Take notice!!!!! As the elected part-time City Treasurer for the City of Galt for the past 16 years, I have discovered some smaller regional banks that offer higher Certificates of Deposit (CD) interest rates than larger banks. Don’t automatically disregard the smaller regional institutions just because they are not one of the big national banks.

Besides being an elected part-time City Treasurer for the City of Galt, I also work part-time for a regional bank based in Elk Grove, CA. With a total of five branches, this “small” bank is a financially strong, ultra-conservative bank and is always looking for large governmental deposits. When it comes to Certificates of Deposits, smaller regional banks are usually more competitive than the big national banks. Many ask how can a smaller institution be so competitive? The answer is simple:

1) Smaller institutions are usually looking to ‘grow’ their bank by increasing their deposit base and are willing to pay a higher rate.

2) Most smaller institutions have considerably less overhead expense because they do not have to offer as many services, and as a result, can offer higher interest rates to its depositors.

3) A smaller institution’s executive management team members are usually major shareholders of their bank and are more accessible in order to make quick deposit decisions if the customer is negotiating for a rate higher than the published rate sheet. A large institution’s employees are not empowered to make such quick deposit decisions.

As the Galt City Treasurer, 25% of my city’s portfolio is in CDs at smaller institutions because of the higher rates of return. Let me give you an example:

—Continued on page 3

New “reverse phishing” and “spear phishing” schemes

Businesses, like consumers, continue to fall prey to fraudulent email schemes, called phishing, in which victims are duped into providing criminals with sensitive bank account information via email.

Now, leading financial institutions are reporting a new type of “phishing” fraud. Instead of sending emails to fraudulently obtain corporate banking information, the perpetrator(s) send fraudulent emails requesting or instructing the re-direction of monetary activity. The National Automated Clearinghouse Association (NACHA) is calling it a case of “reverse phishing.” In addition, the perpetrator(s) include realistic corporate identification, employee names and banking information to make the fraudulent email appear more legitimate, a practice often referred to as “spear phishing.” Here’s how the scheme works:

A company receives an email that appears to be from a legitimate trading partner asking for changes to bank and account numbers used by the partner to receive ACH payments for invoices.

The company believes the requests to be legitimate, as the emails look similar to those usually received from the trading partner, and makes the requested changes to the ACH payment instructions.

The company originates ACH credits to the new bank and account numbers as instructed by the email.

Eventually, the company receives a phone call or past due notice from the legitimate trading partners about failure to pay.

Alerted to the problem, the company investigates only to discover that the original emails providing new payment instructions were fraudulent.

And now, the ACH credits that went to the new bank and account number have been withdrawn by the perpetrator(s).

—Continued on page 3

Could it be…. the smaller the better?
CMTA 2006-2007 Officers

PRESIDENT
Victoria Beatley, CCMT
Costa Mesa, CA
Tel: (949) 574-1022
Fax: (949) 574-1035
vikkb@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
Rocklin, CA
Tel: (916) 624-2424
Fax: (916) 624-2425
mbernard0@cityofrcl.us

TREASURER
Vince Amado, CCMT
Hillsborough, CA
Tel: (650) 375-7475
Fax: (650) 375-7406
Tel: (650) 375-7406
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

President’s Message...

As I write this last newsletter article (final of my presidency), again I am reminded about how fast time goes, having fun (or not) the clock keeps ticking. Speaking of fun, I just returned from CSMFO’s Blast From the Past in Modesto. I had a great time and it was enjoyable to spend quality time with my colleagues. Funny how at a certain age people think that the past is 1950 something, Chevy’s, and Sha Na Na.

When I think about a blast from the past, I think about Huckleberry Hound, Quickdraw McGraw, Touche Turtle, Beanie and Cecil, Gigantor, Speed Racer, Hobo Kelly, and Sherriff John. Also, let’s not forget about The Courtship of Eddie’s Father, Julia, Family Affair, Green Acres, and Lost in Space. Now that was a blast! Thank goodness for Nick at Night and Boomerang otherwise all this greatness would be lost.

But I digress. Back to Modesto. Whenever I attend a conference I feel that I have gained value if I can bring one thing back to the work place and put a new idea into practice. Believe me, I learned some good stuff!

Now for the last installment in my 5 Simple Rules for Leaving a Legacy, this one is actually my tag line that you may see on an e-mail from me:

Purpose, Focus, Progress, Success

1. What is my purpose? What do I want to accomplish?
   a. Find the action that inspires the vision.
   b. Requires a combination of self-confidence, self-control and empathy.
   c. If you can see it, you can do it.

Really, what this all boils down to is attitude. Sometimes you are not aware of your impact until you leave some place, but if your own personal mission is to go out and make a difference, you will.

Before I finish, I have a couple of bonus points for you today, free with your paid subscription:

1. Find yourself some sort of spirituality because it is immensely important to have someone to talk to besides yourself, and
2. Create your own support system.
3. Finally, I read this in an office I was in some time ago and I believe that it fits nicely with creating a legacy. “May each day bring you opportunities to reach out and touch someone’s heart with peace.”

Thank you to everyone who has come to my assistance during the last year. Being CMTA President has been a fantastic experience. I strongly encourage you to talk with your Division Chair about becoming involved at the local level. Talk about a legacy! There are so many perspectives that need to be shared and you are just the person to do it.

Your CMTA Board works throughout the year to bring you high quality learning experiences and every one of them deserves to be recognized for their hard work and commitment to the CMTA organization. My thanks to all of you for a wonderfully successful year. See you all at the annual conference in May.

Dollars & Sense

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: Donaghu Graphic Designs (925-937-8283), fdonaghu@aol.com
Save the date—Local Agency Investment Fund (LAIF) Annual Conference

Date: October 11 - 12, 2007
Where: Sacramento Convention Center
Sacramento, CA

The annual Local Agency Investment Fund Conference will be held on Thursday, October 11 at the Sacramento Convention Center in Sacramento. A post-conference tour of Investments/LAIF is scheduled the following day, Friday, October 12 at the State Treasurer’s Office (Jesse Unruh Building).

It is anticipated the conference registration form will be posted on the LAIF website (www.treasurer.ca.gov/pmia-laif) and mailed to participating LAIF agencies two months prior to the event.

"Phishing" —continued from p. 1

Government should follow these recommendations to avoid falling prey to “reverse” and “spear” phishing:

■ Exercise extreme caution when responding to email requests—especially those requesting changes to financial transactions or requesting sensitive information.

■ Originators should perform due diligence in accepting changes in payment instructions. For example, a call back to a known individual at the trading partner is a widely used security procedure.

As a government official, you play a key role in helping prevent email fraud. Let your employees and citizens know about phishing scams, how they work and how to avoid being a victim.

—submitted by David Kepeer, U.S. Bank

CMTA membership — share the news!

If you went to a good restaurant, would you share this information with a friend? Yes, I am sure you would. How about sharing CMTA with a friend or colleague? It is fun to go to a meeting when all your friends are there. The next division meeting you attend, bring a friend, it adds a higher level of learning and excitement.

Our organization needs to grow and prosper with new members and new ideas. New members bring enthusiasm and excitement to the table and this is what CMTA is looking for.

Tell a friend to go to our website, www.cmta.org and click on membership. They can look into your organization and it is only one click away. Bring a friend next time!

Smaller the better —continued from p. 1

On March 1st when I wrote this article, the average six month CD rate at the big “national” banks was 3.70% on a balance of over $100,000. The regular rate (not any special or introductory rate) at my small, regional bank was 5.25%. After you do the math, this means that at the end of the six month CD term, you earned $7,750 more dollars ($15,000 more per year) by going to the smaller institution than the big national banks on a deposit of $1 million dollars. And, if you negotiate well, you could possibly get even a slightly higher rate.

The lesson to be learned here is not to overlook the smaller regional banks when it comes to Certificates of Deposits and in this case, SMALLER IS BETTER.

—submitted by Shaun L. Farrell, CCMT
City Treasurer, Galt
Liabilities: The only investment benchmark that matters

—Miral Kim-E, SVP, Mischler Financial Group, Inc.

In treasury circles, both municipal and corporate, there has been a great deal of discussion and debate about investment benchmarks and performance measures for the investment portfolios. These are important matters, because this relates to how all investment portfolios are evaluated and there will always be comparisons between portfolios, whether they reside in a municipality or a mutual fund company.

Whether this comparison is right or wrong is somewhat irrelevant: outside stakeholders (think taxpayers for municipalities and stockholders for corporations) love simple comparisons of “my” return versus a “market” return, or even my neighbor’s return, so the comparison will always be there.

But, whether this drives a municipal treasury official’s investment management strategy is clear: it’s wrong. No municipal investment portfolio exists in a vacuum. It is a part of a larger asset portfolio, which includes revenue from taxes, registration fees, traffic violations, etc. Furthermore, no asset portfolio exists in a vacuum: assets are used to fund liabilities: debt, operational expenses, municipal services, programs for residents, etc.

So, when thinking about where risk lies, it goes well beyond whether a market benchmark is hit or missed. The overall risk that a municipality faces is that the cash flow from the asset portfolio is not sufficient to cover that needed by the liability portfolio over a long time frame, much longer than one reporting period to the next. Who bears the risk? Of course, all stakeholders bear the risk, especially the taxpayers: they provide a large portion of the revenue and also receive a large portion of the services provided. When there is a cash flow shortfall, taxpayers must pay more in taxes or receive less in services.

That risk to taxpayers is the only real risk that matters. So, the only real investment benchmark that matters is the liabilities. This enterprise-wide approach to risk management is the next phase in the evolution of treasury risk management.

In general, asset-liability portfolio management and optimization is a well-developed field. It is the bread-and-butter of financial institutions. However, its application to non-financial institutions is somewhat new and very high profile, especially in the pension fund area where the recent bear stock market has caused most pension fund assets to be insufficient to cover promised employee retirement benefits.

The most straightforward way for a municipality to consider asset-liability portfolio management is to think of the two portfolios as one single portfolio of cash flows. The goal is then to plug gaps, i.e., projected shortfalls in the future. The “optimal” way to do that is to (a) adjust the assets to increase revenue, which might include seeking to increase return on the investment portfolio or increasing taxes or fees, or (b) adjust the liabilities to reduce expenses, which could include seeking to reduce the cost of debt, or reducing operational expenses, or reducing services.

But, every municipality is different, so what is optimal for one will not necessarily be optimal for another.

Again, comparing your investment portfolio performance to market benchmarks, or even to peers, will probably always be a part of what you do. But, it is just one part of a bigger puzzle that you are solving, and an asset-liability risk management framework can help put it in proper perspective.

Have YOU renewed your certification??

For those of you who last received your certification in 2003 or prior, it’s time for Recertification! The form for Recertification is available on the CMTA Website, www.cmta.org, or if you email me at mreynolds@cityofredlands.org, I can email it to you.

The CMTA board will then review, and hopefully approve, your application at their April 30 Board Meeting in Long Beach, and you can receive your Recertification bar at one of the annual conference sessions.

Those CMTA members who have already applied for Recertification this year include: Shaun Farrell, City of Galt; Josie Fong, City of Pleasanton; Maureen Lennon, City of Pacifica; Chris Londo, City of Walnut; Fred Rohr, City of Anaheim; Judy Vickers, City of Costa Mesa; and Christine Vuletich, City of South Lake Tahoe.

WHAT?? You say you’ve never been certified??

The CMTA website has the application form and all of the details necessary for those members wishing to receive their FIRST CERTIFICATION!

CMTA members who have already filled out those applications for the current year include Kathleen McHorney, Encina Wastewater Authority; Marc Puckett, City of Costa Mesa; and Kelley Williams, City of Arcadia.

How about you??

—Michael Reynolds, CMTA Certification Chair, mreynolds@cityofredlands.org
The fundamental financing tool of redevelopment agencies is tax increment revenue. This is property tax revenue derived from a redevelopment project area based upon the growth of assessed values in that area after the project area is established.

This financing mechanism is described in Article 16, Section 16 of the State Constitution. Since property taxes are collected and distributed by the counties, it is the responsibility of the counties to allocate and distribute the tax increment revenue to redevelopment agencies. All the parcels in a redevelopment project area must be assigned a tax rate area that distinguishes the redevelopment parcels from non-redevelopment parcels. If a mistake occurs and a redevelopment parcel is not assigned to a redevelopment tax rate area, the redevelopment agency will not realize its share of property taxes generated (the tax increment) by those incorrectly assigned parcels.

This is the situation that occurred during the 2002-03 fiscal year regarding a redevelopment project area of the Redevelopment Agency of the City of Dinuba (the Agency). After an amendment and a merger adding some territory, 88 parcels were not correctly assigned to the Project Area. These errors were reported by a consultant to the Agency, and the Agency subsequently reported the findings to Tulare County with a request to be paid the tax increment generated by the misplaced 88 parcels.

Coding errors involving redevelopment project areas is not uncommon throughout California. Our firm, along with other consultants, perform audits for secured and unsecured properties for many redevelopment agencies. Our experience indicates that while the counties are generally willing to make corrections of the erroneous tax rate coding, many but not all counties are willing to make the payments of tax increment that reflect the corrections.

In the case of Dinuba, Tulare County agreed to correct the mistakes prospectively but refused to allocate tax increment (approximately $500,000) from the miscoded parcels retroactively. In response, the City of Dinuba and the Agency sued the County seeking the prior tax revenues (City of Dinuba et al. v. County of Tulare et al.). The Agency lost at the Superior Court level but won on appeal at the Fifth Appellate District. The trial court dismissed the suit on the grounds the County was immune to liability under Government Code Section 860.2 which protects government agencies against being sued for torts (a tort is a wrongful act, injury or cause of action not involving a breach of contract for which a civil action can be brought).

The Appeals Court, in a 3-0 decision, overruled the trial court finding that money wrongfully withheld by a public agency to be contractual, not tortious. According to the Appeals Court, “Appellants were entitled to the tax increment revenue by statute. Thus, appellants are essentially seeking the release of property that is rightfully theirs that was wrongfully detained. This is a breach of a contractual duty. Accordingly, Tulare is not immune....”

The Appeals decision has been appealed to the State Supreme Court and it may be another 18 months before a final decision is rendered. Based upon the 3-0 vote at the Appeals level it can be anticipated that the Appeals decision will be upheld thus applying the decision to all of California. This would represent an important victory for redevelopment agencies seeking to receive all the tax increment to which they are entitled.
New look for CMTA website!

Have you seen our new look? Go to www.cmta.org and take a look at what we are doing to improve our service to you, our members.

- You can get information on the Annual Conference regarding the great speakers and great educational opportunities available.
- View our educational opportunities. Would you like to get your CCMT or re-certify? One click away from all the information you need to qualify.

New system works for Santa Barbara

The City of Santa Barbara has a new online bill presentment and payment system and Online Police Violation Payment site. At the site, residents and visitors can pay their violations 24/7 via credit card without the hassle of long lines and visits to police headquarters or City Hall. The new system was designed to integrate with the City of Santa Barbara’s proprietary citation software system, which processed more than 96,000 parking citations issued last fiscal year.

It also reduces the City’s technology overhead and creates efficiencies in municipal processes, allowing it to focus on additional customer service priorities. Visitors and residents simply go to the City’s home page, http://www.santabarbaraca.gov/home.htm, and click on “Pay a Parking Citation.”

“Our City Council has been a big proponent of offering online services to the residents of Santa Barbara, as these services add convenience and help reduce traffic and congestion throughout the city,” said Lynne Sparks, Finance Analyst for the City of Santa Barbara. “The new system is very easy for the customer to use, and processes transactions efficiently. We’ve been pleased by the positive feedback, the increased usage since it was implemented and the reduction in the City’s administrative resource requirements. As a result, we are looking for additional departments within the City whose customers can benefit from electronic payments utilizing these products.”

—submitted by Regina Haas, The Point Group for TransFirst

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Calendar of Events

CMTA Division Meetings

<table>
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<tr>
<th>Division</th>
<th>Dates, locations and topics tbd.</th>
<th>Refer to website (<a href="http://www.cmta.org">www.cmta.org</a>) for current information.</th>
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</thead>
<tbody>
<tr>
<td>Divisions I, III, IV, V, VI, X</td>
<td>Apr 11: Division meeting at McCormick &amp; Schmick’s, 111 N Los Robles Ave. Pasadena, CA. 11:30am–1:30pm. Topic: Business Deposit Capture presented by Rosie Bermudez from Comerica Bank.</td>
<td></td>
</tr>
<tr>
<td>Division II</td>
<td>Apr 5: Joint CSMFO-CMTA meeting on “Disaster Preparedness.” San Mateo Public Library, 10am-1pm. RSVP 650-558-7221.</td>
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Upcoming Conferences/Meetings/Workshops

- May 1, 2007: CMTA Pre-Conference, Long Beach, CA
- May 2-May 4, 2007: CMTA Conference, Long Beach, CA

CMTA sponsors legislative measure to highlight the efforts of California Municipal Treasurers

CMTA is sponsoring legislation in the California State Legislature – Assembly Concurrent Resolution (ACR) 33! ACR 33 commemorates the efforts and accomplishments of municipal treasurers and financial managers and heightens the awareness of the importance of financial management by proclaiming May 2, 2007, as California Municipal Treasurers Day, and the time period of April 30, through May 6, 2007, as California Municipal Treasurers Week.

The measure was introduced by Assembly Member Anna Caballero (D-Salinas), who is Chair of the Assembly Local Government and has an extensive background in public service. The measure will be up for a vote on the Assembly Floor on March 22, 2007 and will then head to the State Senate. Supporters of ACR 33 include the League of California Cities, the California Special Districts Association and California State Treasurer Bill Lockyer. To look at the text of ACR 33, go to www.leginfo.ca.gov, and click on “Bill Information” – then enter “ACR 33.” Many thanks to Assembly Member Anna Caballero for authoring the measure and pushing it through the legislative process!