

# dollars & sense

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

## Division VI hosts cash and investment training in Rocklin

Treasurers, finance and investment officers, cash managers and handlers from throughout the state of California met in Rocklin, CA last month to attend one of two in-depth training courses coordinated by Mary Morris, Chair of CMTA Division VI and hosted by Vince Amado, Treasurer of Rocklin.



Ben Finkelstein, Creating an Investment Plan Instructor



Sixty people, from throughout the state of California, attended four hours of cash handling training with the author of the Association of Public Treasurers' 2nd Edition Model Cash Handling Training Manual and Certification Program. Working from the Association's brand new manual, cashiers and supervisors learned the latest techniques in proper cash handling techniques as well as procedures used when accepting payment by debit and credit cards.

Becky Hudson (Customer Service Manager and a Certified Revenue Officer from Yuba City), who was taking the cash handling course for a second time, found it a great opportunity to pick up the latest best practices and ensure they are incorporated into the city's cash handling program, a major aim of the APT's Cash Handling Program.

"This class was fun and informative. I no longer think of money in terms of \$1's, \$10's & \$20's but Washington, Hamilton and Jackson! Anthony is a dynamic

speaker. He captures your attention and before you know it you've just received a history lesson on the origin of the ABA number", said Kimberly "Bo" Wilson, Department of Utilities, Customer Service Supervisor, City of Sacramento.

Twenty attendees enjoyed the brand new course, Creating An Investment Plan, offered by the Public Treasury Institute and taught by Ben Finkelstein, author of the book, The Politics of Public Fund Investing. This course ran concurrently with cash handling at the same facility, which was donated by the City of Rocklin.

"Creating An Investment Plan" combined the instructor's in-depth knowledge in this area with a hands-on interactive structure; providing an ideal learning environment. The course blended theory and practice together. At the end of the course we left with software applications that we could take back and use for developing our own individual investment plan, said Steve Kroeger, Assistant City Manager, Yuba City, CA.

"Holding the two classes simultaneously at the same site helped Kings County tremendously. We were able to send two people who shared expenses so it was much more cost effective for us. Our Cash Manager was able to apply much of what she learned to our daily treasury operations, and I thought the in-

—Continued on page 2



Course participants take lunch break at the Sunset Center in Rocklin.

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Victoria Beatley  
President

## President's Message...

Well, here we are at another holiday season, geez, December already? I have always thought that time moves quickly because the type of business that we are in is so calendar driven. I still think that, but as I get older the calendar

pages seem to turn more quickly. Remember when we were kids and we used to count the days until Christmas? Now there are not enough days before Christmas to get everything done.

Before we all turn the page to another new year, I would like you all to take a minute and reflect on the last year...*times up!* Whatever you accomplished, take a minute to say thank you to those who helped—the gesture will make everyone feel terrific!

Continuing from the last newsletter, the following are my third and fourth rules for leaving a legacy:

### 3. Be brave:

- Admit your mistakes and accept responsibility.
- Don't be afraid to break with the past or to challenge conventional

wisdom and spearhead the creation of a new future.

- Never look back, there is too much left to do.
  - Leave knowing that you have always done your best given the circumstances,
- #### 4. Don't take each other for granted:
- Say thank you.
  - Give proper recognition.
  - Listen—everyone contributes a perspective that is necessary.
  - Help others to succeed.
  - Volunteer, give freely (CMTA can use your talents!)

One final note, in this holiday season I wish you peace, perspective, assurance, hope, and direction in the New Year.



## Training —continued from page 1

vestment class was very enlightening and look forward to working many of the concepts presented into our overall portfolio management, said Tammy D. Phelps, Treasury Manager, Kings County Dept of Finance.

“Our city was delighted to be asked to host these two outstanding courses and do its part to make training affordable and accessible”, said Vince Amado, Treasurer of Rocklin, CA. Vince thanked Mary Morris, San

Juan Water District and Stacey Crane from the Public Treasury Institute for the time and effort they devoted to this event. A big thanks went to the Association of Public Treasurers for the cash handling course, and to the two excellent speakers, Ben Finkelstein, Stanford Group Company and Anthony Francisco, Finance Director, Norman, OK. “It was a great day of training”, Vince added.

## Dollars & Sense

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# CDARS

CDARS (Certificate of Deposit Account Registry Service) is a relatively new investment program. The basic concept of the program is simple: investors can place up to \$25 million in their local bank while still receiving FDIC insurance.

Traditionally, Certificates of Deposit (CDs) worked best for small investors. They were able to go to their local bank, open an account, and buy a CD for any amount up to \$100,000. The investor received a reasonable rate of return, which may or may not have been higher than that available from alternative investments. Since bank deposits are insured by the federal government through the FDIC insurance program for amounts up to \$100,000, investors also received the peace of mind that came from knowing that their investments were free from default or credit risk. Unfortunately, this relatively low level of coverage often prevented larger individual accounts or institutional investors such as public agencies from purchasing CDs. For amounts in excess of \$100,000, banks are required to post collateral on public deposits, usually a very expensive proposition for banks. The statutory collateral requirement means that small, regional banks were often unable to accept public deposits, or, if they did, to pay an attractive rate.

A company called Promontory Interfinancial Network has changed that. By creating the CDARS system, they have allowed investors the opportunity to invest up to \$25 million in their local bank, with the entire amount enjoying full FDIC insurance. The investor simply goes to their local bank (known as the initiating bank), deposits their money for the desired CD term, and walks away. The bank then sources the money among the Promontory network of more than 1000 local and regional banks. The investor receives the same rate of interest on all of the CDs, and maintains only one banking relationship, with the initiating bank. The banks in the program are able to secure funds at a relatively attractive level, allowing them to better compete with larger national or international banks.

## Benefits for Investors

**Expanded FDIC Coverage:** The ability to deposit more than \$100,000 with full FDIC insurance is the major benefit of the CDARS investment program.

**Ease of Use:** The other major benefit of the CDARS program is its ease of use and convenience. Investors deal with only one bank. They receive the same rate of interest on all of their CDs and they receive only one monthly statement from their bank. This statement lists all the CDs that the investor holds. Additionally, the customer's personal and financial information is only released to the initiating bank; the other banks whose CDs the customer holds deal only with the initiating bank and never with the client. Finally, at the end of the year, the customer re-

ceives a single 1099 form, simplifying the process for investors that pay income tax.

## Negatives for Investors

**\$25 Million Limit:** While the new enhanced FDIC coverage level is a boon to individuals and small institutions, larger institutional investors may still find that the \$25 million limit is too low for CDARS to be an effective investment tool for them.

**Investor May Not Receive Highest Rate:** Investors in CDARS receive whatever interest rate their initiating bank is willing to offer. This rate may be higher than, or lower than, the rate available at competing banks. In return for the convenience that dealing with only one bank in the CDARS program offers, investors sacrifice the ability to shop around for the highest rates on each of the individual CDs that they purchase.

Additionally, the banks that initiate and participate in the CDARS program generally charge investors for the ease and convenience they receive. This fee is not explicit, but comes in the form of lower rates that some of the banks offer to participants in the program as compared to those offered to other customers.

**Lack of Liquidity:** As with any CD investment, CDARS do not offer an active secondary market. Therefore, if an investor purchases CDs with a nine month maturity, and then has an unexpected cash need after four months, they may have difficulty raising cash in an efficient manner.

**Relative Value:** Finally, as with traditional CDs, the rates on CDARS may or may not be as appealing as those on other potential investments such as money market funds, treasury bills, commercial paper, or short term bonds. Investors should carefully consider a broad range of securities, with all their attendant benefits and flaws, before committing to an investment program.

## Conclusion

CDARS may offer an opportunity for public agencies to invest safely in local banks. It is a new program, untested in extreme market environments, or during period of bank crisis. For that reason, public agencies will want their legal counsel to conduct a thorough review of the contractual arrangements that govern CDARS deposits prior to investing.

—Submitted by Brian Perry  
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Long Beach, CA  
April 30-May 4, 2007

## Election 2006 State Bond Measures

### Overview

Of the \$53.2 billion in bonds on the ballot in California, Propositions 1B through 1E and Proposition 84 comprised 80 percent (\$42.7 billion) of this amount. These propositions were geared towards funding through the issuance of general obligation bonds public infrastructure and facilities, including highways, ports, schools, public housing, parks, water quality and supply.

### Proposition 1B

Proposition 1B is the largest of the 5 bond propositions that was on the November general election ballot. It authorizes almost \$20 billion in State GO bonds for specified transportation and safety issues. The measure lays out specific allocations that must be appropriated by the State Legislature in the annual Budget Bill. Many of these appropriations are governed by recommendations by the California Transportation Commission (CTC) and State Department of Transportation, but also regional transportation planning agencies and county transportation commissions/authorities that are responsible for preparing a regional transportation improvement plan. For example, the largest portion (\$4.5 billion) is to be allocated for improving performance on highly congested travel corridors. The CTC will review project nominations submitted by the DOT and other regional/county agencies by January 15, 2007 for inclusion in its initial program of projects to be funded (this may be updated every two years in conjunction with the process of approving the state TIP). Other portions of interest to local agencies \$4 billion (allocated by DOT) for intercity rail projects, bus operators, and other public transit operators. \$1 billion will be available from CTC under the State-Local Partnership program, which is a matching dollar for dollar program based upon eligible projects nominated by a transportation agency. Finally, \$2 billion is available in the Local Streets and Road Improvement Account, with 50 percent going to counties and 50 percent to cities for specific traffic congestion/road improvement purposes. Specific formulas in the initiative for allocation of these monies (allocation formulas based on registered/exempt vehicles residing in the locality and miles of roads maintained).

### Proposition 1C

This proposition authorizes the issuance of up to \$2.85 billion in State GO bonds for various housing programs including affordable housing, emergency shelter housing, transit-oriented development, etc. The largest portion (\$1.5 billion) is to be used primarily for affordable housing programs administered by the State Department of Housing and Community Development (HCD). Most of these programs were previously funded by \$2.1 billion in GO bonds under Proposition 46 in 2002. According to HCD, funds from this previous initiative will be exhausted by the end of this year. Therefore, Prop 1C will be the new

source of funding for these programs. In addition to the affordable housing component, Prop 1C provides \$850 million for infill incentive grants for capital outlay related to housing development and related infrastructure, \$300 million that will be used for grants and loans to local governments for the development of transit oriented development, and \$200 million for housing-related park grants (all allocated through the Legislative appropriations process).

### Proposition 1D

This proposition authorizes the issuance of up to \$10.416 billion in State GO bonds for K-12 and higher education facilities. According to the State Allocation Board, approximately \$3.6 billion remain in new construction and modernization funds from previously approved Propositions 47 and 55; however the Office of Public School Construction estimates an unmet need of approximately \$14 billion in new construction and modernization for K-12 schools. Proposition 1D allocates \$7.329 billion for K-12 facilities which will be allocated by the State Allocation Board to applicant school districts, charter schools, and technical schools (largest pieces: approximately \$3 billion for new construction and \$3.3 billion for modernization). Prop 1D allocations \$3.087 billion for higher education facilities: half for community colleges, \$890 million for UC and \$690 million for CSU.

### Proposition 1E

Proposition 1E authorizes the issuance of up to \$4.09 billion in State GO bonds for various flood prevention projects. The majority (\$3 billion) goes towards various repairs and improvements to the levees, weirs and bypasses in the central valley and Sacramento-San Joaquin River Delta, according to the State Plan of Flood Control. In addition, \$500 million is dedicated to flood control subventions (state contributions to federal-local flood control projects beyond the Central Valley). According to the Department of Water Resources, the State currently owes \$161 million in reimbursements for approved flood subvention projects. Subventions are estimated to grow to \$500 million by 2010, which this bond issue is supposed to cover. Also, \$300 million in matching grant funds allocated through the legislative appropriation process to the Department of Water Resources for local communities that are not part of the State Plan of Flood Control for water

quality control and management of stormwater (reduce mudslides).

**Proposition 84**

Proposition 84 was not a legislatively sponsored initiative (i.e., it did not come out of the legislative process). It authorizes the issuance of up to \$5.4 billion in State GO bonds for a variety of water quality, flood control, environmental protection and conservation projects. Many of these projects contain funding for regional water conservancies and grant/loan funding to local agencies. Some examples include:

- ✔ \$1 billion (allocated regionally by Dept. of Water Resources) for grants for projects that assist local public agencies to meet long term water needs including safe drinking water and water quality protection
- ✔ \$180 million (allocated by Dept. of Health Services) in grants for small community drinking water infrastructure improvements
- ✔ \$130 million (allocated by Dept. of Water Resources) in grants for implementing Delta water quality improvement projects
- ✔ \$90 million (allocated by Dept. of Parks and Rec.) in planning grants and incentives

(including loans) to encourage development of regional and local land use plans

- ✔ \$90 million (allocated by Wildlife Conservation Board) in matching grants for protecting beaches and coastal waters from pollution
- ✔ \$15 million (allocated by Wildlife Conservation Board) in grants for reducing discharge of pollutants from agricultural operations

**Proposition 1A**

Proposition 1A, while lumped with Props 1B-1E as being part of the "Infrastructure Bond Package," is not a GO bond initiative but is a state constitutional amendment that limits the transfer of the sales tax portion of Proposition 42 revenues to the state. Specifically, it treats such transfers as "loans" and sets up specific conditions under which a transfer can occur (gubernatorial proclamation; 2/3 vote of legislature; statute that specifies repayment of funds within 3 years). Also specifies that a suspension cannot occur more than twice in any 10 year period and is prohibited if a prior suspension repayment has not been made in full.

—Submitted by Kristin Szakaly-Moore  
Deputy Director, CDIAC

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**Exciting plans for Annual Conference!**

Jack Canfield, author of *Chicken Soup for the Soul*, will be the keynote speaker at the CMTA Annual Conference May 1, 2007.

**Plan now to attend!**

For more information on this and other CMTA activities, check out our fabulous new and improved website at: [www.cmta.org](http://www.cmta.org).



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# A MESSAGE FROM LAIF: We appreciate hearing from you

Now that the Local Agency Investment Fund (LAIF) Annual Conference is over, on behalf of State Treasurer Phil Angelides and the Investment Division staff, I would like to personally thank those of you who attended. Further, I would like to extend our thanks and appreciation to those of you who are participants in LAIF.

The Annual Conference is an opportunity for us to interact with our program members on a more personal basis, and gives us a compact and cozy venue for sharing information and listening to your questions and concerns. Without this opportunity for feedback and questions, we cannot be completely effective in providing the type of program accessibility and service you expect and deserve. To this end, we would like to underscore the availability of staff at every level not only at the annual conference, but throughout the year as well.

Our effectiveness in dealing with your questions and concerns rests with you, the participants. We encourage you to discuss the program with us directly throughout the year, rather than holding your comments until the conference. A question left unasked has a tendency to promote needless concern. Worse yet, a question asked of the wrong people or in the wrong venue can create needless confusion or misunderstanding.

Trust is the operative word when considering LAIF. We appreciate the trust you have in our stewardship of your funds. We also hold *in trust* those funds. It is this *in trust* status that ensures the liquidity and accessibility of your deposits at a time determined solely by you. To underscore this protection, treasurers from the inception of the LAIF program ongoing have publicly recognized the "hands-off" status of your deposits.

In closing, I would like to include what we at the Treasurer's Office believe is the legislated cornerstone of managing and ensuring your funds through the LAIF. The referenced statutes ensure two important conditions. First, your deposits are yours and yours alone. Second, your deposits are accessible and available at a time of your choosing, regardless of the status of the State or the state budget.

**16429.3.** Moneys placed with the Treasurer for deposit in the Local Agency Investment Fund by cities, counties, special districts, nonprofit corporations, or qualified quasi-governmental agencies shall not be subject to either of the following:

- (a) Transfer or loan pursuant to Sections 16310, 16312, or 16313.
- (b) Impoundment or seizure by any state official or state agency.

**16429.4.** The right of a city, county, city and county, special district, nonprofit corporation, or qualified quasi-governmental agency to withdraw its deposited moneys from the Local Agency Investment Fund, upon demand, may not be altered, impaired, or denied, in any way, by any state official or state agency based upon the state's failure to adopt a State Budget by July 1 of each new fiscal year.<sup>1</sup>

Again, thank you for your continued support. Our door remains open and our phone number is at your disposal.

Respectfully,  
Daniel S. Dowell,  
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1. California Government Code, Section 16429.3 et seq.

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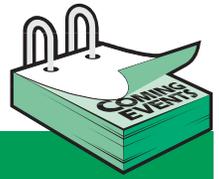
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# Calendar of Events

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### CMTA DIVISION MEETINGS

Division I	Dates, locations and topics tbd. Refer to website ( <a href="http://www.cmta.org">www.cmta.org</a> ) for current information.
Division II	<b>Feb 14:</b> Tour of Wells Fargo Cash Vault. Location tbd. Refer to website ( <a href="http://www.cmta.org">www.cmta.org</a> ) for current information.
Divisions III	Dates, locations and topics tbd. Refer to website ( <a href="http://www.cmta.org">www.cmta.org</a> ) for current information.
Division IV	Dates, locations and topics tbd. Refer to website ( <a href="http://www.cmta.org">www.cmta.org</a> ) for current information.
Divisions V	Dates, locations and topics tbd. Refer to website ( <a href="http://www.cmta.org">www.cmta.org</a> ) for current information.
Divisions VI	Dates, locations and topics tbd. Refer to website ( <a href="http://www.cmta.org">www.cmta.org</a> ) for current information.
Divisions VII	Dates, locations and topics tbd. Refer to website ( <a href="http://www.cmta.org">www.cmta.org</a> ) for current information.
Divisions IX	<b>Jan 18:</b> Division meeting. Speaker Bill Lockyer, State Treasurer. Call or email Marc Puckett for more info.
Divisions X	Dates, locations and topics tbd. Refer to website ( <a href="http://www.cmta.org">www.cmta.org</a> ) for current information.

### UPCOMING CONFERENCES/MEETINGS/WORKSHOPS

<b>Jan 24, 2007</b>	"Advanced Investment Workshop," Cal Poly Pomona
<b>May 1, 2007</b>	CMTA Pre-Conference, Long Beach, CA
<b>May 2-May 4, 2007</b>	CMTA Conference, Long Beach, CA



## California Municipal Treasurers Association

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