

APPROVAL OF THE MINUTES FROM JUNE 10, 2008 MEETING

CDIAC Meeting Staff Report

MINUTES

CALIFORNIA DEBT AND INVESTMENT ADVISORY COMMISSION MEETING

June 10, 2008

1:30 PM

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

1) ROLL CALL

Treasurer Bill Lockyer called the meeting to order at 1:45 pm. Members present included: State Treasurer Bill Lockyer; Fred Klass, representative for Governor Arnold Schwarzenegger, Terrence McGuire, representative for State Controller John Chiang; and Jay Goldstone, Chief Operating Officer for the City of San Diego. After roll call was taken, Treasurer Lockyer declared that a quorum was present.

2) APPROVAL OF THE MINUTES (from July 2, 2007 meeting)

Mr. Lockyer asked if members had any changes to the minutes from the July 2, 2007 California Debt and Investment Advisory Commission (CDIAC) meeting. Hearing none, Mr. Goldstone motioned to adopt the minutes; Mr. Klass seconded the motion. The minutes were unanimously approved by roll call vote. Bill Lockyer: Aye; Fred Klass: Aye; Terrence McGuire: Aye; Jay Goldstone: Aye.

3) EXECUTIVE DIRECTOR'S REPORT

John Decker presented a summary of CDIAC's data collection activities, publications, and seminars since the July 2, 2007 Commission Meeting. Mr. Decker presented monthly debt issuance statistics for the current fiscal year compared to the average of the past two years, both in terms of number of issuances and volume. Mr. Lockyer questioned the cause of the spike in debt issuance volume at the end of 2007. Mr. Decker indicated he was unsure but suspected it was due to an increase in state debt issuance activity. Mr. Decker indicated CDIAC continues to make progress in ensuring the robustness of its debt issuance data. It hopes to add two additional positions in the next fiscal year to assist in this endeavor. Mr. Decker also presented information on users of CDIAC debt issuance database.

Next, Mr. Decker provided copies of recent CDIAC publications and provided a brief overview of each. These included: *Public Private Partnerships: A Guide to Selecting a Private Partner*, *Local Agency Investment Guidelines: Update for 2008*, *Local Bond and Tax Measures: Results of the February 2008 Primary Election*, and *An Overview of Local General Obligation Bond Issuance Trends (1985-2005)*. He also presented

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data on the four most accessed publications on the CDIAC's website in the past year. Of note was the steep increase in "hits" for CDIAC's *Auction Rate Securities Issue Brief*, corresponding to the problems encountered in the market for these securities early in 2008. Mr. Decker gave an overview on upcoming research projects including a tobacco securitization issue brief and update to CDIAC's *California Public Fund Investment Primer*. CDIAC currently is seeking budgetary authorization to add a graphic artist to its staff using existing resources to assist in designing future publications.

Mr. Decker provided data on the number of significant technical assistance requests received by CDIAC staff in the past three years (these requests are considered "significant" because they require additional research or data queries), noting that on average staff respond to 12 inquiries per month.

Mr. Decker indicated that CDIAC has expanded its influence and access to its constituents via research assistance from UC Berkeley's Graduate School of Public Policy to complete its *Mello-Roos Community Facilities Districts Yearly Fiscal Status Report* and by inquiries from California State University Sacramento for funding additional debt issuance research at the graduate level.

The last topic covered by Mr. Decker in his Executive Director's Report was enrollment statistics for the various CDIAC seminars that had taken place since the last Commission Meeting. While overall attendance has increased over the past year, attendance at some of CDIAC's core seminars has been down. Mr. Decker indicated that CDIAC hopes to change this pattern through more effective marketing of its programs.

Mr. Lockyer asked if there were any questions. Hearing none, he thanked Mr. Decker for his presentation.

4) ACTION ITEMS

ITEM 4.a. Resolution 08-01: Updated Executive Director or Acting Executive Director Authority to Enter into Contracts on Behalf of the Commission

Mr. Decker provided an overview of CDIAC's current delegation authority. Given that CDIAC was informed it now must include purchase orders and service orders under its contract delegation authority as well as additional costs associated with Assembly Bill 1293 (AB 1293), CDIAC staff is seeking authorization to increase the threshold of contracts that it may enter into without Commission approval from \$650,000 to \$1.1 million. Mr. Lockyer asked Mr. Decker to explain AB 1293. Mr. Decker said AB 1293 asks CDIAC and the State Controller's Office (SCO) to do a more extensive review of joint powers authorities (JPAs) financial statements. CDIAC would reimburse the SCO for certain costs associated with the bill. Mr. Goldstone asked why \$200,000 was inserted as a cap into the contracting authority. Mr. Decker said SCO indicated it would take two additional staff and estimated a cost of \$183,000. The \$200,000 figure was used in the resolution so that staff would not have to ask the Commission

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next year for additional funding if costs increased. Mr. Goldstone also asked how much CDIAC staff normally approves in contracts and purchase orders annually. Mr. Decker indicated that contracts and amounts are listed under Tab 3 in the Commission meeting binder. Mr. Goldstone asked if this includes purchase orders, to which Mr. Decker said no. Mr. Decker noted that Resolution 08-01 contains a typo; in reference to the limitations under subsection (a), the reference should be to subsection (c), not (b). Mr. Lockyer asked if there were any other questions. Mr. McGuire motioned to approve the measure; Mr. Klass seconded. The resolution was unanimously approved by roll call vote. Bill Lockyer: Aye; Fred Klass: Aye; Terrence McGuire: Aye; Jay Goldstone: Aye.

Item 4.b. Resolution 08-02: Deferral of Increase in CDIAC Reporting Fee and Approval of Reporting Fee Schedule for 2008-09 Through 2009-10

Mr. Decker provided an overview of CDIAC's statutory authority to collect fees from debt issuances to maintain operations. Statute allows CDIAC to levy fees up to \$5,000 per issuance. Mr. Decker stated that CDIAC's fees currently are levied at about 60 percent of the maximum amount allowed by statute (\$3,000); the proposed resolution would maintain fees at this level. Mr. Decker also stated that this fee applies to both public issuances and private placements. Mr. Lockyer asked if this fee level would remain until CDIAC decided to amend the resolution. Mr. McGuire commented that it appears the resolution would be effective until 2010. Mr. Goldstone asked if no action were taken, would the fee increase, to which Mr. Decker said yes. Mr. Goldstone asked how much CDIAC typically generates each year from fees. Mr. Decker said about \$2 million. Mr. Lockyer asked if there were any other questions. There were none. Mr. McGuire motioned to approve the resolution; Mr. Goldstone seconded the motion. The resolution was unanimously approved by roll call vote. Bill Lockyer: Aye; Fred Klass: Aye; Terrence McGuire: Aye; Jay Goldstone: Aye.

5) PUBLIC COMMENT

Mr. Lockyer asked for any public comments prior to adjourning. There were none.

6) ADJOURNMENT

There being no further business, the meeting was adjourned at 2:07 pm by unanimous acclamation.