



Professional Standards Committee Highlights

COLLATERALIZING PUBLIC DEPOSITS



In September, GFOA published a new set of best practices for collateralizing public deposits. Many of the practices recommended, such as the use of written agreements, collateralization levels, reporting, and the custody of the collateral are specified in the California Government Code. For instance, GFOA recommends governmental entities “should have all pledged collateral held at an independent third-party institution (custodian)” whereas collateralized deposits for California public agencies are required to be held by an approved “agent of depository” in accordance with the California Government Code. The State of California’s Department of Business Oversight administers the Local Agency Security Program (“LASP”), the collateral program for local agencies within the state. Financial institutions that accept public deposits are required to report to the LASP on a weekly basis and to maintain the collateralization thresholds pursuant to State law. California public agencies and their audit firms may choose to confirm directly with the California Department of Business Oversight whether a specific financial institution has complied with the collateralization and reporting requirements.

The new GFOA best practices can be found at <https://www.gfoa.org/collateralizing-public-deposits>.

Additional information on the Local Agency Security Program can be found at <https://dbo.ca.gov/local-agency-security-program/>.

If you have questions regarding this topic, contact Jason Al-Imam, Chair of the Professional Standards Committee at standards.chair@csmfo.org.

The Professional Standards Committee operates as a technical resource to CSMFO members. The Committee is comprised of municipal and commercial members whose mission is to keep members informed of emerging issues and best practices.
