CALIFORNIA SOCIETY of MUNICIPAL FINANCE OFFICERS

MINI NEWS

THE NEWSLETTER OF THE CALIFORNIA SOCIETY OF MUNICIPAL FINANCE OFFICERS

NOVEMBER 2008

Inside:

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President's Message

— **Viki Copeland,** City of Hermosa Beach Finance Director, 2008 CSMFO President

Crisis/Chaos in Financial Markets

There is not much to say about the current state of the economy that hasn't already been said so I'm just going to offer a quote you have probably heard many times.

> *The Chinese use two brush strokes to write the word 'crisis.' One brush stroke stands for danger; the other for opportunity. In a crisis, be aware of the danger - but recognize the opportunity.*
> **John F. Kennedy**
> (1917 - 1963), *Speech in Indianapolis*

We may have to search a little harder for those city or agency opportunities in this downturn but I do know at least one person who was able to buy the house of their dreams because of the downturn, so it is possible, at least on a personal basis.

CSMFO Board Member Scott Johnson from San Jose is providing a summary of the financial market update that he and his staff prepared for his City Manager and City Council as a separate article in this newsletter. The summary presents an excellent chronology of events and assessment of market impacts. Thank you, Scott for sharing the good work you and your staff are doing.

I know that many of you have concerns about CalPERS and LAIF, among other things. You may have already seen these items; in case you haven't I am posting the items listed below to the CSMFO website, www.csmfo.org under "News and Updates":

- Letter From State Treasurer Bill Lockyer Dated October 2, 2008 Regarding LAIF
- Circular Letter From CalPERS Dated October 6, 2008 Regarding Investments
- Agenda Item To CalPERS Benefits And Program Administration Committee From Chief Actuary Ron Seeling Regarding Impact Of Market Downturn On Employer Rates

CalPERS press releases are also available on the CalPERS website, http://www.calpers.ca.gov, under "About CalPERS" and then "Press Room".

CSMFO Teleconferences

As you are probably aware by now, CSMFO put together two teleconferences in an attempt to provide you with the information you need. An email notice went out to announce the events.

The first one was on November 5, 2008 at 10:00 a.m. with Ken Marzion, Interim Chief Executive Officer from CalPERS and Ron Seeling, Chief Actuary. If you were unable to participate in the call, look for the recording on the CSMFO website. Go to the Coaching Corner, Live Audio and Archives and look for the event. The materials and recording are there.

Then, on November 19th at 2:00, Dan

Continues on next page

President's Message, continued

Dowell, the Director of Investments for LAIF will do the second teleconference.

Thanks to Mary Bradley, Don Maruska and the Career Development Committee for organizing the events

Nominations Open

Nominations are now open for the positions of President-Elect (from the South) and two Board Members, one from the South and one from the North.

The President-Elect would serve as President in 2010. One of the primary duties of the President-Elect will be to Co-Chair the Los Angeles conference at the Biltmore Hotel in downtown Los Angeles. The South Board position will replace Agnes Walker and the North Board position will replace Pauline Marx, both of whose terms are ending.

An email did go out to the membership on October 28, 2008, from Devon Hood on behalf of Thomas Fil, President-Elect, who chairs the Nominating Committee, to solicit nominations from the membership. The email has specific instructions regarding the required candidate statement.

Give some thought to who might be good candidates, including yourself, and nominate someone! The Nominating Committee will be convening in order to make recommendations and have ballots sent out to the membership by November 10th, as required by the CSMFO bylaws. It looks like CSMFO will be coming into the 21st century with respect to voting and all of us will be able to vote online!

Nominations may be emailed to the Devon Hood, CSMFO Secretary at dmhmgmt@comcast.net. Use the subject line "Qualifications Statement".

"See" you next month.

CALIFORNIA'S TWO NEWEST CITIES

By Misty V. Cheng
Director of Finance
City of Wildomar and City of Menifee

CITY OF WILDOMAR

The City of Wildomar became California's 479th city when the community incorporated on July 1, 2008. The 22 square mile City, with an estimated population of 27,000 is wedged between Lake Elsinore and Murrieta along the Interstate 15 corridor. Wildomar was originally established in 1886 with a school, hotel and church from 3 town founders: William Collier (WIL), Donald Graham (DO), and Margaret Collier (MAR). The City staff are contract staff through various consulting firms which include the City Manager, City Attorney, City Clerk, Planning, Building and Safety. The Finance Director, Misty V. Cheng, is contracted through Moreland & Associates, division of Macias, Gini & O'Connell. Please visit the City's website at www.cityofwildomar.org or stop by the city hall offices at the Oak Creek shopping center at 23873 Clinton Keith Road, Ste. 201.

CITY OF MENIFEE

The City of Menifee became California's 480th city when the Menifee Valley consisting of Sun City, Quail Valley, Menifee and portions of Romoland came together to incorporate on October 1, 2008. The approximately 50 square mile city, with an overall population of 67,000 is located 30 miles southeast of Riverside with Interstate 215 traveling north and south through the center of the City. The City is generally bordered on the north, west, and south by the Cities of Perris, Canyon Lake, Lake Elsinore and Murrieta and on the southwest by the City of Wildomar. To the east and northeast, the city borders unincorporated county territory. Mining activity began in the early 1880s in the Menifee area with the discovery of a significant quartz lode by miner Luther Menifee Wilson. Menifee derived its name from that mining operation. The City staff are contract staff through various consulting firms, which include the City Manager, City Attorney, City Clerk, Planning, Building and Safety. The Finance Director, Misty V. Cheng, is contracted through Moreland & Associates, division of Macias, Gini & O'Connell. Please visit the City's website at www.cityofmenifee.us or stop by the city hall offices at 29683 New Hub Drive, Ste. C.

Exhibitors and Sponsors!

Be on the lookout for information on how you can showcase your product or services with great marketing opportunities available to you during our next CSMFO Conference!

Our exhibitor registration kit is available now. If you have not received one in the mail, check out our website to download the web version of our information. We have great opportunities for exhibitors and sponsors, including a brand new option for Diamond Sponsors which includes YOUR LOGO and a link to YOUR WEBSITE on the Annual Conference page of the CSMFO website.

We know that you will want to take advantage of this great opportunity to showcase your website, along with your product or services, to our CSMFO members visiting this site!

Check out our Additional Sponsorship Opportunities available to you! We have many chances for you to showcase your support of CSMFO and its members by hosting an event during the conference or sponsoring an item.

Please remember that we value your sponsorship in whatever form. Your continued support of CSMFO helps us to put on this premiere event each year. Plus, it helps us to keep conference registration fees affordable so that our members can attend.

Again, we thank you for your support and look forward to seeing you at CSMFO!

CSMFO Chapter Chairs

Central Coast
Jennifer Sorenson, Paso Robles
805-237-3999, jsorenson@prcity.com

Central Los Angeles
Eddie Malonzo, Cerritos
562-916-1369, eddie_malonzo@ci.cerritos.ca.us

Central Valley
Stan Feathers, Atwater
209-357-6311, sfeathers@atwater.org

Channel Counties
Michelle Romney, Oxnard
805-385-7475, michelle.romney@ci.oxnard.ca.us

Coachella Valley
John Gerardi, Coachella
760-398-3502, jgerardi@coachella.org

Desert Mountain
Cindy Prothro, Lancaster
661-723-6038, cprothro@cityoflancaster.org

East Bay
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herbertp@abag.ca.gov

Inland Empire
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Monterey Bay
Marc Pimentel, Watsonville
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North Coast
Bill Mushallo, Santa Rosa
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Northeast Counties
Steve Strong, Redding
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Northwest Counties
Vacant

Orange County
Carol Jacobs, City of Stanton
(714) 890-4226, cjacobs@ci.stanton.ca.us

Peninsula
Stuart Schillinger, Brisbane
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Sacramento Valley
Vacant

San Diego County
Dennis Coleman, Solana Beach 858-720-2461
dcoleman@cosb.org

San Gabriel Valley
Alan Kreimeier, Azusa
626-812-5291, akreimeier@ci.azusa.ca.us

South Bay
Mike Whitehead, Rolling Hills Estates
310-377-1577, mike@ci.rolling-hills-estates.ca.us

South San Joaquin
Ronney Wong, City of Fowler
559-834-3113, rwong@ci.fowler.ca.us

Chapter Chairs Needed!

As you know there are twenty chapters within the CSMFO organization. Currently Imperial County, Northwest Counties and Sacramento Valley chapters do not have a Chapter Chair.

Chapters of CSMFO were established to provide an opportunity for members in various regions of the state to meet on a regular basis and exchange ideas, discuss professional problems, and participate in technical presentations on specific areas of the profession. Each chair is responsible to the board of directors for the leadership necessary to conduct an effective chapter chair program. The Chapter Chairs play an important role in the CSMFO organization. The regular meetings of each chapter provides membership with opportunities for personal and professional development that can only be accomplished at the local level. The Chair helps create an environment that allows the membership to grow and learn from others.

If you are interested or know of a colleague that would find this of interest please contact:
the CSMFO Offices at 877-282-9183
or
Brad Grant, City of Merced and Chapter Chair Liaison,
(209) 385-6844.

Your support is greatly appreciated.

CSMFO Award for Outstanding Financial Reporting Program

CSMFO is now accepting submittals of CAFRs for the FY 07/08 awards program. Cities and special districts are eligible to participate if they meet the following criteria:

1. This is the first time participating in the CSMFO award program, or

2. The agency has participated in this program in prior years but does not choose to participate in the GFOA program.

CAFRs must be completed and mailed by December 31, 2008, to be eligible for this program. The application and instructions for both cities and special districts are posted on the CSMFO website under the link for "Budget & CAFR Awards". The application fee is $50.00.

First time eligible submittals that are awarded a certificate for outstanding financial reporting will be announced and presented their certificate at the CSMFO annual conference awards luncheon.

For further information:
or questions, cities should call
Jesse Takahashi at 408-866-2113
and special districts should call
Sandra Schmidt at 818-251-2133.

Central Los Angeles and South Bay Chapters Invite You To Our Next Meeting

Tuesday, November 18, 2008 | 11:30 am to 1:30 pm
Cerritos Library, 18025 Bloomfield Avenue, Cerritos, CA 90703, (562) 916-1340

Featured Speaker: **John Morreale – Former Finance Director**
Program: **"Maintaining Morals and Ethics in Your Professional Career"**

Cost: is $35.00 (Checks payable to City of Cerritos)

For reservations please contact either:

Eddie Malonzo, City of Cerritos
(562) 860-0311 ext. 2037
eddie_malonzo@ci.cerritos.ca.us

Mike Whitehead, City of Rolling Hills Estates
(310) 377-1577
mike@ci.rolling-hills-estates.ca.us

No Shows who RSVP will be Invoiced.
Please RSVP by Thursday, November 13, 2008

CSMFO Orange County Chapter Presents

What does Going Green Mean to your Municipality ?

Financing Options for Energy Efficiency and Renewable Energy Projects

Thursday, November 6, 2008 | 11:45 am
The Turnip Rose, 300 South Flower St, Orange (714)978--7021

Featured Speaker: Neal Skiver — Sr. Vice President - Bank of America

Neal Skiver is a Senior Vice President at Bank of America within it's energy services product specialty group. He focuses on the origination and structure of energy-related financings including: equipment lease/purchase agreements, energy services agreements, renewable energy power purchase agreements, Clean Renewable Energy Bonds, limited tax and revenue obligations, tax credits and 501(c)(3) obligations. Neal will be making a presentation on financing options and alternatives for municipal energy efficiency and renewable energy projects.

Make checks payable to CSMFO by October 31, 2008 to:
Carol Jacobs - CSMFO OC Chapter Chairperson
City of Stanton, 7800 Katella Avenue, Stanton CA 90680

Cost: for members, non-members and guests:
$32 per person for payments received by Friday 10/31/08
$35 per person for payments received after Friday 10/31/08, or registration at the door
RSVP by email (will save you the extra $3 at the door)

If you have any questions, please e-mail Carol Jacobs at cjacobs@ci.stanton.ca.us or call her at (714) 890-4226.
Please RSVP by Thursday, November 13, 2008
NO SHOWS WILL BE INVOICED.

Unleash the Power of Excel & Your Portfolio California Municipal Treasurers Association Invite You To Our Next Meeting

FUTURE MEETINGS:

January 30: Special series on the health of the financial markets and impact on local government and its employees.
April 17: State of the State, Best practices for budget forecasts

If you have any questions or comments, please contact either myself or Marissa. We hope to see you & your staff soon.

Marc Pimentel
CSMFO Monterey Bay Chapter Chair
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Marissa Duran
CMTA Division 4 Chair
Financial Analyst, City of Watsonville
PO BOX 50000 - City of Watsonville, CA 95077
(831) 768-3471
e-mail: mduran@ci.watsonville.ca.us

"Learning from Private Sector Finance Professionals"

Thursday, November 13, 2008 | 2:00 – 3:00 p.m. PT

CSMFO Coaching Program Telephone Panel

DIAL 646-519-5883 [callers' PIN 7592#] or new live audio via the web

[powered by Granicus] at www.csmfo.org/coaching "Live Audio and Archives."

Panelists:

* Thomas Fil, Finance Director, Belmont, and President-elect CSMFO
* Margaret Moggia, CFO, West Basin Municipal Water District
* Cory Biggs, Maze & Associates
* Mike Moreland, Macias Gini & O'Connell

Panel Discussion Topics:

1. What are the principal similarities and differences between local government finances and private sector finances?

2. What are examples of effective collaboration between finance professionals in local government and the private sector?

3. What resources can we share or exchange to build mutual understanding and enhance skills?

4. How can local government and private sector finance professionals work together in the future?

Post-Call Group Discussions

Some agencies have organized groups to listen to the calls and discuss the topics after the calls. You can leverage the panel offering into an in-house career development opportunity for your team. Here are some discussion starters:

a. What are the key training needs that we have in our agency?

b. What private sector expertise would we like to tap?

c. What requests do we want to make of CSMFO to help us access those resources on favorable terms?

d. How do we want to get started to collaborate with private sector finance professionals

Annual Weekend Training Workshop

This years' Annual Weekend Training Workshop is scheduled for November 21-23, 2008 at the Doubletree Hotel, Burlingame, CA. A registration form detailing the specific topics being presented will be available on the CSMFO Website www.csmfo.org September 2, 2008. Registration is limited and registration deadline is October 17th. A total of 20 hours CPE credit for those who attend all sessions over the 2-1/2 days. Please contact Terrence Beaman (714) 993-8237or Ronnie Campbell (805) 388-5320 if you have any questions.

We look forward to seeing you in Burlingame/San Francisco Airport!

THE BOND BUYER

The Daily Newspaper of Public Finance
July 21, 2008

Lessons From Tough Times: Understanding VRDO Failures

By Frank Sulzberger and Andrew Flynn

When markets function normally, the trustee role is generally treated as an afterthought. It is only when markets go haywire — such as with the recent disruptions in auction-rate securities and variable-rate demand obligations — that market participants learn whether governing documents were prescient and their choice of trustee was the right one. The ongoing credit crunch and bond insurer downgrades have brought many challenges to the operational or processing sides of both the ARS and VRDO markets. Most of the news coverage has focused on ARS troubles. Behind the scenes, however, the sheer volume of VRDO tenders forced trustees and other intermediaries to adapt their processes and adjust on the fly to compensate for the added complexity and volume of transactions. How well trustees and intermediaries managed their internal processing during these critical market events directly affected issuers and investors across the market.

How VRDOs Work

VRDOs are tax-exempt instruments on which the yield is usually reset on a daily, weekly, or monthly basis. While VRDOs are issued with long-dated nominal maturities of 20 to 40 years, they have short-term demand features that provide investors the ability to demand repurchase of their bonds at par plus accrued interest on a short-term basis. This allows investors to maintain a reasonable degree of liquidity while allowing the issuer to take advantage of the short end of the yield curve. The put feature, which allows for the shortterm interest rate, enables holders to tender the bonds with advance notice to the tender agent, usually on a daily, weekly, or monthly schedule often timed to coincide with the yield resets. However, this protection requires a high degree of liquidity to protect the issuer in case the bonds are tendered and cannot be remarketed to another investor. Typically, this liquidity is provided via a bank letter of credit or a stand-by bond purchase agreement. For highly rated issuers, SBPAs are often sufficient liquidity support for a VRDO structure. With SBPAs, the financial institution agrees to serve as liquidity provider of last resort and will purchase the bonds if they cannot be remarketed. This structure results in a long-term rating for the VRDOs equal to the underlying credit of the issuer, while the short-term rating for the VRDOs is equal that of the SBPA institution. Frequently, issuers with VRDO structures using SBPAs will also secure the bonds through an investment-grade bond insurer to further enhance the long-term rating on the bonds. For other issuers, the option of having an LOC provides additional assurance to the issuer and investors. LOCs usually come in two forms, standby and direct pay. With a standby LOC, investors look to the issuer first for payment of principal and interest, and the LOC serves as a backup for funding, when necessary. The direct pay LOC, while potentially coming with additional cost to the issuer, requires the supporting bank to pay principal and interest directly to investors without the issuer becoming directly involved in the process. The bonds in these deals carry the rating of the LOC bank for the short-term aspect of the deal and will sometimes be wrapped with bond insurance to further enhance their long-term ratings.

Insurer Downgrade Exposure

To enhance the long-term rating of a VRDO, issuers sometimes use bond insurance. The higher rating serves to lower the cost of capital and meet the investment-rating requirements of certain investment funds. This structure worked well until the monoline insurers were downgraded for reasons unrelated to municipal bonds. Some insured bonds previously rated triple-A were suddenly facing declines in ratings of the monoline insurers, which in many cases dropped below the underlying ratings of the issuer. As downgrades occurred, many major investors were required to put these bonds back to the market because their investment guidelines would not permit them to own securities with lower ratings. As downgrade followed downgrade, tender volume increased as liquidity disappeared from the market. LOC and SBPA providers were faced with carrying more and more VRDO securities at a time when their own liquidity positions were stretched due to other aspects of the credit crisis. Many cities and municipalities that had assumed that they were in a relatively stable market because of LOC and SBPA support began to have deep concerns about their exposure to the credit crisis as tenders increased and rates rose dramatically. Market participants and regulators began calling emergency meetings, demanding to know what the overall downgrade exposure might be. Only over the course of several months did the picture become clearer.

Remarketing's Ticking Clock

Once the tidal wave of tenders began, remarketing agents

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came under tremendous pressure to perform in a very tight timeframe. The basic assumption behind the standard VRDO remarketing window is that everything is functioning normally, without negative credit implications, and that when or if bonds are tendered, new buyers can easily be found. Once a bond is tendered, the trustee generally is required to notify the issuer, the remarketing agent, the liquidity provider, and the insurer of the tender. At that point, the clock starts ticking as the remarketing agent has a short window of time to find a new buyer. If the remarketing agent can find a new buyer, the trustee or tender agent facilitates the bond transfer and payment of principal and interest between the seller and buyer. Until the recent credit crisis, few bonds had ever experienced a remarketing failure and when they did, liquidity providers were able to step in with little risk to their balance sheets. If a new buyer cannot be found, the trustee or tender agent will draw upon the liquidity provider. The provider must then take ownership of the securities (now known as "bank bonds"), which typically earn a higher rate of interest. Obviously, a failed remarketing is the last thing issuers and liquidity providers want. The issuer does not want to pay the potentially higher rate and the liquidity provider does not want to take ownership of the bonds. The pressure on the remarketing agent grows each day a new buyer is not found. In a normal market, the remarketing agent might step in and buy the tendered bonds, in order to prevent an actual draw on an LOC or credit facility. But this time around, the volume of the tenders and restrictions on their own liquidity made this choice difficult, if not impossible, for many remarketing agents. While the inability of broker-dealers to take failed auction-rate bonds onto their books led to a virtual collapse of the ARS market, the liquidity feature of VRDOs seems to have kept the market for these securities functioning. This has led to a large number of ARS securities being converted into VRDOs.

Settlement Flaws Exposed

Under normal market conditions, VRDO intermediaries can perform within the established timeline. Yet few in the industry anticipated how trade settlement would work if tender volume exploded. During the recent tender wave, some trustees drew on liquidity facilities to pay sellers who tendered their bonds, rather than wait for purchase proceeds to settle that day. Once the trade settled, these trustees reimbursed the liquidity draw with the purchase proceeds. With the high volume of tenders, some of these liquidity draws caused massive, and highly fluctuating, drains on the liquidity facility providers, leading to great consternation among liquidity providers, remarketing agents, and issuers who ultimately must pay the cost. For issuers, each credit-line tap increased the draw fees and potential future liquidity costs they would have to pay to the liquidity provider. For the liquidity provider, the huge daily and weekly draws were an expensive challenge during a time when liquidity was at a premium. With balance sheets under pressure from other areas, providers began to carefully monitor these draws and grew ever more critical of them as the tender wave increased.

The Trouble with Cusips

Tracking ownership and the proper payment of bonds is completed through individually assigned Cusip numbers and paid through the Depository Trust & Clearing Corp. While the interest rates on bank bonds often are reset to a much higher rate, any non-tendered bonds continue to pay at the weekly remarketed rate. In this scenario, there is one security designated by one Cusip number, but it is paying one rate for successfully remarketed bonds and a separate rate (at times paying at another frequency) for any bank bonds. Because so many aspects of the securities industry rely on a Cusip number defining a security with the identical characteristics, the tracking of an individual security with divergent attributes causes challenges which can slow processing and clearing. At the outset of the tender wave, internal workarounds were created to ensure proper ownership information and interest payments were matched to both the remarketed and bank bonds. These temporary measures were a stopgap until new bank bond Cusip numbers could be established. But as the tenders increased, it became apparent that existing procedures for establishing a new Cusip for clearing purposes could not meet the growing remarketing failures. During this time, many banks participated in ongoing meetings and conference calls with DTCC, the American Bankers Association's corporate trust committee, and other parties to brainstorm how to develop an alternative, accelerated way of allocating new Cusips to facilitate bank-bond issuance. In April, the DTCC issued new guidelines putting these procedures in effect.

Improving VRDO Mechanisms

The credit crunch and bond insurer downgrades have had a tremendous impact on the municipal bond market in general and VRDO market in particular, bringing to light numerous challenges that the market had been unaware of or had papered over for years. The time has come for issuers and counterparties to strengthen and improve VRDO mechanisms and reduce potential exposure to credit

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downgrades that are beyond their control. It is important to start making changes now, including:

1. Set aside DTCC-eligible Cusips. Additional Cusips should be issued at the outset for all new variable-rate bonds. Easier availability of DTCC-eligible Cusips will improve payment flow among the remarketing agent, trustee, and liquidity provider.

2. Consider timing requirements in the documents. Quick turnaround times to facilitate the activity for a successful or unsuccessful remarketing (i.e., settlements, liquidity draws, VRDO payments) require prompt, decisive action by the tender agent or trustee.

3. Bring the trustee in early. The trustee is typically one of the last parties brought to the table on a financing team. The time to get trustee input is at the outset. The trustee and issuer may be working together for 30 to 40 years. Give your trustee an opportunity to examine the proposed documents and comment on them before they are final.

4. Address worst-case scenarios in governing documents. The indenture should provide clear, unambiguous procedure language in case of failed remarketings and bond insurer downgrades, among other issues. Ask advisers if all of the worst-case circumstances have been identified. Test preparations for these scenarios, similar to a fire drill.

5. Hire an experienced, proactive trustee and tender agent. Difficult markets serve as a wake-up call. Issuers need a strong, proactive trustee and tender agent to be involved at every stage, one that will follow the spirit as well as the letter of the indenture. Experience enables market participants to foresee problems early on, plan for them, and take a leadership position to keep the crisis from spreading.

It is really a matter of getting back to basics. Variable-rate structures will continue to be an important long-term financing vehicle for municipalities and market challenges will likely continue to occur. The lessons learned during this recent crisis can help strengthen and improve the processing side of the VRDO market.

Frank P. Sulzberger is a Managing Director of The Bank of New York Mellon Trust Company, N.A., a subsidiary of The Bank of New York Mellon Corporation. Frank has 24 years experience in municipal and corporate trust administration, management and new business development. As regional manager for the western United States, he is responsible for the delivery of municipal trust services to issuers throughout the West, with over 100 professionals operating from our offices in Los Angeles, San Francisco, Seattle, Denver and Tempe.

Frank holds a Bachelor of Science degree in Business Administration from San Diego State University and was designated as a Certified Corporate Trust Specialist by the Cannon Financial Institute and the Institute of Certified Bankers. Over the years Frank has been an active associate member in several organizations in California and Arizona including the California Debt and Investment Advisory Commission (Debt-Technical Advisory Committee), California Society of Municipal Finance Officers, California Municipal Treasurers, California County Treasurers and Tax Collectors, California School Business Officials and the Government Finance Officers Association of Arizona.

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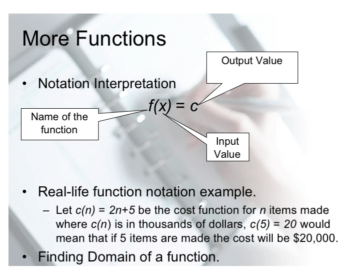

Andrew Flynn is the Municipal Finance Product Manager for The Bank of New York Mellon Trust Company, N.A., a subsidiary of The Bank of New York Mellon Corporation. He is responsible for existing product management, new product. The Bank of New York Mellon's corporate trust business services $12 trillion in outstanding debt from 56 locations around the world. It services all major debt categories,

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development and strategic planning for the Municipal Finance Group within the Global Corporate Trust division. Andrew has worked in the municipal finance industry for more than five years and is actively involved in various national and regional municipal finance organizations. He received a degree in International Relations and History from Kent State University.
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The Bank of New York Mellon's corporate trust business services $12 trillion in outstanding debt from 56 locations around the world. It services all major debt categories, including corporate and municipal debt, mortgage-backed and asset-backed securities, collateralized debt obligations, derivative securities andinternational debt offerings.

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Go Green to CSMFO

by Tim Seufert, 2009 Local Host Committee Member (Commercial Member from NBS)

Driving in San Francisco? We think not! Carpool to the conference? Why not? Offset? You bet!

The Westin St. Francis is very well served by many modes of mass transportation. If you need to drive, please carpool. Note that parking is extremely expensive, if you can get it at all. ($39.00 per day at the hotel;$48 for SUVs for our conference attendees, which is a discounted rate from $49 regularly charged.) If you are flying to the Bay Area, note that both San Francisco and Oakland airports are served by BART, which is 2 blocks from the St. Francis. For less than $15.00, you can buy carbon offsets and fly a little greener: Go to Carbonfund.org or Terrapass.com. If you are coming from Sacramento, or most points north or south of there, Amtrak provides a shuttle to within 2 blocks of the hotel from the end of the train line in Emeryville (did you know that rail lines used to go across the Bay Bridge?). If you are coming up the Peninsula, the Caltrain station is a short taxi ride or SF Muni train ride to the hotel, too.

We need a few good cities!!!

As we are winding down the year and planning for our next year the Career Development Committee needs your help! We are looking for cities to host our training sessions for Introduction to Governmental Accounting, Intermediate Governmental Accounting and Presentation Skills for Finance Professionals. We have had very successful sessions, mostly in part to our hosting city. As a bonus if you host the event you get free attendance!

If you are interested in hosting any or all of these sessions please contact:

Dennis Danner at (949) 644-3240
ddanner@ci.newport-beach.ca.us

Devon Hood at 877-282-9183

dmhmgmt@comcast.net.

Financial Market Conditions and it's Impact on Public Agencies

By Scott P. Johnson
Director of Finance, City of San Jose
CSMFO Board Member

As we have all been tuned into the media and have been impacted by the unprecedented turmoil experienced in the US financial markets, which has spread to markets throughout the world, the turmoil clearly illustrates how globally interconnected the world financial markets have become. This article provides an overview of market events that have taken place and its impact on public agencies

Over the past seven weeks the market has been volatile. We have seen the Federal Government essentially bail out Fannie Mae and Freddie Mac (these two agencies are publicly traded companies that back almost half of the US mortgage debt of approximately $5 Trillion.) In addition, the federal government recently seized control of American International Group Inc. (AIG), the largest insurance company in the United States; Lehman Brothers, the 4th largest investment bank in the US filed for bankruptcy, the largest bankruptcy in US history; Washington Mutual Inc. was seized by government regulators and its branches and assets sold to JPMorgan Chase & Co. in the biggest U.S. bank failure in history.

Wachovia Corp. originally slated to be acquired by Citigroup Inc. is being acquired by Wells Fargo Bank (which includes absorbing as much as $42 billion in losses.) In addition, many European banks required government-orchestrated rescues; the US Federal Reserve pumped over one trillion dollars into the global financial system, flooding banks with cash to alleviate the worst banking crisis since the Great Depression. This liquidity infusion included participating authorities of the European Central Bank, the Bank of England and the Bank of Japan. The Fed's expansion of liquidity, the biggest since credit markets seized up last year, came around the time Congress prepared to vote on a $700 billion economic stabilization plan for the financial industry.

This crisis is not "just a US Wall Street problem", it has reverberated through the global economy, causing stocks to plunge and forcing European governments to rescue banks. The unprecedented market events have continued to cause stress and financial unrest throughout the world and have clearly impacted our local communities. In other words, the intersection of Wall Street and Main Street has disrupted the economic vitality in most neighborhoods throughout the Country. Attachment A provides a detailed chronology of market events that occurred from April 2007 through the week of October 27th, illustrating the impacts on the world economy.

This unprecedented market dislocation is the result of the unwinding of loose lending policies during the housing boom over the past decade. The global financial market crisis we are experiencing started to manifest itself beginning in early 2008.

Many public agencies experienced the impact as early as this past February when they were forced to restructure their variable rate bond programs. Over the past year, prior to the most recent events, the finance industry was significantly disrupted by the collapse of the market for sub-prime mortgages. This disruption included the failure of several investment banks and rating downgrades of the leading bond insurers, and resulted in substantial increases in interest rates paid by public agencies on their variable-rate bonds. During this difficult period, many municipalities worked diligently to reduce borrowing costs by redeeming the existing variable-rate bonds which had been insured and affected by the bond insurer downgrades, and refinancing them with bonds and notes secured by bank letters of credit, rather than bond insurance. For the City of San Jose, that effort represented eight months of continuous exertion, under market conditions which have frustrated the similar efforts of many other public agencies, the City succeeded in restructuring ten series of variable-rate bonds, totaling over $359 million. The savings the City achieved are likely to exceed $5 million over the next fiscal year, absent further erosion of the variable rate bond program as a result of the current market turbulence.

Unfortunately, the market turbulence has continued with the solutions still unresolved. Its impact on the global market has baffled many market experts, bankers, rating agencies, economists, the Federal Reserve, the US Treasurer, the Senate, Congress, and the President of the United States. Through the end of September, the Federal Open Market Committee (Federal Reserve) had attempted to respond to and mitigate the impact to these market conditions through monetary policy by reducing the Federal Funds Rate and infusing cash into the market to provide much needed credit liquidity. As the market disruptions continued, on October 3rd the President of the United States signed the "Emergency Economic Stabilization Act", in which the federal

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government committed up to $700 billion to solve the market unrest, intended to restore confidence in the nation's banking and financial systems. The "Stabilization Act" is the largest government intervention in the markets since the Great Depression.

Emergency Economic Stabilization Act of 2008
The Purposes section of House Bill H.R.1424, otherwise known as the Emergency Economic Stabilization Act of 2008, simply states:

1. to immediately provide authority and facilities that the Secretary of the Treasury can use to restore liquidity and stability to the financial system of the United States; and
2. to ensure that such authority and such facilities are used in a manner that—
- *a) protects home values, college funds, retirement accounts, and life savings;*
- *b) preserves homeownership and promotes jobs and economic growth;*
- *c) maximizes overall returns to the taxpayers of the United States; and*
- *d)provides public accountability for the exercise of such authority.*

Investor and Consumer Confidence is waning

Investors continue to remain more concerned about return of principal (maintaining the value **of** their investments) rather than their return **on** principal (rate of return or yield on their investments). American consumers lost confidence in September as they saw the credit crisis deepen, a sign they will curtail spending. The U.S. has lost jobs every month this year, and the unemployment rate in August jumped to a five-year high of 6.1 percent, according to Labor Department data. In addition, the Commerce Department has reported that retail sales fell in August for a second consecutive month. In addition, holiday sales during November and December may be the weakest in six years as high food prices pare spending on non-essential items.
Other market indicators, including commodity prices on oil and gold, were volatile as well. Oil dropped from a high this summer of $145 a barrel to almost $90 a barrel, but by Monday, September 22, it experienced the largest one day increase jumping $16 per barrel closing at $121 per barrel. Oil process have since stabilized (for the time being) as we are experiencing declining gasoline prices at the pump. Gold prices skyrocketed as well, rising nearly a $100 per ounce during the course of the week of September 15 to September 19.

Economic Data is Showing an Increased Chance of Recession

As noted in the chronology of market events in Attachment A, the Federal Reserve Open Market Committee (Feds) (in conjunction with other global central banks) reduced the target for federal funds rate 50 basis points to 1.50% at an unscheduled policy meeting on October 8, 2008. The Federal Reserve, in their statement release, predicated their actions on evidence of continued economic weakening. Below is a quote from the release:

> *"Incoming economic data suggest that the pace of economic activity has slowed markedly in recent months. Moreover, the intensification of financial market turmoil is likely to exert additional restraint on spending, partly by further reducing the ability of households and businesses to obtain credit. Inflation has been high, but the Committee believes that the decline in energy and other commodity prices and the weaker prospects for economic activity have reduced the upside risks to inflation."*

Economic data releases continue to be troubling with economists predicting that a US recession is likely inevitable. A major Home Price Index has reported a record 16.3% drop for July. The Labor Department reported that payrolls fell by 159,000 in September, its largest decrease in five years. The jobless rate remained at 6.1 percent for the nation, primarily due to a contraction in individuals seeking employment. The Institute of Supply Management's (ISM) manufacturing index posted its biggest point and percentage drop since 1984 as it fell into recessionary territory at 43.5. Automakers reported a 27% percent decrease in overall car sales for September 2008 vs. September 2007, its lowest level in 15 years.

Short-term Funding Concerns Grow

LIBOR Index – LIBOR (London Inter Bank Offered Rate) is the rate that banks use to loan unsecured money to each other. LIBOR is set by a process of daily surveys of sixteen world banks, including three US banks (Citibank, Bank of America, and JP Morgan Chase). LIBOR is the basis for calculating rates on $360 trillion of financial products worldwide, including home loans and corporate bonds. Recently we have seen the 3 month LIBOR rates continue to rise, at one point to the highest point since January, at 4.33%. The increased rates continue to reflect banks uncertainty of peers credit worthiness and their own

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inclination to protect capital rather than lend capital. This trend is troubling due to the magnitude of short term and variable debt that is tied to the LIBOR. For example, many variable rate mortgages are set at the LIBOR index, plus additional basis points, in which the rates are "re-set" at the new LIBOR rate. Therefore, as these variable rate mortgages reset, there will be additional pressures on homeowners and potentially additional foreclosures.

Commercial paper – Commercial paper is short term, unsecured promissory notes, with maturities of fewer than 270 days. The commercial paper market has been under considerable strain in recent weeks as money market mutual funds and other investors have become increasingly reluctant to purchase commercial paper. As a result, interest rates on commercial paper have increased significantly, adding additional expense to already capital constrained firms. Commercial paper plays a critical role in the ability of many companies to pay salaries and other short-term expenses. In an effort to add liquidity to the commercial paper market, the Federal Reserve created the Commercial Paper Funding Facility to purchase commercial paper directly from corporate issuers.

Credit Market Tightness and its Implications for the State of California

Recent market disruptions and the subsequent lack of demand in the municipal bond market has made new issuance and pricing of bond issues very difficult for many municipalities. Recently market media sources reported that weekly sales of fixed-rate bonds, which averaged $6 billion weekly this year, declined to $800 million per week. Municipal issuers have postponed more than $12 billion in bond and note sales since the middle of September. The State of California has not been immune from these developments, and at one point Governor Schwarzenegger sent a letter to the US Treasury Secretary raising the possibility that the State may need a Federal loan if the State was unable to access the credit markets. California has often used revenue anticipation notes (RANs) to provide short term cash flow liquidity until anticipated revenues are received later in the fiscal year. If the State is unable to sell its RANs, the State would be unable to fund on-going operational needs, including entitlements and funding to service providers. Luckily the credit market eased up to allow the State to issue about $5 billion in RANs. California was not alone. Other states were experiencing similar constraints in the financial markets and in need of cash flow liquidity; most notably, Arizona, Florida, Michigan, Rhode Island, Connecticut, New Jersey and New York.

What we can do as Public Financial Officials

In order to assess the impacts on the City of San Jose, key departmental staff met to open a dialogue on the areas of City operations which may be impacted by these unprecedented financial market conditions outlined in Attachment A. The areas indentified for initial review were interest earnings on the City's investment portfolio; variable rate debt service on the City's bond program [both City and Conduit (multi-family housing revenue bonds)]; the City's affordable housing program; insurance coverage and claims paying ability; near-term market access for the City's Redevelopment Agency's bond issue; and the impact on the City's two retirement plans. In addition, we continue to closely monitor the external impacts the disruptive market is having on the local economy that may have an impact on the City's budget.

The ongoing stream of information and speculation on the state of the financial markets may have the effect of alarming members of the public, our Councils and Boards, and our employees. It is important that we, as prudent and responsible public finance officials, not panic and over-react to these conditions, but instead continue to evaluate the impact on our public agency's operations and work with our administration and councils and/or boards to plan for the things we can control, as well as keep our city employees informed. To that end, in the City of San Jose, the Finance Department, along with key City departments, will continue to monitor the situation and assist the City Manager in informing our City Council and City employees on critical market and economical events and be pro-active in developing plans to mitigate the impacts on the City. Please feel free to contact me if you would like further information or a copy of the information memos that have been distributed to the City Council and all City employees.

Chronology of Market Events

Below is an abbreviated chronology of events, on a weekly basis, that has occurred in the financial markets that led up to the passage of the Stabilization Act.:

April 2007 – New Century Financial (one of the nations largest subprime lenders) seeks bankruptcy protection
August 2007 – Countrywide Credit draws down $11.5 billion from its credit lines

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September 2007 – Federal Reserve starts to cut the Fed Funds target rate. Over the next 8 months Fed Funds go from 5.25% to 2.0%
March 2008 - Federal Reserve assumes $30 billion of MBS and debt as part of engineered takeover of Bear Stearns by JP Morgan Chase
July 2008 – Federal regulators seize IndyMac. First major bank failure of the crisis
July 2008 – President signs Housing Bill enabling Treasury to provide capital to Fannie Mae & Freddie Mac
September 7, 2008 – The Treasury Department seizes control of FNMA and FHLMC by putting them into conservatorship and increasing credit lines to $100 billion each

Week of September 14th – significant market events:

Sunday, September 14 – Ten global banks establish $70 billion credit facility to provide emergency liquidity in financial markets to participating banks.
Monday, September 15
• Lehman files for bankruptcy; 4th largest investment bank in US and largest bankruptcy in US history
• Bank of America announces buy-out of Merrill Lynch
Tuesday, September 16 –
• US Government seizes control of AIG with $85 billion bailout. AIG, crippled by losses tied to the worst U.S. housing slump since the Great Depression, agreed Sept. 16 to turn over a 79.9 percent stake to the U.S. Government in exchange for a federal loan of as much as $85 billion.
Wednesday, September 17
• Reserve Primary Fund, the nation's oldest money-market fund, could not maintain a $1.00 share price
• Investors pulled a record $89.9 billion from money market funds
• 3-month Treasury bill rates dropped to a yield of 0.03%
• Tax-Exempt Weekly Variable Rate index (SIFMA) reset at 5.15% up from 1.79%
• The Dow Jones Industrial average experienced significant downward pressure, declining by 450 points (over 4% decline) from 11,059 the previous day close to 10,609 close of market on September 17th.
Thursday, September 18
• Federal Reserve injected $60 billion into US financial system
• Treasury and Federal Reserve explore plan to take over bad debts
Friday, September 19
• Federal Government announced its plans to create a $700 Billion bailout fund to purchase distressed assets and re-inject liquidity into the market place
Friday, September 19 – Market Closing Statistics
• Total money market outflow for the week = $132 billion
• 3 month US Treasury bills closed slightly below a yield of 1%, at 0.99%
• The Dow Jones Industrial average experienced extreme fluctuations as evidenced by September 17th's decline by over 4% at 10,609, to a close of 11,388 by September 19, representing a two day swing of almost 780 points (+7.3%).

Week of September 21st – significant market events:

Monday, September 22 –
• Goldman Sachs and Morgan Stanley emerged from the weekend announcing they would become bank holding companies, subjecting themselves to greater regulation and effectively agreeing to take on fewer risks.
Tuesday, September 23 and Wednesday, September 24 –
• Treasury Secretary Paulson and Fed Chairman Bernanke address US Senate Committee and US House Committee, respectively.
Thursday, September 25 –
• Washington Mutual was seized by the government [the Federal Depository Insurance Corporation (FDIC)] and its branches and assets sold to JP Morgan Chase, representing the biggest bank failure in the nation's history.
Friday, September 26 –
• Negotiations continue on federal bailout of distressed assets

The week of September 29 to October 3 continued to demonstrate stresses in credit and equity markets in US and world markets:

Monday, September 29
• Citibank announces that they will acquire Wachovia Bank in a deal that includes the Federal Government (through the FDIC) assuming billions in loan losses
• European Governments rescued four financial firms including the Belgium government taking a 49% stake in Fortis, the nation's largest bank
• The Dow Jones Industrial Average closed down 770 points, its largest single day point loss ever, after the US House of Representatives voted against passage of the Economic Stabilization Plan
Tuesday, September 30
• US House of Representatives announces that they will put the Economic Stabilization Plan before a vote again later in the week after making some changes
Wednesday, October 1
• US Senate approved the amended Economic Stabilization

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Plan which includes increasing FDIC insurance from $100,000 to $250,000 per account

- Securities and Exchange Commission (SEC) and the Financial Accounting Standards Board (FASB) announce no changes to current mark-to-market accounting rules

Thursday, October 2

- SEC announces it will maintain a moratorium on short sales of 900 companies until after the US House of Representatives has voted on the Economic Stabilization Plan again

Friday, October 3

- House of Representatives approved and the President of the United States signed the “Emergency Economic Stabilization Act”
- Wells Fargo Bank makes a counter offer for Wachovia Bank, which eliminates FDIC participation (see Monday Sept. 29th related item regarding Citibank)
- Market Closing Statistics
- 3 month US Treasury bills closed at 0.47%
- The Dow Jones Industrial average experienced extreme fluctuations throughout the week and closed down 7.3 percent for the week at 10,325
- Standard & Poor’s 500 Index lost 9.4 percent for the week, its worst weekly performance since the 2001 terrorist attacks

The week of October 6 started with equal turmoil and unprecedented actions by governments around the world in an attempt to stabilize the financial markets. During the week of October 6 the significant market events include:

Monday, October 6

- Federal Reserve significantly increased the Fed’s ability to purchases securities from financial institutions, by doubling the cap to $900 billion in a continued effort to unfreeze short-term lending markets
- Federal Reserve utilizes an element of the Emergency Economic Stabilization Act and begins paying banks interest on the banks cash reserves held at the central bank
- Multiple global governments increased efforts to shore up financial institutions by insuring and or guaranteeing deposits and seized control of troubled institutions
- Dow Jones Industrial Average closes below 10,000 for the first time since 2004

Tuesday, October 7

- Federal Reserve Board announced the creation of the Commercial Paper Funding Facility (CPFF). The Federal Reserve said it would start buying commercial paper, a key funding source for corporations

Wednesday, October 8

- In an unprecedented move, in a coordinated fashion to ease the financial markets, the Federal Reserve, in conjunction with the European Central Bank and four other central banks, cut the federal funds rate by half a percentage point to 1.50%
- Due to the general “flight to quality” experienced in the financial markets (in which investors are choosing to purchase US Treasury Bonds, even at meager returns, as long as the investment is considered secure), the US Treasury announced it will increase sales of Treasury securities to address “severe dislocations” in the Treasury market due to high demand for Treasury securities, with expectations of stabilizing the Treasury yields

The week of October 13 to October 17 continued to demonstrate extreme market volatility:

Monday, October 13

- European Union (“EU”) countries commit $1.8 trillion Euros to guarantee bank loans and take direct stakes in EU financial institutions
- U.K. government announces plans to take equity stakes in Royal Bank of Scotland and HBOS plc, representing two of the five largest banks in England
- US Federal Reserve provides unlimited dollars to the European Central Bank, the Bank of England, and the Swiss National Bank in an effort to reduce money-market rates
- US Treasury confirms that they are designing a program to take equity stakes in financial firms
- Dow Jones Industrial average increases 936 points its best daily percentage advance since 1933

Tuesday, October 14

- Treasury announces that $250 billion dollars of the $700 billion Troubled Assets Relief Program (“TARP”) program will be used for direct equity stakes in financial institutions. Nine large US banks accepted $125 billion of the funding including: Bank of America, Wells Fargo Bank and JP Morgan
- Dow Jones Industrial average declined 76 points

Wednesday, October 15

- Federal Reserve Chairman Bernanke states that policy makers will probably toughen their stance on “excessive leverage”
- State of California receives indications from the brokerage community that 86% of a projected $4 billion Revenue Anticipation Note (“RAN”) issuance will be absorbed by retail investors
- Dow Jones Industrial average declined 733 points, the second largest point drop ever

Thursday, October 16

- Trimtabs Investment Research reports that hedge fund

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investors withdrew $47 billion in September

• Dow Jones Industrial average increased 401 points or 4.7 percent

Friday, October 17

• High investor demand allows the State of California to sell $5 billion in Revenue Anticipation Notes, a 25% increase from its initial $4 billion offering

• Rates for one month high rated commercial paper fell to a 3 week low of 3.45 percent

Friday, October 17 – Market Closing Statistics

• 3 month US Treasury bills 0.96 percent

• Dow Jones Industrial average experienced extreme fluctuations throughout the week and closed at 8852 a 401 point increase for the week

The week of October 20 to October 24 the significant market events include:

Monday, October 20

• Federal Reserve Chairman Bernanke endorsed an additional fiscal stimulus package in testimony before the House Budget Committee

• Dow Jones Industrial average increased 413 points or 4.7 percent

Tuesday, October 21

• Federal Reserve announces the creation of the Money Market Investor Funding Facility. The facility will provide $540 billion in funds to help money market funds meet redemptions.

• Dow Jones Industrial average declined 231 points or 2.5 percent

Wednesday, October 22

• Michigan lawmakers ask the Fed and Treasury to use their authority under the Emergency Economic Stabilization Act to provide liquidity to help the auto industry

• Dow Jones Industrial average declined 514 points or 5.7 percent

Thursday, October 23

• Former Federal Reserve Chairman Greenspan describes current conditions as a "once in a century credit tsunami" before the House Committee on Oversight and Reform

• New York Federal Reserve releases data showing AIG has utilized $90.3 billion of its government $122.3 billion dollar credit facility

Friday, October 24

• PNC Financial Services makes a $5.2 billion bid for National City, creating the 5th largest US bank by deposits, utilizing funds from the Treasury TARP program

• Dow Jones Industrial average declines 312 points or 3.7 percent

Friday, October 24 – Market Closing Statistics

• 3 month US Treasury bills closed 0.83 percent

• Dow Jones Industrial average experienced extreme fluctuations throughout the week and closed at 8378 down 474 points for the week

The period of October 27 to October 30 the significant market events include:

Monday, October 27

• European Central Bank (ECB) President signals that the ECB may lower rates at its November 6 meeting

• At least 18 regional US banks announce participation in US Treasury's TARP program. Among regional banks included in the second round of Treasury financing were Capital One, Comerica, SunTrust, and KeyCorp.

• Dow Jones Industrial average decreased 203 points or 2.4 percent

Tuesday, October 28

• Federal Reserve begins first day of two day Federal Open Market Committee meeting.

• Data from the Federal Reserve reveal that sales of long-term commercial paper increased 10 times after the first full day of operation for the Feds Commercial Paper Funding Facility

• GMAC is approved for access to the Feds Commercial Paper Funding Facility

• Dow Jones Industrial average increased 889 points or 11 percent

Wednesday, October 29

• Federal Reserve cut the federal funds rate by half a percentage point to 1.00% at the conclusion of the Federal Open Market Committee meeting

• FDIC Chairperson indicates that the Treasury in conjunction with FDIC is seeking ways to restructure mortgages

• Ford Motor is approved for access to the Feds Commercial Paper Funding Facility

• Dow Jones Industrial average declined 74 points or 0.8 percent

Thursday, October 30

• Commerce Department reports that gross domestic product (GDP), a broad measure of the nations output of goods and services, declined at a 0.3% annual pace in the 3rd quarter

• Federal Reserve Bank of San Francisco President Janet Yellen indicates the Fed could lower rates further if the economic environment warrants

• Dow Jones Industrial average increased 189 points or 2.1 percent

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Event Listings 2008

Presentation Skills for Finance Professionals

The workshop to be presented is skill-based, in that technique and strategies will be presented and discussed in detail during the morning session, while in the afternoon participants will have the opportunity to plan and deliver a presentation, which will be video-taped. Participants will receive constructive feedback and suggestions from the Consultant and other participants. The opportunity to view your own presentation on videotape and receive positive feedback and suggestions is critical to your success in making presentations.

The Workshop will be presented in three phases:

- Preparing and Organizing the Presentation
- Writing a Presentation Plan
- Delivering and Evaluating the Presentation

Registration Fee: $250
(includes workshop, materials and lunch)

Time: 8:00 a.m. – 5:00 p.m.

November 19, 2008
City of Rancho Cucamonga

California Debt and Investment Advisory Commission - Schedule for Spring 2009

ABCs OF SCHOOL DEBT FINANCING

February 6, 2009
Hilton Ontario Airport, Ontario, California
Cost $199
Registration Deadline: January 6, 2009 or until filled

This one-day seminar is tailored to school business officials and staff members who seek a better understanding of debt financing, including the approval and sale of general obligation bonds. This seminar covers sources of debt financing and ongoing administration and accounting issues.

FUNDAMENTALS OF LAND-SECURED FINANCING

March 6, 2009
Hilton Concord, Concord, California
Cost $199
Registration Deadline: February 6, 2009 or until filled

This one-day workshop focuses on Mello-Roos Community Facilities District and Assessment District financings. It covers financing structures, pre-formation considerations, the district formation process, project implementation, bond issuance mechanics, and the administration of liens and bonds.

MECHANICS OF A BOND SALE

April 30 - May 1, 2009
Crowne Plaza Redondo Beach, Redondo Beach, California
Cost $250
Registration Deadline: March 30, 2009 or until filled

This one and one-half day seminar is the second in a series of three CDIAC debt issuance seminars intended to help issuers plan and market their debt. This seminar covers structuring the financing, developing a debt management policy, using a plan of finance, securing credit enhancement, preparing legal documents, marketing an issuance, understanding federal arbitrage rules and regulations, and investing bond proceeds.

LIVING WITH AN ISSUE: ONGOING DEBT ADMINISTRATION

May 14-15, 2009
Sheraton Mission Valley, San Diego, San Diego, California
Cost $250
Registration Deadline: April 14, 2009 or until filled

This one and one-half day seminar is the last in CDIAC's series of debt issuance seminars and is designed to assist issuers with the administration of their debt instruments. It covers the roles and responsibilities of trustees and issuers, arbitrage rebate calculations, continuing disclosure, compliance monitoring, refundings, and advanced debt structures.

For more information about CDIAC programs visit www.treasurer.ca.gov/cdiac or call CDIAC at (916) 653-3269.

Green Financing Advantages

The Economic Stability Bill passed by Congress in October, extended and increased an existing Federal program to provide municipalities the authority to issue zero interest bonds known as Clean Renewable Energy Bonds ("CREBs"). The program has been highly successful, with over 100 public agencies throughout the United States participating in 2007.

CREBs were originally authorized by the Energy Policy Act of 2005. They are obligations issued by local governments for the purpose of financing renewable energy projects (such as solar paneling) at public facilities. The obligation may take the form of a bond, note, lease purchase, or installment sale agreement.

The purchaser of (or investor in) the obligation receives a federal tax credit on the outstanding principal balance in lieu of current interest. A separate tax credit is assigned to each installment of principal. The table of tax credit rates is published daily on the internet by the United States Treasury.

The maturity limit of the CREBs may vary from month to month. To date, the term has ranged from 14 to 16 years. The principal amount of the obligation is amortized in equal installments over the term with first principal installment due in the calendar year of issuance.

- Ninety five percent of the proceeds of the financing must be used for qualified projects, and expended within 5 years
- The small-issuer exemption for arbitrage does not apply so project fund will be subject to arbitrage rebate unless certain benchmarks are met
- No more than 2% of the net proceeds may be used to pay costs of issuance

Along with the extension and expansion of CREBs, the Economic Stability Bill established Qualified Energy Conservation Bonds ("QECBs") which have a broader scope of eligible projects and differ in their method of allocation. Overall, this is a great opportunity for California public agencies to participate in a program that provides very cost effective financing for energy needs at public facilities.

CREBs are allocated by the Treasury to individual agencies who apply. The application submitted to the IRS must specify a renewable energy project, such as solar paneling. The IRS grants the public agency a CREBs allocation based upon estimated project costs. The application process takes approximately four months.

QECBs will be automatically allocated to each state based on population. Within each state, QECBs will be allocated to counties or local governments with populations of over 100,000. It is presumed that a local entity (i.e. special district) not receiving an automatic allocation could apply to the state, county or city for an allocation.

Overall, this is a great opportunity for California public agencies to participate in two programs that provide very cost effective financing for energy projects at public facilities. Brandis Tallman is a full service investment banking firm out of San Francisco that provides bond underwriting services, and by working with fourteen public agencies in California on their CREBs issuance, they have the most experience in the State regarding this type of financing.

Annual Pre-Conference Seminars:

The CSMFO Career Development committee is excited about offering two pre-conference sessions. These sessions are a great opportunity for agencies to hear an overview about ways to focus attention on how to afford and deliver our valued services.

More information will be included in the annual seminar brochure and online (www.csmfo.org). Take the opportunity to extend your time in San Francisco by attending one of these topical sessions. These sessions will be presented Wednesday morning, February 18, 2009 at the St. Francis Hotel just prior to the start of the Annual Seminar. An additional fee of $100 will be charged for this 3 and half-hour session.

Budgeting For Outcomes

Local governments are subject to increasing financial pressures, which will only worsen with quickly rising health care costs, stagnant revenues, and citizen expectations for ever more and better government services. The common reaction to fiscal pressure has been across-the-board cuts, which weaken every program equally, regardless of its impact on citizens. Budgeting for Outcomes (BFO) is a comprehensive, results-driven approach to budgeting that starts with the results citizens want and focuses not on how to cut 15 or 20 percent from the budget but on how to maximize the results produced with the remaining 80 or 85 percent. BFO is a sustainable approach to budgeting - one that can be used year after year to maintain long-term fiscal balance while simultaneously improving the value government delivers to the public.

Presented by Anne Kinney,
Director of GFOA's Research and Consulting Center

Paying its Way: the best formulas for revenue, costs, and affordability

This seminar will review the theoretical and practical aspects of conducting a water and sewer rate study. It is designed for both individuals that want an introduction to rate setting principles and individuals that would like a "refresher" course. The seminar will focus on the three major components of conducting a rate study, which include the long-term financial plan, cost of service analysis and rate design. The long-term financial plan determines the annual cash requirements necessary to cover operations and maintenance costs and capital improvement program funding with the appropriate blend of cash and debt-financing, while meeting target debt coverage ratios and reserve requirements. Cost of service analysis allocates the annual cash requirements to customer class and/or functions based on cost causation principles. This aspect of a rate study has gained significant importance due to Proposition 218 and Government Code Section 54999. The final component of the study, rate design, develops a rate structure based on the cost of service analysis, cash requirements determined in the financial plan and the policy goals of the utility. The framework for this seminar will be based on the American Water Works Association and the Water Environment Federation guidelines.

Presented by Sanjay Gaur,
Principal Consultant with Red Oak Consulting

Job Postings NOVEMBER 2008

City of Mountain View, Senior Administrative Analyst – Revenue, **6,315 to $7,894 Monthly**

The City of Mountain View's Finance and Administrative Services Department is seeking candidates with superb managerial, customer service, problem-solving, analytical, interpersonal and communications skills to fill an opportunity as a Senior Administrative Analyst. This position is responsible for managing the City's Revenue Collection section which includes utility billing and miscellaneous receivables, business licenses and cashiering. REQUIREMENTS: The Senior Analyst position requires education equivalent to a bachelor's degree from an accredited college or university with major course work in finance or a related field and three years of increasingly responsible administrative and analytical experience. Two years supervisor experience is highly desirable. The ideal candidate will have knowledge of the following: revenue and collection; utility billing; cash receipting; computerized accounting systems; and supervision training and performance evaluations. APPLY BY: Applications and resumes will be accepted in the Employee Services Department on a continuous basis until the position has been filled. The first round of application review is scheduled for Friday, October 17, 2008. Applicants are invited to complete a City application and submit a resume outlining qualifications online at www.calopps.org or submit the materials to the Employee Services Department, City of Mountain View, 500 Castro Street, Mountain View, CA 94041, (650) 903-6310. EOE

City of Chino Hills, Accounting Supervisor,

$5,760 - $7,001

Under the direction of the Finance Director, the Accounting Supervisor is responsible to supervise, assign, and review the work of professional, technical, and clerical employees involved in a variety of accounting and financial services. This position performs advanced level accounting duties and provides highly responsible and complex assistance to the Finance Director and Assistant Finance Director. Knowledge of: Operations, services, and activities of a municipal accounting program. Principles of municipal budget preparation and control. Modern and complex principles and practices of accounting. Principles and practices of payroll administration and regulations. Accounting systems software and hardware programs. Pertinent Federal, state, and local laws, codes, and regulations. Principles of supervision, training, and performance evaluation services. QUALIFICATIONSAny combination of experience and training that would likely provide the required knowledge and abilities is qualifying. A typical way to qualify is: Experience: Four years of increasingly responsible professional accounting experience including one year of supervisory responsibility. Education: Equivalent to a Bachelor's degree from an accredited college or university with major course work in accounting, finance, business administration, or a related field.
Knowledge of governmental accounting is essential. Licensing as a CPA is desired but not required. A completed City employment application must be received by the Human Resources Office. This is a reopened recruitment and the recruitment will be open until a satisfactory number of qualified applications have been received. Interested applicants may apply and upload resumes by using the on-line job application system on the City's website www.chinohills.org. Applications are also available at the Chino Hills Civic Center. Resumes will be accepted but not in lieu of a fully completed City application. Faxed applications and postmarks will not be accepted.

City of Camarillo, Asst. Finance Director,

$99,960 - $134,831

Under limited direction, assist in planning, directing and managing the development, operation and evaluation of all financial systems and services for the City, and the programs and policies of the Finance Department. Assist in managing the day-to-day Department-wide operations, coordinates Department services with activities of other programs, department and staff. Assumes management responsibility for assigned services and activities within the Finance Department including accounting, financial reporting, audit process management, debt management and compliance reporting, specialized redevelopment reporting and other accounting related services and activities as assigned. Assist in the development and administration of the Department's budget; approves expenditures and implements necessary budgetary adjustments as appropriate and necessary. Participates in the preparation of the City's annual and mid-year budget and provides staff support to Directors in budget development; assist in forecasting budget revenues; reserve analysis. Assist in the development of the City's capital improvement budget; provide periodic financial analysis. Manages the preparation of the City's Comprehensive Annual Financial Report (CAFR); schedules and oversees annual audit processes as well as audits by various governmental entities for program specific financial monitoring. Manages the preparation of annual and periodic reports to a variety of external entities.

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Job Postings November 2008, continued

City of Long Beach, Port Financial Analyst,

$4,925.00 - $8,014.00 Monthly

Under general supervision, assists Division management in the completion of complex financial analyses and reports and performs special studies to improve the efficiency and effectiveness of the organization analyzes financial and statistical results, including revenues, expenditures and cargo volumes, both for internal and external reporting, and drafts reports explaining the performance; working independently, conducts complex special studies, drafts reports and makes recommendations; drafts reports for the Board of Harbor Commissioners; modifies and develops financial computer models to facilitate management decision-making; develops performance measures and other benchmarks; assists in the analysis of debt issues, including re-fundings, new issuances and structuring; evaluates, recommends and drafts internal financial policies and procedures, such as overhead allocation, capitalization, budgeting, and work order tracking and control; assists in the forecasting of revenues, cash flows, capital expenditures, as well as the income statement and balance sheet; evaluates internal financial controls and makes recommendations; drafts and manages the release of Request for Proposals; develops and implements procedures for improving organizational effectiveness; may supervise subordinate personnel; performs other duties as required.

City of Santa Monica, Business License Inspector, $ **4,576 - $ 5,649 monthly**

Job Summary: Performs field and office work to enforce the business license provisions of the City's Municipal Code. Collects delinquent taxes and fees due to the City.
Requires: Graduation from an accredited college with an Associate of Arts degree or 60 semester units or the equivalent of college level course work in Public Administration, Business Administration, Accounting, or a closely related field. Three years of recent, paid work experience in license inspection, delinquent account collections, code compliance enforcement, related field inspection or paralegal services. Additional recent, paid, relevant work experience may substitute for the educational requirement on a year for year basis. (One year of the additional required work experience is equal to successful completion of 30 units). Bilingual proficiency in Spanish is desirable. Possession of a valid class C driver license. Must obtain a P.C. 832 P.O.S.T. certification within six months of hire. Possession of a valid Certified Revenue Officer certification is desirable.
Apply by: 5:00 p.m., Friday, November 14, 2008. Apply at: City of Santa Monica Human Resources Dept., 1685 Main St., P.O. Box 2200, Santa Monica, CA 90407. Phone: (310) 458-8697 or visit www.smgov.net/hr

City of Santa Monica, Internal Audit Manager,

$110,240 - $137,109 annually

Serving a population of 91,000 in Los Angeles County, Santa Monica is one of nation's most desirable urban coastal communities. Building and overseeing this new function within the City, the Internal Audit Manager will conduct internal control system, financial, operational and program assessments of City business practices. The ideal candidate will be guided by a partnership philosophy and exhibit a commitment to assisting with continuous improvement strategies. Four years of experience performing financial and/or operational audits, program auditing, financial reporting or financial operations review activities along with a Bachelor's degree are required. Certification as a CIA, CPA and/or possession of a Master's degree is strongly preferred. Base salary range $110,240 - $137,109, plus management incentive pay along with potential for annual performance bonus of up to 10% of base. Signing bonus will be awarded to the candidate selected. Salary supplemented by competitive benefits package that includes CalPERS 2.7% @ 55. Visit our website for detailed brochure and to apply online using the APPLY NOW feature: www.tbcrecruiting.com. The closing date for this recruitment is Friday, November 21, 2008.

Teri Black-Brann • tel 310.377.2612
Carolyn Seeley • tel 714.588.8846
Teri Black & Company, LLC
www.tbcrecruiting.com

City of Los Angeles, City Administrative Officer,

Salary to $305,015

As the top fiscal advisor for the second largest municipality in the country, the CAO will prepare and direct the administration of city-wide general fund budget of $7.1 Billion. Driving change throughout this dynamic and robust organization, the CAO will regularly assess opportunities for organizational improvement, efficiencies and cost savings. The CAO provides timely and accurate information to both the Mayor and the City Council on the progress and financial status of city operations. The CAO will also act as the chief labor negotiator and establish effective relationships with general managers throughout the city-wide organization, including proprietary departments (airport, harbor and utility) to ensure ongoing cooperation on priority projects and public policy initiatives. The ideal candidate will have substantial executive level experience overseeing and leading a public sector organization with a strong emphasis on fiscal acumen and budgetary expertise. Candidates with a combination of private and public service are also encouraged to apply. Requires a Bachelors degree; Masters or other advanced degree is a plus. Salary range is up to $305,015 with excellent benefit package including relocation assistance, automobile and LA City Employee Retirement System

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Job Postings November 2008, continued

(LACERS). Submit interest by Friday, December 5, 2008. Email compelling cover letter, resume, salary history and professional references to apply@ralphandersen.com. Direct confidential inquires to Heather Renschler, Ralph Andersen & Associates at 916-630-4900.

Town of Los Gatos, Finance Manager,

$94,651 - $118, 314

The Town of Los Gatos is seeking a Finance Manager to fill an immediate vacancy. This position reports directly to the Finance Director and supervises a staff of 6 employees. The Town of Los Gatos is highly regarded for practicing sound fiscal planning and budget management and has a long history as a recipient of Certificates of Achievement for Excellence in Financial Reporting and Excellence in Budgeting. In addition to solid technical skills in Accounting, Budgeting, Forecasting and Investment Management, the Finance Manager must be a strong leader with excellent skills in business process redesign, a champion in advancing the use of technology and a people-person who advocates teamwork and cross-functional training. This position makes budget presentations and acts as Finance Director in the Director's absence. Immediate priorities for this position include continuing the implementation of Town-wide credit card acceptance, streamlining the workflow for the Business License Tax program, and cross-training staff in all functional areas. Requirements of the position include a Bachelor's Degree in Business/Public Administration and at least 4 years of relevant experience in a governmental agency. MBA or CPA is desirable. The Process: If you are interested in pursuing this unique and exceptional career opportunity, please forward a letter of interest, your resume, including your current salary, and five work-related references (who will not be contacted until mutual interest is established). You may apply on-line at www.losgatosca.gov or submit materials to:

Town of Los Gatos - HR
Attn: Maxine Bermudez
110 E. Main Street
Los Gatos, CA 95030
E-mail: mbermudez@losgatosca.gov

The application deadline for this position is November 14, 2008.

*Please note: Interviews are tentatively scheduled for December 4, 2008.

City of Baldwin Park, Finance Director, Up to

$150,000 depending on qualifications

The City of Baldwin Park is seeking a seasoned Finance professional to plan, organize, manage and direct the programs and activities of the Finance Department. The City has an annual budget of approximately $50 million and employs 400 employees. The Director will have overall responsibility for administration, management, and daily operations of the Finance Department. The ideal candidate will possess the ability to balance effective administrative and leadership strengths in Finance and Accounting, along with a proven track record in fiscal management and budget. A professional background, which includes at least ten years of increasingly responsible experience in finance, accounting, and public administration including five years of supervisory and management experience is a must. A Bachelor's degree in finance, accounting, business/public administration, or related field is required and a CPA or Master's degree is preferred.

City of Calistoga, Administrative Services Director. City Treasurer, **$7,316 - $8,894/month**

This department head position will, under direction from the City Manager, direct and administer activities, programs, and policies in the areas of Finance, Budget, Utility Billing, Treasury Cash Management, Risk Management, Information Services and other administrative activities. Prepares proposed and final municipal budget, forecasts revenues, estimates, expenditures and investigates significant changes in revenue. Oversees the City's financial audits and Tax Compliance. Provides highly responsible and complex administrative support to the City Manager. Please submit your letter of interest, resume, and a City application to lgoldbeck@ci.calistoga.ca.us or by mail to City of Calistoga, 1232 Washington Street, Calistoga, CA 94515. The application is available at www.ci.calistoga.ca.us, or you may call (707) 942-2805.
Application Deadline: December 5, 2008.

City of Pasadena, Principal Accountant,

$74,595.87 - $93,245.36 per year

The City of Pasadena is nestled at the foothills of the San Gabriel Mountains approximately 10 miles northeast of downtown Los Angeles . Pasadena is home to the world renowned Tournament of Roses and the Norton-Simon Museum . Pasadena residents enjoy moderate climate year round, ideal weather for enjoying Pasadena 's fine shopping, dining, and entertainment venues. Under general supervision, oversees the operations of Pasadena Water and Power Utility Accounting Section within the Finance Department; supervises and performs complex accounting, project costing and other financial activities related to the utility. Performs related work as required. Education: Any combination of education and/or experience that has provided the knowledge, skills, and abilities necessary for acceptable job performance. Example combinations include: Bachelor's degree in Accounting, Finance, Business Administration, or a closely related field and three years of

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Job Postings November 2008, continued

increasingly responsible professional experience equivalent to that of a Senior Accountant, including two years of supervisory experience. APPLICATIONS MAY BE OBTAINED AND FILED ONLINE AT:
http://www.cityofpasadena.net/humanresources. EOE.

City of Newport Beach, Revenue Auditor,

$4,844.64 - $6,818.93 Monthly

We are seeking a self-motivated, detail oriented person who will provide a positive and professional impression of the City in the review of business's compliance with a variety of revenue programs. The Revenue Division is one of four divisions within the Administrative Services Department and its fifteen employees interface with a broad set of businesses and residents on a variety of subjects. The Revenue Auditor works both in the field and within City Hall to review and confirm compliance with City revenue programs, including business tax, transient occupancy tax, sales & use taxes, franchises, leases, fines and fees. The Revenue Auditor is expected to perform the duties of the position with dignity and courtesy regardless of the nature of the type of review, size of business, sophistication of the records or any other consideration.

This position reviews and confirms compliance with a variety of the City's revenue programs, including business tax, transient occupancy tax, sales & use taxes, franchises, leases, fines and fees, and to perform a variety of technical tasks relative to assigned area of responsibility.