

Municipal Analysts

DECEMBER 2006 VOL 16.- NO. 3

BULLETIN



LETTER FROM THE CHAIRMAN

As my term as Chairman comes to an end, I would like to thank all of the NFMA Board Members and Officers for all of their hard work, energy, and creativity. Through their effort, along with the countless other NFMA members who stepped forward to volunteer on the many NFMA projects, much was accomplished this past year. I want to extend a special thanks to Lisa Good (NFMA Executive Director) and Betsy Harkins, as much of the NFMA's success is attributable to their ability to keep all of the projects and the organization as a whole on track.

At the Board meeting, elections were held for Officers, At-Large Board Members, and the Affiliated Board Member. These were the first elections conducted under the new constitutional amendments and governance code provisions, which were adopted this past year. The goal of these procedural changes was to make the nominations process more transparent, to encourage more candidates to apply for positions, to institutionalize a process that would be fair and logical, and to impose term limits on Board seats. I am pleased to report that these new provisions had the desired effect, as all of these goals were accomplished. I want to thank the members of the Constitution Committee, which included Paul Flynn, Tom Weyl, Lisa Zuckerman, and Chuck Emrich.

The 2007 Board will be in good hands. At the Board meeting held on November 1 in Washington D.C., the Board elected the following officers:

Chair	Tom Weyl (Eaton Vance, BMAF)
Vice Chair	Rob Yolland (Franklin Templeton, CSMA)
Secretary	Bill Hogan (Assured, MAGNY)
Treasury	Chuck Emrich (T.Rowe, MAGNY)

The Board elected the following three At-Large Board and Affiliated members:

Greg Aikman	(Mellon, BMAF)
Erik Kimball	(Akerman, Affiliated)
Howard Mischel	(S&P, MAGNY)
Beverly Denny	(SAFECO, Affiliated)

The NFMA continues to be engaged in many projects, which present significant opportunities to advance the core mission of the NFMA. Set forth below are some select highlights and summaries of these activities:

- **Education:** The Education Committee, Co-Chaired by Bill Hogan and Mark Stockwell, has been very busy. The Advanced Seminar on Health Care took place in Washington D.C on November 2-3, with an impressive attendance of 95. In addition, Anne Ross successfully organized the annual Introduction to Bond Analysis Seminar, which was held in Philadelphia on November 16-17. Next January 25-26, the Advanced Seminar on Real Estate-Backed Transactions will take place in Denver. Panels will cover the tax increment, special assessment Mello-Roos and housing bond sectors. A preliminary agenda and registration form has been posted on the NFMA website.

CONTINUED ON PAGE 2.

- **The Central Post Office:** A key goal for this past year has been to communicate and work with the SEC and other market groups to make usage of the Central Post Office (CPO) mandatory. The NFMA has had several communications over the past year with Martha Haines of the SEC, who has stated that she has put much effort towards having the SEC issue an Interpretation that would require filing of all secondary market disclosure documents through a single entity, the CPO, rather than to each national and applicable state repository. She has reported good progress. Even with usage of the CPO optional, the results have been encouraging as the number of accounts and the volume of documents being sent to municipal repositories via the CPO has continued to rise favorably.
- **White Paper on Securities Law:** The NFMA Industry Practices Committee is in the process of developing a white paper that analyzes the application of federal securities law to the municipal market. The Committee expects to release a draft prior to the Annual Conference in May 2007, and will host a brown bag lunch at the event to accept comments. If you are interested in working on this project, please contact Erik Kimball, who is Chair of the Industry Practices Committee.
- **White Paper on Disaster Recovery:** Susan Dushock and Don Cirillo chaired a committee to draft a policy paper on how a municipality should prepare and recover from a natural catastrophe. A draft of the paper will be released for comments shortly.
- **Disclosure Initiatives:** The NFMA Disclosure Committee, Co-Chaired by Chuck Emrich and Greg Clark, continues to develop sector specific Recommended Best Practice in Disclosure (RPB) documents. Current projects underway include an RPB Swaps, GASB 45, and Dissemination. One project that is about to commence is the RPB's for Mass Transit. Projects completed over the past year include the White Paper on Project Finance Risk Assessment and Disclosure and the RPB in Disclosure for Water and Sewer Transactions, both of which are posted on the web site.
- **Professional Training:** At the November Board meeting, the Board approved the proposal to further explore the idea of creating training DVDs to cover all municipal bond sectors. Greg Clark and Howard Mischel are leading this project.
- **Membership:** The NFMA Board is continuing to work towards implementing a new process with the goal of increasing membership and streamlining the dues paying process. Under the new process, membership dues would be collected by the NFMA through an automated system, instead of by each of the individual constituent societies. This would enable the NFMA to better track members, offer members an on-line dues payment option, and reduce the constituent society boards' administrative work load. This process has been tested successfully for MAGNY and CSMA and will be phased in to the other constituent societies over the next two years.
- **Annual Conference:** I am pleased to report that Lisa Washburn, of Moody's, has joined Lisa Zuckerman to co-chair the Annual Conference Committee. The Conference will be held in Las Vegas on May 16-18. The planning process is well underway and the preliminary agenda looks excellent.

As I always do, I want to stress that the NFMA is an all-volunteer organization which relies solely on the participation of its membership. There is a need for assistance on all of the NFMA projects, committees and upcoming conferences. I invite all members to get involved by contacting the Chairs of the related committees (who are listed on our web site), other Board members or myself.

In closing, I feel privileged to have had the opportunity to serve as Chair of the NFMA for 2006. It has been rewarding to work with so many dedicated and energetic people. Have a great holiday season and I look forward to seeing many of you at the upcoming NFMA events.

Eric Friedland

DISCLOSURE COMMITTEE

The Disclosure Committee would like to thank Kristin Stephens for chairing the recently formed NFMA GASB 45 sub-committee. The group will be providing comments on the new Other Pension Employment Benefits requirements and the various issues that pertain to municipal bond credit analysts. Thanks for leading this effort, Kristin!

The Bond Insurance (Sara Kisner and Greg Aikman) and SWAPS II (Zahra Afkari) groups continue to pursue their efforts for improved disclosure in these respective areas. They are reaching out to various industry participants to discuss the projects and help promote disclosure. Keep a lookout for their white papers in the near future.

Like a crowded subway during rush hour, the Disclosure Committee is looking for a seat; or, in this case, a chair for the Recommended Best Practices in Disclosure for Mass Transit Transactions. The sub-committee will prepare information needed and desired by credit analysts for primary and secondary market disclosure for this sector. This is a great way to get involved with the NFMA and share your expertise and leadership skills. Please contact Lisa Good, Chuck Emrich or Greg Clark for more information.

Reason #15 to practice good disclosure: Contrary to prior legal myth, issuers are not prevented from providing information beyond the bare minimum required by SEC Rule 15c2-12.

Borrowed from: Gerry Lian's Top 25 Reasons to Disclose Information, October 29, 2004. For more reasons, please see www.NFMA.org.

Chuck Emrich and Greg Clark
Co-Chairs

MAGNY

Municipal Analysts Group of New York

MAGNY kicked off the 2006 - 2007 with a 1/2 day seminar/luncheon on Puerto Rico held at the Yale Club. More than 150 analysts and other municipal market participants attended, making it one of the most successful events in MAGNY history. Speakers included representatives from the Commonwealth, the Government Development Bank, and the Puerto Rico Aqueduct and Sewer Authority. We acknowledge the time and effort put into this by Matt Fabian, this year's MAGNY Program Chair.

"The Future of Municipal Ratings" was the intriguing title of MAGNY's November luncheon. Brad Gewehr of UBS Municipal Securities and Jonathon Fiebach, a Portfolio Manager at Duration Capital, discussed ongoing developments in the world of municipal ratings. Two major topics included the use of corporate equivalent ratings and the potential for more structured municipal products that mimic structures common in the taxable asset-backed bond world. The event attracted a large crowd, with 90 signed up and some turned away due to space limitations.

We are all looking forward to the annual MAGNY Holiday Party/Luncheon at the Down Town Association on December 8.

Lastly, we want to acknowledge the NFMA Board and Lisa Good for their support of MAGNY's membership renewal process. This year, Lisa (with support from Betsy!) processed all membership renewals for MAGNY. They did a superb job. In fact, it went so well that now other NFMA societies are asking Lisa to take on their renewals. The move not only helped ease the administrative burden on the MAGNY Board but also gives MAGNY members a consistent and responsive point of contact if there are membership questions.

Bill Dorante, Chair 2006 - 2007
Kathy Evers, Immediate Past Chair 2005 - 2006

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 bond industry. This Committee is responsible for preparation of all position papers published by the organization. In addition, on behalf of the NFMA, the Committee responds to requests from and positions taken by other participants in the municipal market.

Traditionally, the Industry Practices and Procedures Committee is co-chaired by the current Past Chair of the NFMA and one other member of the Board. Erik Kimball and Don Cirillo co-chair this Committee.

At this time, the Committee is focusing on preparation of a paper addressing securities law concerns in the municipal market. 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, (c) answers to frequently asked questions that analysts may use as a resource in their day to day work, and (d) the NFMA's position on certain securities law issues impacting the municipal bond market. Our goal is to complete the paper for introduction at the May, 2007 NFMA annual meeting in Las Vegas, Nevada.

The drafting committee for the Securities Law project includes prominent attorneys as well as experienced analysts who are members of the NFMA. They are: Warren S. Bloom, Esq., Meghan B. Burke, Esq., Virginia Housum, Esq., David Belton, Molly Butler, Donald Cirillo, Paul Junquist, George Shuster, Lisa Good, and Tom Weyl. The project is chaired by Erik Kimball.

If you are interested in participating in the Committee's Securities Law project, or if you have other concerns which you would like to bring to our attention, please contact Lisa Good at lgood@nfma.org.

*Erik Kimball and Don Cirillo
Co-Chairs*

Treasurer

NFMA financial results for 2006 will show another year of sound financial performance driven primarily by successful fundraising and sponsorships. The board adopted a new investment allocation policy this year which requires a conservative approach to investing surplus funds. Our growing fund balance will provide financial flexibility for NFMA in the years ahead and the resources to maintain and extend our education programs. The importance of sponsorships cannot be overstated if we are to continue to improve our financial position. If your company is interested in sponsoring an NFMA event please contact Bill Hogan, Don Cirillo or Susan Dushock.

Bill Hogan

MSMA

Minnesota Society of Municipal Analysts

During 2006, the Minnesota Society of Municipal Analysts held a variety of informative meetings.

On February 3, MSMA continued its exploration of the CCRC industry. The featured speaker was Tom Myers from Ziegler Capital Markets Group. Tom discussed current industry issues and trends.

On May 16, MSMA hosted a luncheon meeting featuring Jeffrey Hamiel, the Executive Director of the Metropolitan Airports Commission. Jeff discussed a variety of topics relating to local and national airports and airlines.

On September 21, MSMA hosted a luncheon meeting featuring Jim Mitchell of Fitch Ratings. Jim addressed the topic of acute care hospitals.

On November 9, MSMA hosted a luncheon featuring John Kenword of Standard & Poor's. John addressed the topic of municipal OPEB liabilities.

On behalf of the MSMA Board, I would like to thank our membership for another successful year. We look forward to holding additional informative meetings in 2007.

Ken Kauffman

CMAS

Chicago Municipal Analysts Society

On December 7, 2006 the Chicago Municipal Analyst Society will have a Holiday Luncheon with guest speakers. The panel discussion topic will be the National Benevolent Association and lessons learned. Additionally, the 2007 CMAS Board elections will be held.

Ted Damutz

SMFS Year Ends **With A Bang!**

Southern Municipal Finance Society

The Southern Municipal Finance Society (SMFS) is ending 2006 with a bang. The Gulf Coast Recovery Conference was held in New Orleans on November 9th and 10th. Over 80 attendees sat in on a day and a half of constant presentations by almost every major issuer of debt in the state of Louisiana. We were privileged to hear from the treasurers of the states of Louisiana and Mississippi, John N. Kennedy and Tate Reeves, respectively. Both were extremely honest about the conditions existing in the affected areas of their states and did not hide their frustration with the federal government's response.

LTC Murray Starkel, Deputy District Engineer, Corps of Engineers, opened the program with a graphic depiction of what happened to the levee system during the hurricane. The highlight of the seminar was the 2 hour, police-escorted, bus tour attendees took through some of the affected areas in and around the City. Among the sites we visited were Jackson Barracks and the lower 9th Ward. It was sad to see the effects of the storm but sadder still to think that so many people's lives will never be the same again. Seeing the water marks and X's painted on each door firsthand is something none of us will forget. To think that citizens of this great land have had to endure such hardship is unconscionable.

Progress, although slower than most would like or had envisioned, is being made each day. Housing is the most critical element right now and that money has not flowed as easily as residents and displaced residents would like. The program closed with Reggie Zeno (CFO, City of New Orleans) and Jerome Lomba, the Mayor's Chief Economist, who discussed the situation in the City and Orleans Parish in detail. They were optimistic about the City's future but realistic in terms of the time it will take to get anywhere near pre-Katrina levels in terms of population and revenue.

The conference wasn't all work and no play. The French Quarter is alive with the sites, sounds and smells that are New Orleans. Bourbon Street is jumping and the attendees made sure they contributed to the local economy by visiting many of the establishments within the Quarter.

The conference would not have been the success it was without the help of Julie Egan, Paula Permenter, Dale Hoffmann, Michi Rives, Betsy Hill, Bob Muller, Alex Fraser, Buck Landry, Barbara VanScoy, Michelle Rogers, Lisa Good, Betsy Harkins and our sponsors: Moody's Investors Service, Standard & Poor's, Morgan Keegan, JPMorgan, Assured Guaranty, Wachovia Securities and FSA.

We've posted some photos for your looking pleasure. Enjoy!

Plans are in the works to hold mini events throughout the SMFS's territory. Anyone with a program idea is welcome to contact me at 704 386-5389 or e-mail me at susan.dushock@columbiamanagement.com.

The SMFS Board of Directors wishes its members and those of the constituent societies and the NFMA the warmest of holiday greetings! *Keep those less fortunate in your thoughts and prayers.*

*Warm Regards,
Susan Dushock*

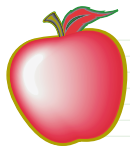


BMAF

Boston Municipal Analysts Forum

BMAF fall meetings covered a wide range of topics. In September, Robert Murray, Executive Director of the Maryland Health Services Cost Review Commission gave a presentation on the state's All-Payer Hospital System. In October, Karl Case a professor of economics at Wellesley College and founder of the leading real estate economic research firm Fiserv Case Shiller Weiss, gave an outlook on the real estate market. The November meeting consisted of updates on both the Commonwealth of Puerto Rico and the Puerto Rico Aqueduct and Sewer Authority (PRASA) by Government Development Bank Chairman Alfredo Salazar and PRASA President Jorge Rodriguez, respectively. The annual Holiday Party/3rd Annual Bowl-A-Rama was held November 30 at Back Bay Kings and co-sponsored by Assured Guaranty. As the year draws to a close, I'd like to thank my fellow officers Bob Donahue and Jeff Burger for jobs well done and congratulate them on their new positions; Bob will be BMAF president and Jeff will be vice president. Susan Kendall will be the new BMAF treasurer.

David Belton



EDUCATION COMMITTEE

The Education Committee organized a successful advanced seminar on healthcare in Washington DC on November 2nd and 3rd. The seminar was well attended by a diverse group of industry participants. Discussion topics included panels on potential changes in federal legislation, competition providers face through their own physicians, replacement hospital projects, and an overview of the managed care industry. Our next advanced seminar will cover real-estate backed bonds and will be held in Denver, Colorado January 25-26. We plan to cover bonds in land-backed and housing sectors at the seminar. Please contact Mark Stockwell for further details on the January program. The Education Committee welcomes volunteers and suggestions for future seminars and educational programs.

Bill Hogan and Mark Stockwell
Co-Chairs

TRAINING COMMITTEE

This is a new committee that was developed after last year's certification survey - although the idea of certification was voted down, our members were strongly in favor of NFMA's providing additional training on various credit sectors. We are developing some training ideas that you will be hearing more about next year. If you would like to suggest any topics regarding this effort, please let one of us know.

Greg Clark and Howard Mischel, Co-chairs



California Society of Municipal Analysts

The CSMA has had a busy, productive and fun year. To continue with our 2006 theme of partial day events, we took advantage of our glorious location and in August, boarded a large ferry and sailed around the San Francisco Bay. Representatives from The Bay Area Toll Authority and CalTrans gave us a tour and talked to us about the construction and retrofit progress of a number of Bay Area bridges. Then, in late October, just prior to the election, we had a very interesting luncheon seminar with Mark Baldassare, Director of Research for The Public Policy Institute of California who shared his views about the statewide election, a variety of ballot measures and historic voter behavior. We will be closing the year with a holiday cocktail party at Palomino's in San Francisco on December 13 - always a great time to network, make new friends and stay connected. Hope to see you there!

As always, we welcome input from our members regarding future events.

Robin Rappaport

Membership Committee

The Membership Committee, in conjunction with each of NFMA's constituent societies, recently completed a project that resulted in adoption of uniform membership criteria for all prospective constituent society members who will also be members of NFMA. Our next steps include completion of an online process for all membership applications and, next year, a membership drive to be coordinated with the local societies.

Greg Clark and Kathy Evers, Co-chairs



Annual Conference – Return to Four Seasons Las Vegas

Lisa Zuckerman, Lisa Washburn and committee have the program for the 24th Annual Conference well underway. The NFMA will return to the Four Seasons Las Vegas on May 16-18. Dr. Laurence Kotlikoff, Professor, Department of Economics, Boston University, will jumpstart the conference with a keynote address on “The Graying of America”. Other planned topics include: asset-liability management; health care and the economy; tax limitations; the real estate bubble; and, public-private partnerships, among others. Look for the online program and registration form in early February.

Thanks to our Diamond Sponsors for 2006!!

Fitch Ratings
Moody's Investors Service
Saybrook Capital LLC
Standard & Poor's Corporation

Sponsorship opportunities are available for 2007.

Diamond and Platinum Sponsorships are available for the full year; Event Sponsorships are available for Advanced Seminars and the Annual Conference. For further details, please contact Lisa Good at 412-341-4898, or lgood@nfma.org.

Sponsor Commitments for 2007:
Standard & Poor's Corporation – Diamond Sponsor
First Southwest – Gold Sponsor

THANK YOU!

Advanced Seminar on Real Estate Backed Bonds:

Analyzing Land-Backed and Housing Sector Bonds in a Changing Real Estate Market

January 25-26, 2007
Grand Hyatt Denver
Denver, Colorado

REGISTER ONLINE:

<https://web.memberclicks.com/mc/quickForm/viewForm.do?orgId=nfma&formId=21602>

Hotel reservation deadline: January 3, 2007!!!

NFMA CALENDAR

December 7, 2006

CMAS Holiday Luncheon with panel discussion on National Benevolent Association Chicago, Illinois

December 8, 2006

MAGNY Holiday Party/Luncheon Down Town Association New York, New York

December 13, 2006

CSMA Holiday Cocktail Party Palomino's San Francisco, California

January 24, 2007

NFMA Board of Governors Meeting Grand Hyatt Denver Denver, Colorado

January 25-26, 2007

NFMA Advanced Seminar on Real Estate Backed Bonds Grand Hyatt Denver Denver, Colorado

May 16-18, 2007

NFMA Twenty-fourth Annual Conference Four Seasons Las Vegas Las Vegas, Nevada

May 6-9, 2008

NFMA Twenty-fifth Annual Conference Loews Miami Beach Hotel Miami Beach, Florida

If you are traveling and would like to attend another society's meeting, please contact Lisa Good or the applicable society.

NFMA

The Municipal Analysts Bulletin is published by the National Federation of Municipal Analysts.

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.org