

AGENDA ITEM 2 (ACTION ITEM)

APPROVAL OF MINUTES FROM JUNE 10, 2014 MEETING

Minutes

California Debt and Investment
Advisory Commission Meeting
June 10, 2014, 1:30 PM

Jesse M. Unruh State Office Building
915 Capitol Mall, Room 587
Sacramento, California 95814

1. ROLL CALL

Katie Carroll called the meeting to order at 1:36 p.m. Commission members present included: Deputy Treasurer Katie Carroll, representative for State Treasurer Bill Lockyer; Chief Deputy Director Eraina Ortega, representative for Governor Jerry Brown; Deputy State Controller Terrance McGuire, representative for State Controller John Chiang; Commission Member David Baum, Director of Finance, City of San Leandro. After roll call was taken, Katie Carroll declared a quorum was present.

2. APPROVAL OF THE MINUTES FROM JUNE 13, 2013 (ACTION ITEM)

Ms. Carroll recognized that the first agenda item was the approval of the June 13, 2013 meeting minutes Mr. Campbell stated that there were several changes requested by the State Controller's Office. Suggested changes to the minutes of the June 13, 2013 meeting were:

- A. On the first page, Item 2, approval of the minutes from June 2012, second paragraph, we are going to insert a "by" in front of Senator Liu, reading: *"After none were offered, a motion was made by Senator Liu to adopt the minutes. Assemblymember Fox seconded the motion."*
- B. On page 5 of the agenda packet, the first full paragraph beginning with "Mr. Campbell", the second sentence, the insertion of "and"

after the word address. So reading: *“A working group of public finance professionals were working with CDIAC to find opportunities to address and improve opportunities for the public agencies to use this important financing tool.”*

- C. On page 6, under Item 5, Contract Delegation Authority, second sentence, delete the word “in”. Now reading: *“He pointed out that Resolution 12-01 authorized the executive director to sign contracts up to a total of \$1.1 million, limiting individual contracts to \$300,000 and an inter-agency agreement for administrative services not to exceed \$450,000.”*
- D. Lastly, on page 7, again under Item 5, first sentence, delete the “s” after considers. Now reading: *“It had contracted with two separate financial advisory firms to evaluate the refinancing plans of a local transportation agency and to consider the plan to finance the Bay Delta Conservation project.”*

Chief Deputy Director, Eraina Ortega moved to approve minutes as amended. Deputy Controller, Terrance McGuire seconded the motion. The motion was approved by the Commission.

3. EXECUTIVE DIRECTOR'S REPORT (INFORMATION ITEM)

Mr. Campbell welcomed Mr. Baum to his first meeting and thanked the Commission for the opportunity to represent CDIAC. Mr. Campbell then presented the Executive Director's report for fiscal year (FY) 2014-15, commencing with CDIAC's annual budget appropriation which was identical to the prior year's budgeted amounts.

Mr. Campbell presented CDIAC's fund condition and explained that it had declined from the prior year as a result of both increased expenditures and overall declining revenues. He noted the continued depletion of the fund balance as expenditures continue to exceed revenues-- a pattern that has tracked over the past couple of fiscal years.

Mr. Campbell then discussed the activities of the three units in CDIAC: the Data Collection and Analysis Unit (Data Unit), the Education and Outreach Unit (Education Unit) and the Research Unit.

First, with respect to the Data Unit, Mr. Campbell updated the members on pending Assembly Bill 2274, carried by Assemblymember Richard Gordon. AB 2274 would make technical changes to CDIAC's statutory provisions under Government Code section 8855. The bill intends to better align CDIAC's data collection activity with emerging financing trends in the market, principally with alternative financing in the form of direct lending. CDIAC is also updating data collection forms and elements in data fields to recognize some of the emerging trends in public

finance, including the addition of borrower's counsel in the case of direct loans and the identification of rate reduction bonds under AB 850.

Mr. Campbell next discussed the Education Unit and its continued use of the internet both to deliver programs and to enable the public finance community to access prior education programs. He recognized the Unit's continued outreach and collaboration with other public finance organizations such as *The Bond Buyer*.

Mr. Campbell discussed the Research Unit's projects, including the focus on direct lending and conduit finance disclosure practices. He pointed out that the Unit is managing a contract to update the California Debt Issuance Primer. Mr. Campbell also discussed the Unit's continued outreach and collaboration with public finance organizations.

Mr. Campbell then concluded the Executive Director report.

Ms. Carroll thanked Mr. Campbell and asked if there were any comments from the Commission members or the public. Hearing none, she then moved on to the Commission Staff Report, an Information Item in the members' packets.

4. COMMISSION STAFF REPORT (INFORMATION ITEM)

Katie Carroll asked if any members or anyone from the public had questions or comments. Hearing none, she thanked Mr. Campbell for that item and moved on to Item 5, an Action Item- Delegation Authority.

5. CONTRACT DELEGATION AUTHORITY (ACTION ITEM)

Mr. Campbell pointed out that Government Code section 8857 authorizes the Commission to delegate to its executive director the authority to enter into contracts on its behalf. STO legal counsel has defined contracts to include both service agreements as well as purchase orders. He explained that using this definition, all items in CDIAC's operating budget effectively fall under the broad category of contracts. He stated that on June 18, 2013 the Commission approved Resolution 13-01, providing the executive director the authority to enter into contracts under specific thresholds including, no individual contract may exceed \$300,000 with the exception of the interagency agreement with the State Treasurer's Office for administrative services which may not exceed \$450,000 and total contract delegation may not exceed \$1.2 million for FY13-14.

Mr. Campbell stated that no increase was proposed for the FY14-15 budget and recommended that the annual limit for total contracts be maintained at \$1.2 million with the same restrictions and provisions through the adoption of Resolution 14-01.

Ms. Carroll thanked Mr. Campbell and asked if there were any questions or comments from the Commission members or the public. Hearing none, she moved for adoption of Resolution 14-01.

Chief Deputy Director Ortega moved to approve Resolution 14-01. Deputy Controller McGuire seconded the motion. Resolution 14-01 was approved by the Commission.

6. CDIAC FEE SCHEDULE (INFORMATION ITEM)

Ms. Carroll stated that there were no changes to the CDIAC fee schedule. She asked if any Commission members or members of the public had questions. Hearing none, she asked Mr. Campbell to move on to Agenda Item 7.

7. DEFINING PUBLIC DEBT (INFORMATION ITEM)

Mr. Campbell stated that Government Code section 8855(h)(3) provides CDIAC with the responsibility to collect, maintain and provide comprehensive information on all state and local debt authorization and issuance. However, the statute does not define debt. When CDIAC was established in 1981 it was commonly understood that debt was long-term bonds and the language in section 8855 supports that form of financing. Since that time the market has changed and alternative financing structures have become more common and CDIAC's effort is to be clear about what type of data we collect. Mr. Campbell explained further that CDIAC has historically interpreted section 8855(h)(3) to mean that it collects, maintains, and provides comprehensive information on all state and local debt authorization including any form of alternative financing that constitutes a debt of the public agency.

The amendments proposed in AB 2274 would better align CDIAC's debt information collection process to current municipal financing practices. It specifically removes language that may be interpreted by issuers to mean they are required to submit notices of issuance and sale on traditional long-term debt exclusively. Mr. Campbell stated that the proposed amendment to CDIAC's statute does not specify or identify the type of debt. However, CDIAC does plan to develop administrative procedures to better clarify both the categories of debt and the type of data that CDIAC expects to collect. He then opened the floor for questions.

Mr. McGuire stated that he believed that historically the data collection has been tied very closely to the collection of fees. He asked if there was a clarification within this proposed legislation that also addresses fee collection for these other types of debt. If so, or if not, will there be a look back to collect fees if they should appropriately be charged? Mr. Campbell stated that CDIAC does not expect to see much change in the

types of reports or the numbers of reports that CDIAC will receive and therefore does not anticipate any increase in revenues through fee collections. He informed the Commission members that CDIAC currently receives reports on alternative financings and that the proposed amendment would help to better clarify for the issuer and finance community that alternative financing structures are also reportable. He also informed the commission members that CDIAC does not expect to retroactively amend the database or go back and seek reimbursement from issuers who have not filed.

Ms. Carroll opened the floor for questions. Hearing none she moved on to the next information item: CDIAC's Education Mission.

8. CDIAC'S EDUCATION MISSION (INFORMATION ITEM)

Mr. Campbell stated that this agenda item and the prior agenda item are intended as background. Item 8 was intended to memorialize CDIAC's education program and set forward guiding principles with respect to CDIAC's education program activity. Specifically, Government Code section 8855(h)(7) charges CDIAC with the responsibility to establish and maintain a continuing education program for local officials. CDIAC has done this through in-class training, web-based training, and an on-line library of all its educational programs.

CDIAC competes with other education providers and in recent years this competition has increased. Educational institutions such as the University of California offer training to public finance officials, as do membership organizations such as the California Society of Municipal Finance Officers (CSMFO) and Government Finance Officers Association (GFOA), publishers, banks, ratings agencies, and other financial firms. In some cases, these programs offer participants credit that may be applied to developing or maintaining professional certification or credentials. An example is the Certified Municipal Treasurer certification which can be obtained by local government treasury staff after completing training from the California Municipal Treasurers Association. As public finance organizations plan for the turnover of older generations to a younger generation of workers, CDIAC expects that these types of programs will grow and that the curriculum-based programs that intend to impart the knowledge and skill needed to operate as finance and investment officers will expand.

In light of these alternative resources, CDIAC took a look at where it fits and how it may better serve its constituents – very broadly defined as local finance officers and staff, and public agencies throughout California. Based upon this review, CDIAC determined that it will set forth a couple of guiding principles that will help to inform future educational programming.

The first principle is that CDIAC will continue to strategically plan its education programs to account for alternative educational resources available to public finance professionals, recognizing timing, location and costs. Mr. Campbell clarified that CDIAC will not intentionally compete with alternatives, but seek to meet constituent needs not met by them.

The second principle was that CDIAC will continue to utilize traditional training formats, but will embrace alternatives including electronic trainings and webinars. Furthermore, CDIAC relies on industry professionals drawn from for-profit organizations to act as faculty. However, CDIAC actively discourages those individuals or organizations from promoting themselves for commercial gain.

Both the principles and mission of CDIAC's educational program are memorialized in the information item presented to the Commission.

Member McGuire stated that he thought that CDIAC's education outreach program has historically been very beneficial to local issuers, but wondered if the education outreach unit has sensed any need to address the issues of GASB 67 and 68, transparency and disclosure relative to OPEB and pension fund liabilities. He stated that he was just curious as to whether Mr. Campbell felt those topics were totally out of the bounds or beyond the coverage of the Education Unit. He asked if CDIAC had been receiving inquiries about those topics and if there might be a need to try to develop something to address those concerns over the next year.

Mark Campbell responded that it was something that CDIAC is well aware of. He added that the Education Unit conducted a disclosure program approximately 18 months earlier that addressed pension disclosure. He added that CDIAC has yet to find the opportunity to focus exclusively on those topics, in either classroom setting or seminar, in part because of limited resources. He also stated that there were other organizations better served to present programming on those issues. Both GFOA and CSMFO have offered programs on these topics.

Mr. Campbell added that CDIAC looks to its constituents, the commission members, and other professional advisors for guidance and is always open to consider other programming that is important and topical.

Katie Carroll pointed out that education is a very important part of CDIAC's mission. She then opened the floor to comments and questions from any of the commission members on the education program. There were no questions or comments from commission members.

Ms. Carroll then asked if there were any comments from the public about this item or any other. Hearing none, Ms. Carroll adjourned the meeting.

The meeting was adjourned at 2:04 p.m.