2009 marks the **50th anniversary** of the California Municipal Treasurer’s Association. This year’s conference, held on April 22–24, 2009 in Palm Springs at the Wyndham Hotel, is one of the profession’s longest running State conferences.

It brings together almost 300 public sector treasurers and finance professionals throughout California who meet in an educational format to discuss treasury and financial management strategies, improve skills, and address the tough challenges they face today.

Some of this year’s topics include “Fraud Issues in Local Government”, “GSE Outlook for 2009”, “Is Buying Credit Worth the Risk?”, Investing in a Queasy, Turbulent Market”, “What is the Current State of Fannie and Freddie?—Current Conservatorship Defined, How the Markets have Responded and What do we Expect Going Forward” and many, many more.

This year’s conference promises to be the best yet. With the state of our current economy, you can’t afford not to be informed on these important issues. Look for registration information in early February or on the web at www.cmta.org.

**CMTA’s featured Keynote Speaker**

**Dr. Kevin Freiberg— “Leading up in a down economy”**

U.S. and world markets are in a panic. Lately, we wake up and go to bed inundated with gloomy news about current economic conditions. Panic sets off a chain reaction, and the situation intensifies.

Times are tough, budgets are tight, and people are anxious. So, how do we begin to get our arms around this crisis psychologically and motivate others to do the same? How do we move toward a solution that protects our well-being since the current threat is doing just the opposite?

Gutsy leaders are game changers; they redefine the game, the field, the rules, and even the competition. Game changers defy mediocrity, declare war on complacency, explore the uncharted, risk the unthinkable, and do the unconventional.

—Continued on page 3
President's message

Happy New Year CMTA Members! 2008 certainly presented us with many challenges, ups and downs. I am hopeful that the New Year 2009 will provide us with many new opportunities to grow both personally and professionally so that we can participate in creating a positive future going forward.

CMTA is offering one such opportunity, and on behalf of the CMTA Board of Directors and the 2009 Conference Committee, it is my pleasure to invite you to join your fellow CMTA members and colleagues April 22-24, 2009 in sunny Palm Springs for our 50th Annual Conference.

At this year’s conference we will be celebrating 50 Years of Excellence! For half a century CMTA has been committed to providing outstanding educational value in treasury and investment management for local agencies in California.

We have an exceptional program lined up with outstanding speakers. Our keynote speaker this year is Dr. Kevin Freiberg who will be speaking on “Leading Up in a Down Economy”. Dr. Freiberg is a bestselling author and has appeared on CNBC and the CBS Morning news.

We will also have sessions offering a range of timely topics, including the Changing Economy, the State of the State, How to Monitor Your Investments and Credit Ratings Before and After the Sale, Fraud Issues in Local Government, and others incorporating best practices and the latest technologies in investment, debt and cash management.

Please join us at the Annual Conference and take advantage of this excellent opportunity to learn, share and network with your fellow treasury professionals. Remember to register early so you can take advantage of this exceptional educational value at a discounted rate.

See you all in Palm Springs!

Christine Vuletich
President
50 years of leadership!

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1970-71 Lu Hererra
1969-70 James M. Howard
1968-69 Geraldine W. Furr
1967-68 Grover Hermes
1966-67 Helen C.
1965-66 Henry V. Berget
1964-65 Ruth Hopp.
1963-64 Ashton Hayes
1962-63 Tim Shugrue
1961-62 Kenneth Wilson
1960-61 Catherine A. Murphy
1959-60 Marvin C. Dahlem.
1959 Tim Shugrue

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Dr. Kevin Freiberg
—continued from page 1

There are ten things you can do to lead yourself and your people through these tough times. Be a game changer and practice these ten strategies—your future depends on it!

Dr. Kevin Freiberg and his wife Jackie are the authors of a new book called BOOM! 7 Choices for Blowing the Doors Off Business-as-Usual! The choices leaders and their people must make to create a culture of commitment and accountability. BOOM! follows the Freiberg’s international bestseller NUTS! and its sequel, GUTS! He has appeared on CNBC and the CBS Morning news for his views on the critical links between gutsy leaders, passionate employees and evangelistic customers. His articles have been read in the Wall Street Journal, Business Week, and Investors Business Daily.
This year’s financial market has proven to be a very turbulent ride for all of us, and the warning to “buckle up and hang on” has never been more relevant. During the last several months we have seen the negative effects on the financial market and, as a result, the impact on such organizations as Bear Stearns, Merrill Lynch, and AIG. Unfortunately, the roller coaster ride isn’t over. And, because the ride isn’t over, I’m hoping this article will assist the reader in ‘buckling up’ tightly by providing a basic understanding of the management of public fund deposits by City Treasurers to insure compliance of California State Code.

For those of you who have not had a chance to familiarize yourself with California State Codes 53630–53686 or are in need of a refresher, the codes outline the statues to insure the safekeeping of public funds by City Treasurers. The codes detail the collateral requirements as well as the management responsibilities of your depository (bank) pursuant to contract, but most importantly explain the responsibility of safekeeping of public funds.

The fundamental objective of the code is to provide public treasury professionals with the knowledge to insure prudent decisions are made when placing public funds with a bank. The following excerpts extrapolate the basic foundation:

- The Treasurer is responsible for the safekeeping of money in his or her custody and shall enter into a contract with a bank relating to any funds which in his or her judgment is to the public advantage.

- The classes of deposit are defined as active, inactive, and interest-bearing.

- There are three classes of eligible securities used to collateralize deposits.

- A depository is defined as a state or national bank, savings or federal association, a state or federal credit union, or a federally insured industrial loan company.

- The terms and conditions of an executed Contract for Deposit of Moneys address the responsibilities of the bank and the City, as well as collateral requirements and reporting protocol agreed to by the bank and its agent.

When placing funds in a bank, aside from completion of signature cards and Cash/Treasury Management Agreements, an important element of insure the security of your City’s deposits is a signed Contract for Deposit of Moneys. The significance of this contract is that it is a formal agreement between the bank and City outlining each party’s responsibility under State Codes and outlines the bank’s responsibility to collateralize your City’s deposits. The basic premise behind collateral is that should the bank which maintains your deposits become insolvent; the collateral set aside by the bank becomes the property or are redeemed for the benefit of the City as specified under Section 53665.

**Eligible securities and collateral percentages**

With regard to collateral securing a deposit, the percentage can vary from 105% to 150% depending on the securities utilized and will fall within the three class types outlined in Section 53652. The class type and the required collateral percentage are as follows:

- Subdivision M consists of promissory notes secured by first mortgages or first trust deeds and requires 50% security in excess of total deposits.

- Subdivision P provides for letters of credit issued by the Federal Home Loan Bank of San Francisco with security value of at least 5% of total deposits.

- All other securities identified within Section 53651, with the exception of Subdivisions M and P, collateralize at 10% in excess of total of deposits.

Section 53651 details eligible securities which have been partial detailed below and the reader should refer to Section 53651 for complete descriptions. They include:

(a) United States Treasury notes, bonds, bills or certificates of indebtedness, or obligations for which the faith and credit of the United States

(b) Notes or bonds or any obligations of a local agency for which the faith and credit of the United States are pledged for the payment of principal and interest

(c) Bonds of this state or any local agency or district of the State of California

(d) Bonds of any public housing agency

(e) Registered warrants of this state

(f) Bonds, consolidated bonds, collateral trust debentures, consolidated debentures, or other obligations issued by the United State Postal Service, federal land banks, or federal intermediate credit banks established under the Federal Farm Loan Act
(g) Notes, tax anticipation warrants, or other evidence of indebtedness issued pursuant to Article 7.5

(h) State of California notes

(i) Bonds, notes, certificates of indebtedness, warrants, or other obligations issued by any state of the US (except this state), or the Commonwealth of Puerto Rico

(j) Obligations issued, assumed, or guaranteed by the International Bank for Reconstruction and Development, Inter-American Development Bank, the Government Development Bank of Puerto Rico, the Asian Development Bank, the International Finance Corporation, or the African Development Bank

(k) Participation of certificates of the Export-Import Bank of the United States

(l) Bond and notes of the California Housing Finance Agency.

(m) Promissory notes secured by first mortgages and first trust deeds which comply with Section 53651.2

(n) Any bond, notes, warrants, or other evidences of indebtedness of a nonprofit corporation issued to finance the construction of school building or school

(o) Any municipal securities, as defined by Section 3(a) (29) of the Securities Exchange Act of June 6, 1934

(p) With the consent of the treasurer, letters of credit issued by the Federal Home Loan Bank of San Francisco which comply with Section 53651.6

**Management and reporting**

An agent of the bank is required to hold such securities and 53659 authorizes the Federal Home Loan Bank of San Francisco, certain banks, trust companies and trust departments to act as an agent for the bank. Acting upon instructions from the bank, the agent will release or add collateral only upon presentation by the bank’s most current statement of its total deposits. A copy of the statement is concurrently forwarded by the agent to the Office of the Administrator of Local Agency Security. At the request of the bank, securities in the pool can be added and/or substituted. The change of securities must be of equal value and the bank cannot interchange the class of securities.

To insure compliance, the agent submits a certificate of the collateral pledged in the pool and the total amount of deposits reported by the bank to be secured by the pool to the Administrator of Local Agency Security. The bank is required to submit both weekly and quarterly reports. The weekly report specifies the deposit totals, collateral required and class of collateral, whereas the quarterly report titled the “Call Report” details each local agency by name, deposit amount and type of account: active, inactive, or interest bearing. The agent is thus required to submit a quarterly report that details the collateral held by individual CUSIP number.

Both the bank and agent conduct a valuation of the collateral which may be conducted on a daily, weekly, monthly or quarterly. Most banks, however, mark their collateral to market on a daily basis in order to provide a current valuation of pledged securities. What does your bank do?

As previously mentioned, the Contract for Deposit of Moneys is the agreement that outlines the bank’s protocol when handling public funds. The only caveat to the collateral requirement is that a Treasurer may, at his or her discretion, waive security for such portion of any deposit insured pursuant to federal law (FDIC).

**Conclusion**

So now when approached by your City Manager, Council, or public advocates with questions like ‘Are the City’s funds protected?’ or ‘Do you know how our deposits are secured and insured?’, I am sure you will have done your homework with your bank and be able to speak to the safety of your City’s deposits with confidence and assurance that your moneys are protected in accordance California State Code.

The questions you should be able to answer with confidence are:

- The type of securities your bank has set aside as collateral
- The collateral percentage covering your deposits
- Who the third party trustee is that is holding the collateral

The resource in assisting you in answering these questions is your Government Banking Relationship Manager or you can submit an Audit Confirmation which is usually requested from your auditors to the depository’s compliance unit requesting a formal response.

So just remember that during these unprecedented times, you are already on the roller coaster and you’re not just hanging on if you’ve done your due diligence. You can be confident that you are buckled up as tight and as secure as humanly possible. Keep your eyes on the money and enjoy the ride!!!!
FDIC’s guaranteed notes under the TLGP

—Deborah M. Higgins, President, Higgins Capital

The FDIC (Federal Deposit Insurance Corporation) created the Temporary Liquidity Guarantee Program (TLGP) with a window of issuance from November 21, 2008 to June 30, 2009. This article was written to give you an understanding of the basics of the TLGP program.

By the time this article reaches your mailbox, the program will be around two months old. For local agencies that are currently positioned in treasuries and agencies, but aren’t participating in the traditional corporate environment under current economic conditions, the FDIC-guaranteed notes may provide another option.

The demand for the new FDIC-guaranteed notes should remain diverse and robust. We may see some short-term cheapening, but it should be short-lived. As the banking sector begins to recover, the potential for spread tightening should develop.

The FDIC in concert with the Fed and the Treasury created the Temporary Liquidity Guarantee Program (TLGP) for banks, certain bank holding companies and thrifts as Lehman Brothers’ bankruptcy disrupted the interbank lending markets, reducing banks’ liquidity and impairing their ability to lend.

The FDIC guarantee program provides full coverage for newly issued senior unsecured debt and non-interest bearing deposit transactions accounts.

In their final rule for the TLGP, the FDIC confirmed that the FDIC’s guarantee is backed by the full faith and credit of the United States pursuant to section 15(d) of the DFI (Department of Financial Institutions) Act, 12 U.S.C. 1825(d). The newly issued senior unsecured debt of participating banks and bank holding companies will be guaranteed for timely payment of interest and principal by the FDIC. The FDIC’s guarantee to timely payment of interest and principal in its Final Rule was made after S&P stated they would not rate FDIC-guaranteed debt AAA unless the payment was timely. Further discussions can be found at www.fdic.gov/regulations/resources/TLGP/faq.html.

The basic terms of the program are...

■ Eligible TLGP participants

All FDIC-insured depository institutions (IDI) are eligible. This includes US branches of foreign banks. Any US Bank or S&L holding company as long as at least one subsidiary is an IDI. The FDIC has the authority to designate affiliates of IDIs as eligible for participation in the program.

■ Types of Obligations eligible

The FDIC will only guarantee senior unsecured debt with a maturity of more than 30 days. Commercial paper is eligible. The coupons can be fixed, floating or zero. Debt denominated in foreign currency is also eligible. The program excludes: debt with embedded options (callables, convertibles, etc.) and structured notes.

■ Term of the TLGP program

The debt guarantee expires after June 30, 2012. Any TLGP debt that matures on or before June 30, 2012 will be fully guaranteed. Any debt issued with a longer maturity will only be guaranteed through June 30, 2012. The program expires on June 30, 2009, so debt must be issued by then.

■ FDIC limitations on guaranteed amount

The FDIC has put a cap on the amount of senior unsecured debt it will guarantee for any given institution to 125% of the amount outstanding as of September 30, 2008 that will mature by June 30, 2009.

■ Institution’s fees

The FDIC’s guarantee fee is on a sliding scale. It is an annual rate of 50 bps for debt with a maturity of 31-180 days; 75 bps for debt with a maturity of 181-364 days; and 100 bps for debt with a maturity of 365 days or more. Complete terms of the program are available in the Final Rule for the TLGP on the FDIC’s website,
The FDIC-guaranteed debt was originally determined not to be TRACE (Trade Reporting and Compliance Engine) eligible, the secondary market trade reporting and compliance system normally used for corporate debt. The TRACE system excludes, among other things, debt issued by government-sponsored entities and money market instruments. Due to these factors, most broker/dealers decided to trade the debt off their respective agency desks.

The week of December 8, 2008, FINRA (Financial Industry Regulatory Authority) issued a Regulatory Notice 08-75 stating that FDIC-guaranteed senior unsecured debt is a TRACE-eligible security if it is registered under the Securities Act of 1933 or issued pursuant to Section 4(2) of the Securities Act and purchased or sold pursuant to Securities Act Rule 144A and otherwise complies with FINRA Rule 6210(a). Firms must report transactions in such FDIC-guaranteed senior unsecured debt to TRACE, including transactions that were executed prior to this Notice. (FINRA is aware that on November 24, 2008, the staff of the Securities and Exchange Commission (SEC), Division of Corporate Finance, issued an interpretation that the FDIC-guaranteed senior unsecured debt would be “considered guaranteed by an instrumentality of the United States for purposes of Section 3(a)(2) of the Securities Act of 1933.”)

The debt is settled via DTC (Depository Trust Corporation), not FedWire. The debt settles corporate (T+3).

Since December 5, 2008, Bank of America, Citigroup, Goldman Sachs, JP Morgan, Morgan Stanley and Wells Fargo have already tapped the TLGP and raised around $40 billion.

Local agencies that are currently authorized to purchase corporates/MTNs in their investment policies are buying the FDIC-guaranteed notes as a part of their corporate exposure. Until legislation can address in CA CODE 53601 that the FDIC notes issued under the TLGP are “guaranteed by an instrumentality of the United States,” please check with your legal department.

The opinion expressed in this article is general in nature and not intended to provide specific advice or recommendations.

UPDATE—Financing the Green
Recent developments in financing solar and energy efficiency projects
—Tim Seufert, NBS, Managing Director

There are two updates to the recently published Financing the Green article to be aware of:

- **California law.** Assembly Bill 1709 was vetoed by the Governor in the “veto flurry” in the Fall of 2008, but efforts are being made to re-introduce AB 1709 in January 2009 as an urgency measure. This Bill would amend the Mello-Roos Community Facilities Act of 1982 to allow Community Facilities Districts (“CFDs”) to levy special taxes to finance renewable energy and energy efficiency improvements to private property. This will add additional capability to the existing and already-flexible CFD law.

- **Federal tax law.** The Federal government has had a tax credit program of 30% of the system cost to incent such investment. It was due to expire at the end of 2008. As part of the Economic Stabilization Act of 2008, this federal tax credit was extended until 2016 and the previous residential cap of $2,000 was eliminated, effective January 1, 2009.

“I might not understand what the politicians are doing, but I know who’s going to pay for it.”
Has the latest economic news affected how you look at investing the public funds? What is a safe investment? What happens when you or your investment pool holds Lehman Bros. paper and Lehman declares bankruptcy? Should you have an exit strategy for your investments? Does it pay to sell before maturity? After all this sub-prime mortgage fall out do Moody’s and S & P make sense? If the economic climate has evoked these types of questions it may be time for you to register for CMTA’s Advanced Workshop. The workshop is held at Kellogg West Conference Center, Cal Poly Pomona.

The Advanced Investment Workshop is structured to provide two solid days of technical, yet understandable, portfolio and cash management topics for municipal investors with three or more years of experience. This workshop also provides points earned towards the Certified California Municipal Treasurer credential. Topics will be timely for this challenging new economy we are all living in.

Because education is CMTA’s primary goal, the association greatly subsidizes the costs of these workshops. However, if you or your agency cannot afford the registration fee, the CMTA Board of Directors offers scholarships through the Marcus Woodward Memorial Scholarship Fund.

Applications for scholarships should be done in writing and sent to:

Mary Asturias, CCMT
City of Burlingame
501 Primrose Rd.
Burlingame, CA 94010
Or masturias@burlingame.org
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## What’s inside....

- **50 years of EXCELLENCE!**
- **CMTA conference featured Keynote Speaker**
- **2008-2009 Officers**
- **President’s Message**
- **CMTA Past Presidents**
- **Division Chairs**
- **Get in, buckle up and hang on!!!**
- **Committees**
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- **Sub-Committees**
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- **Calendar of Events**

## Calendar of events

### CMTA DIVISION MEETINGS

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<td>Feb 12</td>
<td>location and topic tbd</td>
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<tr>
<td>Div III</td>
<td>Mar</td>
<td>date, location and topic tbd</td>
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<tr>
<td>Div V</td>
<td>Feb 26</td>
<td>Berkeley. Christopher Lynch, public law firm of Jones-Hall in San Francisco presenting information regarding debt disclosure requirements under revised federal securities regulations; Angel Hernandez from C.D.I.A.C. providing an overview of the financial aspects of effective Public-Private-Partnerships.</td>
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<tr>
<td>Div IX</td>
<td>Feb 18</td>
<td>City of Huntington Beach and CMTA Division IX invite you and your staff to: CASH HANDLING TRAINING COURSE. Huntington Beach Central Library &amp; Cultural Center, 8am-noon or 1-5pm.</td>
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### Dates, locations and topics tbd.

Refer to website (www.cmta.org) for current information.

### UPCOMING CONFERENCES/METINGS/WORKSHOPS

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<tr>
<td>Jan 28-29, 2009</td>
<td>Advanced Investment Workshop. Two solid days of technical, yet understandable, portfolio and cash management topics for municipal investors with three or more years of experience. The workshop will be held at Kellogg West Conference Center, Cal Poly Pomona. (See more details on page 8)</td>
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<td>April 22-24, 2009</td>
<td>CMTA Annual Conference in Palm Springs (see more details on page 1-3)</td>
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