfortunately for this group, there is no centralized issuer organization with which it can work, and, as most of you know, land secured varies tremendously from state to state. So this group has a challenge in front of them. The Co-Chairs briefed the Board of Governors on the status of and plans for their Subcommittee at the January 1999 Board meeting in Santa Monica.

All three of these sector specific subcommittees will be holding disclosure workshops at the 1999 NFMA annual conference, and I encourage you to attend one of these sessions. The workshops provide an opportunity to hear firsthand where each group is, and where they plan to go, and to ask questions.

All of the NFMA's sector specific disclosure subcommittees share the common goal of developing workable disclosure requirements for their sector that both issuers and investors agree are reasonable and achievable. If you are interested in chairing or co-chairing a subcommittee for any other sector, please give me a call.

Also, if you are doing research via the web and are accessing issuer sites, please remember to post feedback to the site when you are complete - this is greatly appreciated by the issuers, and can only help our collective efforts to have more and timelier access to issuer information.

Dina Kennedy

16th Annual Conference - Boston

Boston in May, specifically May 4-7, will be a hopping place. This year's Annual Conference Committee, led by co-chairs Joe Rosenblum (Sanford C. Bernstein & Co.) and Ruth Levine (Evergreen Asset Management) have a full agenda planned.

On May 4, a Pre-Conference will be held, featuring presentations by five issuers: Massachusetts Port Authority, Massachusetts Water Resources Authority, Massachusetts Wholesale Electric Co., State of Connecticut and Commonwealth of Massachusetts. The Pre-Conference will be offered free of charge to conference registrants, but pre-registration will be required. That evening, a cocktail reception will kick off the regular conference.

Wednesday's slate is full, to include sessions on the tobacco settlement and its implications on local finance, infrastructure/project finance in international markets, an economic outlook with a focus on foreign markets, and a session on market disclosure and related SEC enforcement actions featuring Paul Maco of the SEC. Baseball fans can elect to attend a Red Sox game that evening.

Thursday, traditionally a half-day, has continued to expand. In the morning, registrants will be offered six different breakout sessions. Each registrant will be able to select three of the six sessions. At noon, four separate (and optional) workshops will be offered, three of which will be held by various sub-committees of the Disclosure Committee (see Dina Kennedy's article herein) and the fourth by David Bean of GASB. These workshops will not be repeated, so registrants may choose to attend one, or may decide to do a site visit of the Deer Island Treatment Plant.

The Awards Reception and Dinner will be held this year at the New England Aquarium. We anticipate that the reception will take place in the Main Exhibit Building, with its giant ocean tank, followed by a seated dinner in tents outside. Special entertainment is planned which will add to the festivities.

The committee has planned two solid presentations for Friday morning, the first on the impact of initiatives on state and local government finance, followed by a session on current issues in public finance. The conference will adjourn at noon.

Conference materials have been mailed to the membership. If you have not received your packet, please call me at **412-341-4898**, or check the NFMA **website at www.nfma.org**.

Lisa Good



Education Committee

The Education Committee has held two successful meetings in recent months. The Introduction to Municipal Bond Credit Analysis was held on October 29-30 in Atlanta. Many thanks to A.G. Anglum of Harris Trust & Savings Bank and Mike Zaroogian of Van Kampen Investments for chairing this event again. I would like to express a special note of appreciation to Susan Higgins of Robinson-Humphreys who stepped in to assist A.G. and Mike with registration. We intend to hold this course again in the fall, at a location to be announced at a later date.

The NFMA's Advanced Seminar on non-essential revenue bonds met with favorable comments from the forty-three analysts and portfolio managers in attendance in Santa Monica in mid-January. Thanks to Rafael Costas of Franklin Templeton for serving as chairman of this seminar again this year. Our next Advanced Seminar will address the current financial situation affecting the hospital industry, and will be held in Philadelphia in June. More details will be mailed to members and available on the NFMA website as soon as they are available.

I look forward to working to Education Committee Co-Chairman Mike Zaroogian this year and invite members to make suggestions for topics for future seminars and symposia. Thank you for your continued support of NFMA educational programs.

Alan Polsky

MAGNY ACTIVITIES

The Municipal Analysts Group of New York had a busy fall schedule. Guest speakers included:

- 1) Donald Evans the Chief Information Officer of Montgomery County, Maryland who spoke on the year 2000 computer challenges facing municipal governments.
- 2) Ann-Ellen Hornidge of Mintz Levin and Dennis Farrell of Moody's led a panel discussion on the implications of the recent AHERF bankruptcy proceeding, and
- 3) Mark Zehner of the SEC discussed a variety of topics ranging from recent developments in municipal market disclosure to trends and implications of recent SEC fraud investigation settlements involving municipal market participants.

MAGNY also held its annual holiday party on December 11th. The event was well attended and even drew a number of municipal market legends out of retirement to catch up on recent developments. Retired members included Craig Atwater, Lou Horvath, John Thompson, and Bob Chamberlin who for the first time in anyone's memory did not bring his Santa suit.

Activities underway for the 1999 calendar year include a January visit by representatives of the Los Angeles Metropolitan Transportation Authority, the completion of a comprehensive management guide for future MAGNY boards and the exploration of possible site visits for MAGNY members. There is also one addition to the MAGNY Executive Committee for 1999. Mr. Robert Tucker of FSA has agreed to serve as program chair for the remainder of the year.

Michael Johnston

CALIFORNIA

On November 5, 1998, the CSMA held its fall conference with panels covering: An Update on Public Power Deregulation in CA; Continuing Care and Retirement Centers; and a San Francisco Issuer Forum. In addition the CSMA organized a tour of East Bay MUD facilities the day prior to the conference.

At the conference a new Board was elected as follows:

Chair:	<i>Peter Bianchini</i> , Standard and Poor's
Vice Chair:	<i>Ron Mintz</i> , Stone & Youngberg
Secretary/Treasurer:	<i>Ken Kurtz</i> , Moody's
Program Chair:	<i>Eric Friedland</i> , FSA
Vice Program Chair:	<i>Jeff Wilson</i> , Franklin Templeton
Southern California/At Large:	<i>Ben Stairs</i> , Nuveen

Past Chair Tom Walsh of Franklin Templeton and Peter Bianchini are the Society's members on the NFMA Board.

The CSMA has 2 conferences planned for 1999. They will generally occur in late spring and fall. One is traditionally held in northern California and the other elsewhere in the state. Keep an eye out on the NFMA and CSMA Web sites (www.emuni.com/nfma/csma/index.html) for more information. CSMA would like to encourage all NFMA members to attend. Anyone interested in attending, participating or offering program suggestions should contact either program Chair or other board member, through direct e-mail or our web site. We hope to see you all in 1999.

Finally, as evidence of the continued success of CSMA and NFMA activities we were approached by the new mayoral staff of the City of Oakland to assist them in establishing an investor relations database. CSMA will be able to provide the City with access to much of the analytic community interested in their bond activities. Other members interested in being added to the City's program should contact Ron Mintz or Peter Bianchini for further information.

Peter Bianchini

NFMA Members Participate in MSRB Disclosure Forum

On November 11 - 12, the Municipal Securities Rulemaking Board held a "Forum on Municipal Bond Disclosure" in Washington D.C. The Forum was intended to provide an opportunity for users and providers of disclosure information to discuss issues involving the content, format, and timing of both primary and secondary market disclosure documents and their dissemination to the marketplace and the ultimate investor. Considerable discussion took place concerning both the successes and problems associated with the Amendments to Rule 15c2-12. The Forum was organized to address problems associated with specific sectors as well as issues generic to the entire market. The NFMA assisted the MSRB in putting together a slate of speakers to represent analysts' viewpoints. As 1998 NFMA Chairman, I outlined the needs of the marketplace in a broad fashion and discussed the role of disclosure in capital markets. Jeff Baker of Chase Manhattan discussed disclosure with respect to general obligation bond issuers. Peter Fugiel of Nuveen led a spirited panel on the pitfalls of investing in housing bonds under conditions of inadequate prepayment disclosure.

Tom Weyl of Eaton Vance highlighted the lack of ongoing issuer financial and operating data in health care financings, and Tom Walsh of Franklin focused on how disclosure or lack thereof impacts the many nuances of land secured deals. In addition, Gerry Lian of Morgan Stanley Dean Witter participated in a panel on electronic dissemination of disclosure information. Most participants thought the forum met its objective of putting the issues and problems of disclosure on the table and generating constructive commentary from all sides of the marketplace. The MSRB is planning future sector specific meetings in an effort to keep the dialogue between issuers, dealers, and investors ongoing. Many thanks to the NFMA members who helped in this effort. If anyone has an interest in participating in sector specific disclosure work, feel free to contact Mary Metastasio or Dina Kennedy.

Ray Kubiak

BOSTON MUNICIPAL ANALYSTS FORUM

I am very pleased to announce the new board for the BMAF for 1999. Eric Shapiro of Wellington Management took over as Chairman effective January 1, 1999. Andy Matteis of Putnam is Vice Chair and Carol Flynn of Scudder Kemper Investments is our new Secretary/Treasurer. Congratulations to all!

Our November meeting provided a broad overview of secondary school financings, with presentations from State Street for the investment banker's perspective, from Standard & Poor's for the rating agency perspective, and from The Groton School for a "view from the front lines." The consensus all the way around seemed to be that we'll be seeing more of these deals in the future.

The December meeting was very well attended and I don't believe anyone was disappointed they made time to go. Richard Weill of MBIA gave a dynamic presentation on the AHERF situation in Pennsylvania and the impact this default has had on MBIA's underwriting process. His legal background provided an interesting angle on this notorious deal.

A good time was had by all at the Forum's Holiday Party at the West Street Grille and everyone agreed that we should resume this tradition! The first Forum meeting in 1999 featured George Friedlander, Managing Director and Municipal Strategist at Salomon Smith Barney on January 28th.

Jennifer Rynne

CHICAGO

The Chicago Municipal Analysts Society held its annual holiday party at Southport Lanes & Billiards in Chicago on Friday, December 4. Its annual election for officers were also held at this time. The Board of Directors for the Chicago Municipal Analysts Society for 1999 are as follows:

President:	<i>Charles Nellans</i> Northern Trust
Vice President:	<i>Alice Hammer</i> Standard & Poors
Secretary:	<i>Brad Langs</i> Van Kampen American Capital
Treasurer:	<i>Peter Stettler</i> Fitch
Board Members:	<i>Michael Kobs</i> Allstate Insurance <i>Bob Reardon</i> State Farm <i>Martha Strom</i> John Nuveen

1999 Board of Governors

Last Name	First Name	Represents	Firm	Phone	Email	Fax Number
BIANCHINI	PETER	CSMA	STANDARD & POOR'S	(415) 371-5009	pbianchi@mcgraw-hill.com	(415) 433-7839
BOCAMAZO	STEVE	BMAF	LOOMIS SAYLES	(617) 346-9888	sbocamazo@loomissayles.com	(617) 482-2828
BURNES	MARY	SMFS	EDWARD JONES	(314) 515-1775	mary.burnes@edwardjones.co	(314) 515-3164
DRAKE	SUSAN	AT-LARGE	STATE STREET RES. & MGMT.	(617) 357-1280	sdrake@ssrm.com	(617) 988-7180
EARLY	PATRICK	AFFILIATED	A.G.EDWARDS & SONS	(314) 955-6975	psearly@agedwards.com	(314) 955-5473
EVANOUSKAS	EDWARD	SMFS	RAYMOND JAMES	(727) 573-8364	eevanouskas@fi.rfg.com	(727) 573-8055
HAMMER	ALICE	CMAS	STANDARD & POOR'S	(312) 669-9168	alice_hammer@mcgraw-hill.com	(312) 831-9958
HILLS	DARRICK	MSMA	DAIN RAUSCHER	(612) 371-2766	dhills@dainrauscher.com	(612) 371-7619
JOHNSTON	MICHAEL	MAGNY	FGIC	(212) 312-3261	Michael.Johnston@gecapital.com	(212) 312-3206
KENNEDY	DINA	VICE CHAIR/AT-LARGE	FSA	(212) 339-3519	dina_kennedy@fsa.com	(212) 339-3518
KUBIAK	RAY	PAST CHAIR	STANDISH AYER & WOOD	(617) 457-5038	rkubiak@saw.com	(617) 695-0651
METASTASIO	MARY	CHAIRMAN/AFFILIATED	SAFECO	(206) 545-5736	marmet@safeco.com	(206) 633-8109
NELLANS	CHARLES	CMAS	NORTHERN TRUST	(312) 557-8792	chuck_nellans@notes.ntrs.com	(312) 444-3011
POLSKY	ALAN	SECRETARY/AT-LARGE	DOUGHERTY SUMMIT	(612) 376-4103	apolsky@dfg-companies.com	(612) 338-7732
ROSENBLUM	JOE	MAGNY	SANFORD C. BERNSTEIN	(212) 756-4130	rosenblumjz@bernstein.com	(212) 756-4550
RYNNE	JENNIFER	BMAF	EATON VANCE	(617) 348-0125	jmrynne@eatonvance.com	(617) 451-0642
SZERSZEN	KAREN	TREASURER/AT-LARGE	ALLSTATE INSURANCE	(847) 402-8147	kszersze@allstate.com	(847) 402-0570
WALSH	TOM	CSMA	FRANKLIN TEMPLETON	(650) 312-2394	twalsh@frk.com	(650) 312-4994
ZAROOGIAN	MIKE	AT-LARGE	VAN KAMPEN	(630) 684-6307	zaroogianm@vkm.com	(630) 684-5936

NFMA 1999 COMMITTEE CHAIRS

Committee	Chairperson	Phone
Awards —	Ray Kubiak	617-457-5038
Audit —	Chuck Nellans	312-557-8792
Conference —	Joe Rosenblum	212-756-4130
	Ruth Levine	914-641-2258
Constitution —	Michael Johnston	212-312-3261
Disclosure —	Dina Kennedy	212-339-3519
Education —	Alan Polsky	612-376-4103
	Mike Zaroogian	630-684-6307
Governance —	Robin Huntley	617-346-9711
Industry Practices & Procedures —	Tom Walsh	650-312-2394
Nominations —	Ray Kubiak	617-457-5038
Strategic Planning —	Dina Kennedy	212-339-3519
Volunteers —	Alan Polsky	612-376-4103
Web Site -	Susan Drake	617-357-1280

MINNESOTA

The MSMA has elected its new board for 1999-2000. They are:

President: Darrick Hills, Dain Rauscher, Inc.

Vice President: Patricia Eitrheim, Delaware Management Co.Inc.

Secretary/Treasurer: Debra Sit, Sit Investment Associates

Board Members at Large: David Rowland, The Saint Paul Companies
Michael Fredrickson, Piper Jaffray, Inc.

NFMA Calendar

May 4

NFMA Board of Governors Meeting, Westin Copley Place, Boston

May 4

NFMA Pre-Conference - Issuer Presentations, Westin Copley Place, Boston

May 5-7

NFMA 16th Annual Conference, Westin Copley Place, Boston

June

Advanced Seminar on the Hospital Industry, Hotel and Date TBD, Philadelphia

October

Introduction to Municipal Bond Credit Analysis, Location and Date TBD

May 17-19, 2000

NFMA 17th Annual Conference, Loews Miami Beach Hotel, Miami Beach

NFMA

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NFMA

P.O. Box 14893
Pittsburgh, PA 15234

Lisa S. Good, Executive Director

Phone: **412-341-4898**

Fax: **412-341-4894**

E-mail: **lgood.nfma@worldnet.att.net**

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