

APPROVAL OF THE MINUTES FROM JUNE 6, 2012 MEETING

CDIAC Meeting Staff Report

MINUTES

CALIFORNIA DEBT AND INVESTMENT ADVISORY COMMISSION MEETING

June 6, 2012

1:30 PM

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

1. ROLL CALL

State Treasurer Bill Lockyer called the meeting to order at 1:35pm. Members present at the time included: Mr. Lockyer; Jennifer Rockwell, representative for Director of Finance Ana Matosantos; Alan Gordon, representative for State Controller John Chaing; and Assemblymember Henry Perea. After roll call was taken, Mr. Lockyer declared a quorum was present and thanked the legislative members for taking the time to attend the California Debt and Investment Advisory Commission (CDIAC) meeting.

2. APPROVAL OF THE MINUTES FROM JUNE 20, 2011 (ACTION ITEM)

Mr. Lockyer asked Mr. Campbell if he had anything to add to the minutes from the June 20, 2011 meeting. Mr. Campbell stated that the meeting minutes accurately reflect the activities of last year's meeting.

Mr. Gordon moved to adopt the minutes of the June 20, 2011 CDIAC meeting; Assemblymember Perea seconded the motion. Mr. Lockyer stated that the adoption of the minutes was complete.

3. EXECUTIVE DIRECTORS REPORT (INFORMATION ITEM)

Mr. Lockyer stated for the record that at 1:38 PM, Senator Carol Liu joined the Commission meeting.

Mr. Campbell presented the Executive Director's report for fiscal year (FY) 2012-13, commencing with CDIAC's Annual Budget which increased 2.9 percent over last year to just under \$3 million.

Mr. Campbell presented CDIAC's fund condition and explained that CDIAC generates revenue through fees paid on the debt issued by California public entities. Mr. Campbell noted that the projected FY 2012-13 fund balance of \$5.7 million, which includes a \$2 million loan to the State's General Fund, has been declining over the past few years. CDIAC projects FY 2012-13 fee revenue to be \$2 million, which would be an increase in revenue over the approximately \$1.7 million collected in FY 11-12. He noted that expenditures increased slightly due to costs

assigned to CDIAC by the Department of Finance for FI\$CAL and FSCU, the State Controller's Office 21st Century Project, and DPA's HRMod. CDIAC has 19 of its 20 authorized positions filled.

Mr. Lockyer asked about the duration of the loan to the General Fund. Mr. Campbell explained that the loan is scheduled to be repaid July 2013 and that CDIAC has the opportunity to call the loan if necessary with a thirty day notification.

Mr. Campbell discussed the activities of the three units in CDIAC: the Data Unit, the Education and Outreach Unit, and the Research Unit. In FY 2012-13, the Data Unit will focus on data collection and the CDIAC database. Staff continue to consider ways to enhance the database to reflect the expanded use of debt data for financial analyses, policy research, and comparing debt issuance across the state.

Mr. Campbell explained the enhanced data would enable CDIAC to look at the debt burden on municipalities and that CDIAC is considering the possibility of using a third party proprietary database to identify outstanding issuance.

Mr. Lockyer asked about the data the State Controller collects on cities. Mr. Campbell noted that the Controller's data is 18 months out of date. In addition, there are differences in the definition of debt. Lease debt, for example, may not be reported in the Controller's reports as it is in CDIAC's. He also noted that CDIAC faces the same challenges with Bloomberg data. The hope is that CDIAC will be able to develop a more comprehensive database that provides lifecycle reporting and interfaces with external data sources such as those through the Municipal Securities Rulemaking Board's EMMA system. Mr. Campbell added that a concept paper and recommended changes for the database would be presented to the Commission before the project is implemented.

Mr. Campbell next discussed the Education and Outreach Unit and efforts to expand outreach and collaboration with other public finance organizations, including *The Bond Buyer*, the California Municipal Treasurer's Association, and the California Society Municipal Finance Officers. For the first time, CDIAC is partnering with the Municipal Securities Rulemaking Board on an education and outreach program. In addition, CDIAC continues to build relationships with associations that represent school districts. CDIAC is also exploring ways to utilize *Twitter* and *LinkedIn* and other types of social media to communicate with market participants and public issuers.

Mr. Campbell discussed the Research Unit recognizing the areas of focus for this group as disclosure and development of a tool to identify municipal fiscal stress.

4. COMMISSION STAFF REPORT (INFORMATION ITEM)

Mr. Campbell presented the Staff Report, a retrospective view of CDIAC's activities. He referred Commissioners to the notes in the meeting packet rather than go through each of the items. Each report reflects volume of activity, productivity measures, and output. The Education Unit report breaks out seminar attendance in terms of subject matter and organizational affiliation. The Research Unit report includes specifics about the publications released in the year.

Ms. Liu asked if CDIAC had any interaction with FCMAT, the fiscal committee that assists school districts. Mr. Campbell indicated that CDIAC had not had any direct interaction with representatives of FCMAT.

Mr. Lockyer inquired if FCMAT was talking about early fiscal stress warnings among school districts. Mr. Campbell answered that he did not know.

Ms. Liu hoped that CDIAC could gather a better, bigger picture about what goes on, not only with school districts but with municipalities that are under stress. Mr. Campbell would welcome that opportunity.

Mr. Lockyer added that CDIAC should consider fiscal stress monitoring for further discussion on whether it's something CDIAC ought to be doing. Mr. Campbell replied that CDIAC absolutely wants to be a data resource and is open to discussions of how CDIAC could assist in the analysis. CDIAC is not trained to provide financial advisory services, but certainly has useful information relative to the subject.

5. CONTRACT DELEGATION AUTHORITY (ACTION ITEM)

Mr. Campbell presented Item 5, Contract Delegation to request from the Commission their authority to enter into contracts on the Commission's behalf. The request allows the Executive Director to engage not only in routine purchase and service orders, but contract engagements for such things as the debt primer update and some additional contract services that are under the specific contract delegation provisions. Resolution 12-01 would authorize the Executive Director to enter into contracts not to exceed, in total, a specified threshold. The threshold is \$1.1 million. It recognizes past expenditures including seven hundred thousand dollars of general administrative expenses and a total of three to four hundred thousand dollars for service contracts. The \$1.1 million is the difference between total planned expenditures and the budget for personnel cost.

Mr. Lockyer asked if the delegation request was essentially the same as prior years. Mr. Campbell clarified that the delegation authority did drop from \$1.5 million to \$1.1 million to reflect the fact that the prior \$1.5 million authorization included a response to proposed legislation that would have caused CDIAC to spend an additional four hundred thousand dollars - the bill did not pass, however.

Mr. Gordon moved to approve Resolution 12-01. Assemblymember Perea seconded the motion. The resolution was approved by the Commission.

6. CDIAC FEE SCHEDULE (INFORMATION ITEM)

Mr. Campbell presented information on CDIAC's fee structure. In 2010, the Commission approved resolution 10-03 which set the fee schedule at its current level and kept the fee schedule in place unless the Commission made the decision to amend it. This is not an action item. It is simply an information item that recommends the existing fee schedule be kept in place. Further, it recognizes that CDIAC's fund surplus is eroding slowly and that there may be

a time in the future when staff may ask for an amendment of CDIAC's fee schedule. He added that given the current rate of erosion staff expects to have 3 to 5 years of fund surplus.

Mr. Lockyer asked if there were any questions from the Commissioners or from anyone in the audience. Hearing none, Mr. Lockyer adjourned the meeting.

The meeting was adjourned at 2:01pm.