

Approved Minutes
CALIFORNIA DEBT AND INVESTMENT ADVISORY COMMISSION (CDIAC) Meeting
Thursday, March 13, 2003
2:00 P.M.

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

1) ROLL CALL

Deputy Treasurer, Barbara Lloyd, called the meeting to order at approximately 2:10 p.m. The members present were Cindi Aronberg for State Controller Steve Westly, Robert Miyashiro for Governor Gray Davis, Barbara Lloyd for State Treasurer Phil Angelides, Donna Linton and Lauro A. Paredes for Senator Poochigian. A quorum was present. Assembly Member Judy Chu arrived at 2:20 p.m.

2) ACTION ITEMS

Item 2.a. Approval of the Minutes from the December 11, 2003 Meeting:

Ms. Aronberg moved that the minutes of the December 11, 2002 meeting be approved. The motion was seconded by Ms. Linton and passed (4-0). The representative for Senator Poochigian abstained from voting on this item and subsequent action items, pursuant to CDIAC statutes.

Item 2.b. Resolution 03-01: Executive Director Contract Delegation Authority:

Due to a recent Executive Order reducing the number of meetings for advisory boards, CDIAC Executive Director Lisa M. Harris explained that the Commission will not meet in June 2003. The directive from DOF requires Commissions that are advisory in nature to limit the number of meetings in order to minimize costs in light of the budget crisis. Therefore, Resolution 03-01, regarding contract delegation, is being presented for approval at this meeting.

In the past, such contract delegation resolutions have been brought to the Commission annually for approval. To be consistent with other Boards, Commissions, and Authorities in the State Treasurer's Office, CDIAC is now requesting that the Executive Director or Acting Executive Director receive the contract delegation authority indefinitely with the existing limitations of \$300,000 per contract and \$500,000 on an annual basis. Mr. Miyashiro asked whether the \$300,000 limit was consistent with other programs and was informed that it was. Commission members were informed that they would still receive memos on contracts that are entered into between meetings. Ms. Linton moved that Resolution 03-01 be approved, and Mr. Miyashiro seconded the motion. The Resolution was passed (4-0).

Item 2.c. Resolution 03-02: Setting a Reporting Fee for 2003-04:

Ms. Harris presented Resolution 03-02 to the Commission for approval. This resolution requests that CDIAC defer its fee increase planned for July 1, 2003, because CDIAC has not expended its surplus of \$5.6 million. Ms. Aronberg raised a question regarding

the loan to the State's General Fund from the CDIAC Fund and its impact on whether the fee increase should still be deferred. Ms. Lloyd explained that the loan to the General Fund should not impact the deferral of the fee increase because CDIAC has the ability to request prepayment of the loan if the need arises. Additionally, Ms. Lloyd further explained that it would not be appropriate to increase fees in light of the General Fund loan.

The discussion of the CDIAC Fund led Commission members to a discussion of Assembly Bill 1182 (Ridley-Thomas) regarding CDIAC being allowed to accept donations, gifts, or sponsorships from outside entities for its educational programs (see Business and Information Item 3.c.). Ms. Aronberg questioned why CDIAC is recommending that it defer its fee increases, if it is seeking sponsorships for its educational programs. Ms. Lloyd clarified that this legislation was being proposed as a way to defray costs normally charged to seminar attendees and not to limit the expenditure of CDIAC resources for its operations. Ms. Harris further explained that by defraying costs associated with its larger programs, it is CDIAC's hope that more local public officials and community leaders will be able to attend the programs in tight budgetary times. Ms. Aronberg suggested that maybe the language of the legislation be tailored to be more specific to the purpose.

Mr. Miyashiro indicated that he was comfortable with the deferral of the fee increase, as revenues appear to exceed operational expenditures, and moved to approve the resolution. Ms. Linton seconded the motion.

Judy Chu asked whether there was a precedent for CDIAC loaning money to the General Fund. Ms. Lloyd explained that although other finance agencies had loaned money to the General Fund, CDIAC had not. Ms. Harris also explained that the total amount of the loan proposed is \$5.5 million. Ms. Linton then questioned whether there would be money left over if \$5.5 million was loaned to the General Fund and Ms. Harris explained that this loan would leave CDIAC with two months of operating cash. Additionally, Ms. Lloyd explained that the State Treasurer's Office would be working with DOF to determine if a portion of the loan could be loaned in a phased approach to ensure that the cash flow needs of CDIAC are met.

After extensive discussion, the Resolution was passed (5-0).

3) BUSINESS AND INFORMATION ITEMS

Item 3.a. Executive Director's Report:

CDIAC Executive Director Ms. Harris discussed CDIAC's activities since the last Commission meeting. This discussion included information on the many programs held by the Continuing Education and Outreach Unit, the research products produced by the Policy Research Unit, and the activities of the Data Collection and Analysis Unit in capturing and reporting debt issuance data.

Item 3.b. Update on Recent CDIAC Activities:

Item 3.b.i. Update on CDIAC Seminar Activities

Ms. Harris referred Commission members to a listing of seminars in the Commission packet that CDIAC has held since February 2003 and will be holding through November 2003.

Item 3.b.II. Update on Reports/Publications Completed

Ms. Harris provided Commission members with an overview of the reports/publications completed by CDIAC, including: *State and Local Bond and Tax Ballot Measures: Results of the November 2002 General Election*, the updated *Local Agency Investment Guidelines*, the revised *Tools To Revitalize California Communities Resource Guide*, and *Understanding Public Investment Reporting: A Handbook for Local Elected Officials*.

Mr. Miyashiro asked if this is was the first time the *Understanding Public Investment Reporting: A Handbook for Local Elected Officials* had been issued and how this handbook might have added value to other documents already completed on this subject matter. It was explained that this is the first time this document has been issued. CDIAC Staff member Mark Campbell explained that the *Handbook* is designed for elected officials who do not have time to read lengthy documents. It provides information to enhance their understanding of investment reports, decision factors, and their fiduciary obligations under California statutes. Mr. Miyashiro requested a draft of this document and all items that CDIAC has produced relating to investments.

Item 3.b.III. Presentation on CDIAC Land-Based Forum

CDIAC Staff member Mark Campbell presented information on the first of two Land-Based Financing Forums (Forums) held on March 11, 2003, in Sacramento (the second forum is on March 14, 2003, in Los Angeles). The Forum was focused on CDIAC's 1994 *Appraisal Standards for Land-Secured Financings*, including a review of how the *Standards* have worked and how they may need to be modified to reflect current practices. Attendees at the first forum included city and county officials, bankers, financial advisors, bond counsel, appraisers, economists, and tax consultants. The outcome of these Forums will be summarized and shared with Forum participants. CDIAC staff will evaluate whether any further actions are necessary in regards to the *Appraisal Standards* and report to the Board any recommendations.

Item 3.c. Update on Bond-Related and Investment-Related Legislation:

Ms. Harris referred Commission members to the section in their Commission package that contained information on legislation related to bond and investment topics. Commission members asked that rather than review every item, they be allowed to discuss certain items for which they had questions.

Commission members discussed Assembly Bill 1182 (Ridley-Thomas), which proposes allowing CDIAC to accept donations of moneys, goods, or services for its educational programs. Ms. Aronberg asked why CDIAC is proposing that we accept sponsorships or donations and Ms. Harris explained that this was specifically intended for CDIAC's larger economic development programs to allow for sponsorships of registrations for local governments or non-profits that may not be able to afford the registration fee and to defray program costs. Additionally, Ms. Lloyd added that this proposal was suggested as a means to facilitate CDIAC's participation in a program sponsored by another entity that may have a narrower focus than CDIAC's normal programs. Ms. Harris also emphasized that CDIAC does not anticipate utilizing the statutory authority for the majority of its educational programs.

Ms. Linton inquired as to whether there would be any conflicts of interest in accepting sponsorships from bond industry participants and Ms. Lloyd explained that there is probably not a conflict since CDIAC does not enter into bond transactions. Ms. Harris also was noted that the sponsorships may not just be from private companies and that

cities and municipalities may also be considered sponsors for the purposes of this language.

Mr. Miyashiro inquired as to whether the conferences are self-supporting and suggested that CDIAC consider a differential fee for different types of attendees. He further voiced his concern that sponsorship may implicitly suggest an endorsement by CDIAC of the sponsors. Ms. Aronberg voiced her agreement with Mr. Miyashiro's points and commented that the current bill language is too broad. Ms. Linton also voiced her support of a stratified fee schedule as a very good idea and suggested that the legislation state the purpose and parameters of the sponsorships/donations for greater context. Ms. Harris explained to the Commissioners that even if CDIAC were to offer a stratified fee schedule it may not assist in defraying costs as the majority of attendees are usually local governments who would be paying the lower registration fees. It was determined that CDIAC staff would work with State Treasurer's staff to look at the language taking into consideration the Commission member's comments.

Commission members also offered comments regarding the portion of AB 1182 that would eliminate CDIAC's Outstanding Debt Reporting requirement. Ms. Lloyd provided a brief history of the issues surrounding completing the Outstanding Debt Report for Commission members. Mr. Miyashiro inquired as to whether CDIAC had done any research on the usefulness of the report prior to deciding to eliminate it to determine if there is some portion of the report worth producing. It was explained that this decision was not made lightly and that CDIAC has been working to produce this report in a usable fashion for three years. It has been estimated that the cost to produce this report in a format containing all of the data implied by the statute would take half of a million dollars and additional staff and under the current budgetary situation, the additional costs are not feasible. Ms. Linton added that although the Commission members in the past have pushed to have the report completed, and the report would be helpful to local issuers, she suggested that we either amend the statute to allow for the time needed to gain the information necessary or let the Legislature know that we are not ignoring the requirements, but that we have concerns about the ability to meet the statutory requirements.

Assembly Member Chu inquired as to whether this report was initiated as a result of a problem in the marketplace, and Ms. Lloyd explained that it did not appear to be triggered by any one event.

Ms. Aronberg suggested that because of the important topics discussed at the meeting that the minutes of the meeting reflect a brief summary of what the Commission members stated. CDIAC staff agreed to work towards expanding the minutes to reflect this request.

Mr. Miyashiro asked whether AB 61, 62, and 63 (Validating Acts of 2003) were pro forma. CDIAC Staff member Frank Moore explained that they are on a cycle and their purpose is to ensure that if there are any errors, omissions, or oversights that affect bonds, the bond counsel will be comfortable that the errors, omissions, and oversights will be taken care of in these three bills. Further, it was explained that the language utilizes boilerplate language for each department and that these bills are all on the consent calendar.

Mr. Miyashiro also inquired as to whether AB 1182 is a bill sponsored by the Commission or CDIAC staff, and how the Commission can take a position on the bill. Ms. Lloyd explained that this is a bill sponsored by the State Treasurer with input from staff and that the Commission can take a position by calling a meeting and voting on the bill. Ms. Aronberg also asked what the Commission will do if Commission members want to take action on this bill and how can the Commission address their concerns if there are no meetings of the Commission scheduled. Ms. Lloyd relayed that any concerns regarding the language can be forwarded to CDIAC staff who will work with the author of the legislation. Ms. Linton agreed with Ms. Aronberg's comments and asked that Commission members be provided any amendments to this legislative language especially in light of the discussion today.

4) PUBLIC COMMENT

There was no public comment.

5) ADJOURNMENT

There being no further business, the meeting was adjourned at 3:25 p.m.