



## AGENDA ITEM 2 (ACTION ITEM)

### APPROVAL OF MINUTES FROM JUNE 22, 2023, MEETING

#### Minutes

California Debt and Investment  
Advisory Commission Meeting  
June 22, 2023, 11:00 AM

Bonderson State Office Building  
901 P Street, Room 102  
Sacramento, CA 95814

#### ITEM 1. ROLL CALL

Deputy Treasurer Juan Fernandez called the meeting to order at 11:00 AM.

Present at the meeting were Deputy Treasurer Juan Fernandez, representative for California State Treasurer Fiona Ma; Thomas Todd, Program Budget Manager, Department of Finance, representative for Governor Gavin Newsom; Deputy State Controller Dave Oppenheim, representative for State Controller Malia Cohen; Sandy Arnott, Treasurer-Tax Collector for the County of San Mateo, and Nikolai Sklaroff, Capital Finance Director for the San Francisco Public Utilities Commission.

Assemblymember David Alvarez and Assemblymember Avelino Valencia were absent. Deputy Treasurer Fernandez declared a quorum.

#### ITEM 2: APPROVAL OF THE MINUTES FROM JUNE 23, 2022 (ACTION ITEM)

Deputy Treasurer Fernandez moved to the first order of business: Item 2, approval of minutes from the June 23, 2022, meeting. Deputy Treasurer Fernandez made a motion to approve the minutes as presented and asked the members of the public for their comment. Seeing none, the Secretary called the roll.

APPROVAL OF JUNE 23, 2022 MINUTES

	AYE	NAY	ABSENT	ABSTAIN
THOMAS TODD	X			
DEPUTY STATE CONTROLLER DAVID OPPENHEIM				X
ASSEMBLYMEMBER DAVID ALVAREZ			X	
ASSEMBLYMEMBER AVELINO VALENCIA			X	
TREASURER SANDIE ARNOTT	X			
NIKOLAI SKLAROFF	X			
DEPUTY TREASURER JUAN FERNANDEZ	X			

Mr. Fernandez asked CDIAC’s Executive Director, Robert Berry, to present Information Item 3 on the agenda. Mr. Berry was joined by CDIAC Deputy Executive Director Angel Hernandez.

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

Mr. Berry began with a brief overview of CDIAC’s budget to provide a high-level review of CDIAC’S accomplishments for fiscal year 2022–23, followed by planning for fiscal year 2023–24.

CDIAC’s total budget for fiscal year 2023–24 proposed in the May Revision is \$4,215,000. This represents a small decrease from the previous year’s enacted budget authority when accounting for mid-year adjustments to the prior year’s authority. CDIAC’s total appropriation includes \$180,000 of reimbursement authority. That means that CDIAC can spend up to \$4,035,000. CDIAC can also spend each additional dollar reimbursement that is generated up to \$180,000. Reimbursements are derived from registration fees for CDIAC’s in-person education programs that reimburse for the cost of food and beverage as well as facilities and equipment.

Mr. Berry then presented details of the budget proposal. He started by comparing FY 2023–24 authority to prior years. CDIAC is authorized for 21 full-time positions and a student assistant. As of the 2023 commission meeting, CDIAC had five vacancies.

Mr. Berry then delved into the fund condition. He mentioned that revenues, economic uncertainty, and actions of the Federal Reserve to increase interest rates have caused a large decrease in long-term debt issuance activity from last year and have resulted in a significant reduc-

tion in CDIAC issuance fee revenue. Last year, CDIAC predicted a small 2% decrease in fee revenue but cautioned that it could be substantially larger. CDIAC experienced a 21% revenue decline for fiscal year 2022–23. CDIAC expects to see a continued decrease in fee revenue as economic conditions for long-term debt issuance have not improved and are not expected to improve in the near term. CDIAC projects a 4% decrease in fee revenue for fiscal year 2023–24. CDIAC's current fiscal year expenditures are expected to come in at about \$3.95 million, approximately a 15% increase from last fiscal year. This was largely due to costs incurred from our return to in-person educational programming as well as a one-time investment in the next phase of CDIAC's database enhancement project.

In the next fiscal year, CDIAC projects expenditures of about \$3.85 million, which is slightly less than the current year, even with CDIAC's intent to fill several vacancies, Mr. Berry felt confident that CDIAC's expenditures and projections for expenditures in the coming fiscal year are solid. CDIAC's fund balance is strong on a historical basis, mainly due to the large increase in debt issuance in prior fiscal years. However, CDIAC's fund balance is expected to decrease by about 9% this year. Given the 21% revenue decline, CDIAC projects a further reduction in the fund balance in FY 2023–24 by about 12%.

Mr. Berry continued showing a comparison of revenues, expenditures, and the fund balance across the fiscal years. At this point, Mr. Berry paused to see if there were any questions about CDIAC's budget or fund condition.

Treasurer Arnott pointed out that last year's expenditures were originally projected at \$3.7M but totaled \$3.95M. Treasurer Arnott questioned how realistic the \$3.85M projection was. Mr. Berry replied that the projection was thought to be realistic. He elaborated on the encumbered funds for the second phase of CDIAC's big database project and how that one-time cost is not expected to be applied in future years. Treasurer Arnott then questioned about the decline in the fund balance. Mr. Berry agreed that the decline in the fund balance was a concern. He replied that the way CDIAC controls that fund balance is to monitor spending through the course of the year. CDIAC is at a trough in terms of debt issuance in California and therefore a low point in fee revenue, but that is expected to normalize in future years. The fund balance is high on a historical basis; it has been as low as \$4 million during Mr. Berry's tenure. The fund balance surged in fiscal year 2021–22 and the prior year, based on the debt issuance and fee revenue generated at that time; however, it is still a strong balance and expenditures can be controlled during the year. Treasurer Arnott commended Mr. Berry's effort to keep the expenditures down.

Mr. Berry continued with the efforts of the Data Collection & Analysis Unit. He provided a brief overview of CDIAC's operational accomplishments during the fiscal year and talked about the planning for next fiscal year. He reiterated CDIAC's responsibility to collect comprehensive information on all state and local debt authorization and issuance until fully repaid. CDIAC serves as a clearinghouse for that information. Last year, Mr. Berry reported that CDIAC had completed the first phase of the end-to-end database project with the development of the new Data Portal, which is the first cloud-based database application in the Treasurer's Office. This year, CDIAC fully deployed that system and onboarded more than 7,500 users. CDIAC adopted new procedures and successfully processed 16,000 data submissions of all varieties during the year. All the data that came in during the year came through the new Data Portal. Mr. Berry reported that it works and that CDIAC's constituents have been happy with the major improvement in the user experience. Consistent with his previous discussion of the 21% revenue decline, debt issuance submissions are expected to decrease by 35% for the year. Mello- and Marks-Roos are the annual report submissions for those specific types of debt and are relatively stable from year to year. The Annual Debt Transparency Reports (ADTRs) are the annual filings required of all outstanding debt issues; the increase in these reports more than made up for the decline in issuance submissions. This year had a 22% increase in ADTR submissions. The annual growth in the Annual Debt Transparency Reports is expected to continue. However, the Data Portal has now positioned CDIAC to accommodate the growth in reporting. CDIAC also deployed a batch processing application, which will allow filers to upload their ADTR data for multiple issues in a single reporting session with dozens or even hundreds of reports at once. This is expected to drastically reduce the administrative burden on CDIAC's constituents and increase compliance.

Mr. Berry proceeded by presenting on CDIAC's Education Unit's efforts. The 2022–23 fiscal year marked a return to CDIAC's in-person programming after the COVID hiatus. CDIAC returned with the most ambitious programming schedule in many years. CDIAC had five separate programs held over seven months, which featured 70 different expert presenters and reached 674 attendees. He highlighted CDIAC's 21<sup>st</sup> Pre-conference program at the California Public Finance Conference sponsored by The Bond Buyer. CDIAC produced its three-day flagship education program of Debt Essentials in Seaside in September. The program covers all the fundamentals of debt financing, planning, preparing, and issuing debt through post-issuance administration. Just before the holidays, CDIAC produced its Fundamentals of Land Secured Financing program in Pomona. This is a daylong immersion in CFDs and assessment district financing from district formation through post-issuance administration. After the new year, CDIAC produced and executed an investment education program and a workshop in Montebello. This was

a newly developed program that focused on the application of different cashflow methods, asset-liability matching, and duration-optimization strategies for the investment of surplus public funds. In the spring, CDIAC produced the Municipal Market Disclosure program. This was a two-day program in Folsom that focused on fundamental disclosure laws and practices on day one. On day two, some of the emerging topics around labeled debt, cyber risk, and climate change disclosure were covered. This program had presenters from the SEC, the MSRB, and CDIAC Commissioner Sklaroff. In addition to in-person programs, CDIAC completed two on-demand modules in the Elect>Ed series on debt issuance and administration. The new modules were released to the Education Portal, CDIAC's Learning Management System, which now has 37 debt and investment courses with nearly 500 registered users. This is the debt education that is targeted directly to elected officials. Mr. Berry thanked Treasurer Arnott for her guidance on the Elect>Ed project, as she has been a long-standing member of the project steering committee.

Mr. Berry continued by discussing CDIAC's Research Unit accomplishments. CDIAC published its annual update to the K-14 Authorized but Unissued series, which identified \$66 billion of unissued local G.O. authorization among K-14 districts. For CDIAC's new Lease Financing series, CDIAC published the first two volumes in a three-part series on lease financing in California. The first volume is a discussion of the foundational legal construct upon which all California lease financing is built. The second publication focuses on the practical application of lease financing and covers key decision points that agencies need to make in the use of lease financing.

Mr. Berry then detailed the planning highlights for FY 2023–24. CDIAC is preparing to kick off phase two of the database enhancement project, which would be the replacement of the Debt Watch system with the next generation of data distribution called Debt Watch 2.0. CDIAC will have data collection, a database, and data distribution within a fully integrated single cloud-based application, whereas before there were three applications, in which data collected with one, was stored with the other, and data was distributed to the public with the third. The main objective of this project is to build a user interface that is based on utility and accessibility. CDIAC intends to automate visualizations and tabular reports that to date have been done manually. The integration of the distribution system into the Data Portal allows us to publish data upon review in near real time. By making the data more visible, CDIAC is hoping to enhance the partnership with its constituents on data maintenance.

In the area of Education, CDIAC has several webinars planned for this fall and winter. First, a two-session program on the strategies for pension

liability management. This is a more detailed coverage of the topic from CDIAC's on-demand pension modules for elected officials. CDIAC is planning a webinar on the expectations of investors for the measurement and disclosure of the impacts of green bond financing. CDIAC is planning to leverage its research work in lease financing with a two-session webinar on the fundamentals of lease financing, including the practices and guidance that are derived from our series on the subject. CDIAC is also currently preparing for three in-person programs. *The Bond Buyer* California Public Finance Conference will be devoted to talking about strategies for managing borrowing costs in current market conditions. In February, CDIAC will host an investment fundamentals program, and, in the spring of 2024, CDIAC intends to produce an advanced land-secured program that will cover the broader application of development finance tools, innovation, and land-secured financing structures. In terms of education delivery, CDIAC intends to build upon the foundation of our Education Portal and the e-learning development experience to build new learning opportunities. CDIAC intends to complete the Elect>Ed series on debt issuance and administration. Module seven, which is titled: *The Commitments You Make, Implications and Documentation of Long-Term Debt* is under production now and will be released this fall. Module eight will focus on post-issuance administration, and is expected to be completed in early 2024, if not before. CDIAC plans to create opportunities where its current courseware and webinar content can be better integrated with in-person programming using a hybrid training approach. This includes enhancing current webinar assets with some of the e-learning features and the creation of new on-demand assets. Two topics under consideration for this new model are fundamental disclosure and investment reporting to local oversight boards.

In the area of research and guidance, CDIAC plans to produce its long-standing recurring publications, including the *Debt Line* newsletter and the annual *Local Agency Investment Guidelines*. CDIAC will also look for opportunities to integrate its research projects into its educational programs to enhance the quality and reach of its information and guidance. Prime examples of this work include products created related to socially responsible investing, climate disclosure, and now lease financing. CDIAC expects to publish the final volume of the lease financing series, which will present guidance to issuers on the use of lease financing based on the legal foundations, practical approaches, and market preferences that were covered in the first two volumes. Lastly, CDIAC continues to deliver on its value proposition by enhancing the delivery of timely, useful, and accurate data, information, and guidance. In addition to emphasis on database enhancement, CDIAC is also planning on enhancing our website to improve the ease of access for the Education Portal. CDIAC has also invested in the continued use of creative communication and media tools.

Before concluding, Mr. Berry took the opportunity to thank the entire CDIAC team for all of their hard work over the past year. He pointed out that they had to handle a great deal of change over the past year, but each person had risen to the occasion and made huge contributions to the collective success of the organization. At this point, he opened the floor to questions.

Deputy Treasurer Fernandez thanked Mr. Berry for the presentation. He said that since he joined the Treasurer's Office almost eight months ago, it has been a privilege to work closely with Mr. Berry and his team. Deputy Treasurer Fernandez said that he was impressed by the high quality and the meaningful nature of the work and the training programs that Mr. Berry and his team had implemented at CDIAC, and he congratulated the entire team.

Deputy Treasurer Fernandez then proceeded to ask if there were any comments or questions from the Commission. Commissioner Sklaroff mentioned that Mr. Berry's budget summary was impressive given that CDIAC continues to host so many events. Commissioner Sklaroff was also pleased that two members of the Commission staff were able to attend the Government Finance Officers Association (GFOA) conference in Portland and were able to report to the national GFOA Debt Committee about CDIAC's activities. This Committee represented issuers around the country including state issuers and local issuers. He added that no other state has resources to this extent.

Next, Treasurer Arnott thanked Mr. Berry and his team for a great job done. Treasurer Arnott felt that the accomplishments were commendable, and they certainly improved and strengthened the value of CDIAC to finance officers across the United States. She thought that the FY 2023–24 plan was very ambitious, but she felt that with Mr. Berry at the helm, she anticipated that those goals would be accomplished. Finally, she raised a concern about vacancies – since CDIAC had ended the prior year with a lot of vacancies, and CDIAC continues to have a similar number of vacancies. She questioned if this was related to people working from home due to the pandemic or if CDIAC was experiencing recruiting problems. Mr. Berry responded that it was a little of both; the work-from-home issue has been a challenge and CDIAC also did a bit of movement within the organization. While CDIAC filled five positions, people were moved from other positions within the organization. Some of the critical spots that CDIAC is filling are in administrative support. Mr. Berry concluded by reiterating that recruiting talent was a key focus of his team. Treasurer Arnott thanked Mr. Berry for his response and efforts.

Deputy State Controller Oppenheim then took the opportunity to commend the work of CDIAC. He said on behalf of the State Controller, he would absolutely agree with the comments of his fellow commissioners.

He pointed out that the depth of knowledge, the research, and the institutional background that CDIAC produced gives confidence and makes their work easier. He concurred that CDIAC is a leader in the nation in sharing best practices.

With no additional questions, Mr. Berry moved to the next item on the agenda.

#### ITEM 4. COMMISSION STAFF REPORT (INFORMATION ITEM)

Mr. Berry detailed the operations of CDIAC during the fiscal year. He provided a high-level summary of CDIAC's activity during the Executive Director's Report and in the written materials. To be considerate of the Commission's time, he submitted the report to be included in the meeting package to the Commission and was willing to address any questions.

#### ITEM 5. CONTRACT DELEGATION AUTHORITY FY 23–24 (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 then presented the Contract Delegation Authority for FY 2023–24. Government Code Section 8857 authorizes the Commission to delegate to the Executive Director the authority to enter contracts on its behalf. The definition of contracts for the purpose of this delegation includes purchases of goods and services through service orders, standard agreements, and purchase orders. In effect, this includes all CDIAC operating expenses and equipment (OE&E). The OE&E expenditures fall under this contract definition and are therefore relevant to the discussion. On June 23, 2022, the Commission approved Resolution 22-01, which authorized the Executive Director to enter into contracts and interagency agreements in fiscal year 2022–23 with the following limitations: accumulative contract authority not to exceed \$1,800,000, and any single contract shall not exceed \$400,000 (not including the interagency agreement for administrative services through the State Treasurer's Office, which shall not exceed \$425,000). In addition, the resolution requires the Executive Director to report on all contracts approved pursuant to the resolution and a list of expenditures and the contracts as provided in the staff report. Resolution 23-01 requests delegation of contract authority to the Executive Director for fiscal year 2023–24, with the same limitations as last year's cumulative contract authority: not to exceed \$1.8 million, any single contract shall not exceed \$400,000 (not including the interagency agreement for administrative services with the Treasurer's Office, which shall not exceed



\$425,000). The cumulative contract authority request in the resolution will accommodate all of CDIAC’s OE&E expenditures expected for the next fiscal year as it has in the current year. The single contract request is the same as last year, and CDIAC expects it will accommodate any expected contracts during the fiscal year as well. The interagency agreement limitation is based on the estimates from the Treasurer’s Office, Administration, and Information Technology divisions. For the reasons discussed in the staff report, the staff recommended approval of the delegation of contract authority as specified in Resolution 23-01.

APPROVAL OF CONTRACT DELEGATION AUTHORITY  
RESOLUTION 23-01

	AYE	NAY	ABSENT	ABSTAIN
THOMAS TODD	X			
DEPUTY STATE CONTROLLER DAVID OPPENHEIM	X			
ASSEMBLYMEMBER DAVID ALVAREZ			X	
ASSEMBLYMEMBER AVELINO VALENCIA			X	
TREASURER SANDIE ARNOTT	X			
NIKOLAI SKLAROFF	X			
DEPUTY TREASURER JUAN FERNANDEZ	X			
SANDIE ARNOTT	X			

Deputy Treasurer Fernandez thanked Mr. Berry. He asked if there were any questions for Mr. Berry on the staff report and a motion to approve the resolution.

ITEM 6. PUBLIC COMMENT

Mr. Fernandez then opened the meeting up for public comment. Hearing and seeing none, he thanked everyone for their attendance and adjourned the meeting at approximately 11:45 AM.