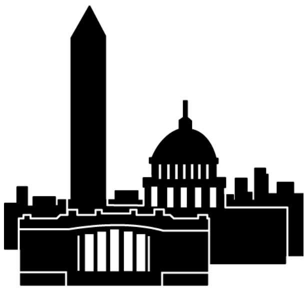

Conference of Mayors President Smith Expresses Opposition to Proposed Rule Changes for Money Market Mutual Funds

By Larry Jones

Conference of Mayors President Mesa Mayor Scott Smith, in a July 17 letter to Securities and Exchange Commission Chair Mary Jo White, expressed opposition to proposed changes in the Net Asset Value (NAV) rules for Money Market Mutual Funds (MMMF). Smith said, "While the Conference [of Mayors] is supportive of changes that will strengthen the market and improve the quality of securities, some of the changes being discussed would undermine the value and utility of MMMFs as well as the municipal bond market." He went on to urge the SEC "not to make changes to the NAV or any further regulatory changes that would disrupt the existing structure and characteristics of the MMMFs and limit choices for state and local governments, businesses and other investors."

One of the modifications being discussed is changing the stable net asset value, which is the hallmark of MMMFs, to a floating net asset value. This runs contrary to current practice for many state and local governments that have specific policies and statutes in place that mandate investing in financial products with stable values. Money Market Mutual Funds are the investment they use to ensure compliance with these policies and statutes. And state and local government look to MMMF as an integral part of their cash management practice because they are highly regulated, have minimal risk and are easily booked. Forcing funds to float their value would likely eliminate the market for those products by forcing investors, including state and local governments, to divest their MMMF holdings as well as discourage others from using these funds.

Money Market Mutual Funds are heavily invested in municipal bonds. In the fourth quarter of 2012 they were the largest investor in short-term municipal bonds with $322 billion in short-term municipal debt securities, which accounts for 76 percent of all outstanding short-term municipal debt.

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sion. Twelve million people are still unemployed and without jobs. These funds provide jobs and economic development in our cities.

Muni Bonds

We continue our coalition of more than 60 organizations to stop the Administration's proposed 28 percent cap on our municipal bonds. At the Clinton Global Initiative in June, mayors present in Chicago had the opportunity to voice our deep concern about our municipal bonds to Secretary of Treasury Jack Lew. The Administration's response is that there are other bonds, other initiatives to offset the 28 percent cap. Most financial observers and many mayors do not buy the administration's response. We must, and we will, use all our political resources to take our muni bonds off the table because infrastructure development, maintenance, rebuilding and repairs of existing infrastructure, according to many experts, puts existing infrastructure in many places worn-out and dangerous.

We will need your continued help on letting your Members and Senators and contacts within The Administration know that they should not mess with our bonds.

President Scott Smith/Park City Leadership Meeting

Conference President Mesa Mayor Scott Smith has called our Summer Leadership Meeting to be in Park City Utah August 1 - 3. Mayors are registering and we will go there to have a true retreat to develop a 2013 strategy to push our priorities forward. In addition to our concerns about CDBG and muni bonds there are other issues to be discussed for an action agenda: workforce development, violence in our cities, unfunded mandates, pensions, climate change, immigration and marketplace fairness.

Mayor Smith needs you. If you have not registered, please do so now. I look forward to seeing many of you soon in Park City as we recharge, renew and develop an action agenda to do our best as we advocate for the mayors and cities of our great nation.