

AGENDA ITEM 2 (ACTION ITEM)

APPROVAL OF MINUTES FROM JUNE 18, 2013 MEETING

Minutes

California Debt and Investment
Advisory Commission Meeting
June 18, 2013, 1:30 PM

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

1. ROLL CALL

Deputy Treasurer Katie Carroll called the meeting to order at 1:34pm. Members present included: Katie Carroll, representing State Treasurer Bill Lockyer; Jennifer Rockwell, representing Director of Finance Ana Matosantos; Alan Gordon, representing State Controller John Chiang; Assembly Member Steve Fox; and Senator Carol Liu. After roll call was taken, Ms. Carroll declared a quorum was present.

2. APPROVAL OF THE MINUTES FROM JUNE 6, 2012 (ACTION ITEM)

Ms. Carroll asked if there were any questions or comments regarding the minutes from the 2012 California Debt and Investment Advisory Commission Meeting. After none were offered, a motion was made by Senator Liu to adopt the minutes Assembly Member Fox seconded the motion. The Minutes were unanimously adopted.

3. EXECUTIVE DIRECTOR'S REPORT (INFORMATION ITEM)

CDIAC's Executive Director Mark Campbell thanked the commission members for participating in the annual meeting and presented the Executive Director's report. The 2013-14 budget of \$3,049,000 represented a 1.7% increase over the prior fiscal year. The increase was the result of an increase in the Staff Benefits component of the Personal Services sec-

tion of the budget. Of the overall budget, \$2.9million is derived from the CDIAC special fund, with the remaining \$180,000 coming from reimbursements within CDIAC's education program activities.

Mr. Campbell stated that CDIAC is staffed with 20 full-time positions. He noted that CDIAC's revenues do not meet its expenditures and, as a result, CDIAC anticipates a 10% decline in its fund balance for 2013-14. FY 2013-14 fund balance of \$5.8million includes a \$2million loan to the General Fund, which is callable with a 30-day written notice. CDIAC expects the fund balance would continue to meet all its program needs.

Mr. Campbell explained that CDIAC is composed of three core program areas: data collection and analysis, research, and education and outreach programs. CDIAC's Data Unit continues to expand the scope of the data collected from issuers to reflect changes in the marketplace and financing practices. Data forms have been enhanced to include information about private placements and capital appreciation bonds, and a Dated Date field has been added. Issuers are now asked to report the true interest cost and net interest cost, a change from previous reports where issuers could provide whichever was easiest for them. In addition, information regarding refunding must be provided so that outstanding debt could be more easily tracked.

With regard to education programs, Mr. Campbell noted that CDIAC has enhanced its web-based training with the intent to focus on hot topics and make it easier for local government staff to participate. Recent topics have included direct lending, pension obligation bonds, and school finance disclosure. CDIAC continues to collaborate with other membership organizations, such as the California Municipal Treasurers Association and the California Society for Municipal Finance Officers. CDIAC has also continued its long-standing relationship with *The Bond Buyer* and has reinvigorated its relationship with the UC Davis and UCLA extension programs.

CDIAC's policy research program has looked at capital appreciation bonds and was instrumental in providing the dataset that formed the basis of discussions about these instruments in the Legislature. The research unit is currently undertaking an analysis of the extent to which debt management policies are developed and maintained by local issuers. CDIAC has also issued contracts to update the Debt Issuance Primer, which is a long-standing tool in the industry. In addition, CDIAC is looking at direct lending to better understand how it fits into the broader portfolio of a local agency's borrowing. Lastly, CDIAC has been looking at alternative investments authorized under State law, including the ability to purchase indexed notes, sovereign debt, and Yankee bonds.

Assembly Member Fox inquired whether CDIAC had looked at green bonds, and Mr. Campbell indicated that it had not.

Mr. Campbell continued his discussion of the research unit's activities with the examination of assessment district financing, which has subject to recent court rulings related to the definition of "direct benefit." A working group of public finance professionals were working with CDIAC to find opportunities to address and improve opportunities for public agencies to use this important financing tool. Mr. Campbell pointed out that such activities recognize CDIAC's role in mediating discussions between finance professionals and policymakers when problems arise in the marketplace.

Responding to questions from the Commission, Mr. Campbell reported that CDIAC was in a constant state of recruitment, but that for a variety of reasons, some of the positions – in particular, those in the research unit – are difficult to fill.

When asked about CDIAC role in gathering information on capital appreciation bonds, Mr. Campbell reported that the information had been shared with policymakers and that CDIAC continues to provide analysis to the Legislature on the issue. CDIAC developed a dataset that looked at a five-year period, identifying all of the debt issued with a CAB component and reviewing official statements to identify the principal amount, the total cost of the debt over the term of the bonds, and the use of premium in debt repayment. Mr. Campbell indicated that the data had been accessed by the media and published in an electronic format by the *LA Times*.

When asked if CDIAC's recommendations affect an issuer's bond ratings Mr. Campbell replied that it is not CDIAC's intent to impact the marketplace, but that it does have some involvement in making recommendations for best practices, which may in turn affect bond ratings. He added that CDIAC's goal is to provide advice and to support the efforts of local agencies in using the most effective practices and achieving the lowest cost in financing debt.

4. COMMISSION STAFF REPORT (INFORMATION ITEM)

Ms. Carroll thanked Mr. Campbell for his report and asked the commission members if there were any questions on the staff reports.

Mr. Campbell directed attention to the projects that had been completed during the prior year, namely, the capital appreciation bonds dataset, the Survey of County Treasurer's Role in School District General Obligation Bond Financing, the report on cost of issuance, and CDIAC's examination of communities experiencing fiscal stress.

Ms. Rockwell asked whether CDIAC had specifically looked at San Bernardino, and Mr. Campbell indicated that it had not. Assembly Member Fox followed by asking about the types of requests and questions CDIAC receives. Mr. Campbell responded by saying that in some committee hearings in the Legislature, members are sometimes interested in knowing information specific to their districts and that data on capital appreciation bonds was a good example of the type of requests CDIAC receives.

Assembly Member Fox inquired about whether CDIAC looked into re-financed debt, interest rates, and payment schedules. Mr. Campbell replied that CDIAC did. Assembly Member Fox then followed by asking if CDIAC could provide information on specific issuers, and Mr. Campbell said that he could and that it is CDIAC's goal to eventually have the data readily available to policymakers and the public, but that right now this work is done upon request.

5. CONTRACT DELEGATION AUTHORITY (ACTION ITEM)

With regard to contract delegation authority, Mr. Campbell stated that Government Code Section 8857 authorizes the Commission to delegate to the executive director the authority to enter into contracts on its behalf. He pointed out that Resolution 12-01 authorized the executive director to sign contracts up to a total of \$1.1million, limiting individual contracts to \$300,000 and an inter-agency agreement for administrative services not to exceed \$450,000. Resolution 13-01 would maintain those same limits, but would increase total authorization from \$1.1million to \$1.2million, which reflects an increase in CDIAC's overall OE&E budget for 2013-14.

Assembly Member Fox asked what type of contract would require \$450,000 in signing authority, and Mr. Campbell pointed out that CDIAC receives all of its administrative services through an inter-agency agreement, the value of which is around \$450,000.

Assembly Member Fox then asked whether a co-signature was required. Mr. Campbell indicated that the resolution would provide him the authority to sign the necessary contracts and assured Assembly Member Fox that the entire contract process required a series of reviews and signatures, not exclusively that of CDIAC's executive director.

Senator Liu inquired about who CDIAC contracted with, to which Mr. Campbell replied that CDIAC had four outstanding contracts for personal services. CDIAC had contracted with California State University of Sacramento's Center for California Studies to coordinate academic research in municipal finance. 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. The last contract had been issued to update CDIAC's Debt Issuance Primer.

With that, Mr. Campbell recommended approval of Resolution 13-01, which would provide the executive director contract signature authority. Mr. Gordon moved for adoption of the resolution, and Senator Liu seconded. The resolution was unanimously approved.

6. CDIAC FEE SCHEDULE (INFORMATION ITEM)

Ms. Carroll stated that there were no changes to CDIAC's fee schedule and asked if there were any questions or public comment. Hearing none, Ms. Carroll declared the meeting adjourned.

The meeting was adjourned at 2:07pm.