



AGENDA ITEM 2 (ACTION ITEM)

APPROVAL OF MINUTES FROM JUNE 23, 2022 MEETING

Minutes

California Debt and Investment
Advisory Commission Meeting
June 23, 2022, 1:00 PM

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

ITEM 1. ROLL CALL

State Treasurer Fiona Ma called the meeting to order at 1:02 p.m.

Present at the meeting for roll call were State Treasurer Fiona Ma; Thomas Todd, Program Budget Manager, Department Finance, representative for Governor Gavin Newsom; Lynn Paquin, Deputy State Controller, representative for State Controller Betty Yee; Cottie Petrie-Norris, Assemblymember, and Sandie Arnott, Treasurer-Tax Collector, San Mateo County.

Steven Bradford, Senator and Patricia Bates, Senator were both absent.

Treasurer Ma declared a quorum.

Sabrina Cervantes, Assemblymember joined the meeting at 1:11 p.m.

Mr. Todd, Ms. Paquin, and Assemblymember Cervantes participated remotely from teleconferencing locations pursuant to Executive Order N-29-20, Paragraph 3.¹

There were no members of the public present.

¹ State of California, Executive Department, [Executive Order N-29-20](#), March 17, 2020.

ITEM 2: APPROVAL OF THE MINUTES FROM
JUNE 17, 2021 (ACTION ITEM)

Treasurer Ma moved to the first order of business, Item 2, approval of minutes from the June 17th, 2021, meeting. Commissioner Arnott identified a sentence that was not clear in the meeting materials. Mr. Berry clarified that the sentence should read as follows: *CDIAC continued its longstanding research tradition with the publishing of its recurring publications, including the Local Agency Investment Guidelines, K-14 Voter-Approved General Obligation Bonds Authorized but Unissued report, as well as, meeting its statutory requirements to produce Debt Line, CDIAC's monthly newsletter.*

Assemblymember Petrie-Norris made a motion to approve the minutes as presented with clarification from staff. Commissioner Arnott seconded the motion. Treasurer Ma asked the members of the public for their comment, seeing none, the roll was called. The minutes to June 17, 2021, meeting were approved.

APPROVAL OF JUNE 17, 2021 MINUTES

	AYE	NAY	ABSENT	ABSTAIN
STATE TREASURER MA	X			
THOMAS TODD FOR GOVERNOR NEWSOM	X			
LYNN PAQUIN FOR STATE CONTROLLER YEE	X			
ASSEMBLYMEMBER CERVANTES			X	
ASSEMBLYMEMBER PETRIE-NORRIS	X			
SENATOR BATES			X	
SENATOR BRADFORD			X	
SANDIE ARNOTT	X			

Treasurer Ma introduced the next agenda item, Item 3. Executive Director's Report presented by Robert Berry.

ITEM 3. EXECUTIVE DIRECTOR'S REPORT
(INFORMATION ITEM)

Executive Director Berry began with a high-level review of CDIAC's budget and accomplishments for the year ending June 30 and strategy for Fiscal Year (FY) 2022-23. CDIAC's proposed budget for FY 2022-23 is \$4,081,000, a small increase of \$33,000 from FY 2021-22. Total budget authority includes \$180,000 of reimbursement authority, which

means that CDIAC can spend up to \$3,901,000 in baseline expenditure authority, with an additional \$180,000 of reimbursement authority to capture registration fees to reimburse food and beverage costs for educational programs. CDIAC has also received reimbursement more recently from SEIU 1000 for a staff member who is on union leave. CDIAC is authorized for 21 full-time positions and a student assistant. As of today, CDIAC has four vacancies with another expected before the end of the year because of a scheduled retirement. Treasurer Ma inquired if CDIAC has filled the student assistant role and Mr. Berry replied that the role had not yet been filled.

Mr. Berry reported that after last year's 10-year high in fee revenue, revenues are expected to decline 6% as long-term debt issuance in the second half of the year dropped due to economic uncertainty and a rise in interest rates. The decrease in issuance activity is expected to continue as economic conditions for long-term debt issuance have worsened. CDIAC's fund balance projections include a 2% decrease in fee revenue, but Mr. Berry warned we could see a steeper decline. Expenditures for the fiscal year are expected to come in at about \$3.7 million, approximately a 10% increase from last fiscal year. This is largely due to the restoration of full salaries in July of 2021 after the personal leave program of 2020. Next fiscal year, CDIAC expects to see expenditures increase by another 10% over this year, which is largely dependent upon CDIAC's ability to fill vacancies. CDIAC's fund balance remains very strong even with revenues trending lower, and is expected to grow by about 5% this year. If projections hold over the next fiscal year, the fund balance should tick up slightly as well. Commissioner Arnott commented that she thought Mr. Berry did an excellent job with curbing the increase to the budget from 6% last year to 0.5%. "That's a perfect job. Thank you."

Treasurer Ma noted for the record that Assemblymember Cervantes joined the meeting (1:11 PM).

Next, Mr. Berry provided an overview of CDIAC's accomplishments for FY 2021-22. CDIAC's main responsibility is to collect comprehensive information on all debt authorization and issuance in the state. It is what generates CDIAC's revenues and is considered to be the most important function of the organization. By the end of this fiscal year, CDIAC's data team will have processed over 16,000 reports, an 11% increase over last year. Annual Mello and Marks-Roos yearly fiscal status filing increased by 5% and 7%, respectively, and annual debt transparency reporting surpassed 7,000 reports this year, which was a 40% increase over the previous fiscal year. CDIAC expects the annual debt transparency reporting to grow by double digits for the foreseeable future. Mr. Berry noted that the growth of the annual reporting requirement is really the greatest risk to CDIAC's operations.

Mr. Berry discussed CDIAC's progress with its ambitious, multi-phase project to rebuild CDIAC's debt database from end to end. The project entails rebuilding the filing interface that is used by approximately 4,000 public finance constituents across the state. Constituents send CDIAC their debt information through the interface to the internal database, and CDIAC then publishes the data to the public through a website called DebtWatch. The CDIAC Data Portal was launched on Monday, June 20, 2022. The launch of CDIAC's new Data Portal was the culmination of Phase 1, the new internal and external user interface and cloud-based database. Mr. Berry remarked that this was an incredible accomplishment for the organization and the CDIAC team. "The features of this system are now fully cloud-based and secure. We've created personalized dashboards for users to track all their current and future workloads, statutory deadlines, and reporting obligations. We created an intuitive reporting interface with embedded guides and instructions, reference data throughout to help filers that do multiple reports, and the ability for issuers and their delegates to securely manage their own data. Lastly, validation components and processing efficiencies in combination with enlisting users to manage their own data will position us to handle all the future expected growth. The CDIAC Data Portal is reportedly one of the first proprietary database applications developed and hosted entirely in the cloud in state government, and it has created a technological foundation for other advancements here in the Treasurer's office, so we're very proud of it."

Mr. Berry continued with an overview of CDIAC educational programming in FY 2021-22. "CDIAC's education program was hampered this fall and winter by the COVID surges, but we successfully converted to online programming. First was CDIAC's 20th Pre-Conference to *The Bond Buyer* California Public Finance Conference in October. We assembled local housing officials, housing policy advocates, public finance officials, and developers for a three-hour program focused on the public finance opportunities and obstacles for overcoming the challenges of the housing crisis. The program featured legislative analyst Gabe Petek, Senator Robert Hertzberg, and State Treasurer Fiona Ma. Our objective was to expose issuers to ways in which they could impact housing through existing public finance tools, approaches, and strategic planning. Then over a four-week span in February and March, we presented our intermediate and advanced investments program. What was to be a full two-day in-person program was converted to eight 90-minute webinars. We covered topics ranging from portfolio liquidity to risk management, investment analysis, and forecast interpretation. Each webinar drew about 130 participants, which was about three times what we expected at our planned in-person event.

Mr. Berry continued with accomplishments that CDIAC had made in developing on-demand educational content. "In addition to our live

online programs, CDIAC made great progress in building on-demand training assets to supplement our in-person programs. In October, Treasurer Ma announced the launch of CDIAC's new Education Portal (Ed Portal), which is a password-protected, self-directed, smart-learning environment through which we can deliver our previously aired webinars and content that has been specifically designed as e-learning modules. The Ed Portal now houses over 35 different courses, over 40 hours of content, and has about 200 registered users. Included among the courses are our Elect>Ed modules on debt issuance and administration. We used the occasion of the Ed Portal launch back in October to also announce and launch the first four Elect>Ed modules on debt issuance designed specifically for elected officials. In total, the modules add up to about 90 minutes of content. We've completed Module 4, *Using Debt Policies to Manage Risk*, and are in production for Module 5, which is called *It Takes a Team, the Role of External Professionals in a Successful Issuance*. We also just completed and released to the Ed Portal a complement to our Elect>Ed debt issuance curriculum called *Pension Fundamentals for Elected Officials*. This two-module, 60-minute on-demand electronic training program was developed in-house through the creative and technical talents of our education team."

A 5-minute trailer of CDIAC's pension program along with a short demo of the Ed Portal was played for the Commissioners.

Mr. Berry also discussed research accomplishments over the past year, which included the *2022 K-14 Voter-Approved General Obligation Bonds Authorized by Unissued* report. This report is produced every year and tracks all the K-14 authorization in California since 2001. This year's report found that about \$50 billion of unissued voter-authorized K-14 authorization is currently unissued. Mr. Berry went on to discuss the origination and context for the report: "This is a project that we engaged in several years ago to help inform policy makers about the availability of school finance opportunity at the local level."

Staff from CDIAC's Research Unit also reviewed cannabis-related tax measures across the state since legalization in 2015. Staff inventoried all the cannabis tax measures and included a discussion of the different taxation approaches to help people understand the landscape of cannabis taxation in California.

Mr. Berry continued his description of Research Unit accomplishments for the year, including trend analysis, research articles, important dates from regulatory agencies, and announcements of our educational programming published monthly in CDIAC's *Debt Line* newsletter.

Treasurer Ma thanked Mr. Berry for his presentation and commented on how these resources would have been helpful to her when she was first

elected as a public official for the San Francisco Board of Supervisors. She also noted that she wanted others to know that CDIAC can be a useful resource for education, research, and data related to public finance.

Commissioner Arnott asked Mr. Berry about the \$50 billion outstanding in authorized K-14 bond authorization: Is there an expiration date to that? Or they just sit out there forever?” Mr. Berry replied that the authority does not expire; it continues to be active after voter approval until it is issued. Commissioner Arnott continued she was not aware of that. She added that she was pleased by the educational opportunities offered by CDIAC: “I’m obviously very, very proud of the debt issue modules and they have been received very, very well, so thank you and your staff for all the work on that.”

Treasure Ma thanked Commissioner Arnott for her active participation, input, and guidance on many of CDIAC’s working groups.

Commissioner Arnott stated that the more education you can get out there, the better, because many elected officials are still developing technical knowledge and expertise related to public finance. She reiterated that the content of CDIAC resources was very useful and timely, and she expressed gratitude to CDIAC staff for all of their efforts in producing the new content.

Assemblymember Petrie-Norris commented that, being the newest member of the commission, she appreciated the review of CDIAC.

Mr. Berry continued with the highlights of CDIAC’s FY 2022-23 Strategic Plan. “While the pandemic continued to impact our operations and sidetrack some of our plans, we did set down a strong foundation that will provide a springboard for this coming year. Our first major strategic initiative is focused on the Data Portal. As I mentioned, it is a very important project and relates to the cornerstone of our organization. The CDIAC Data Portal, which is Phase 1 of what we call the End-to-End Project, has now been deployed. Now, we’re moving into Phase 1.1, which is more or less a stabilization phase, in which we are onboarding users, developing training, building out our policies and procedures, and correcting errors and problems that inevitably occur in these types of transitions. We’re already scoping enhancements to the Data Portal to bring about additional efficiencies. We want to institute a culture of continuous improvement and enhancement from the system. Phase 2 of the project will fully consolidate CDIAC’s data collection and reporting systems into a single cloud-based application. It will consolidate the online reporting interface and the database, which I’ve already mentioned as Phase 1, and then the next generation of Debt Watch, which is our system that we use to provide information to the public. That will be called Debt Watch 2.0. The objectives of Phase 2 are to improve access and util-

ity of the information, and provide issuers with a clear understanding of how their information is portrayed to the public and thereby give them a vested interest in maintaining their own information, which is something they have never been able to do until this point. At the end of the calendar year, we are going to evaluate our progress towards stabilization of the Data Portal and determine if we should move forward with Phase 2. When we get to that point, we will seek an external application design firm to help us with that project.”

Mr. Berry continued with CDIAC’s educational priorities for the coming year: “On the education side, we’re focused in two areas next year: One is a full return to in-person programming and, two, building up our on-demand programs. We are preparing for five in-person programs next fiscal year, so we’re going from zero to five. Our 21st Pre-Conference to *The Bond Buyer* Public Finance Conference will be in September in Los Angeles. We have our three-day *Municipal Debt Essentials* program in Monterey in September, which is our popular and well-received fundamentals program. Our two-day *Land-Secured Financing* program will be in Pomona in November, and our newly designed two-day Public Investments workshop-style program will be in January. Finally, a two-day *Municipal Market Disclosure* program that we are planning for Folsom will take place next spring. In addition, we intend to build upon the foundation of our Education Portal by adding to our e-learning options. We want to develop an annual disclosure training module for infrequent issuers or small-to-medium size agencies that may find it impractical to bring in external expertise, but yet recognize the need for disclosure training across their agency. We’re also working very hard to build out the rest of our Elect>Ed modules on debt issuance and administration. Module 5, *It Takes a Team, the Role of External Professionals in a Successful Issuance*, is in development right now. We’re targeting a release in August, and then we’re planning to complete a new module every four to five months. We are scripting the remaining modules as well right now.

Mr. Berry continued by discussing the plans for CDIAC’s Research Unit over the coming year: “On the research side, we’re intending to integrate our research work more closely with education to support our topical webinar programming, articles and guidance on topics such as cybersecurity, climate disclosure, blockchain, and leasing. Those are all areas in which we’d like to integrate research with educational programming. We really need to scope a revision of our investment primer, which is from 2009. We’re looking to update the material, reformat, and reorganize it similar to how we did with the CDIAC *Debt Financing Guide*. We also heard from our land-secured financing community that current Mello-Roos structures are not always supported by CDIAC’s previously reported appraisal standards for land-secured financing, which were last updated in 2004. Most agencies incorporate CDIAC’s appraisal stan-

dards in their policies locally, so we plan to work with an external team of experts to evaluate and scope a revision of the appraisal standards as well as a plan for the rest of the project. We are also in the midst of producing a three-part series about lease financing in California. Lease financing has substantially changed since the 1980s and 1990s when it was primarily used as a school facility finance tool. Now, it's more broadly used as a local general fund financing mechanism. Recognizing these changes, we are building a content series. The first volume is focused on the legal foundations for lease financing. We are in the final stages of that report and we plan to publish it later this summer. The next report will cover common structures and some of the market implications of lease financing, and the final report will focus on guidance and best practices meant to help issuers navigate lease financing prudently.”

Mr. Berry also discussed that CDIAC will continue to work on enhancing its brand and developing its integrated communication strategy. CDIAC recently celebrated its 40th year of operation with the creation of a commemorative 40-year logo along with social media activity, and newsletter articles about CDIAC reaching this milestone. The organization also plans to deploy the new branding across its multiple technology platforms, including the Ed Portal and the new Data Portal. CDIAC debuted its new logo at the Commission Meeting.

Mr. Berry took the opportunity to thank all of the members of CDIAC team for their hard work over the past year and that he was proud of everything that the team had achieved. He noted that it had been a very challenging year for a number of reasons, and that the team had still managed to tally up some great accomplishments.

Treasurer Ma inquired about the new logo and wanted to know about the colors and the overlap. Mr. Berry explained that there's some thematic things there as well as some utility rationale: “Starting with the three main units within CDIAC: our data operations, our research operations, and our education program; that represents three unique shapes coming together with CDIAC being the focus, in the middle. It also is kind of an homage to the past. That blue that you see in that bottom figure is CDIAC blue. We've been using that very same color of blue for about 20 years. So, we're saluting our past as well. And then, the new color is kind of a salute to the future.”

Treasurer Ma also asked since we are returning to offering in-person educational content, if CDIAC could also let the board members know the dates and the locations and the topics in case some members would like to come to make remarks welcoming the participants when possible.

Mr. Berry replied that we would appreciate any involvement from our commissioners in any of our in-person or online programs. He also clari-

fied that we do charge fees for attendance as we have to cover food and beverage costs.

Treasurer Ma emphasized that CDIAC does the Pre-Conference to *The Bond Buyer* Conference and that commissioners could join them at either event.

Commissioner Arnott commended Mr. Berry and his team for: “A excellent and very informative report.” Commissioner Arnott continued that she was impressed seeing all of the projects that were completed despite the pandemic. “I think these projects have been well done, well received, and very, very successful. So, thank you very much for the work of you and your team.”

ITEM 4. COMMISSION STAFF REPORT (INFORMATION ITEM)

Mr. Berry stated that agenda Item 4, Commission Staff Report, is a detailed description of CDIAC’s operations during Fiscal Year 2021-22 and a high-level summary of these accomplishments were provided during the presentation of agenda Item 3, Executive Director’s Report. In consideration of the Commissioners’ time, he notified the commission that the report is included in their meeting package, and then offered to address any questions about the report.

ITEM 5. AMEND CONTRACT DELEGATION AUTHORITY FY 2022-23 (ACTION ITEM)

Treasurer Ma moved to the next item, Item Number 5, Contract Delegation Authority for Fiscal Year 2022-23, and looked to Mr. Berry for the report.

Mr. Berry stated that Government Code Section 8857 authorizes the Commission to delegate to the Executive Director the authority to enter into contracts on its behalf. The Commission has considered most of CDIAC operating expenses, equipment, OE&E expenditures to fall under this broader contract category, and are therefore relevant to the context of the Executive Director’s contract authority. On June 17, 2021, the Commission approved Resolution 21-01, which authorized the Executive Director to enter into contracts and interagency agreements in the fiscal year with the following limitations: a cumulative contract authority not to exceed \$1.8 million, a single contract authority not to exceed \$300,000 not including the interagency agreement, administrative services agreement with the State Treasurer’s Office, which shall not exceed \$425,000. In addition, the resolution requires the Executive Director to report on all the contracts approved pursuant to the resolution. The list of the contracts is provided in the report for this item. Resolution 22-01 requests delegation of contract authority to the Executive Director

for Fiscal Year 22-23, with the following limitations: cumulative contract authority shall not exceed \$1.8 million, and any single contract shall not exceed \$400,000 (not including the interagency administrative services agreement with the Treasurer’s Office, which shall not exceed \$425,000). The cumulative contract authority request is in the resolution, which will accommodate all of the OE&E expenditures expected for the next fiscal year as it has in the current year. This single contract request is an increase from last year’s resolution by \$100,000 to accommodate a potential contract for the Phase 2 of the end-to-end database project, which would consist of a rebuild of the DebtWatch system. The inter-agency agreement limitation of \$425,000 is based upon estimates from the Treasurer’s Office Administrative Division and the IT Division. The staff recommended approval of the delegation of the contract authority as specified in Resolution 22-01.

Treasurer Ma thanked Mr. Berry and asked if there were any questions.

Commissioner Arnott moved to approved Resolution 22-01 and Assemblymember Petrie-Norris seconded the recommendation.

APPROVAL OF CONTRACT DELEGATION AUTHORITY
RESOLUTION 22-01

	AYE	NAY	ABSENT	ABSTAIN
STATE TREASURER MA	X			
THOMAS TODD FOR GOVERNOR NEWSOM	X			
LYNN PAQUIN FOR STATE CONTROLLER YEE	X			
ASSEMBLYMEMBER CERVANTES			X	
ASSEMBLYMEMBER PETRIE-NORRIS	X			
SENATOR BATES			X	
SENATOR BRADFORD			X	
SANDIE ARNOTT	X			

Assemblymember Cervantes did not respond to the roll call for approval of the minutes and no longer appeared on the online meeting screen.

Treasurer Ma stated that the resolution passes and moved to the next item, Item Number 6, General Public Comment.

ITEM 6. PUBLIC COMMENT

Treasurer Ma then opened the meeting up for public comment. Hearing and seeing none, she thanked everyone for their attendance.

ITEM 7. ADJOURNMENT

The meeting was adjourned at 1:47 p.m.