



# dollars & sense

California Municipal Treasurers Association [www.cmta.org](http://www.cmta.org)



Martin Krieger

## State Treas. Phil Angelides appoints DWA Finance Director to Investment Fund Board

PALM SPRINGS, CA – State Treasurer Phil Angelides has appointed Desert Water Agency Finance Director Martin Krieger to the five-member Local Investment Advisory Board (LIAB) which provides oversight for the State’s \$16.5 billion Local Agency Investment Fund (LAIF).

The Local Agency Investment Fund is a voluntary program created by statute as an investment alternative for California local governments and special districts. Its advisory board chairman is the state treasurer. Two members are experts in the field of investment or finance. The chairman appoints the two remaining qualified members from among California counties, cities or local district or municipal corporations.

The fund is part of the Pooled Money Investment Account. It has grown from 293 participants and \$468 million in 1977 to 2,656 participants and the more than \$16.5 billion in 2005.

Krieger has been active in two statewide organizations for public agency finance professionals: the California Municipal Treasurers Association and the California Society of Municipal Finance Officers.

Krieger has worked for Desert Water Agency since 1986 and was promoted to finance director in 2004. Prior to joining Desert Water Agency, he was vice president of finance for Walco Incentives, Inc., Palm Springs. He attended College of the Desert and is a Long Beach State graduate with a BS Degree in Finance-Business Administration.

A Long Beach native, Krieger grew up in Anaheim and first moved to Palm Desert with his parents in 1975. He and his wife, KC, live in Palm Desert. They have been married for 22 years and have two grown children and four grandchildren.

### 2007

Much has happened to CMTA over the past year. Here is a list of things about the organization that might be of interest to you

**Website** — A new website was unveiled earlier this year. It is much more dynamic and interactive with lots of information and resources which are now available to our members. Check us out at [www.cmta.org](http://www.cmta.org).

**Collaboration** — Our relationship with our fellow professional associations remains strong. Many of our local divisions partner with the California Society of Municipal Finance Officers (CSMFO) to pool resources and hold joint meetings. CMTA has been an active participant in the Financial Officers Leadership Summit which has been held in May for the past two years. This summit brings together many of the many State financial associations to build closer relationships and to discuss common goals and interests

**Annual Conference** — Planning the annual conference has now become a year-round event and we are already planning next year’s conference. The conference committee is seeking locations that are of interest to our members as we look for a new destination location for the 2010 conference! Upcoming conferences include Long Beach in 2007, San Francisco in 2008 and Palm Springs in 2009.

**List Serve** — The e-mail capabilities to contact all our members utilizing the list serve has been a tremendous accomplishment. You now all have the capability of sending useful survey information or getting help from your fellow members when you have a question. Just send your question out to: [cmta-members@cmta.org](mailto:cmta-members@cmta.org). The list serve now connects you to every CMTA member statewide!

—Continued on page 2



**CMTA onward and upward—  
A past year summary from the Past President**

## CMTA 2006-2007 Officers



### PRESIDENT

Victoria Beatley, CCMT  
Costa Mesa, CA  
Tel: (949) 574-1022  
Fax: (949) 574-1035  
vikib@mesawater.org

### PRESIDENT-ELECT

Christine Vuletich, CCMT  
South Lake Tahoe, CA  
Tel: (530) 542-6064  
Fax: (530) 542-6041  
cvuletich@cityofslt.us

### VICE-PRESIDENT

Maureen Lennon, CCMT  
Pacifica, CA  
Tel: (650) 738-7395  
Fax: (650) 738-7411  
lennonm@ci.pacifica.ca.us

### SECRETARY

Marie Bernardo, CCMT  
Hillsborough, CA  
Tel: (650) 375-7406  
Fax: (650) 375-7475  
mbernardo@hillsca.org

### TREASURER

Vince Amado, CCMT  
Rocklin, CA  
Tel: (916) 624-2424  
Fax: (916) 624-0969  
vince.amado@ci.rocklin.ca.us

### PAST-PRESIDENT

Bill Gallardo, CCMT  
Brea, CA  
Tel: (714) 671-4418  
Fax: (714) 671-4484  
billga@ci.brea.ca.us

### PARLIAMENTARIAN

Dale Belcher, CCMT  
Oxnard, CA  
Tel: (805) 385-7810  
Fax: (805) 385-7836  
Dale.belcher@ci.oxnard.ca.us



Victoria Beatley  
President

## President's message...whew!

Wow, what a wonderful experience! I am just back from the annual conference where many of you were as well. I am always energized after attending our conference because of all the learning and networking opportunities.

I would like to take a moment to recognize Adair Patterson, Dale Belcher, Bill Gallardo, Linda Lorenzetti and Mike Reynolds for a most excellent conference. Each year the bar gets raised—and each year the General Conference and Site Selection Committee meets the challenge. There are also many people who help behind the scenes, and I would like to extend my sincere thanks to the entire behind-the-scenes-support. too.

For those of you who missed the conference, there were many memorable moments, one of my favorite moments was after the installation was over and the dancing began. Imagine if you will for a moment, a crowded dance floor, with a bunch of Treasurers and guests spelling out CMTA to the tune of the Village People's YMCA. We had our very own mosh pit and have the pictures to prove it, what great fun! Even the wait staff at the hotel got into the action!

Now, as your newest President, I have to share with you my challenge to those who were at the banquet: Invite one new person to go to a Division lunch with you. I read somewhere that we are all momentarily influential. If each person uses that influence to inspire one new member, well, you do the math. Remember, we need to encourage and support each other as local treasurers, and we all need to be reminded of the importance of our profession.

In closing, I would like to take a few moments to share with you my thoughts for leaving a legacy:

1. Always remember where you came from

2. Never stop learning

3. Be brave

4. Don't take each other for granted and

5. Purpose, focus, progress, success.

Throughout the coming year, I will elaborate a little more on each of these points. For now, suffice it to say that I am truly honored and privileged to be your President. Thank you to Linda Barnett for that phone call in 2002 and thank you to all of you for your vote of confidence.

## Past year summary —continued from page 1

**Educational Workshops** — Attendance at educational workshops at Cal Poly in Pomona continued to see tremendous increases as the Treasury Essentials Workshop had 78 attendees and the Advanced Treasury Workshop had 62 attendees. We plan on holding two workshops this year, one in October 2006 and another in January 2007.

**Cash Handling Workshop** — Two Cash Handling workshops were held this past year with Division 6 and Division 10 offering an Associations of Public Treasurers certification earning program. Combined, these two workshops trained over 240 members on the importance of cash handling. As you can see, your executive board, committee chairs and division officers are constantly looking to provide

helpful information to the members. If you have an interest in participating on a Committee or providing us with any feedback on any of the programs, please contact any one of the board members! Your involvement is extremely important to the strength and integrity of this outstanding organization.

—Bill Gallardo, CMTA Past President,  
Finance Director, City of Brea

Many thanks to all who contributed gifts for the Past President's Raffle! You helped to make the conference a fun event while supporting the organization's main goal of Treasury education.

### Dollars & Sense

Is the quarterly newsletter of the California Municipal Treasurers Association, [www.cmta.org](http://www.cmta.org)

Direct all correspondence to:  
Maureen Lennon, CCMT, Finance Director  
170 Santa Maria Ave, Pacifica, CA 94044  
Tel: (650) 738-7395  
Fax: (650) 738-7411  
lennonm@ci.pacifica.ca.us

It is the policy of the CMTA Board to permit articles of interest on investment strategies, techniques or instruments to be published for their educational or reference value in the Dollars & Sense newsletter. The Board advises members and readers of these articles that the Board makes no endorsement or verification of accuracy of cited references and calculations, and further makes no recommendation regarding whether a particular

investment is suitable for any or all municipal investors. Readers are reminded that such articles are the opinion of the article's author. The CMTA Board advises any member or reader to prudently analyze, in detail, any article published should the brevity of such an article spark his/her interest.

Design by: Donagh Graphic Designs  
(925-937-8283), [fdonagh@aol.com](mailto:fdonagh@aol.com)



## League of CA Cities needs your help on state telecom reform bill

### “NO” on AB 2987: Join the Coalition TODAY

AB 2987 (Núñez/Levine)

would create a new statewide franchise for cable and video service providers, issued by the California Department of Consumer Affairs. The bill’s supporters claim that AB 2987 will guarantee “speed to market” for telephone companies that want to offer video services that compete with cable companies. They argue that increased competition will offer consumers lower rates and better service.

The League and the “NO on AB 2987” Coalition support competition, but are greatly concerned over a number of items the bill fails to address, including:

- Failure to specify **build-out schedules** for new market entrants, allowing broadband providers to “cherry pick” who they wish to serve.
- Failure to guarantee that local agencies will have the same rights to **public access stations** and broadband services to schools and libraries as can be negotiated under current cable television franchising authority.
- Failure to **protect consumers**.

## Legislative changes to consider when updating your Investment Report

### July 1, 2005 to May 31, 2006

- There was no new legislation that might impact your Investment Policy or investment practices.
- The CMTA board modified the position on CalTRUST as an investment option from oppose to neutral due to changes made to bring the investment into compliance with government regulations.

### July 1, 2004 to June 30, 2005

- AB 969 (Correa) - This bill clarifies that a local agency can invest surplus funds in shares of beneficial interest issued by a JPA that has retained a qualified investment advisor, as specified. These provisions are intended to codify current investment practices of JPAs. JPA pools include, among others, the Investment Trust of California (CalTrust), California Asset Management Program (CAMP) and Cooperative Liquid Assets Security System (CLASS).
- SB 787 (Battin) – Explicitly allows a local agency to invest its surplus or temporarily idle funds in asset-backed commercial paper. The commercial paper must be of prime quality and of the highest ranking as determined by a nationally recognized statistical rating organization. Also,

- In addition, AB 2987 changes the definition of “gross revenues” that a city would receive from franchise fees—in many cases it would **NARROW** the definition and result in less revenue!

### Join the Coalition TODAY!

“NO” on AB 2987 *Membership Form*: log on to [www.cacities.org/ab2987](http://www.cacities.org/ab2987). Download, fill out, and fax the completed form to Genevieve Morelos at (916) 658-8240. You may sign on as an individual, organization, or company.

### Take action!

Send a letter to Sen. Martha Escutia Chair, Senate Committee on Energy, Utilities and Communications. (Be sure to send a copy to your own senator, and to Genevieve Morelos at the League. Fax - 916.658.2840, email [gmorelos@cacities.org](mailto:gmorelos@cacities.org)).

For more information about AB 2987, including talking points, fact sheets and other information, please log on to [www.cacities.org/ab2987](http://www.cacities.org/ab2987). Also, information about federal telecommunications reform can be found at [www.cacities.org/telecom](http://www.cacities.org/telecom).

changes the specific reference to the three main debt rating services to a generic descriptor of “nationally recognized statistical rating organization,” thus allowing new rating services to participate.

Please keep in mind that the above are presented for your consideration within your specific investment environment. Decisions regarding your investments or Investment Policy should be based on your specific circumstances.

**2006-2007 CMTA Division II met for strategy planning in Santa Clarita.** Kelley Williams, President (Arcadia); Jan Downey, Treasurer (Santa Clarita); Mary Kobus, VP (El Segundo) and Bob Ridley, Secretary (Pico Rivera).



### Division Chairs

**I**  
Nadine Mandery  
City of Chula Vista  
Tel: (619) 691-5051  
Fax: (619) 585-5685  
[nmandery@ci.chula-vista.ca.us](mailto:nmandery@ci.chula-vista.ca.us)

**II**  
Kelley Williams  
City of Arcadia, CA  
Tel: (626) 574-5465  
Fax: (626) 447-6021  
[kwilliams@ci.arcadia.ca.us](mailto:kwilliams@ci.arcadia.ca.us)

**III**  
Greg Wiles  
City of Fresno  
Tel: (559) 621-7004  
Fax: (559) 488-4636  
[greg.wiles@ci.fresno.ca.us](mailto:greg.wiles@ci.fresno.ca.us)

**IV**  
Robert “Bob” Begun  
City of Capitola  
Tel: (831) 475-5629  
Fax: (831) 479-8879  
[rbegun@sbcglobal.net](mailto:rbegun@sbcglobal.net)

**V**  
Linda Lorenzetti, CCMT  
City of Concord  
Tel: (925) 671-3183  
Fax: (925) 671-3198  
[linda@ci.concord.ca.us](mailto:linda@ci.concord.ca.us)

**VI**  
Mary Morris  
San Juan Water District, CA  
Tel: (916) 791-6907  
Fax: (916) 791-0164  
[mmorris@sjwd.org](mailto:mmorris@sjwd.org)

**VII**  
Mary Asturias  
Burlingame, CA  
Tel: (650) 558-7221  
Fax: (650) 342-8386  
[masturias@burlingame.org](mailto:masturias@burlingame.org)

**IX**  
Marc Puckett  
City of Costa Mesa  
Tel: (714) 754-5243  
Fax: (714) 754-5040  
[mpuckett@ci.costa-mesa.ca.us](mailto:mpuckett@ci.costa-mesa.ca.us)

**X**  
Jim Winegardner  
City of Ridgecrest  
Tel: (760) 499-1521  
Fax: (760) 499-1520-1849  
[jwinegardner@ci.ridgecrest.ca.us](mailto:jwinegardner@ci.ridgecrest.ca.us)

## Committees

### EDUCATION

Donna Mullally, CCMT  
Irvine, CA  
Tel: (949) 724-6037  
FAX: (949) 724-6030  
dmullally@ci.irvine.ca.us

### LEGISLATION

Laura Parisi  
Laguna Beach, CA  
Tel: (949) 497-0327  
Fax: (949) 497-0771  
lparisi@lagunabeachcity.net

### GENERAL CONFERENCE AND SITE SELECTION

Adair Patterson, CCMT  
Victorville, CA  
Tel: (760) 955-5060  
Fax: (760) 245-6646  
apatterson@ci.victorville.ca.us

### CERTIFICATION

Michael Reynolds, CCMT  
Redlands, CA  
Tel: (909) 798-7544  
Fax: (909) 792-6623  
mreynolds@cityofredlands.org

### MEMBERSHIP/BUDGET

See Treasurer

### NEWSLETTER/PUBLIC RELATIONS

See Vice President

### STANDING RULES /BY-LAWS

See Past-President

### LEAGUE LIAISON

Debbie Michel  
Sacramento, CA  
Tel: (916) 658-8218  
Fax: (916) 658-8240  
dmichel@cacities.org

### COMMERCIAL ASSOCIATE LIAISON

Kay Chandler  
San Diego, CA  
Tel: (858) 546-3737  
kay.chandler@chandlerasset.com

### 2007 CONFERENCE

Long Beach, CA  
April 30-May 4, 2007

## CMTA welcomes the following New Members!

### FRANCIS ABELLA

AVP, Capital Markets  
Investment Sales Officer  
Bank of the West

### AMY M. AMMONS, CPA

Director of Finance  
Coachella Valley  
Water District

### BRUCE ASHTON

Esquire  
Reish Luftman  
Reicher & Cohen

### MARIE BERKUTI

Finance Manager  
Solana Beach

### CINDY BOHANAN

Accounting Manager  
Elk Grove

### ANDREA BRYANT

Senior Account Clerk  
Gardena

### SHEILA BUTLER

Vice President  
Union Bank of California

### LISA R. CAVALLARO

Senior Vice President  
Union Bank of California

### JOSEPHINE CHAN

Financial Analyst  
Inland Empire Utilities Agency

### LIN LIN CHENG

Assistant Finance Director  
Foster City

### HASMIG CHILINGARIAN

Deputy City Treasurer  
Montebello

### DENNIS COLEMAN

Finance Director/Treasurer  
Solana Beach

### CARLOS CORRALES

Controller  
Castaic Lake  
Water Agency

### SUNSHINE CRUMP

Consultant  
PFM Asset Management LLC

### MARK DELIN

Financial Services Manager/  
Assistant Treasurer  
San Diego County  
Water Authority

### JAN DOWNEY, CCMT

Accountant  
Santa Clarita

### SHARON L. DUCKWORTH

City Treasurer  
Vernon

### JOHNNY EA

Finance Director/City Treasurer  
Moorpark

### EMERSON J. FERSCH

City Treasurer  
Signal Hill

### REBECCA FONG

Senior Accounting Specialist  
Mesa Consolidated Water  
District

### MARK GAUDIO

Principal  
Capital Securities of America

### RODNEY GOODWIN

Senior Accountant  
Southern CA Reg'l Rail  
Authority

### BRIAN HATCH

Supervising Accountant  
Marina

### MARTIN HEMING

Esquire  
Reish Luftman  
Reicher & Cohen

### SHELLEY HERNANDEZ

Controller/Internal Auditor  
Paradise

### BETTY HOFMAN

Finance Director  
Lemon Grove

### SUNG HYUN

Director of Finance  
Buena Park

### HEATHER IPPOLITI

Accounting Manager  
Windsor

### CAROL JACOBS

Administrative Services  
Director  
Stanton

### SHIRLEY JOHNSON-WRIGHT

Assistant Finance Director  
Fort Bragg

### MARK JOHNSON

Finance Director/Treasurer  
Fort Bragg

### LES JONES

City Treasurer  
Garden Grove

### PATRICIA KATAURA

Controller/Treasurer  
Southern California Regional  
Rail Authority

### NSES KAZADI

Senior Managing Consultant  
PFM Asset Management LLC

### YOUNG KIM

Finance Director  
La Puente

### STEPHEN V. KOZAK, JR., CCMT

Controller  
Los Angeles County Superior  
Court

### CAROL LAWSON

Debt Administration and  
Business Analysis Manager  
Santa Clara Valley  
Transportation Authority

### WAYNE LOO

Accountant II  
San Mateo

### ROBERT LUCCHESI

Senior Vice President/  
Senior Client Manager  
Bank of America

### LEE MA

Accountant  
Temple City

### FRED MARSH

Finance Manager  
Dublin

### RICHARD MAYS

City Treasurer, Sierra Madre

### LISA MCLAUGHLIN

Fiscal Services Manager  
Buena Park

### MONICA MOLINA

Financial Services Manager  
Temple City

### JILL R. OLSEN

Assistant Finance Director  
Reno

### DAN PALMQUIST

Director, Government Services  
Division  
Payment Resource/TransFirst

### MARY ANN PARROT

Director of Finance  
Santa Clara

### KELLIE PATTERSON

Accounting Technician  
Victor Valley Wastewater  
Reclamation Authority



### NICHOLAS PEGUEROS

Assistant Finance Director  
San Bruno

### STACIE PLUMMER

Investment Officer  
Richmond

### MARK PULONE

City Manager  
Aliso Viejo

### DONALD RAUGHT

Vice President  
Union Bank of California

### MARK RISCO

Division Manager  
MuniFinancial

### DEBBIE J. SANQUIST

Accountant  
Moorpark

### KURT SEEMANN

Account Executive  
Affinity Bank

### KYLE SPENCER

Accounting Technician  
Milpitas

### RICH STEVENSON

Finance Manager  
Helix Water District

### JACK J. TURNER

Stone & Youngberg

### LORENZO TYNER

Director of Finance  
Orange County Sanitation  
District

### MICHAEL VIVRETTE, CPA

Finance Director  
Clearlake

### CARYL (KAY) WEIR

Treasury Technician  
San Diego Unified Port District

### KRISTINA WHITE

Finance Administrator  
Sweetwater Authority

### DAVID WOO

Finance Director  
Cupertino

### CURTIS YAKIMOW

Administrative Services  
Director, Yucca Valley



## Congratulations on the following certifications

### Certifications and recertifications awarded in Monterey!!

A whopping total of 16 CMTA members received their CCMT certification plaques or recertification bars at the annual conference in Monterey.

#### Those awarded Certification for the first time included:

<b>Vince Amado</b> City of Rocklin	<b>Ralph Lanphere</b> City of El Segundo
<b>Karolyn Fairbanks</b> City of Oroville	<b>Robert Ridley</b> City of Pico Rivera
<b>Rudy Hernandez</b> Calaveras County Water District	<b>Kimberly Sarkovich</b> City of Rocklin
<b>Nancy Klukan</b> City of Palm Springs	<b>Steve Wysong</b> City of South Lake Tahoe

#### Receiving their Recertification bars were:

<b>Sharon Ainsworth</b> City of Palm Springs	<b>Lori Lowrance</b> Baldy Mesa Water District
<b>Victoria Beatley</b> Mesa Consolidated Water District	<b>Deborah Myers</b> City of Redlands
<b>Dale Belcher</b> City of Oxnard	<b>Dale Nielsen</b> City of Vista
<b>Howard Longballa</b> City of Alhambra	<b>Steve Stark</b> City of Santa Monica

Congratulations to each of these members for their continuing commitment to their profession!

## CMTA Board Members attend second annual California Government Finance Leaders Summit

The second annual California Government Finance leaders Summit was held on May 24, 2006 in Sacramento. Representatives from financial organizations at all levels of government in California participated in the event, hosted by the California Society of Municipal Finance Officers (CSMFO). CMTA Board members in attendance were Vikki Beatley, President, Bill Gallardo, Immediate Past President, Vince Amado, Treasurer and Christine Vuletich, President Elect.

The following organizations also participated in the Summit, State Board of Equalization, California Assessors Association, California Special Districts Association, California Debt and Investment Advisory Commission, California Municipal Revenue and Tax Association, County Auditors Association, California Department of Finance, Local Agency Investment Fund, League of California Cities, Probation Business Managers Association, and the California State Treasurers Office. The event was professionally facilitated by Don Maruska of Don Maruska & Company.

The purpose of the Summit was for the representatives from the various organizations to get to know one another, and to identify common issues and opportunities for collaboration. As Mark Alvarado, President of CSMFO put it, "teamwork is less work!" The group identified the following major issues as opportunities for collaboration, where working together we could all make a difference:

1. The Challenge of Recruitment, Retention and Succession Planning – how to attract individuals to work in government agencies in light of current de-

mographics as the baby boom generation is retiring over the next decade?

2. Unfunded Post Retirement Benefits/Implementing GASB 45 – how to implement funding and valuation of liabilities, and how to communicate this issue to the public?

3. Proactive Legislation Tracking – how organizations can keep up with what is going on in the legislation and regulatory world?

4. Local Revenue Issues – how to collaborate on issues threatening local governmental revenues such as telecommunications reform?

5. Collaboration on Professional Development – how can we coordinate and provide professional development and training opportunities?

The group translated these opportunities into action plans, forming task forces that will work together on these issues over the coming year.

—Christine Vuletich, CMTA President Elect  
Director of Finance, City of South Lake Tahoe

## Sub-Committees

### EDUCATION

**Chair:** Donna Mullally  
**Members:**  
Dale Belcher  
Bill Blackwill  
Kay Chandler  
Josie Fong  
Mike Reynolds  
Kelley Williams

### BUDGET & MEMBERSHIP

**Chair:** See Treasurer  
**Members:**  
President  
League Liaison

### GENERAL CONFERENCE AND SITE SELECTION

**Chair:** Adair Patterson  
**Members:**  
Vikki Beatley  
Dale Belcher  
Bill Gallardo  
Linda Lorenzetti  
Mike Reynolds

### NOMINATING

**Chair:** Bill Gallardo

### LEGISLATION

**Chair:** Laura Parisi  
**Members:**  
Vince Amado  
Kay Chandler  
Gay Eichhoff  
Tony Garcia, CFA  
Mike Reynolds

### 2007 CONFERENCE

Long Beach, CA  
April 30-May 4, 2007



**Victor Ume-Ukeje, Managing Director—Investments  
Fixed Income Institutional Sales**

- Serving & investing for public entity/government agency clients
- Fixed-income portfolio analysis & strategy
- Nationally ranked municipal underwriting franchise

345 California St., Ste 2300  
San Francisco, CA 94104  
Victor.E.Ume-Ukeje@pjc.com  
415 984-5192  
800 398-1168

**PiperJaffray**

Since 1895. Member SIPC and NYSE. 4/06 CM-05-1085 piperjaffray.com

## Interest rate forecasting or relative value analysis: what works better for the investor?

Some fixed income portfolio managers forecast interest rates as part of their investment strategy, and others employ a more duration neutral approach (duration is kept in a close range around the index) while focusing on relative value among securities and sectors.

—Brian Perry, Analyst, Chandler Asset Management

Because of the divergence between these two distinct approaches one has to ask, is time better spent predicting interest rates or, rather, controlling interest rate risk? To find out we reviewed current research which concludes that it's difficult to achieve consistent returns through interest rate forecasting.

Initially, we wanted to find out how successful professional economists are at forecasting future interest rate changes. Studies published by the Federal Reserve Bank of St. Louis<sup>1</sup>, economists at North Carolina State University<sup>2</sup>, and the Journal of Applied Statistics<sup>3</sup> indicate that most professional interest rate forecasters fail to outperform a random walk approach. In other words, despite years of experience and access to the most sophisticated tools available, the professional economists' forecasts are less accurate than those obtained by flipping a coin.

A closer look reveals that forecasters' results are even worse than they initially appear. Even the forecaster with the best previous track record failed to consistently outperform a coin flip when attempting to predict interest rate changes. "Success in predicting future interest rates depends upon predicting both future changes in the information and the market's reaction to such news."<sup>1</sup> In order to be successful, portfolio managers must predict both future economic output and the manner in which other market participants will interpret this data. They must then forecast not only the direction of subsequent interest rate moves, but also the magnitude and the timing of the move. This is difficult to do correctly even once, and virtually impossible to accomplish consistently over a long period of time.

An additional problem with forecasting interest rate changes is that different incentives exist for investors and professional forecasters. The professional forecaster is heavily rewarded for short term success, while for the investor, short term gains are insufficient for generating superior long term risk-adjusted returns. This problem is compounded by the fact that predicting interest rate changes becomes more difficult as the time horizon increases. "Studies have shown that error statistics often double in size when

the forecast horizon is extended as little as from one to two quarters ahead."<sup>1</sup> The risk in trying to time interest rates is that once a forecaster makes a mistake, it becomes extremely difficult to recapture that lost performance.

If investors do not want to assume this risk, are they then restricted to average returns? We do not think so. There are effective alternatives that do not depend upon interest rate predictions. By employing yield curve analysis, diligent security selection, and rigorous risk control, we believe a portfolio can consistently outperform its benchmark while maintaining an appropriate portfolio risk profile. This eliminates the possibility that an investor will underperform the benchmark due to erroneous interest rate forecasts.

- 1 "Predicting Interest Rates: A comparison of Professional and Market-Based Forecasts," Michael T. Belongia, Federal Reserve Bank of St. Louis
- 2 "Professional Forecasts of Interest Rates and Exchange Rates: Evidence from the Wall Street Journal's Panel of Economists," Karlyn Mitchell & Douglas K. Pearce, North Carolina State University
- 3 "Combination Forecasting for Directional Accuracy: an Application to Survey Interest Rate Forecasts," Mark R. Greer, Dowling College



### HIGGINS CAPITAL MANAGEMENT, INC.

**ETHICS INTEGRITY SERVICE**

**Deborah M. Higgins  
President**

**(800) 716-6510**

**www.HigginsCapital.com**

**Earning the public trust every day.**

**Delivering innovative solutions to public agencies**

- Treasury Management
- Investments
- Capital Raising
- Self Directed
- Managed

**Government Banking**

Sacramento  
916.321.4605

San Francisco  
925.827.3959

Los Angeles  
213.621.7135

© 2006.

**Bank of America Higher Standards**

#### Government Services Division

Donna L. Hodgson, SVP, (800) 833-4758

#### UnionBank Investment Services-Institutional Sales

Camee Lewis, VP, (213) 236-7070

Mark Kreymer, AVP, (213) 236-7070

Andy Stoddard, VP, (415) 705-7178

#### Corporate Trust & Custody Services

Andy Jeremi, VP, (415) 705-5043

Carl Boyd, VP, (213) 972-5683

Invest in you®



©2006 Union Bank of California, N.A. Member FDIC

Thank You to the Sponsors of Dollars & Sense!  
(All advertisers throughout the newsletter)

**CM** FIXED INCOME STRATEGIES THAT CREATE VALUE AND MANAGE RISK

**CHANDLER  
ASSET MANAGEMENT**

**The Chandler Advantage:**

- Investment Grade Fixed Income Strategies
- Experienced Investment Team
- Disciplined, Quantitative Analysis

www.chandlerasset.com | 800.317.4747



**FTN FINANCIAL**

Jeremy Wolfson VP, Capital Markets  
jeremy.wolfson@ftnfinancial.com

Ken Herman SVP, Capital Markets  
ken.herman@ftnfinancial.com

**PASADENA OFFICE**  
300 North Lake Avenue  
Suite 1030  
Pasadena, CA 91101  
(866) 846-9684

**MBIA Asset Management can meet your investment needs.**

- Comprehensive approach to investing
- Customized portfolio management strategies
- Development of all aspects of investment programs

Gay Eichhoff  
(888) 982-2252 gay.eichhoff@mbia.com

**CAM** CUSTOMIZED ASSET MANAGEMENT



**SY** STONE & YOUNGBERG

**Fixed Income Sales & Trading**

Steve Kazak 415-445-2313  
Joe Brazil 415-445-2360  
Gary Sauerman 602-794-4016

800-447-8663 • www.syllc.com

**SIPC**

**WELLS FARGO**

**Government Banking Division**  
Lynn Love 213.614.2235  
Carole LaRocca 415.396.7485

**Corporate Trust Services**  
John Deleray 213.614.3351  
Todd Duncan 213.614.3998  
Stuart Weiss 213.614.3356

**Institutional Brokerage & Sales**  
Tony Garcia 1.888.267.9113  
Annalise Lasater 1.800.677.3729

**Institutional Trust & Custody**  
Pete Sorensen 415.396.2090

**Wells Capital Management**  
Kathleen Barnes 213.253.3185  
Jonathan Reining 415.222.1677

© 2006 Wells Fargo Bank, N.A. All Rights Reserved. Member FDIC

**Full Service Solutions for Public Entities since 1852**



**Richard A. Vest** (888) 748-6301  
Senior Vice President (954) 229-3512  
Institutional Sales/Fixed Income Fax (954) 229-3588

**VINING SPARKS**

Vining-Sparks IBG, L.P.  
500 West Cypress Creek Road, Ste 220  
Fort Lauderdale, FL 33309  
rvest@vining-sparks.com

- SEC Registered Investment Advisor
- Portfolio Management
- Structured Investment Products
- Swap Advisory Services
- Post Issuance Compliance

**Northern California**  
Janice Salvato  
Phone: 650 577 8067  
jsalvato@bondlogistix.com

**Southern California**  
Darlene Blaney  
Phone: 310 374 0156  
dblaney@bondlogistix.com

**BONDLOGISTIX LLC**



**SMART SOLUTIONS FOR:**

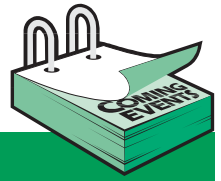
- Special Taxes
- Special Assessments
- User Fee Studies
- Cost Allocation Plans
- Utility Rate Studies

Consulting | Administration | Software

**CELEBRATING 10 Years of Excellence**  
1996 - 2006

**NBS**

800.676.7516  
www.nbsgov.com  
contactnbs@nbsgov.com



## Calendar of Events

### What's Inside....

- ▲ Appointment of new DWA Finance Director 1
- ▲ A Summary of the Past Year 1
- ▲ 2006-2007 Officers 2
- ▲ President's Message 2
- ▲ Legislative News 3
- ▲ Division Chairs 3
- ▲ Committees 4
- ▲ New Members 4
- ▲ Newly Certified Members 5
- ▲ California Government Finance Leaders Summit 5
- ▲ Sub-Committees 5
- ▲ Interest rate forecasting 6
- ▲ Calendar of events 8

#### CMTA DIVISION MEETINGS

Division I	<b>Jun 29:</b> County Assessor Greg Smith's annual presentation on growth, property taxes, and valuations. <b>Jul 13:</b> TBD <b>Aug 10:</b> Day at the Races at Del Mar
Division II	<b>Apr 12:</b> Jjoint meeting with CSMFO; Queen Mary in Long Beach; Edward McKeown, US Bank speaker, "GASB 45" <b>Jun 7:</b> Union Bank, Los Angeles; Camee Lewis, Tour of Trading Floor <b>Aug 9:</b> Dukes In Malibu; "Professional Development Resume"
Divisions III, IV, V, VI, and VII	Dates, locations and topics tbd
Division VII	<b>Jun 29:</b> joint CSMFO-CMTA meeting, Kuleto's Restaurant, Burlingame. Speaker Corinne Larson, CTP from MBIA Asset Management Group on "Strategy and Tactics for Public Investing in Today's Market"
Division IX	Dates, locations and topics tbd
Division X	Dates, locations and topics tbd

#### UPCOMING CONFERENCES/MEETINGS/WORKSHOPS

<b>Oct 10-12, 2006</b>	"Essentials of Treasury Management" Workshop, Cal Poly Pomona
<b>Apr 30-May 4, 2007</b>	CMTA Conference, Long Beach, CA



### Members!

Our website's major upgrade is finished. Check out the exciting new CMTA website at [www.cmta.org](http://www.cmta.org)!



### California Municipal Treasurers Association

c/o Christine Vuletich, CCMT  
1052 Tata Land  
City of South Lake Tahoe, CA 96150

PRSR FIRST CLASS  
U.S. POSTAGE  
**PAID**  
Concord, CA  
Permit No. 249