

Approved Minutes

**CALIFORNIA DEBT AND INVESTMENT ADVISORY COMMISSION (CDIAC)
Technical Advisory Committee Meeting**

**Wednesday, February 13, 2002
10 am – 2 pm**

State Treasurer's Office Building
915 Capitol Mall, Room 587 and Room 241
Sacramento, CA 95814

Concurrent Session

10 am – 12 pm Room 587

I. Welcome and Introductions:

The meeting was called to order at approximately 10:05 am. Deputy Treasurer, Barbara Lloyd welcomed the members and acknowledged CDIAC's new Executive Director, Lisa M. Harris. Ms. Lloyd also thanked Kristin Szakaly-Moore for her leadership as CDIAC's Acting Executive Director. The following members of the TACs were present:

INVESTMENT TAC

- ◆ Tom Friery, City of Sacramento
- ◆ Kay Chandler, Chandler Asset Management Inc.
- ◆ Joya DeFoor, City of Los Angeles
- ◆ Tony Garcia, Wells Fargo Institutional Securities
- ◆ Deborah Higgins, Higgins Capital Management
- ◆ Zenda James, City of Alameda
- ◆ Nancy Jones, Public Financial Management, Inc.
- ◆ Andy Nakahata, Goldman Sachs & Company
- ◆ Cherie Raffety, El Dorado County
- ◆ Lester Wood, Bond Logistix

DEBT TAC

- ◆ Leonard Berry, The Chapman Company
- ◆ Nathan Brostrom, J.P. Morgan Securities, Inc.
- ◆ Rafael Costas, Franklin Templeton Group
- ◆ Roger Davis, Orrick Herrington & Sutcliffe
- ◆ Lino Del Signore, Eagle Consulting
- ◆ Amy Doppelt, Fitch Ratings
- ◆ Richard Hiscocks, Orrick Herrington & Sutcliffe

DEBT TAC continued

- ◆ Ursula Hyman, Latham & Watkins
- ◆ Michelle Issa, Bear, Stearns & Co. Inc.
- ◆ Jacquelynne Jennings, Lofton & Jennings
- ◆ David Johnson, Banc of America
- ◆ Mike Klugman, BNY Western Trust Company
- ◆ Kenneth Kurtz, Moody's Investor Services
- ◆ Norma Lammers, CA State Assoc. of Counties
- ◆ Leslie Lava, Law Offices of Leslie Lava
- ◆ Jan Mazyck, Public Financial Management, Inc.
- ◆ Kathleen McDonough, AMBAC Assurance Corp.
- ◆ Bernard Mikell, UBS PaineWebber, Inc.
- ◆ Monique Moyer, City and County of San Francisco
- ◆ John Murphy, Stradling, Yocca, Carlson & Rauth
- ◆ Stephanie Petersen, Charles Schwab & Co.
- ◆ Nadia Sesay, City and County of San Francisco
- ◆ Gere Sibbach, San Luis Obispo County
- ◆ Peter Taylor, Lehman Brothers
- ◆ Mary Vattimo, City of San Diego
- ◆ Anna Vega, City of Richmond

II. Discussion on the Roles and Tenure of TAC Members:

Each TAC member and CDIAC staff introduced themselves and discussed what they hoped to gain from the meeting. A discussion was held regarding the role that TAC members can play in assisting CDIAC in meeting its goal of assisting local public officials.

III. Future Meetings of the TAC:

Future meetings of the TAC have been tentatively scheduled for early October in Los Angeles and Mid-December in San Francisco.

IV. Tools to Revitalize California Communities Workshops:

CDIAC's new initiative to present **Tools to Revitalize California Communities Workshops** for local public officials was presented to the TAC members. Workshop

dates were announced and volunteers from the TAC were solicited to assist with this initiative as a working group.

V. Potential Focus Areas for 2002:

TAC members discussed a recent article from *The Bond Buyer* reflecting opinions from the Securities and Exchange Commission's Martha Haines on the apparent lack of continuing disclosure by some local public issuers. It was relayed to the TAC members that CDIAC is committed to conveying the message of the importance of continuing disclosure to California issuers through CDIAC's articles, reports and seminars.

A discussion also was held regarding a proposal by the National Association of Bond Lawyers (NABL). This proposal recommends that issuers, not bondholders, be held liable in the event the IRS audits and declares tax-exempt bonds taxable. A working group comprised of TAC members was formed to review the proposal and arrive at a recommendation as to whether CDIAC should take a position on this proposal.

VI. TAC Survey Results:

The results of a CDIAC Work Plan Survey, which was completed by TAC members, was summarized and shared with the Committee members.

VII. Public Comment:

Dennis Wolf, a private citizen from Fremont, addressed the TAC and brought to member's attention his concerns regarding the marketing of a Fremont school bond measure on the March ballot.

Breakout Sessions

12 pm – 2 pm

DEBT TAC (Room 587) (Please note, agenda items were taken out of order)

I. Outstanding Debt Report:

CDIAC's efforts and issues involved with producing its *Outstanding Debt Report* were presented to the TAC members and a discussion was held on how CDIAC could overcome some of the obstacles involved with gathering the data necessary to complete the report. The TAC recommended that CDIAC contact CALMUNI and determine if the data it compiles can be utilized for this report. Additionally, the TAC suggested contacting Standard and Poors to discuss how collecting CUSIP numbers might be of assistance in gathering the data needed for the report.

II. Debt Primer Update:

The Committee suggested ideas for revisions to the *Debt Issuance* Primer. Several topics were provided to CDIAC to consider as revisions.

III. Future Workshops/Seminars:

The Committee discussed ideas for future Workshops and Seminars. Suggestions included more one-day workshops to be offered in Northern and Southern California. The TAC also recommended that CDIAC continue offering **Fundamentals of Debt Financing** and **Mechanics of a Bond Sale**, while breaking apart the **Advanced Topics in Debt Financing** seminar into smaller workshops. Suggestions for other programs included: administrative functions after the bonds are issued; Mello-Roos bonds; bond math; and swaps. The TAC also commented on the effectiveness of case studies and suggested that CDIAC consider breakout sessions at its seminars.

IV. Future Debt Issue Briefs/Projects:

The TAC recommended several ideas for future issue briefs including: how to survive an IRS Audit; oversight committees and Proposition 39; function of the Depository Trust Corporation (DTC); and changes in Federal Tax Law.

INVESTMENT TAC (Room 241) (Please note, agenda items were taken out of order)

I. Future Investment Workshops/Seminars:

The TAC discussed the need for CDIAC to establish two distinct tracks of education; one for elected officials and one for practitioners.

A suggestion was made that CDIAC collaborate with associations for elected officials to offer workshops at their annual conference meetings and that the seminars be geared entirely for elected officials with oversight authority.

Suggestions by the TAC for future workshops/seminar topics included: investment reporting; managing arbitrage rebate/bond proceeds; how demographics affect rates of return; how to develop an investment policy; on-line trading best practices; pitfalls of different investment instruments and how to avoid them; information from Fannie Mae/Freddie Mac representatives on the products they sell; callable securities; setting investment objectives/evaluating your portfolio; and investor relations/due diligence.

II. Future Investment Issue Briefs/Projects:

CDIAC's Public Investment Research Work Plan was reviewed and discussed with the TAC.

III. Investment Primer Update:

TAC members discussed an outline of the Investment Primer that is currently being drafted. They recommended putting a statement in the introduction speaking to the diversity of local government investments and that there is no "cookbook" approach.

IV. AB 943 Reporting Update:

TAC members received a status update on the AB 943 reports that have been submitted to CDIAC.

Adjournment

There being no further business, the TAC meetings were adjourned at approximately 2:00 pm.