

FDIC changes: implications for government depositors

The Federal Deposit Insurance Corporation (FDIC) has taken several steps to strengthen confidence and encourage liquidity in the banking system, including temporarily raising the basic limit on federal deposit insurance coverage from \$100,000 to \$250,000 per depositor through December 31, 2013.

Many U.S. Bank Government Banking customers are responding by shifting dollars into more conservative deposit vehicles such as certificates of deposit and money market accounts. These

instruments offer attractive returns and protection for increased balance levels.

“We’re seeing a real flight to high-quality, low-risk instruments,” says Chris Karlin, Division Manager of U.S. Bank’s Government & Nonprofits Banking division. “Customers are concerned about the challenges banks face and seek reassurance that the bank they’re using today will be there tomorrow and will offer a competitive return on their deposit without imposing any unnecessary risks. Our customers can mitigate their



risks by using any deposit account at U.S. Bank, many of which are fully insured by the FDIC.”

TAGP enhances protection

U.S. Bank is also participating in the FDIC program for transaction accounts to provide customers with additional protection. The Transaction Account Guarantee Program (TAGP) offers a full 100% FDIC guarantee on certain

“FDIC changes” continued on page 2

Track use of stimulus funds to meet reporting rules

The battered economy has had far-reaching effects on state and local governments, which continue to seek new revenue sources and ways to trim expenses so they can balance their budgets and still meet constituents’ needs.

For some governmental entities, the American Recovery and Reinvestment Act offers an answer. More commonly referred to as the “stimulus package,” the act provides funding to state and local governments through a series of grants and loans distributed by

various federal agencies, or in the case of local governments, suballocated by the states. Agencies that tap into stimulus funds are subject to accountability and transparency requirements related to how they use the funds and report their use of the funds. As an example, recipients of stimulus funds must submit a report no later than 10 days after the end of each calendar quarter that notes:

- The total amount of stimulus funds received from an agency.
- The amount of stimulus funds received that were expended

or obligated to projects or activities.

- A detailed list of all projects or activities for which stimulus funds were expended or obligated, including the project/activity’s name and description, an evaluation of the project/activity’s completion status, and an estimate of the number of jobs created and retained by the project/activity.
- Detailed information on any subcontracts or subgrants awarded by the recipient.

“Stimulus funds” continued on page 3

U.S. Bank Institutional Trust & Custody

As the scrutiny over the use of public funds increases, U.S. Bank Institutional Trust & Custody (IT&C) ensures that assets are safe. With more than 100 years of experience providing services to the industry, one thing that IT&C has learned is that no two public entities require the same solution.

Providing superior, knowledgeable service to clients is a critical differentiator in meeting their needs. Relationship Managers that have an average of 21-years of industry experience are located in 31 offices across the country to ensure you are working with someone who is familiar with both state and local statutes.

“Our client service teams are the backbone of what we do,” said Kevin Breen, IT&C Business Development Officer (Charlotte, NC). “The experience that they have allows them to not only provide

strong client service, but also address unique challenges by designing customized solutions.”

As the sixth-largest custodian in the nation, IT&C has been able to create products and services directed specifically toward public entities.

One of these products, GASB 45, is a bundled solution that helps public entities meet requirements in reporting their costs and obligations related to post-employment healthcare and non-pension benefits. This customizable solution includes trust administration, sample language documents, funding options, investment management and opportunities for ancillary revenue.

If you would like more information on U.S. Bank Institutional Trust & Custody products and services, call 866-681-5052 or visit usbank.com/itc.

FDIC changes (continued)

account balances — regardless of the dollar amount — through December 31, 2009.

Accounts with an interest rate tied to an index are ineligible for unlimited FDIC coverage. Coverage under TAGP is in addition to and separate from the



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Washington State Office of the State Treasurer (OST)

Background:

A Washington bank went into receivership. OST asked U.S. Bank to open an account for the processing of the incoming deposits (ACH, wires and checks) and the turnaround distributions. The account was only going to be open two to three weeks. OST desired daily reporting of the account activity and, due to the short-term of the account, it had to be done manually. U.S. Bank Customer Service agreed to provide manual reporting of

all transactions multiple times each day. OST was extremely pleased with the service provided. In appreciation, the staff sent a basket of ‘bankers’ cookies’ to the Customer Service team. Since gifts to vendors cannot be seen as coming from the State, the OST staff paid for them personally.

Thanks so much for all the hard work you’ve all done for us. We appreciate everything you all have done – (the cookies are) the least we can do to show our appreciation!

“ We appreciate everything you all have done... ”

– Jackie Biss, Cash Management Manager, Washington State Office of the State Treasurer

coverage available under FDIC general deposit insurance rules.

Government Banking customers are enrolled in TAGP automatically, by virtue of U.S. Bank's participation in the program, and incur FDIC-assessed fees quarterly in order to receive such protection. The FDIC assesses those

fees at a rate of \$0.25 per \$1,000 based on quarter-end ledger balances of more than \$250,000.

Learn more by contacting your U.S. Bank Relationship Manager or visiting the FDIC Web site at www.fdic.gov.

U.S. Economic Outlook

The following economic summary is taken from the First American Funds Market Snapshot for May 2009.

The economy continued to contract sharply in the first quarter, shrinking at a 6.1% annual rate. However, the composition of the first-quarter decline in economic activity held far more favorable implications for growth in the coming quarters. Consumer spending posted a 2.2% gain for the quarter, in large part due to a jump in disposable income that reflected accelerated federal transfer payments and falling tax payments. Further governmental support for final demand will be forthcoming in the months ahead, which should lead to improving economic growth indicators. The sharp decline in gross domestic product (GDP) reflected exceptionally large declines in inventory investment and broader investment spending, which should moderate in the periods ahead. As a result, we anticipate that real GDP will return to positive growth territory by the second half of the year. Thus, the risk of a further downward spiral in economic activity, employment, and income appears to have been largely contained. However, the growth environment will likely remain subdued due to the underlying imbalances on the household balance sheet and extremely weak household income growth expectations. The unemployment rate is unlikely to reach a peak until next year, and the vast level of unemployment is very likely to put substantial downward pressure on employment costs and broader inflation. The downward movement in core inflation is expected to result in a low nominal GDP growth environment, which will make a robust expansion in corporate profits difficult to achieve. While first-quarter earnings were modestly ahead of the pace anticipated in our earnings forecast, full-year consensus expectations remain too high if our macroeconomic forecast proves to be accurate.

Read the full report at firstamerican.funds.com/cgi_faf_nsec/cfm/new_mkts/mkt_comm.cfm

Stimulus funds (continued)

Turn to US for help

U.S. Bank has developed several approaches to help our government customers meet these reporting requirements when stimulus funds are spent using a procurement card. Here are some suggestions:

- Use U.S. Bank's Access Online transaction management system to attach additional information to any transaction using up to five customizable comment fields.
- Add additional fields or a yes/no checkbox to identify purchases related to Recovery Act funds using Access Online's Order Management functionality.
- Enhance the accounting structure within Access Online's Transaction Management capabilities by using additional project codes or other definers. Users could select data from a pre-populated list and eliminate keying errors.

With each of these approaches, a cardholder or program administrator can permanently tie Recovery Act comments to transactions and those comments can be extracted through

various transaction detail reports in Access Online.

Others ways we can help

U.S. Bank can help government entities in other ways as they look to manage and report on their use of stimulus funds. For example, U.S. Bank's PowerTrack® solution allows organizations to settle with any vendor and capture any required data. PowerTrack is an online bill payment system that automates payables and receivables, as well as freight, utility, telecom and global trade payments. PowerTrack also captures data from each transaction, and provides seamless visibility into your payment habits and patterns.

The bank also offers a variety of short-term investment vehicles where clients can park stimulus funds while fulfilling their cash management objectives. Furthermore, the bank has created a task force that continues to examine ways to aid public entities with the management of stimulus funds.

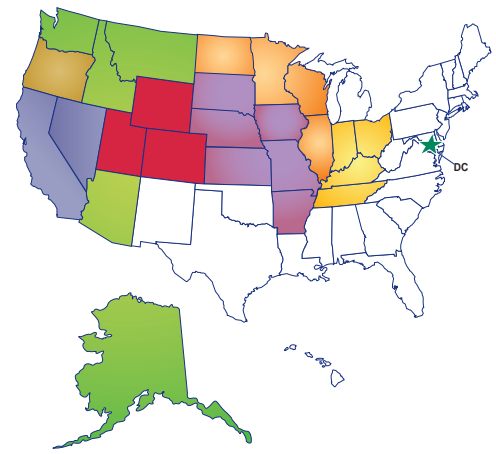
Contact your U.S. Bank Relationship Manager for assistance and more information.

We hope you find this information useful and relevant. If you have comments or suggestions on topics you would like to see covered in future editions, please contact our Managing Editor, Hilary Chen, at hilary.chen@usbank.com.

2009 Conference Schedule

Stop by and see us at the U.S. Bank booth if you are planning to attend one of these upcoming conferences.

Month	Conference Name	Dates	
JUN	Minnesota Counties Computer Cooperative	Jun 1-4	
	California Association of County Treasurers & Tax Collectors	Jun 2-5	
	Tennessee Association of Utility Districts	Jun 7-9	
	Wyoming Association of Municipalities	Jun 10-13	
	Washington Association County Treasurers Conference	Jun 15-19	
	Idaho Association of Idaho Cities Annual Conference	Jun 16-17	
	Colorado Municipal League	Jun 16-19	
	Nebraska Municipal Accounting & Finance Conference	Jun 17-19	
	Colorado County Treasurers Association	Jun 22-26	
	MN Association of County Auditors Treasurers & Finance Officers	Jun 23-26	
JUL	Idaho School District Business Officers Conference	Jun 24-26	
	League of Minnesota Cities (LMC)	Jun 24-26	
	Washington – Association of Washington Cities	Jun 24-26	
	California Government Financial Officers Association	Jun 28-Jul 1	
	National Association of Counties	Jul 24-28	
	Association of Public Treasurers of the United States and Canada	Jul 26-29	
	National Association of Public Treasurers	Jul 26-29	
	Oregon Association of School Business Officials (OASBO)	Jul 29-31	
	AUG	Idaho County Treasurers Conference	Aug 2-6
		Oregon County Tax Assessors Conference	Aug 10
Oregon Tax Collectors Conference		Aug 10	
Arkansas Association of Counties		Aug 12-14	
Missouri Association of County Collectors/Clerks/Legislative		Aug 19-21	
Minnesota Municipal Utilities		Aug 24-26	



NORTHWEST TEAM

Jill Dunn
208-383-7208

OREGON TEAM

John DiPasquale
503-275-4947

SOUTHWEST TEAM

Guy Candido
213-615-6451

MOUNTAIN TEAM

John DiPasquale
503-275-4947

CREDIT TEAM

Peter Speca
414-765-6549

Norman Coker
646-935-4502

Credit Manager East
Sue Moses
651-466-8601

Credit Manager West
Herb Neufeld
651-466-8605

UPPER MIDWEST TEAM

Lee Strom
651-466-8606

LOWER MIDWEST TEAM

Tim Schlegelmilch
402-434-1134

OHIO VALLEY TEAM

Karen Bigelow
614-232-8078

FEDERAL BANKING

Ron Rosenblum
202-261-0792

NATIONAL TEAM

Angela Abernathy
414-765-6090

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PD-OR-T5GB
111 SW 5th Ave.
Suite 550
Portland, OR 97204

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