

# CITY OF TEXAS CITY, TEXAS

FINANCE DEPARTMENT • OFFICE (409) 643-5904 • FAX (409) 945-3030



Mayor:  
Matthew T. Doyle

Commissioners:  
Mike Land  
Tommy Clark  
Dee Ann Haney  
Dedrick D. Johnson, Sr.  
Donald B. Singleton  
J.W. Wilson, Jr.

***Cheryl T. Hunter, CPA***  
***Director of Finance***

March 8, 2009

Mayor Matthew T. Doyle and  
Members of the City Commission

Dear Mayor and City Commissioners:

Since the economic downturn, the Mayor and I have been exploring and researching various investment options for the City's investment portfolio. Historically, the City has heavily invested its funds in Treasury or Agency instruments, which have yielded adequate returns for the City; this has since changed. Per the City's Investment Policy, the main investment objectives in order of priority are preservation and safety of principal, liquidity, and yield. Given these objectives, I would like to recommend the City participate in a Certificate of Deposit Account Registry Service or CDARS program.

CDARS is a deposit placement service offered by nearly 3,000 financial institutions that are members of the CDARS network. The service allows investors to access \$50 million or more in FDIC coverage for CD investments. It's one of the safest vehicles for investors and is an excellent alternative to investing in Treasuries or other fixed income investments. It offers safety, convenience, rate of return and flexibility. Historically, rates for CDs placed through CDARS have compared favorably to Treasuries and, like Treasuries, FDIC insurance is backed by the full faith and credit of the U.S. government. CDARS works by allocating funds into CDs issued by banks that are members of the CDARS network. This occurs in increments below the standard FDIC insurance maximum, so that both principal and interest are eligible for complete FDIC protection. As a result, the City can access multi-million dollar FDIC insurance coverage from many sources while working with just one financial institution and receiving one regular, consolidated account statement summarizing its CD's.

The City has chosen SWBC Investment Service LLC, a registered broker/dealer, to serve as its financial institution for the CDARS program. SWBC will handle the City's deposit placements, which will be at the full discretion of the City and its investment needs. CDARS is in compliance with the Texas Public Funds Investment Act (TPFIA).

The authorized signers for this account will be Matthew T. Doyle, Mayor, Cheryl T. Hunter, Director of Finance and Laura R. Boyd, Assistant Director of Finance.

If you have any questions regarding the above, please feel free to contact me or the Mayor. Thank you.

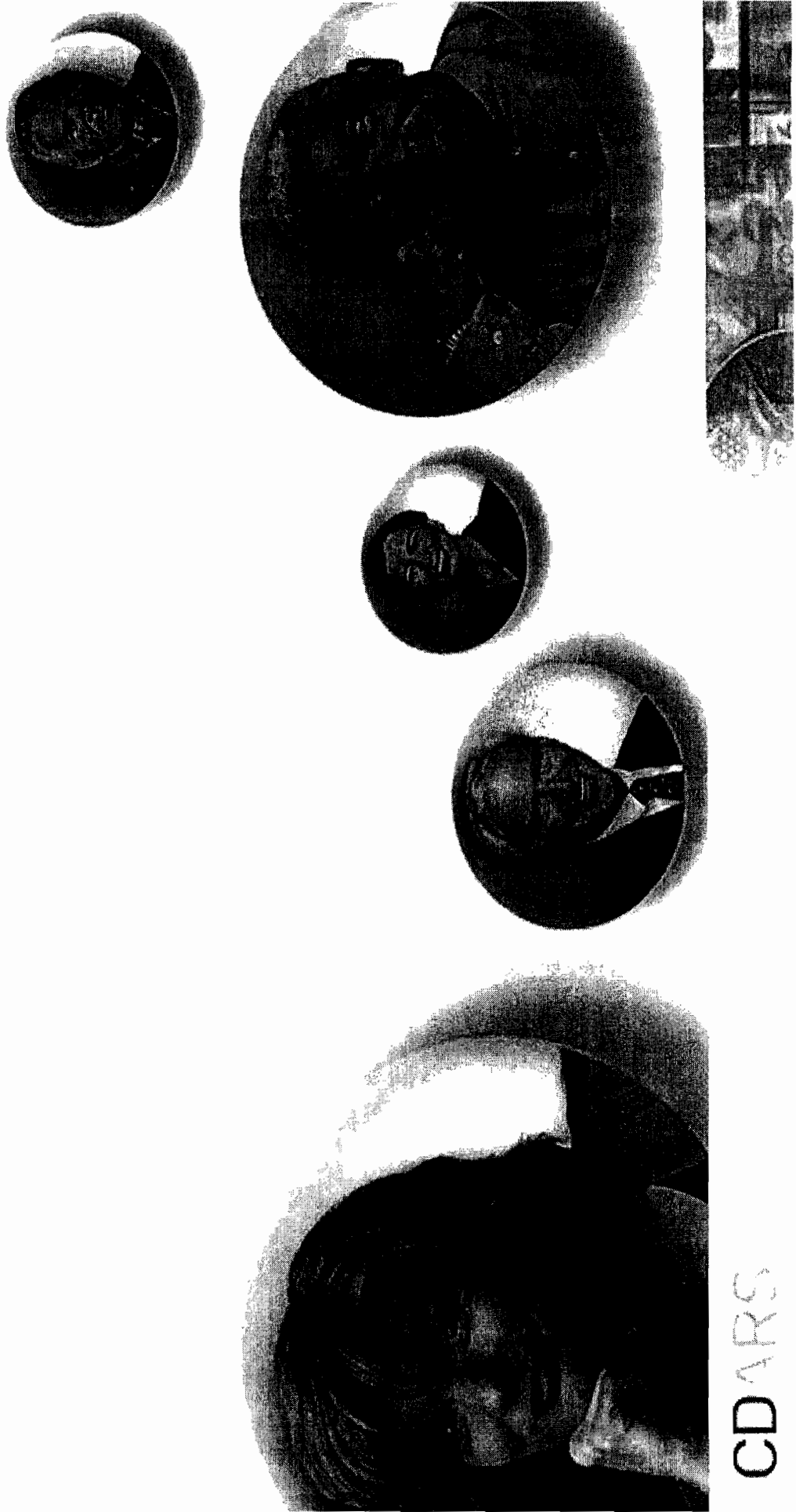
Sincerely,

Cheryl T. Hunter  
Director of Finance

*"QPS – Quality Public Service"*

# CDARS<sup>®</sup>

Certificate of Deposit Account Registry Service<sup>®</sup>



CDARS

# Founders, Board Members, and Bank Advisory Board



**Eugene A. Ludwig**  
**Chairman & CEO**  
 Former Comptroller of the  
 Currency



**Alan S. Blinder**  
**Vice Chairman**  
 Former Vice Chairman of the  
 Board of Governors of the  
 Federal Reserve System



**Mark P. Jacobsen**  
**President & COO**  
 Former Chief of Staff of the  
 FDIC and Office of the  
 Comptroller of the Currency



**Eugene A. Ludwig**  
 Chairman & CEO, Promontory Interfinancial Network  
 Former Comptroller of the Currency

**Alan S. Blinder**  
 Vice Chairman, Promontory Interfinancial Network  
 Former Vice Chairman, Federal Reserve Board

**James M. Culberson**  
 Chairman Emeritus, First National Bank & Trust  
 Former President, American Bankers Association

**Art Certosimo**  
 Vice Chairman, Promontory Interfinancial Network  
 EVP and Head of Broker Dealer Services,  
 The Bank of New York

**Kenneth M. Duberstein**  
 Chairman & CEO, The Duberstein Group  
 Former White House Chief of Staff

**Mark P. Jacobsen**  
 President & COO, Promontory Interfinancial Network  
 Former Chief of Staff, Comptroller of the Currency and FDIC

**Edward W. Kelley, Jr.**  
 Former Governor, Federal Reserve Board

**Frank N. Newmait**  
 Chairman & CEO, Shenzhen Development Bank, China  
 Chairman Emeritus, Bankers Trust Company

**Donald G. Ogilvie**  
 Chairman, American Bankers Association International  
 Former President and CEO, ABA

**Warren Rudman**  
 Partner, Paul, Weiss, Rifkind, Wharton & Garrison  
 Former U.S. Senator

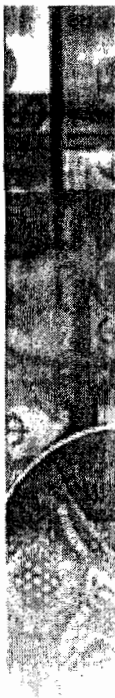
**Jeffrey B. Schreier**  
 Managing Director, The Bank of New York

**L. William Seidman**  
 Chief Commentator of CNBC-TV  
 Former Chairman, FDIC

**J. Michael Shepherd**  
 President & COO, Bank of the West

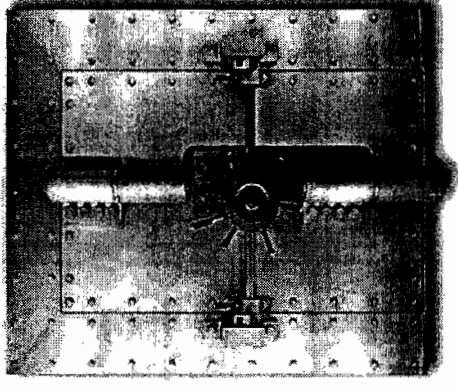
**O. Jay Tomson**  
 Chairman, First Citizens National Bank, Mason City, IA  
 Former President, Independent Community Bankers  
 of America

**Frank G. Zarb**  
 Chairman, Frank Zarb Associates  
 Former Chairman & CEO, NASD



## Promontory Interfinancial Network Overview

- Company founded in June 2001
- Launched the CDARS product in January 2002 with 12 bank members, offering up to \$250,000 in FDIC-insured deposits
- The Bank of New York provides sub-custodial, recordkeeping, and settlement services to the Network



CDARS<sup>®</sup>



## Promontory Interfinancial Network Overview

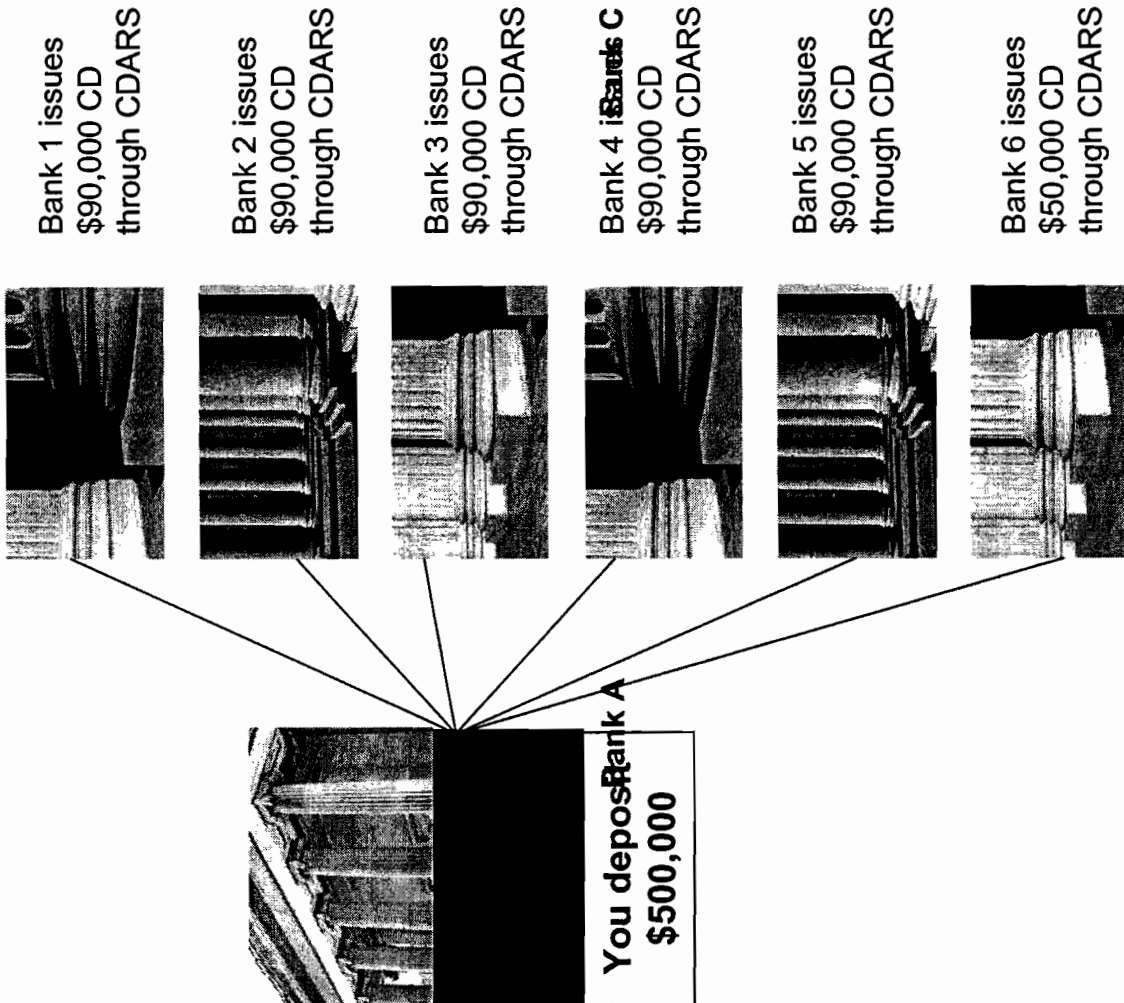
- CDARS is currently offered through SWBC Investments and over 2,600 community banks.
- Members can now offer depositors up to \$50 million in FDIC coverage
- Promontory is endorsed by the American Bankers Association (ABA) and is a preferred service provider of the Independent Community Bankers Association (ICBA)



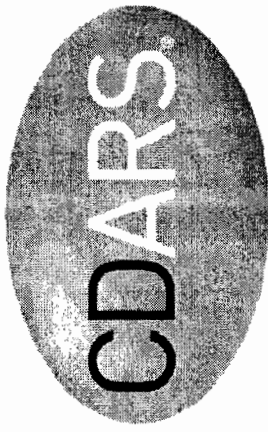
# CDARS Mechanics

## Example

- You have a deposit of \$500,000.
- SWBC/Reliance Trust places your deposit using CDARS.
- CD's are issued by different banks in amounts under \$100,000 so that principal and interest are eligible for full insurance.



## CDARS Characteristics

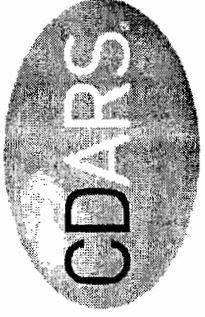


- Offered in seven product terms
  - 4 week
  - 13 week
  - 26 week
  - 52 week
  - 2 year *HP*
  - 3 year *S*
  - 5 year *AK*
- Interest is calculated actual/365 & compounded daily
- Interest disbursement options
  - Month-end
  - Quarter-end
  - Semi-annual
  - Year-end
  - At maturity



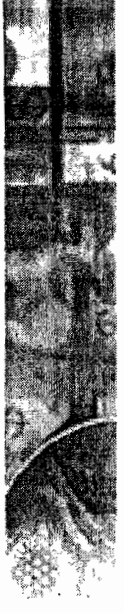
# Early Withdrawal Penalty

## CDARS® Terms



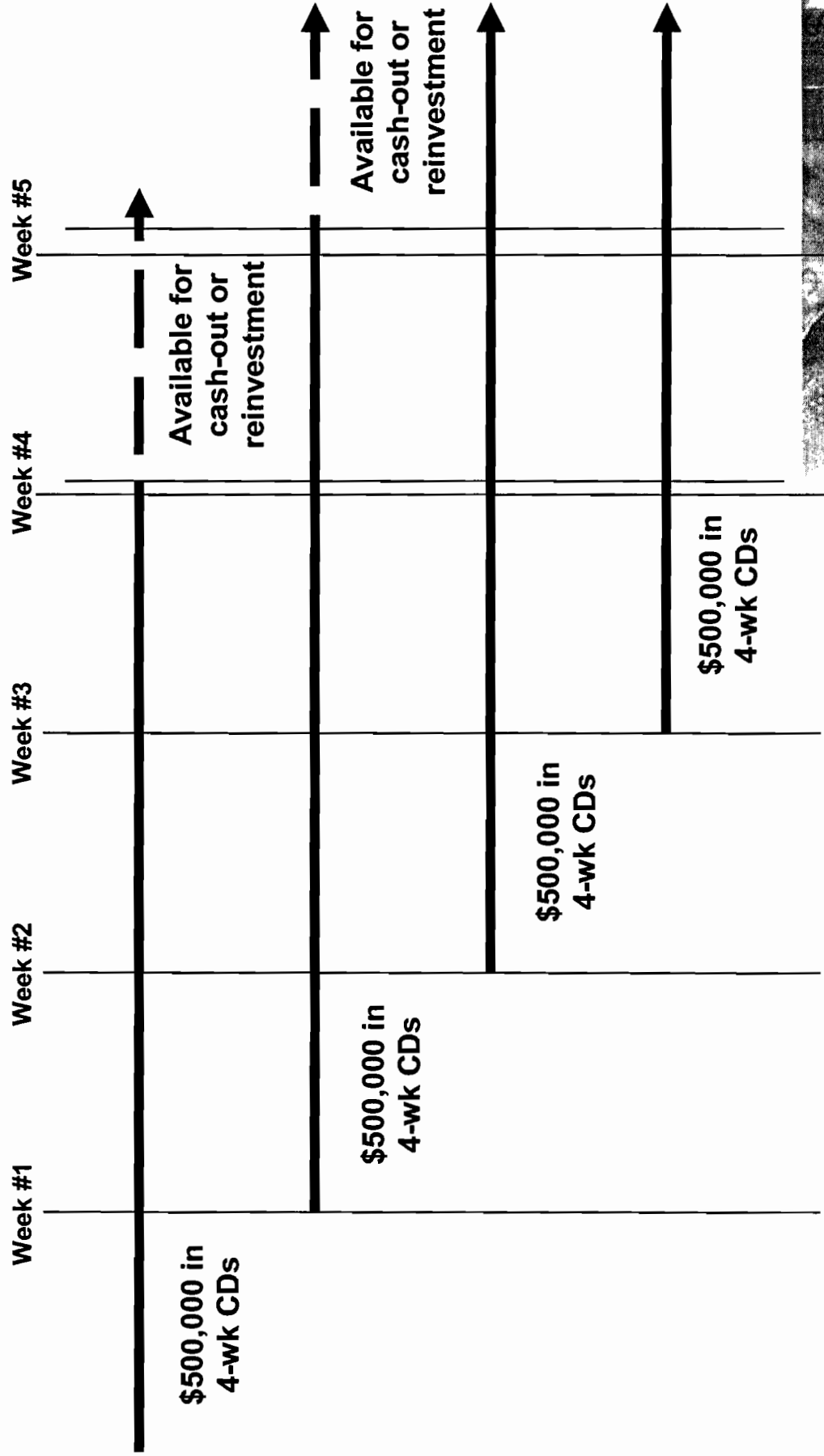
4-week } *Full* interest to  
13-week } maturity

26-week } *Half* interest to  
1-year } maturity  
2-year }  
3-year }  
5-Year }



# Cash Management Strategy - CDARS® Laddering

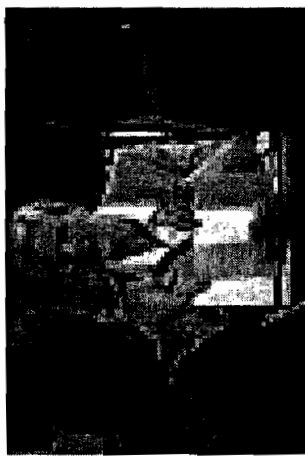
A customer has \$2,000,000 to invest (for short-term):



## Benefits of CDARS

- Convenience of working with one trusted source for \$50,000,000 in FDIC coverage.
- CDARS deposits made in Network Banks are in increments less than \$100,000 so that both principal and interest are insured.
- Safety and Security of FDIC insurance – backed by the full faith and credit of the United States Government.
- Competitive returns compared to many fixed income alternatives.
- Interest is compounded DAILY.
- Customer information is not shared with other member institutions. The Bank of New York maintains customer privacy.
- Consolidated reporting – one statement, one confirmation and one 1099.

# CDARS Mechanics CDARS Mechanics



## Client Experience

1 Sign Deposit Placement Agreement

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2 Indicate product term period and deposit amount

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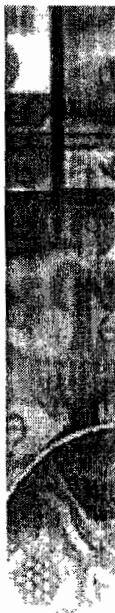
3 Agree to interest rate and interest disbursement options

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4 Place order

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5 Receive new account notice, periodic statements, maturity notice, and one consolidated 1099 (data feed or PFD reports)



Securities offered through SWBC Investment Services, LLC, a registered broker/dealer. Member SIPC & FINRA. Advisory services offered through SWBC Investment Company, a Registered Investment Advisor. SWBC Investment Services, LLC & SWBC Investment Company are not affiliated with this institution. Funds should not be considered a deposit of or guaranteed by this institution, may lose value and are not FDIC/NCUSIF insured.

This seminar is for informational purposes only and should not be construed as an offer to sell or the solicitation of an offer to buy any security.

