



NEWS...

From the Desk of California State Treasurer Fiona Ma



Dear Friends,

JULY 2021

Today, the Treasurer's Office has a wide range of responsibilities. We manage programs that create jobs, clean the environment, encourage savings and finance low-income housing, hospitals, charter schools, universities, public transportation, advanced manufacturing and beneficial private projects.

But when the State Treasurer's Office was founded in 1849, its duties were basic — serving as the State's banker. We still do that and we do it well. Within the Office, three divisions carry out California's critical banking functions: [Centralized Treasury and Securities Management \(CTSMD\)](#), [Investments](#), and [Public Finance](#).

During the pandemic, employees from these divisions have risen to the occasion, carrying out California's banking functions, either in the office or working at home, without missing a beat.

Last month, Investments and CTSMD did something remarkable. In a single day, employees took in a record \$27 billion from the federal government's American Rescue Plan, which funds state and local aid, education, transit, stimulus payments and other needs. Within seven days, Investments had carefully invested all of it in safe, liquid and interest-bearing securities, including investing \$8 billion in one day, nearly a record.

Inside the newsletter you can read about how these skilled, adaptable, collaborative and dedicated public servants made it happen. Their speed and expertise benefitted our state by rapidly turning cash into investments that earn interest revenue for California taxpayers.

In Peace and Friendship,

Fiona Ma, CPA
California State Treasurer

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This newsletter is not intended to be and should not be used for making investment decisions about State of California bonds or notes. Potential investors should always obtain and read the Official Statement published by the State for each issue of bonds or notes.



[HTTPS://WWW.TREASURER.CA.GOV](https://www.treasurer.ca.gov)



Ask Fiona

If you have a question, please email me at askfiona@treasurer.ca.gov

D

Hello Fiona,

I work for a local government agency. I heard you speak recently about special emergency investment fund accounts that your office is offering to local agencies receiving federal pandemic relief. How can my agency participate in this program?

David

Hello David,

The Local Agency Investment Fund (LAIF) is a program that allows California local agencies including cities, counties and special districts to place money in a major portfolio and, at no additional costs to taxpayers, use the expertise of Investment Division staff. I authorized LAIF to offer special [Emergency LAIF Accounts](#) to agencies receiving funds from the Coronavirus Aid, Relief, and Economic Security (CARES) Act and the American Rescue Plan Act (ARPA). These emergency accounts are safe and liquid. They also earn the same competitive return and have a \$75 million cap as regular LAIF accounts.

Current LAIF participants may open an emergency account by submitting an [Emergency Account Form](#) and an [Emergency Account Certification](#). Prospective applicants must also submit a [LAIF specific resolution](#), bylaws, letter from the Internal Revenue Service identifying Taxpayer/Employer Identification Number, and Certificate of Filings from the Secretary of State's Office.

Please contact LAIF staff at (916) 539-0276 or visit [LAIF's website](#) for more information or assistance.

Sincerely,

Fiona

FM



Have a Question for the Treasurer?

Send emails to:
AskFiona@treasurer.ca.gov,
with the subject line:
Ask Fiona

Address letters to:
California State Treasurer
Fiona Ma
Post Office Box 942809
Sacramento, CA 94209-0001

"Nothing Short of a Miracle" STO Invests \$27 Billion in 7 Days



The
State Treasurer's Office
oversees the following
divisions:



Centralized Treasury &
Securities
Management Division



Investment
Division



Public Finance
Division

Three divisions within the State Treasurer's Office (STO) carry out some of the essential banking functions of California: the Centralized Treasury and Securities Management Division (CTSMD), the Investment Division, and the Public Finance Division (PFD). All of them are used to handling large amounts of money.

Still, receiving \$27 billion from the federal government in a single day — the amount of funds allocated to California under the American Rescue Plan — was extraordinary.

"Receiving it all at once and not knowing when it was going to arrive made it even more challenging," said Andre Rive, Director of the Centralized Treasury and Securities Management Division.

"We've never done that much investing in a single day before," said Kristin Szakaly-Moore, Director of the Investment Division.

"We've never done that much investing on short notice before."



Kristin Szakaly-Moore
Director, Investment
Division

The STO plan was to process the funds like they handle all idle cash receipts—by investing them in safe and liquid assets that maximize yield for California taxpayers until the funds are needed.

This is the investing formula it follows for managing the Pooled Money Investment Account (PMIA), which started the last fiscal year around \$100 billion in assets and recently peaked at about \$197 billion. The PMIA also includes about \$36 billion in the Local Agency Investment Fund (LAIF) which is beneficially owned by about 2,300 local agencies in California.

"Nothing Short of a Miracle" STO Invests \$27 Billion in 7 Days

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These agencies use the skill and market power of the STO to invest on behalf of their communities more efficiently.

The Investment Division works closely with CTSMD, which handles nearly \$2.5 trillion in state banking transactions each year.



Andre Rivera
Director, CTSMD

“
Receiving it all at once and not knowing when it was going to arrive made it even more challenging.”

Forecasts play a critical role

Both divisions start each work day with a review of continuously six-month and six-week forecasts prepared by CTSMD staff. These forecasts predict expected cash positions of the state each day based on research of expected inflows and outflows of funds, including major fiscal activities, such as a large disbursement or the expected receipt of large amounts of tax revenues. The forecasts also rely on the ability and judgment of STO employees to interpret signals that drive the state's investment activities and management of its bank accounts in real time.

Using the forecasts helps division employees manage the ups and downs of cash flow, but they must stay agile enough to respond to rapidly changing circumstances and surprises.

If a negative cash position is projected, the Investment Division will have planned days or weeks in advance for a sufficient amount of maturing investment securities to meet those needs. The objective is to avoid selling securities from the PMIA to obtain funds to make up the difference. Selling securities could be less advantageous to state revenues.

If the projection is positive, the division's nine traders invest in financial instruments of varying types and maturities, mostly Treasury bills backed by the federal government, but also securities of federal agencies, certificates of deposit and commercial paper issued by highly-rated corporate borrowers.

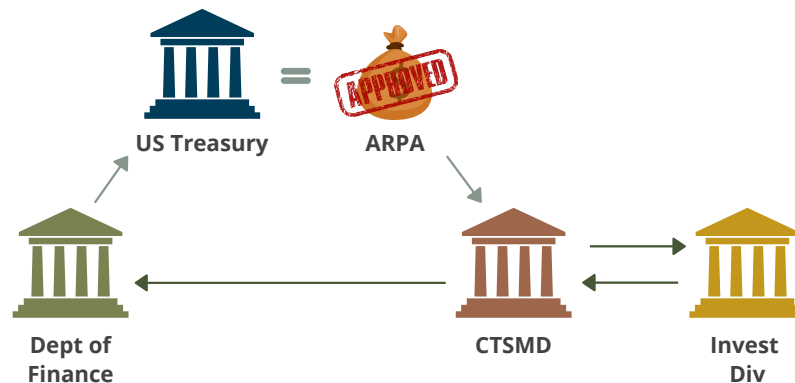
On any given work day, STO traders may solicit offerings of these securities from over 50 brokers and dealers throughout the nation, all vetted by the STO. The Investment Division works with a broad array of large and small firms, including minority and disabled veteran broker/dealers that have both skills and access to certain issuers. The trading room is on the first floor of the STO in the office of the Investment Division. During the pandemic, however, most of the division's traders were required to work from their homes.

June's busy trading days resulted from the passage of the federal American Rescue Plan Act of 2021 (or, "ARPA") in March. The Act provided funds for state and local aid, education, rental assistance, transit, stimulus payments for individuals, and other needs. ARPA is the sixth federal COVID-19 relief bill passed in the last year

"Nothing Short of a Miracle" STO Invests \$27 Billion in 7 Days

(continued)

and by far the largest infusion of cash to the state. California's share of ARPA funds just for state operations and programs was \$27 billion.



Entitlement to these federal funds required a carefully choreographed interaction between the Department of Finance, CTSM and the Investment Division. Before funds could be transmitted, the federal government required certification from Governor Gavin Newsom's administration regarding the permissible uses. Once the certification was complete, a juggernaut of financial transactions was set in motion.

Communication makes the difference

CTSM, as the part of the STO responsible for management of the state's various bank accounts, quickly recognized that strong and effective communications with the state's primary banks would be required. Some of the state's depository banks are among the largest in the nation — Wells Fargo, Bank of America, J.P. Morgan Chase, Citibank, Union Bank, Bank of the West, U.S. Bank, and West America.

Because state cash is public money, state law requires that any bank holding such funds must post collateral to protect the public from any loss. Like consumer deposits, which are insured by the Federal Deposit Insurance Corporation (FDIC), state funds over the FDIC limit would be uninsured without the collateral requirement.

Most banks use Letters of Credit or U.S. Treasury and/or federal agency securities to collateralize these deposits. The search for collateral placed the state's banks in direct competition with the Treasurer, for it is these same securities that the Investment Division would be using to invest a large portion of the federal stimulus funds. In other words, the banks and the state were "fishing in the same pond" at the same time. Clear communication and flexibility among STO divisions would be critical to avoid creating market distortions that might affect investment returns.

"Nothing Short of a Miracle" STO Invests \$27 Billion in 7 Days

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Once the communications plan was developed and invoked, STO had to have a plan for turning the bank deposits into interest-earning securities. To do that, the two divisions consulted frequently with the Department of Finance, which would complete the certification required by the federal law, and the staff of the U.S. Treasury, which would be remitting the funds. The U.S. Treasury then remitted the funds through three wire transfers totaling about \$27 billion.

Following the certification, the banks and the STO had to wait for the arrival of the funds. Instead of the planned-for four days described by the federal government, the funds arrived 10 days later. It was then that the Investment Division swung into action, investing all the idle funds in seven business days of busy trading. Investing began each day at 7 a.m. followed by pre-investing for the next and subsequent days. The CTSMD's Securities Clearance Section then processed the securities purchased and confirmed the completion of the trades. This process continued until the entire \$27 billion was invested, processed, and confirmed including one day when about \$8 billion worth of funds were invested, nearly an office record.

Investing the funds quickly was especially important because the sooner they could be invested, the sooner they began earning interest revenues for California taxpayers.

STO leaders attribute the success and speed to teamwork and communication. As part of each day at 8 a.m. leaders in CTSMD, Investments, and PFD have a phone call with Treasurer F f of Staff Genevieve Jopanda, and Deputy Treasurer Tim Schaefer, to discuss outflows and infl ends in the larger financial world.

"It's been a challenge, but staff from both divisions stepped up to meet it," said Inv rector, Kristin Szakaly-Moore.

Deputy Treasurer Tim Schaefer agrees. "This is nothing short of a miracle," he said. "It's a Herculean effort. And, it's clearly indicative of why the California Treasurer's Office is home to some of the most professional staff in government treasury functions in the U.S."

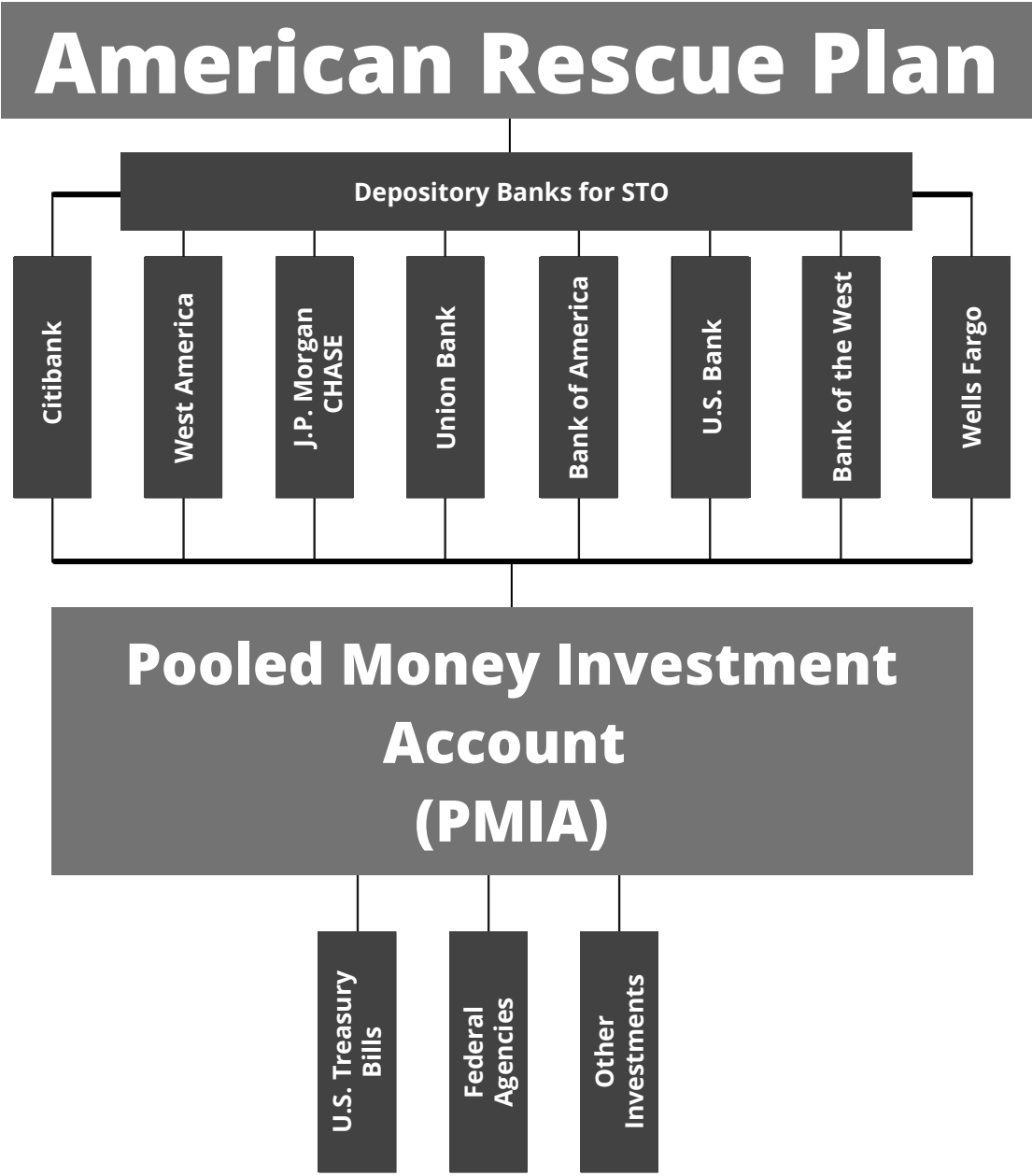
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Tim Schaefer
Deputy Treasurer,
Public Finance

"Nothing Short of a Miracle" STO Invests \$27 Billion in 7 Days

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Calendar of Upcoming BCA Events

Boards, Commissions and Authorities (BCAs) Within the State Treasurer's Office

JULY



- | | |
|----|---|
| 20 | <u>California Pollution Control Financing Authority (CPCFA)</u> Board Meeting |
| 21 | <u>Pooled Money Investments Board (PMIB)</u> Meeting |
| 29 | <u>CA Health Facilities Financing Authority (CHFFA)</u> Board Meeting |
| 29 | <u>CA School Financing Authority (CSFA)</u> Board Meeting |

Teleconference information, other scheduled BCA meetings, agendas, deadlines for grants, and more, may be accessed as the information is posted or updated on the Treasurer's website:

<https://www.treasurer.ca.gov/>

Meeting date and times may change; please check the BCA links included above for such notices, as well as for teleconference details.

***Note:** The State Treasurer's Office provides essential services for the citizens of California. In order to protect the health of our community in response to COVID-19, the BCAs have modified standard committee meeting procedures. Participants, interested parties, and non-essential staff are requested to join meetings via teleconference. Social distancing measures also have been adopted at meeting locations, which will limit the space available for in-person attendees. Public participation and comment periods will not be impacted.*



The Vault

A calendar of recent and upcoming bond sales

July 8

Trustees of the California State University Systemwide Revenue Bonds, Series 2021A and 2021B (Federally Taxable) and Series 2016 B-2 Bond Remarketing – Approximately \$1.9 billion

Proceeds of the upcoming bond sale will finance and refinance the acquisition, construction, improvement and renovation of certain facilities of California State University and refund previously issued debt for debt service savings. In addition, the Series 2-16B-2 put bonds will be remarketed to a new term rate mode.

August 2021

State of California Department of Veteran Affairs Home Purchase Revenue Bonds Series 2021 A – Approximately \$100 million

Proceeds from the upcoming bond sale will refund previously issued debt for debt service savings.



More information about the upcoming bond sales can be found at:

[BuyCaliforniaBonds.com](https://www.buycaliforniabonds.com)



Note: The bond issuances described (including the amounts and timing thereof) are preliminary and subject to change or cancellation based on market conditions or other factors as determined by the State Treasurer.



Top Billing

A Monthly Update on Key Legislation for Treasurer Ma

SECURE Act Tax Conformity

Assembly Bill 340, Christopher Ward (D-San Diego)

<https://a78.asmdc.org/>

This bill will conform to federal law to allow Californians with ScholarShare 529 savings accounts to utilize those funds to pay student loan debt and expenses related to qualified apprenticeship programs, in addition to the other qualified education expenses already allowed under state law.

Updated Time Deposit Collateral Requirements and Pooled Money

Senate Bill 239, Senate Committee on Banking and Financial Institutions

<https://sbnk.senate.ca.gov/>

This bill would codify California statute to lower the collateral requirements, from 110% of the amount deposited, to 100% of the amount deposited, the required value of a Federal Home Loan Bank (FHLB) letter of credit that a credit union or a savings and loan association may use as security, matching the collateral requirements banks currently have, for a deposit of state funds made by the State Treasurer. In addition, this bill authorizes the State Treasurer to invest surplus state funds in money market mutual funds that meet certain specifications and requirements.

Office of Racial Equity

Senate Bill 17, Richard Pan (D-Sacramento)

<http://sd06.senate.ca.gov/>

This bill declares racism a public health crisis and establishes the Office of Racial Equity (ORE) and the Racial Equity Advisory and Accountability Council, in order to address systemic and institutional racism that has resulted in poorer health outcomes and disparities in Black, Indigenous, and people of color (BIPOC).

International Bonds

Assembly Bill 869, Richard Bloom (D-Santa Monica)

<http://asmdc.org/members/a50/>

This bill would expand the Treasurer's Office's authorized investment options to include dollar-denominated sovereign debt of countries with strong credit ratings and qualifications of the National Association of Insurance Commissioners.





Top Billing

continued

Hepatitis Screening

Assembly Bill 789, Evan Low (D-Campbell)

<https://a28.asmdc.org/>

This bill will require health facilities and clinics that provide outpatient primary care services in California to offer voluntary screening for hepatitis B and C, and provide persons tested positive with follow-up health care and treatment.

California Jumpstart Act

Senate Bill 777, Steven Bradford (D-Gardena)

<http://sd35.senate.ca.gov/>

This bill builds on the state's existing small business COVID recovery initiatives without placing demands on the current budget by incentivizing \$375M of flexible private capital at below market rates for immediate investment into under-resourced small businesses with 250 or fewer employees, located in communities grappling with geographic, racial, and economic disparities.

Constitutional Officers

Gender Neutrality

Assembly Bill 378, Rebecca Bauer-Kahan (D-Orinda)

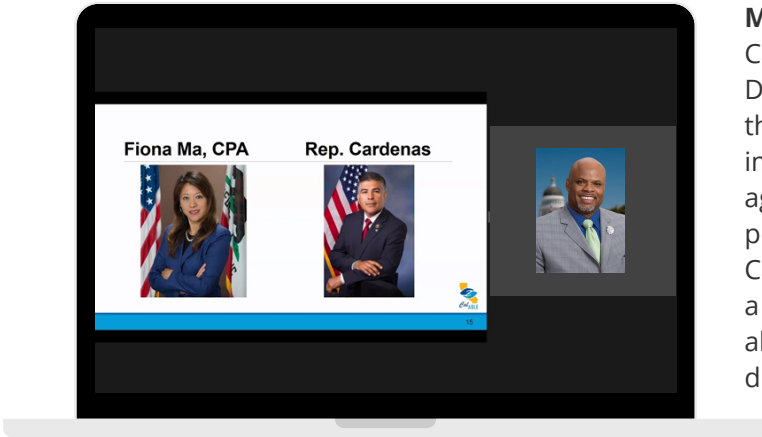
<https://a16.asmdc.org/>

This bill will update California law to reflect reality and equality by eliminating gendered pronouns in reference to constitutional officers.





In the Community

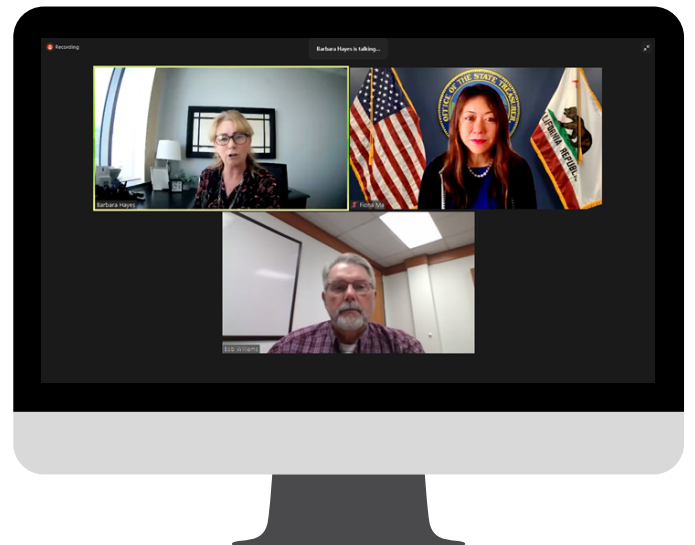


May 20, 2021 – Treasurer Fiona Ma, in collaboration with California ABLE (CalABLE), U.S. Rep. Tony Cárdenas and Disability Rights California held a Town Hall discussion about the ABLE Age Adjustment Act. The Town Hall covered the impact of increasing the disability age of onset from 26 to the age of 46 which would allow more than 6.1 million additional people to open an ABLE account. Disability Rights of California, Eric Harris, Executive Director and Laura Southers, a potential CalABLE accountee should the bill become law, also spoke. Over 100 attendees participated in the Town Hall discussion, led by Dante Allen, Executive Director of CalABLE.

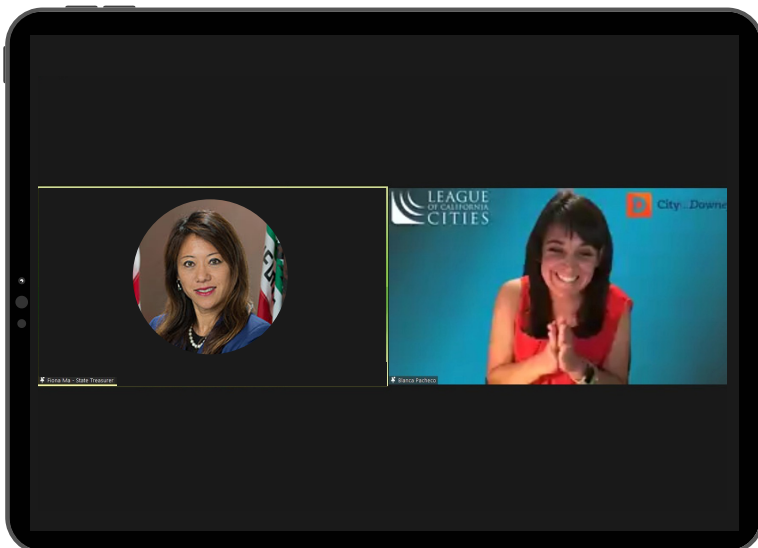


May 26 – Treasurer Fiona Ma hosted and spoke at “Resources for Local Governments,” webinar for the Rural County Representatives of California (RCRC). Barbara Hayes, RCRC Chief Economic Development Officer, moderated the virtual event that also featured opening remarks by Tehama County Supervisor Bob Williams.

Other speakers included representatives from the Treasurer’s Office on the CalSavers Retirement Program, the Time Deposit Program, the Local Agency Investment Fund (LAIF) Program, the California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA), and the California Pollution Control Financing Authority (CPCFA).



June 3 – The Los Angeles County Division, League of California Cities, hosted California Treasurer Fiona Ma as the speaker for their June General Membership Meeting and was introduced by President and City of Downey Mayor Pro Tem Blanca Pacheco.





In the Community



June 11 – Treasurer Fiona Ma and her staff toured Enovix Corporation's 3D silicon lithium-ion battery manufacturing facility in Fremont. Enovix was awarded a Sales & Use Tax Exclusion (STE) from the California Alternative Energy & Advanced Transportation Financing Authority (CAEATFA) which Treasurer Ma chairs. It encourages more green manufacturing in the Golden State.

June 11 – Treasurer Fiona Ma toured Amador Valley Industries' facility in Livermore and Pleasanton Garbage Service, Inc.'s Transfer Station. Under the leadership of the Treasurer, the California Pollution Control Financing Authority (CPCFA) awarded tax-exempt bond financing to Amador Valley Industries for the purchase of CA Air Resources Board-compliant collection vehicles and equipment upgrades.



June 16 – Treasurer Fiona Ma helped kick off the Bay Area Council's annual trip to Sacramento with a virtual forum around topics ranging from housing affordability to the role of the State Treasurer's Office. Special thanks to the Council's CEO Jim Wunderman for moderating the conversation and to JPMorgan Chase & Co.'s Alex Leonard for the warm introduction.



June 18 – Treasurer Fiona Ma moderated the panel, "What innovations are happening at California businesses and organizations to advance women in the boardroom?" at the San Diego Regional Chamber of Commerce's All Our Talent: Women on Boards and Commissions State Symposium.

Panelists from top left to bottom right: Caroline Winn, CEO of SDG&E; Ashley Wilson, Vice President of Congressional and Public Affairs and Executive Director of Women Taking the Lead at U.S. Chamber; Pamela Gabriel, Senior Vice President and Market Executive for San Diego, Bank of America; and Dr. Becky Pettitt, Vice Chancellor of Equity, Diversity & Inclusion at UC San Diego.

