

California Municipal Treasurers Association
and California Debt and Investment Advisory Commission present

A preconference at CMTA's annual conference
Goodbye To All That: The Evolving Municipal Debt Market in California

Hyatt Regency at Capitol Park
Carmel Room
Sacramento, California
April 20, 2010

In the 1958 epilogue to his World War I memoirs, Robert Graves looked back at his youth and concluded, “if condemned to relive those lost years, I should probably behave again very much the same way” (*Goodbye To All That*). Perhaps in time, municipal debt managers will say the same thing about their experiences during the last three years.

California has one of the world's most dynamic, innovative and successful municipal debt markets. Yet, market conditions since 2007 have tested the confidence of many California issuers and investors. How should local issuers respond to recent events? Will their experiences from the last three years be typical in the years to come? If so, how should they issue debt? If not, what should they learn from recent history?

For this preconference, CMTA asked CDIAC to develop a seminar in two sessions informed by recent events. In the morning session, the preconference addresses questions about how to develop and use a debt policy. The afternoon session discusses changes in the municipal debt market since 2007.

MORNING SESSION: Introduction to Developing and Using a Debt Policy

9:00 Welcome

Bill Gallardo, Program Chair, CMTA

John Decker, Executive Director, CDIAC

9:15 The Importance of Adopting a Sound Written Debt Policy

Governing boards have fiduciary responsibilities for the way their staff manage debt. Debt policies, when adopted by the board, can help direct staff and improve decision-making. How can debt policies help local governments manage debt? To what extent did adopted debt policies assist local governments during the recent municipal market?

Julio Morales, Managing Director, PFM

9:45 Practical Advice: What Should Be in a Written Policy?

The market challenges experienced since 2007 reinforce the importance of adopting sound debt policies. Policies should be flexible enough to accommodate changing market conditions, but specific enough to provide concrete direction. What makes a good policy? How have governments used – and misused – written policies?

Moderator: John Decker, Director, CDIAC

Panelists:

Marcia Maurer, Chief Financial Officer, Sacramento County Regional Sanitation District

Nadia Sesay, Director, Mayor's Office of Public Finance, City & County of San Francisco

10:30 BREAK

10:45 Basics of Managing a Debt Portfolio

Once the board has approved the written policy, how should staff implement the policy? How should they report on going administration with the board? What makes for sound debt portfolio management? What are common mistakes a staff member should avoid?

Panelists:

Brian Mayhew, Chief Financial Officer, Metropolitan Transportation Commission

John Sheldon, Managing Director, Morgan Stanley

Joe Yew, Agency Director, Finance and Management, City of Oakland

12:00 LUNCH

AFTERNOON SESSION: Lessons from Market Events Since 2007

1:00 The Current Market: Trends and Changes

How can the experience of the last three years be made sense of? What do the data tell us about what happened in the market? Is there a “return” to fundamentals? We know that the need for debt – both short and long term – is unabated. Has the market irretrievably changed?

Mark Adler, Managing Director, Public Finance Investment Division, Piper Jaffray

1:30 What Caused the Problem(s) in the Municipal Market? When Will We Know That the Market Has “Recovered”?

The “meltdown” was not so much a single cataclysmic event, but a series of market changes that caused compounding and interacting stresses in the municipal debt market. Nevertheless, the municipal market in California and elsewhere is strong. What changes have occurred? When will the market “return to normal”?

Moderator:

Rich Saskal, Bureau Chief, San Francisco, The Bond Buyer

Panelists:

Douglas Montague, Principal, Montague, DeRose and Associates, LLC

Julio Morales, Managing Director, PFM

Howard Roth, Chief Economist, Department of Finance

2:45 BREAK

3:00 Lessons for Local Governments

Given all the changes in the market – from the disappearance of short-term instruments and the loss of bond insurers – what should local governments expect to manage their debt portfolios?:

David Brodsly, Managing Director, KNN Public Finance (Oakland Office)

3:45 Adjourn