The latest on court cases, Proposition 218, and common practices

—K. Dennis Klingelhofer, P.E.
NDS Associate Director

Public agencies in California have a long history of using special assessments to fund a broad range of public facilities and services. In recent years there has been increasing reliance by local agencies on the use of revenues from special assessments to fund services that property owners desire, while at the same time there is increasing resistance by property owners to assess themselves for services.

There have been several recent challenges to the use of special assessments that local agencies need to be aware of as they look at forming new assessment districts or look to increase existing assessments.

So what has changed? The passage of Proposition 218 in 1996 was the beginning of a series of changes in how assessments could be levied by local agencies and how they were approved by property owners. Today, approval of an assessment requires a ballot process that does not result in a majority protest of property owners, weighted by assessment amount. Additionally, there are new requirements in how the property owner ballots are prepared, mailed and counted. The most recent legislation regarding assessment balloting was SB 321 which was signed into law in September, 2009.

While there are no simple answers, here are five recommended concepts to carefully consider:

1. Establishing assessment district benefit zones

In a recent case, Town of Tiburon v. Jimmie D. Bonander, the Court found that when benefit zones were created based on the difference in cost for underground utilities in different areas within the assessment district, that the proportionality requirement of Proposition 218 was not met since there was no difference in the special benefit received as defined in the Engineer’s Report. As a result, the Court believed that similar parcels received an identical benefit yet were being assessed a greater amount by virtue of the higher costs of undergrounding the existing utilities in certain areas. The court’s logic was that the assessment was not proportional since parcels receiving the same special benefit
President's message

Spring is in the air, and with the season change comes longer days and warmer weather to enjoy with family, friends and colleagues.

In February, I had the fortunate opportunity to attend the California Society of Municipal Finance Officers conference in Los Angeles. I would like to extend my gratitude to the CSMFO Board of Directors for inviting me to participate. I applaud the Board, Committee members, and the management company for putting on an outstanding conference. I was honored to address attendees and share the worthwhile services that CMTA offers to the treasury profession. Recognizing the mutual members between both associations, the leadership of CMTA and CSMFO formed a Joint Exploratory Committee that was charged with the task of investigating the feasibility of the two associations holding a joint conference. Members have suggested the concept and CMTA and CSMFO are in the process of delving into the possibility of planning such an event in the future. We will continue to update you on the progress of the Joint Exploratory Committee as plans move forward.

CMTA is moving ahead by leaps and bounds. This past quarter has been very exciting and full of changes. Our new Web site is up and running—and it has a fresh new look! CMTA also joined the effort to go green. We now offer online registration and payment services for conferences and membership renewal.

During the spring, CMTA will head to Sacramento for our 51st Annual Conference, April 20–23, at the Hyatt Regency at Capitol Park. The Committee Chairs have worked hard to develop sessions that provide the latest information on various treasury related issues that challenge government officials today.

I am pleased to announce that the following list of distinguished speakers are featured on our program:

- The Honorable Bill Lockyer, California State Treasurer
- The Honorable Laura Chick, California Office of Inspector General
- Dan Walters, California political, economic, and social journalist
- Bob "Mr. Inspiration" Wieland, American hero and world renowned motivational speaker and author
- And, many more...

A special thanks to our exhibitors and sponsors. Please visit the display booths to learn more about their services and expertise. The California Debt and Investment Advisory Commission (CDIAC) will host the pre-conference seminar featuring information, education, and technical assistance on debt issuance and public fund investments to local public agencies and other public finance professionals.

So as the spring blossoms are anew, please join me in Sacramento for our Annual Conference, where we can enjoy the opportunity to network with fellow colleagues and learn more about services and resources that will benefit local government treasury.

—Kelley

Dollars & Sense

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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 be the scrutiny of such an article spark his/her interest.

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Considering an increase in or forming a new assessment district? —continued from p. 1

had differing assessments, with some being charged more than others. Based on this recent case, it is important to look at how special benefit is allocated and to make certain that the assessments on parcels that receive a similar benefit are proportional.

2 Quantifying Special Benefit

Identifying or quantifying the special benefit that a parcel receives from the service or improvements to be funded by the benefit assessment has never been a precise science. Historically, the assessment engineer and the governing body were given wide latitude in defining special benefit. However, the California Supreme Court’s ruling in Silicon Valley Taxpayers v. Santa Clara Open Space Authority increased the burden of proof in requiring that you must be able to quantify the special benefit that a parcel receives based on the specific improvements or services to be funded by the assessment.

It is not enough to say that all parcels will benefit from a service or facility that is not clearly defined. This may require that the benefit be based on a parcel’s proximity to the improvement or the protection of the viewsheds, as was the issue in the Silicon Valley Taxpayers v. Santa Clara Open Space Authority where there was not a clear plan for the purchase of specific parcels of land to preserve as open space within the county.

In another recent case, a judge recently ruled that the special benefit received by parcels was not defined clearly enough for special assessments used to pay for a variety of maintenance services, even though it was clearly documented that the level of services received by parcels within the assessment district were over and above the services received by other parcels not subject to the benefit assessment. The importance of clearly documenting and quantifying the special benefit to be received must be done in the Engineer’s Report.

3 Determining special versus general benefit

Everyone knows that you can only assess for special benefit. But what does this mean? To really answer the question it is important that you ask yourself, “Is the service funded by the assessment over and above the service already provided by the agency within the boundaries of the assessment district?” In Dahms v. Downtown Pomona Property, the court found that if the special benefit incidentally results in general benefit that Proposition 218 does not require that the value of the general benefit automatically be subtracted from the special benefit to be assessed. The key in this case was that the cost or value of the special benefit was at least equal to the amount being assessed.

4 Discounting assessments on publicly-owned and non-profit parcels

Prior to the passage of Proposition 218, it was common to categorically exempt publicly-owned parcels from assessment unless it was clear that they would benefit, such as in the case of a sewerline being extended to serve an area which included an elementary school that would connect to the new sewer. However, Proposition 218 made it clear that public parcels cannot be exempted if they benefit and must be assessed in proportion to the special benefit that they receive. In Dahms v. Downtown Pomona Property the “discounting” of the assessment rates to several non-profit entities was challenged since they received a special benefit that was greater than their assessment. The court found that so long as the assessment on a parcel is proportional to, and not greater than the special benefit it receives, an agency can provide a discount to certain parcels so long as the difference in the assessment for those parcels receiving a discounted assessment are not spread to other parcels so as to increase their assessment to a level that is greater than the benefit which they receive. Other agencies have used an offset in services provided by another public agency, for example under joint use agreements for school athletic fields, as a means of offsetting the assessment on school property. What is important is to clearly document that the resulting assessment on other parcels is not increased in excess of the special the benefit that they receive in the Engineer’s Report.

5 Handling property owners that have large weighted vote

Another issue that often arises is how to handle parcels that have a large percentage of the weighted vote. It is clear under Proposition 218 that the assessment ballot must be weighted in proportion to the assessment amount each property owner would pay.

However, what happens if there are several properties within a proposed assessment district that would pay a large percentage of the assessment if approved and they vote in favor of the assessment, yet the majority of parcels voted against the assessment but they represent less than 50% of the assessments? This actually happened several years ago in one city. In these types of cases it is critical that there is clear and convincing evidence of the special benefit which different parcels or classes of property will receive, and that the benefit assessment proposed is no greater than the proportional benefit that any parcel would receive.

NBS staff have years of experience in the formation of all types of benefit assessment districts and are ready to assist you. Whether you are looking to form a new district or need to increase the assessment in an existing district, NBS can help you in meeting the many requirements for district formation/increases, property owner balloting, and annual administration.
What’s holding you back?

---Christine Herrera, Vice President & Senior Relationship Manager, Bank of the West

In the post 9/11 era, payment systems in the United States have evolved to the point that the impact on the business community has been difficult to quantify. Although the banking community has been challenged with compliance issues, the result has been an evolving payment system that will ultimately provide efficiencies both in the banking and business community.

Various factors affected and promoted the change to our payment system but none more compelling than that of September 11, 2001. It was clear that increased and immediate attention was required to sustain business activity during and after such a catastrophic event. Check 21 legislation was enacted as a direct result of the presentation delay of check equating to millions of uncollected dollars that sat in transport planes on the tarmac for several days.

The second factor that has influenced our payment system is the restructuring of the Federal Reserve Bank’s check processing structure because of the decline in paper checks and the increased use of image technology. Beginning in 2003, the Federal Reserve Bank began a restructuring initiative with plans to reduce its check processing network from 45 processing centers to four with completion slated for early 2011. On December 17, 2009, the Federal Reserve announced that because of the continued decline in paper, beginning February 26, 2010 there would be a single processing location to handle all check clearings.

The third factor affecting our payment system is the influence of Internet usage by Generation X and Y, also known as “Millennial” consumers. With easy access, today’s consumers have changed the way they transact business and find it easier to use the Internet to connect with their business partners. Many are handling their financial obligations through online bill pay programs, recurring Automated Clearinghouse (ACH) payments and/or debit and credit cards versus paper check, changing the future landscape of the U.S. payment system. According to Federal Reserve data, there has been a 75 percent decrease in paper check volume with 42 billion checks paid in 2001 as compared to 10 billion in both check and electronic images in 2006. During the same period, ACH transactions increased more than 100 percent with the total activity in 2006 reaching 13 billion as compared to 6 billion in 2003. The difference was most likely facilitated through debit and credit card applications.

There is little doubt that payment channels will continue to change and, most importantly, affect the way we conduct business. Despite the fact that many businesses and governmental agencies continue to rely on checks as their primary payment channel, many banks are eliminating their proof machines within their processing centers. Most are replacing them with image capture equipment creating an infrastructure to support image exchange with a more robust delivery structure.

Given the technological advances and regulatory mandate to both electronic and image-based payments, what’s holding you back from reaping the benefits of Check 21? Not only does it move your organization toward compliance, the benefits of this automation include extended deposit deadlines, expedited availability, cost savings for transportation and check processing plus internal processing refinement.

Those who have moved to image delivery have either leased or purchased equipment that allows them to utilize this image scanning equipment to create a Check 21 deposit consisting of check images that are transmitted to their bank via a secure, encrypted file. The schematic below provides a visual of the processing application of Check 21 also known as Check Image, Image Capture and/or Remote Deposit.

With the transmission deadline later in the day, usually closer to 7 p.m., the need to meet banking office hours

---Continued on page 5
What's holding you back? —continued from p. 4

and/or courier/armored car schedules can be eliminated. Staff time and risk associated with transporting and delivery of paper check deposits can be minimized and courier/armored car costs can be reduced, or even eliminated.

Also, there is potential for improvement in availability as the collection of an image item is expedited versus that of a paper item. Many banks are collecting new endpoint clearing data in order to adjust float schedules. Check with your current bank to see what changes they have made.

What about the cost associated with an image deposit versus a check deposit? Well, the task of imaging checks for presentation eliminates some of the workflow the bank would otherwise be required to perform, and since there is a processing partnership created between the bank and the client with this type of service, there is usually a discount passed on to the customer. With image capture, the cost is less than the cost of handling a paper check but you may want to check with your banker.

All said, the benefits derived from the reduction of transportation cost and staff allocation, expedited availability and processing costs minus the cost of equipment, the net result is usually a reduction in overall checking processing fees. The best way to confirm this is to ask your banker to provide you with a cost benefit analysis for your review.

CMTA new members...

Edan Alomeri, City of Oxnard
Ken Edelman, Cantella & Co., Inc
Thomas Gardener, City of Vista
Jose Matamoros, Bank of New York Mellon
Thomas Nuyen, Wells Fargo Bank
Andrew Studdard, Union Bank
April 20–23, 2010

The 2010 Annual Conference is CMTA’s premier education program—delivering practical solutions to help elected and appointed treasurers and finance professionals from city, county, and special district offices improve public administration through new and efficient methods of governmental organization.

The sessions will help you find solutions, demonstrate accountability and offer you the opportunity to collaborate with fellow colleagues. Whether you are a seasoned professional or a first time attendee, you’ll take back practical ideas and a renewed commitment to help you accomplish the critical work ahead.

Register online today at www.cmta.org!

Conference activities and information...

Program
The Honorable Bill Lockyer, California State Treasurer; Dan Walters, California political, economic, and social journalist; Bob Wieland, American hero and renowned speaker; and The Honorable Laura Chick, California Office of the Inspector General will all speak at various sessions throughout the conference. Please view pages 7–9 of this newsletter for more information.

Golf Tournament
You are invited to participate in CMTA’s golf tournament held April 20 at the Haggin Oaks Golf Complex. The cost is $47 per player and includes green fees and lunch.

Past President’s Raffle
Strike it rich at the Past President’s Raffle! Members are encouraged to bring a gift to the event. Members who are unable to attend can help by sending a gift for the raffle. CMTA Past Presidents will be selling tickets at the conference priced at three tickets for $5. Proceeds from raffle tickets helps support the efforts of the CMTA Woodward Education Scholarship Fund. You may also buy your tickets ahead of time online.

Hotel Information
Conference attendees are encouraged to stay at the Hyatt Regency at Capitol Park. It is located directly across from the Capitol and within walking distance of shopping, restaurants and theaters. CMTA has set up a room block at the rate of $172 for single/double occupancy, $197 for triple occupancy and $222 for quadruple occupancy.

Please visit www.cmta.org to register online and learn more about the conference program, golf tournament, Past President’s Raffle and hotel accommodations.
Tuesday, April 20

Pre-Conference
Goodbye to all that:
The Evolving Municipal Debt Market in California

California has one of the world’s most dynamic, innovative and successful municipal debt markets. Yet, market conditions since 2007 have tested the confidence of many California issuers and investors. How should local issuers respond to recent events? Will their experiences from the past three years be typical in the years to come? If so, how should they issue debt? If not, what should they learn from recent history?

For this pre-conference, CMTA asked CDIAC to develop a seminar in two sessions. In the morning, they asked us to address what might develop and use a debt policy formed by recent events. The afternoon session discusses changes in the municipal debt market since 2007.

9:00 a.m.
The importance of adopting a sound written debt policy

Governing boards have fiduciary responsibilities for the way their staff manage debt. Debt policies, when adopted by the board, can help direct staff and improve decision-making. How can debt policies help local governments manage debt? To what extent did adopted debt policies assist cities during the recent municipal market?

9:30 a.m.
Practical advice:
What should be in a written policy?
The market challenges experienced since 2007 reinforce the importance of adopting sound debt policies. Policies should be flexible enough to accommodate changing market conditions, but specific enough to provide concrete direction. What makes a good policy? How have cities used – and misused – written policies.

10:30 a.m.
Basics of managing a debt portfolio
What makes for sound debt portfolio management?

12:00 p.m.
Lunch (included)

Afternoon Session: Lessons from Market Events of 2007 through 2009

1:00 p.m.
The current market: trends and changes
Can we make any sense of the past three years? What does the data tell us about what happened in the market? Is there a “return” to fundamentals? We know that the need for debt – both short and long term – is unabated. Has the market fundamentally changed?

1:30 p.m.
What caused the market problem(s) in the municipal market?
When will we know that the market has “recovered?”
The “meltdown” was not so much a single cataclysmic event, but a series of market changes that caused compounding and interacting stresses in the municipal debt market. Nevertheless, the municipal market in California and elsewhere is strong. What changes have occurred? When will the market “return to normal?”

3:00 p.m. - 4:30 p.m.
Lessons for local governments
Given all the changes in the market—from the disappearance of short-term instruments and the loss of bond insurers—what should local governments expect to manage their debt portfolios?

5:00 p.m. - 6:00
Reception
Wednesday, April 21

9:00 a.m.
Opening session
Speaker: Kelley Williams, CCMT, CMTA President, City of Arcadia

9:15 a.m. - 10:30 a.m.
Strive for success
Speaker: Bob “Mr. Inspiration” Wieland

10:50 a.m. - 11:50 a.m.
The new GSEs 2010 and beyond
Speaker: Ivan Hrazdira, Managing Director, Credit Suisse Agencies

12:00 p.m. - 1:30 p.m.
Opening luncheon & CCMT certification awards
Speaker: The Honorable Bill Lockyer, California State Treasurer

2:00 p.m. - 3:00 p.m.
2010 California and Regional Outlook
Speaker: Gary Schlossberg, Senior Economist, Wells Fargo Capital Management

Concurrent Sessions:

3:20 p.m. - 4:30 p.m.
Investment pools
Speaker: Nancy Jones, Managing Director, PFM Asset Management LCC

Remote deposit capture & what’s news in the ACH trends
Speaker: John Curtis, Vice President, Bank of the West

Automate your receivables
Speaker: Rick Hollar, Senior Vice President, Wells Fargo

5:30 p.m. - 6:30 p.m.
Welcome reception

Thursday, April 22

7:30 a.m. - 8:30 a.m.
Business session
Election of Officers

8:50 a.m. - 9:40 a.m.
Not passive or active: “proactive” strategies for operating fund investment management
Speaker: Rick Phillips, President, CIO, Main Street Capital Advisors

10:00 a.m. - 10:50 a.m.
Your revenue options: a briefing on rate, fees, and special assessments
Speaker: Danielle Wood & Jeanette Hahn, Associate Directors, NBS Local Government Solutions

11:10 a.m. - 12:00 p.m.
PCI policies & procedures
Speaker: Don Hester, CPA, Maze and Associates

12:00 p.m. - 1:40 p.m.
Luncheon, sponsor recognition & golf tournament awards
Speaker: Laura Chick, Office of Inspector General

Concurrent Sessions:

2:00 p.m. - 3:00 p.m.
Financial Influenza: cyber crime
Speaker: Greg Lister, President, SafeChecks

Municipal Securities Rulemaking Board—EMMA update
Speaker: Tina Hanachi

Getting the most from your banking relationship
Speaker: Susan Cotton, CTP, Money Matters Consulting

3:15 p.m. - 4:15 p.m.
Nuts and bolts Government Associates
Speaker: Bill Gallardo, CCMT & Victoria Beatley, CCMT
Thursday, April 22 (continued)

3:15 p.m. - 4:15 p.m.
Nuts and bolts Commercial Associates
Speaker: Don Collins, Commercial Associate Liaison

4:15 p.m. - 5:00 p.m.
Nuts and bolts combined wrap-up
Speaker: Bill Gallardo, CCMT & Victoria Beatley, CCMT

6:00 p.m. - 7:00 p.m.
President’s reception

7:00 p.m.
Board installation banquet
Theme: California Gold Rush

Friday, April 23

Legislative Policy Session

9:00 a.m. - 10:00 a.m.
The State of California: past, present, and future
Speaker: Dan Walters, Columnist, Sacramento Bee

10:00 a.m. - 11:15 a.m.
Municipal bond market: outlook & trends
Speaker: John Kim, Principal, De La Rosa & Company

11:15 a.m. - 12:00 p.m.
State of the State: budget outlook
Speaker: Michael Cohen, Deputy State Legislative Analyst

12:00 p.m.
Passport drawing

12:15 p.m. - 1:30 p.m.
CMTA board meeting
For CMTA Officers and Board Members
SEC publishes final money market fund reform rules

—Wells Fargo Corporate Communications

On June 24, 2009, in a move to strengthen the regulatory framework for money market funds and increase their resilience to economic stresses, the U.S. Securities and Exchange Commission (SEC) proposed amendments to Rule 2a-7 and other rules under the Investment Company Act of 1940 governing the operation of money market funds.

On February 23, 2010 the SEC published full text of its final Money Market Reform Rules (Release No. IC-29132), which were discussed and approved on January 27, 2010 at an Open Commission Meeting in Washington, D.C.

The rule changes adopted by the SEC are designed to strengthen the regulatory requirements governing money market funds and better protect investors. They are intended to increase the resilience of money market funds to economic stresses and reduce the risks of runs on the funds by tightening maturity and credit-quality standards and imposing new liquidity requirements. The table on page 11 is a summary of the approved changes.

As stated in the SEC posting, the new rules are effective May 5, 2010; however, required compliance dates are staggered throughout 2010. Unless otherwise noted below, the compliance date for the rules is the date of effectiveness, May 5, 2010.

- May 28, 2010—Compliance required for quality, individual security maturity, liquidity, and repo changes
- June 30, 2010—Compliance required for Weighted Average Maturity (WAM) and Weighted Average Life (WAL) changes
- October 7, 2010—Compliance required for monthly portfolio Web site disclosure
- December 7, 2010—Compliance required for monthly reporting to the SEC of mark-to-market NAV and other portfolio details, to be published by the SEC on a 60-day lag
- December 31, 2010—Compliance required for NRSRO disclosure
- October 31, 2011—Compliance required for processing transactions at other than a $1 NAV

According to the SEC posting, “funds are not required to dispose of portfolio securities owned, or terminate repurchase agreements entered into, as of the time of adoption of the amendments to comply with the requirements of the rule as amended.”

The SEC plans to continue to review additional fundamental changes to the structure of money market funds. Among the additional possible reforms are:

- A floating NAV, rather than the stable $1 NAV prevalent today;
- Mandatory redemptions-in-kind for large redemptions (such as by institutional investors);
- “Real time” disclosure of shadow NAV;
- A private liquidity facility to provide liquidity to money market funds in times of stress;
- A possible “two-tiered” system of money market funds, with a stable NAV only for money market funds subject to greater risk-limiting conditions and possible liquidity facility requirements; and
- Several other options being discussed with the President’s Working Group.

According to the SEC, while each of these ideas is under serious and active consideration, they represent substantial revisions to the money market fund landscape and therefore require further review and study. For more information, please contact Lyle Defenbaugh, Director of Client Relations, CalTRUST, 916-441-6200.

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Money market fund reform rules – continued from p. 10

<table>
<thead>
<tr>
<th>REFORM SECTION</th>
<th>AMENDED RULE 2a-7</th>
<th>CURRENT RULE 2a-7</th>
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<tbody>
<tr>
<td><strong>Portfolio Liquidity</strong></td>
<td>Daily Liquidity: For all taxable money market funds, at least 10% of assets must be in cash, U.S. Treasury securities, or securities that convert into cash the next business day.</td>
<td>No daily liquidity provision.</td>
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<td>Weekly Liquidity: For all money market funds, at least 30% of assets must be in cash, U.S. Treasury securities, certain government securities maturing within 60 days, or securities that convert into cash the next five business days.</td>
<td>No weekly liquidity provision.</td>
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<td>Illiquid Securities: (i.e. a security that cannot be sold at carrying value within seven days) Illiquid securities cannot exceed 5% of portfolio at time of purchase.</td>
<td>Illiquid securities cannot exceed 10% of fund assets.</td>
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| **Portfolio Maturity** | Weighted Average Maturity (WAM): Maximum WAM of 60 days. | Maximum WAM of 90 days. |
| | Weighted Average Life (WAL): Maximum WAL of 120 days. | No comparable requirement. |

| **Credit Quality** | Second Tier Securities: Second tier exposure limited to 0.5% per issuer and 3% in total, maturing in 45 days or less. | 1% per issuer, 5% total maximum maturity of 397 days. |
| | Ratings Agencies: Fund board will annually designate four Nationally Recognized Statistical Rating Organizations (NRSRO) to be used to determine minimum ratings criteria | No comparable requirement. |
| | Repurchase Agreements: To “look through,” collateral must be cash items or government securities with creditworthy counterparties. Adviser must evaluate the creditworthiness of the repurchase counterparty. | Collateral must be “highly rated.” No requirement with respect to the creditworthiness of repo counterparties. |

| **Know Your Investor** | All Funds: Hold sufficient liquid securities to meet “foreseeable” redemptions. Funds are required to develop procedures to identify investors whose redemption requests may pose risks for the funds. | No comparable requirement. |

| **Periodic Stress Testing** | Monthly testing of a fund’s ability to maintain a stable $1.00 net asset value (NAV) in the event of interest-rate or spread changes, shareholder redemptions, and credit changes. | No comparable requirement. |

| **Disclosure** | Portfolio Holdings: Portfolio holdings to be posted to fund’s Web site at least monthly and maintained for a period of at least six months. | No portfolio holdings Web site disclosure requirement. |
| | Monthly SEC Filing (Form N-MFP): Information about a fund’s risk characteristics, yield, portfolio holdings, and mark-to-market (“shadow”) NAV (this will be made public with a 60-day lag). | |

| **Money Fund Operations** | Funds may suspend redemptions if the NAV falls below $1 and, as a result, the fund will be liquidated; advisor systems must be able to process shareholder transactions at a price other than $1. | No comparable requirement. |

1 **Weighted Average Maturity (WAM):** WAM calculates an average time to maturity of all of the securities held in the portfolio, weighted by each security’s percentage of net assets. The calculation takes into account the final maturity of a fixed income security and the interest rate reset date for floating rate securities held in the portfolio. This is a way to measure a fund’s sensitivity to potential interest rate changes.

2 **Weighted Average Life (WAL):** WAL calculates a fund’s average time to maturity for all of the securities held in the portfolio, weighted to their percentage of assets in the fund. In contrast to WAM, the WAL calculation takes into account the final maturity date for each security held in the portfolio. This is a way to measure a fund’s potential sensitivity to credit spread changes.

3 **Second Tier Securities:** Are eligible money market securities that, if rated, have received other than the highest short-term debt rating from the requisite NRSROs or, if unrated, have been determined by the fund’s board of directors to be of comparable quality.
California municipal market recap

—Wedbush Securities

The California tax-exempt bond market finished month-end at levels above near historic lows achieved in late January. The 30-year maturity increased slightly in yield from January’s lowest yield (in the range of 12 basis points to 4.17%) as of this writing.

The yield curve overall has steepened since last month—we’re now at 132 basis points spread from 10 to 30 years, versus 107 we reported in late January. What’s interesting is how munis are performing relative to Treasuries. After a spike during the early part of 2009, AAA MD is now trading at 77% percent of the 10-year and 90% percent of the 30-year UST, fairly in line with its longer-term historical perspective.

Housing prices improve somewhat

Boom times in housing began in 2000 with a run-up in prices to unprecedented and unsustainable levels based upon cheap and easy to obtain financings. However, as with previous run-ups in the 1970’s and 1980’s boom, prices have now returned to levels more consistent with long-term housing price trends. The good news is that home prices are now much more affordable and median home prices have trended up (although not consistently on a county by county basis). Price gains have been most evident in the coastal counties and in some of the Sacramento and Central Valley counties where prices had declined to levels attractive to “move up” and first-time home buyers. Future price gains will depend upon foreclosure trends, the possible end of government stimulus and tax credits for home purchases as well as job growth going forward.

Housing prices important to land secured financings

A recent annual meeting of CASTOFF (Committee on Assessments, Special Taxes & Other Financing Facilities) chronicled the impact of the real estate economy on land secured financings. Not surprisingly, the volume of issuance of these types of bonds has trended down as the chart to the right indicates.

—Continued on page 13
California municipal market recap
—continued from p. 12

The volume of issuance is down because builders are completing entitled projects with existing financing before starting additional planning areas or new projects. Participants at the CASTOFF meeting reported that they are participating in new district formation activities, which may be a good sign in terms of future debt issuance. Refundings of existing built-out districts that are now currently callable can achieve respectable savings at current interest rate levels although the use of bond insurance and senior/subordinated financing structures may not yield similar economics as in past refunding transactions.

By and large, the perception is that there are fewer “troubled” land secured deals now than in the housing contraction in the early 1990s. Lessons learned from past experience were incorporated in more recent financings including the use of acquisition districts as opposed to construction districts; more stringent application of appraisal standards; smaller issue sizes tied to ongoing development activities as well as the incorporation of special reserves and alternate security features which have allowed for the maintenance of debt service payments in spite of rising special tax delinquencies and developer bankruptcies.

Based upon recent reports to the California Debt and Investment Advisory Commission and posted on the State Treasurer’s website, there were five new issuer defaults reported since the 9/1/09 debt service payment date for these types of bonds as well as one multi-issuer default notice for a Marks-Roos Local Bond Pooling Act bond. Potential default activity based upon the March 1, 2010 debt service payment date may be instructive to determine whether this trend will continue or deepen.

Land secured bond trading viewpoint

From the standpoint of our Firm’s involvement in the secondary markets for trading of land secured financings, secondary market sales are indicative of a “frozen” market. The bid side on deals closed within the last three years is very limited with the managing underwriter generally offering a courtesy bid in the event that a seller wants to liquidate their position. However, seasoned deals originated in 1998-99 and earlier are evidence of a firmer market although not a lot of bonds typically come out for a bid. Close to the coasts, bond investors might not even notice that something is amiss in the land secured markets, however, other investors may see dollar prices of 60-70 on their broker’s statements as an indication that the markets are very thin and risks remain in the absence of information to the contrary.

The Education Committee will be hosting the Annual Essentials of Treasury Management and the Advanced Workshops at the Kellogg West Conference Center and Lodge located at Cal Poly Pomona.

The Essentials workshop is a two and a half day program that provides treasury professionals with the fundamentals, resources, language and concepts that are crucial to our responsibilities. We strive to provide a diverse and relevant agenda so that experienced treasurers will also glean valuable information from the workshop. The Advanced workshop is a two day program that provides treasury professionals with in-depth information about current investment topics. This workshop is geared toward those with at least three years of treasury experience. Both workshops earn credits toward CCMT certification.

Save the dates:

■ Essentials of Treasury Management Workshop
  September 28–30, 2010

■ Advanced Treasury Management Workshop
  January 26–27, 2011

Check the CMTA Web site for registration information available later this year.

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**Career opportunities**

**City of San Diego: Assistant Investment Officer**

**The position:**

The Assistant Investment Officer will report to the Senior Investment Officer and will be responsible for the following:

- Assist in the investment of the Liquidity Portfolio and related bond issues;
- Review financing documents and provide investment-related feedback for new bond issues as part of the City’s financing team;
- Monthly review and reconciliation of the City’s investments and preparation of the monthly reporting package;
- Develop economic outlook and participate in the division’s bimonthly investment strategy meetings;
- Assist in the review and recommendation of new investment opportunities and asset classes for the City’s Pooled Investment Fund;
- Annual review of and recommended changes to the City Treasurer’s Investment Policy;
- Develop and maintain policies, procedures, and internal controls that fulfill fiduciary responsibilities; meet goals of the City, departments, and divisions;
- Participate in the implementation and review of new banking projects and the City’s overall banking relationship;
- Assist in the response to and resolve issues relating to policy, procedure and accounting for the division; and Supervise the Investment Assistant and student interns.

**Application deadline:**

March 31, 2010

For qualifications, benefits, and compensation information, please visit www.cmta.org.

**Mammoth Community Water District: Finance Dept Manager**

**The position**

Work of the Finance Dept Mgr is performed under minimal supervision of the General Manager. The Finance Manager is responsible for all aspects of planning, coordinating, and directing the functions, staff, and activities of the Finance Department. The work is characterized by a high degree of professional judgment, integrity, excellent communication skills, and self-initiative. The Finance Dept Mgr is responsible for maintaining and directing the accounting, customer billing, purchasing, financial reporting, asset management, investment management, and debt management systems and practices of the District. The Finance Dept Mgr is a member of the District Management Team, and participates in the formulation of strategic plans, goals, and objectives.

**Application deadline:**

April 9, 2010

For qualifications, benefits and compensation information, please visit www.cmta.org.

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**The Local Taxpayer, Public Safety and Transportation Protection Act seeks your support!**

The Local Taxpayer, Public Safety and Transportation Protection Act is a constitutional amendment that may be placed on California’s November 2010 statewide ballot. The measure would prevent the state from borrowing from funding dedicated to vital public services, prevent the state from taking sales tax and Highway User Tax on gasoline that is dedicated to transportation, keep local taxes local, reduce pressure for local fee increases, and stop the state from borrowing special funds that need to be repaid with interest thereby further increasing California’s debt.

For more information please visit http://www.savelocalservices.com/. To download the Taxpayer, Public Safety and Transportation Protection Act, please visit http://csac.counties.org/legislation/local_tax/final_language.pdf.

**Get Connected!**

California has long set the standard for sustainability programs and now CMTA joins the effort to go green. Visit www.cmta.org to see the new Web site and explore all of the new features we offer.

**New Web site features:**

- Registrar for conferences
- Pay dues and registration fees online by credit card
- Download the Annual Conference information—now exclusively available online
- Update your contact information
- View upcoming education and certification workshops on the Calendar of Events
- Access archived issues of the Dollars & Sense newsletter
- Check out new job openings or advertise your agency’s available positions

If you have not yet received your user ID or password, contact brandon@cmta.org.
Thank you to the sponsors of Dollars & Sense!
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What's inside....

- Considering an increase in or forming a new assessment district
- President's message
- What's holding you back?
- New members
- 2010 CMTA Conference
- SEC publishes final money market fund reform rules
- California municipal market recap
- Workshops
- Career opportunities
- Calendar of events

Calendar of events

CMTA DIVISION MEETINGS

Div I, II, III, IV, V, VI, VII, IX, X

Dates, locations and topics for all meetings and events to be determined. Refer to Web site www.cmta.org for current information.

UPCOMING CONFERENCES/MEETINGS/WORKSHOPS (see pages 6-9, 13 for more details)

- April 19: CMTA Conference Committee Meetings, Hyatt Regency Capitol Park, 8:00 a.m.-12:00 p.m.
- April 19: CMTA Board meeting, Hyatt Regency Capitol Park, 12:00 p.m.-5:00 p.m.
- April 20-23: CMTA Annual Conference, Hyatt Regency Capitol Park
- April 23: CDIAC Fundamentals of Land-Secured Financing
- September 28-30, 2010: CMTA Essentials of Treasury Management Workshop