

## **AGENDA ITEM 3** (INFORMATION ITEM) EXECUTIVE DIRECTOR'S REPORT

### Executive Director's Report June 23, 2022

#### 2022-23 BUDGET PROPOSAL

CDIAC's proposed budget for the fiscal year (FY) 2022-23 is \$4,081,000, a 0.15% increase from FY 2021-22 total expenditure authority inclusive of mid-year adjustments. The total budget authority includes \$3,901,000 in baseline expenditure authority and \$180,000 in reimbursed expenditure authority. CDIAC receives reimbursements from the fees it charges attendees of CDIAC's in-person educational programs. As of June 2021, CDIAC also began generating reimbursements from the Service Employees International Union Local 1000 for most of the salary and benefit cost for one CDIAC staff member that was elected as President of the union.

In FY 2022-23, CDIAC is authorized for 21 full-time staff. The following chart provides a three-year overview of CDIAC's authorized budget.

CDIAC BUDGET APPROPRIATION WITH ADJUSTMENTS (THOUSAND \$)

	FISCAL YEAR 2020-21 ENACTED	FISCAL YEAR 2021-22 ENACTED	FISCAL YEAR 2022-23 PROPOSED
Authorized Positions	21	21	21
Personal Services	\$2,149	\$2,595	\$2,656
Operating Expenses & Equipment	1,834	1,453	1,425
BUDGET ACT APPROPRIATION <sup>1</sup>	\$3,983	\$4,048	\$4,081
Mid-year Adjustments <sup>2</sup>	-152	27	-
GRAND TOTAL	\$3,831	\$4,075	\$4,081

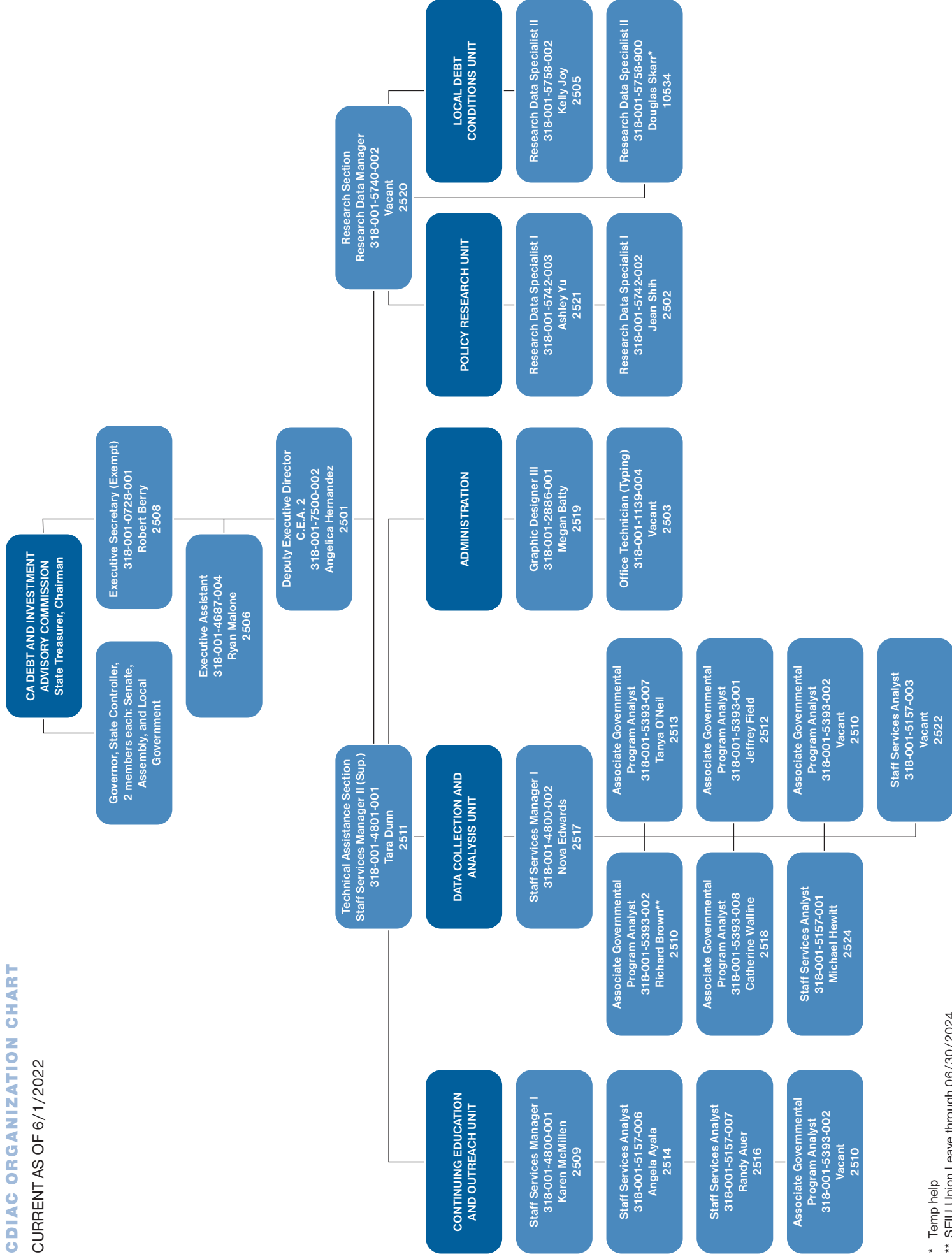
<sup>1</sup> Includes \$ 180,000 appropriation authority for reimbursements.

<sup>2</sup> MID-YEAR ADJUSTMENTS (THOUSANDS \$)

	FY 2020-21	FY 2021-22
Pension Contributions	\$19	\$0
Compensation Reduction	-218	0
Employee Benefits	69	37
Salary Adjustments	5	76
Other Post-Employment Benefits	-27	0
Section 4.05 Ongoing Expenditure Reductions	0	-83
Retirement Rate Adjustments	0	-3
TOTAL	-\$152	\$27

# CDIAC ORGANIZATION CHART

CURRENT AS OF 6/1/2022



\* Temp help

\*\* SEIU Union Leave through 06/30/2024

## CDIAC FUND CONDITION

### Fee Revenue

Last year CDIAC projected a 3.2% decline in fee revenue for FY 2021-22 due to federal stimulus and general economic weakness/slow growth. Based upon 10 months of actual revenues and receivables, and estimates for May and June 2022, CDIAC's FY 2021-22 fee revenue is expected to decrease by 6% from the revenue received in FY 2020-21.

CDIAC fee projections are based on municipal issuance projections by market participants. A review of available projections predict a slight 2% decrease in US debt issuance for the calendar year 2022.

In line with conservative issuance projections covering calendar year 2022, CDIAC is projecting and planning for a 2% decrease in FY 2022-23 revenue. The municipal market is in a period of substantial economic uncertainty led by significant inflationary conditions, geopolitical instability, and actions by the Federal Reserve. A more significant reduction of long-term debt issuance, in excess of 2%, and a commensurate reduction in CDIAC revenue is not improbable.

### Expenditures

Total expenditures for FY 2021-22 are expected to be \$3.7 million, an increase of approximately 10% from FY 2020-21. This increase in FY 2020-21 consists primarily of an increase in personnel costs as a result of a 9.23% salary restoration with the end of the Personal Leave Program 2020. Two vacancies have been filled during the fiscal year, one from within the State Treasurer's Office, and one from an external organization. CDIAC is likely to end FY 2021-22 with four vacancies.

Operations expenditures in FY 2022-23 are expected to approach \$4.05 million, which is slightly less than the total budget appropriation of \$4.08 million. The key driver of expenditures in the new fiscal year will be personnel costs related to filling vacancies. Although CDIAC is planning to bring on new team members and expand personnel costs, the expenditure estimate for the fiscal year includes adequate remaining resources to carry-on with CDIAC's critical projects.

### Fund Balance

CDIAC expects to see growth (5%) in its year-end Fund Balance for FY 2021-22, as expenditures are estimated to come in less than baseline budget authority. Even though CDIAC projects a decrease in revenue for FY 2022-23, it is estimated that the fund balance will experience slight growth (1%) as total expenditures are expected to be less than projected

revenues. Fee revenue will be monitored and discretionary expenditures adjusted during the course of the fiscal year to mitigate fund balance degradation due to a revenue decline during the fiscal year in excess of the projection.

CDIAC FUND CONDITION (THOUSAND \$)

	2020-21 ACTUAL	2021-22 ESTIMATED <sup>1</sup>	2022-23 PROJECTED <sup>2</sup>
RESERVES, ADJUSTED	\$6,046	\$7,026	\$7,402
REVENUE			
Fees	\$4,614	\$4,310	\$4,224
Interest	28	14	55
Reimbursements, Misc.	1	117	161
TOTAL REVENUES	\$4,643	\$4,441	\$4,440
EXPENDITURES			
State Operations	\$3,370	\$3,678	\$4,055
Adjustments (Prorata, Pension Loan)	293	387	280
TOTAL EXPENDITURES	\$3,663	\$4,065	\$4,335
FUND BALANCE <sup>3</sup>	\$7,026	\$7,402	\$7,507

<sup>1</sup> FY 2021-22 fee revenue estimates are based on receipts and receivables through April 2022 and invoice estimates for May-June. Operations expenditures are based on internal fiscal year budgeting. Operations expenditures are projected to be just under the baseline budget authority (total authority less reimbursements).

<sup>2</sup> FY 2022-23 issuance fee revenue projections were based on a 2% decline in US municipal bond issuance forecast after averaging initial projections by market participants. Operations expenditures are projected to be lower than the baseline budget authority before adjustments (total authority less reimbursements).

## FY 2020-21 SUMMARY OF ACCOMPLISHMENTS

### Debt Data Collection and Reporting

It is projected that CDIAC will have received and processed nearly 16,329 reports at the conclusion of FY 2021-22. This year's tally represented an increase (11%) over the report volume of FY 2020-21.

Coming off a record year of issuance reporting in FY 2020-21, CDIAC was bound to experience a reduction in the reports associated with debt issuance: Reports of Proposed Debt Issuance and Final Sale. CDIAC received about 10% fewer issuance reports in FY 2021-22 than in FY 2020-21.

Mello-Roos Yearly Fiscal Status Report filings marked a small increase of 5% and Marks-Roos Yearly Fiscal Status Reports also increased slightly by 7%. These slight increases likely reflect reports for more recent debt issues being offset by the retirement of mature debt.

Overall, the reduction in issuance reporting and slight increases in Mello-Roos and Marks-Roos annual reports, were more than offset by the expected growth in Annual Debt Transparency Reporting (ADTR), the requirement added by SB 1029, Hertzberg, (Chapter 307, Statutes of 2016). The number of ADTRs submitted broke the 7,000 mark, just under 2,000 more than in FY 2020-21. The number of ADTRs is expected to grow by 60-70% of the prior year's Report of Final Sale filings. Given the growth expectations of the ADTR, CDIAC is very focused on achieving enhancements in reporting efficiency.

In July, CDIAC began Phase 1 of its End-to-End database enhancement project. The scope of Phase 1 includes the development of an entirely new cloud-based database that features secure access for issuers of debt and their filing agents, a personalized dashboard that displays work-in-progress and future filing obligations, an intuitive reporting process, and the ability for issuers and their agents to view, draft, edit, and manage their own data. These enhancements and a variety of other data validation features and processing efficiencies are designed to enhance CDIAC's capacity to process the growing number of reports, increase compliance, and engage CDIAC's constituents directly in collection, maintenance, and dissemination of their own debt information.

The new system will be branded as the CDIAC Data Portal with a roll-out and cutover scheduled for Summer 2022. The yearlong development effort has involved a team of several dozen people from CDIAC, the Treasurer's Office IT Division, the small business vendor, and issuing agencies and service providers. Once deployed, the Data Portal will be the first cloud-based, proprietary application in the Treasurer's office, and one of the first natively developed in the cloud in California state government.

## Continuing Education

CDIAC's educational programming was impacted by the pandemic more in FY 2021-22, than at the pandemic's peak in the prior fiscal year. At the beginning of the fiscal year plans were in place to return to a full slate of in-person programming. The COVID variants that developed in the fall caused CDIAC to abruptly cancel programs without the ability to shift online. In-person programs scheduled for the spring of 2022 were also cancelled abruptly due to rising COVID infection rates. Where in the prior fiscal year in-person programming was ruled out completely and attention could be focused online, FY 2021-22 was hampered by resource consuming in-person ramp-ups, followed by disappointing cancellations. However, two programs, originally produced as in-person events, were converted to online with great success.

In October, in collaboration with *The Bond Buyer*, CDIAC produced the Pre-Conference to the California Public Finance Conference. This was *The Bond Buyer's* 31<sup>st</sup> California Public Finance Conference and the 20<sup>th</sup> time CDIAC has produced the pre-conference. The virtual pre-conference entitled, *Obstacles and Opportunities at the Intersection of Public Finance and the Housing Crisis*, was intended to explore many of the finance-related obstacles that are constraining the availability of affordable housing, the implications for local public financial planning, and the opportunities to overcome the challenges of the housing crisis with new and innovative public finance policy and approaches. The three-hour program attracted 65 paid participants to presentations and discussions from California Legislative Analyst's Office, local housing agencies, housing developers, public finance professionals, and housing policy advocates. The program also featured keynote addresses by State Treasurer, Fiona Ma and Senate Majority Leader, Robert Hertzberg.

CDIAC's education team, in cooperation with the California Municipal Treasurers Association, converted the curriculum for Intermediate and Advance Investments from a fully planned two-day in-person program, to a completely online production. The program featured eight separate 1.5 hour webinar sessions over four weeks in January and February and drew 130 participants – triple the number of attendees registered for the cancelled in-person event. The sessions provided comprehensive coverage of all subject matter typically presented in-person including portfolio liquidity, cash flow, risk management, benchmarking, investment policies, regulatory changes, investment analysis, and economic forecast interpretation.

CDIAC also made huge strides in developing capacity to provide on demand programming either as a complement or alternative to in-person programs or to reach new learner groups, like elected officials. In October, Treasurer Ma announced the launch of CDIAC's new learn-

ing management system – the Ed Portal. The Ed Portal is a password-protected, self-directed, smart learning environment through which learners can access previously aired webinar content and e-learning modules developed specifically for Ed Portal platform. Learners are able to enroll in programs along subject lines, called learning paths, or select individual programs based on interest or need. The Ed Portal now hosts 35 courses and over 40 hours of content. Since the launch, the Ed Portal has registered over 200 users who have enrolled in more than 400 courses.

In tandem with the launch of the Ed Portal, CDIAC officially announced the debut of the first four modules of CDIAC's *Elect>Ed* curriculum on debt issuance and administration. Designed specifically for elected officials, the first four modules of *Elect>Ed* - 90 minutes of content - address topics that range from high level planning considerations to more detailed legal and structural features of debt. Each course is equipped with “test your knowledge” quizzes and provides the learner a certificate of completion.

Complementing the *Elect>Ed* debt issuance and administration curriculum, CDIAC produced *Pension Fundamentals for Elected Officials*, a two-module, 60-minute series that was released to the Ed Portal in June 2022. This series is designed to help California's elected officials understand the fundamentals of pension management and their role in balancing pension costs with other policy priorities to guide their agencies toward long-term financial sustainability.

## Research and Guidance

The CDIAC research team supported and contributed to efforts across the organization including scripting of the *Pension Fundamentals for Elected Officials* modules and establishing procedures for on-going data extraction from the Data Portal.

The research team also completed a number of projects that either provide guidance on topics of debt issuance and public investments for public agency officials, or inform public finance policy decisions.

CDIAC's recurring update of the *Local Agency Investment Guidelines* was completed to support CDIAC's January investment webinar series. Local public agency investment professionals eagerly await the update as it provides the latest information and guidance for interpreting and applying state and federal law to the practice of surplus funds investment.

The 2022 update of *K-14 Voter Approved General Obligation Bonds: Authorized, But Unissued*, identified over \$50 billion of unissued, voter-approved general obligation bond capacity among school and community college districts from elections since the passage of Proposition 39 in



2001. This report helps annually update policy makers on the capacity of local districts to finance new or rehabilitated school facilities.

Given the expansion of local cannabis taxes, CDIAC published *Review of Cannabis-Related Tax Measures in California*, a review of local cannabis tax measures since the passage of Proposition 215 (Medicinal Marijuana). The review highlighted relevant history related to cannabis regulation in California and its path to full legalization and explored the different methods of cannabis taxation used in California.

CDIAC continued its long-standing research tradition of compiling and analyzing results of the state and local bond and tax measures included on primary and general election ballots. CDIAC published *Results of the 2021 Local Elections: Bond and Tax Measures Appearing on the 2021 Local Ballots*. This report series, spanning 43 elections, provides a detailed analysis of the certified results of bond and tax elections. The data collected through this process integrates with CDIAC's debt database to simplify the tracking of bond authorizations and provide key data points for the annual K-14 authorized, but unissued report.

CDIAC has continued to meet its statutory requirement to produce a monthly newsletter. *Debt Line* has been produced consistently every month of CDIAC's existence. It is the collaborative crossroads where all three of CDIAC's disciplines come together to publish issuance calendars, statistics and trend analysis, research articles, important dates and details arising from regulatory agencies, and announcements of educational programming provided by CDIAC and our allied organizations.

## FY 2022-23 STRATEGIC PLAN HIGHLIGHTS

CDIAC's mission is to improve the practice of public finance in California by providing responsive and reliable, information, education and guidance. CDIAC's seeks consistent achievement of this mission by delivering products and services that are timely, of the highest achievable utility, simply discovered and accessed, and provided in the formats and modes supportive of contemporary learning preferences.

While the pandemic presented operational challenges and caused unexpected detours in CDIAC's pursuit of its strategic initiatives, CDIAC is firmly committed to accomplishing unfinished business and significantly advancing key objectives in FY 2022-23 that are guided by our strategic vision.

### End-To-End (E2E) Enhancement of the California Debt Database

*Enhance the user experience of CDIAC online data collection interface to increase data validity, issuer compliance, and processing capacity. Redesign and*

*deploy the next generation of DebtWatch to improve data access and utility and give issuers a more active role in data management.*

Phase 1 of the E2E project, the Data Portal, will be deployed. Cutover is expected in the Summer of 2022. CDIAC, in collaboration with Treasurer's Office IT Division, will be working earnestly to onboard users, develop and produce training modules, develop and fine-tune internal policies and procedures, integrate data reporting tools, including Debt Watch, and correct errors and problems that will undoubtedly occur. The CDIAC data team will also be scoping improvements to the Data Portal that rise out of the first annual cycle of report filings. With cooperation from the IT Division, CDIAC intends to institute a policy and culture of continuous improvement and enhancement of the system with future releases and upgrades. CDIAC will also begin to measure progress toward the project objectives including increased filing speed and data validity, reduced customer service demands, and increased compliance with statutory reporting obligations.

Phase 2 of the E2E will bring about the full consolidation of CDIAC's data collection and reporting systems into a single cloud-based application. Phase 1 effectively merges the online data reporting interface with the internal database system. The next step is to build-in the data distribution system with the next generation of DebtWatch (DW2.0). The objectives of Phase 2 are to improve data access and utility to the public and policy makers, and provide issuers with a clearer understanding of how their information is portrayed and a vested interest in management of their own data. At the end of calendar year 2022, CDIAC will evaluate its progress toward full stabilization of the Data Portal application and internal operations to determine if Phase 2 should commence. If sufficient stabilization has been reached, CDIAC will seek external application design services to begin the project in early to mid-2023.

## **New Delivery Methods for Educational Programming**

*Increase access, utility and consumption of educational programming and guidance by using current technologies and contemporary methods.*

**BUILDING HYBRID OPPORTUNITIES.** With the installation of the Ed Portal, CDIAC is positioned to integrate electronic programming with traditional in-person programming using a hybrid approach. The approach allows CDIAC to create a more rounded educational experience that can adapt to a wider range of experience among participants. CDIAC will be able to produce e-learning courseware and webinars programs that support in-person curricula and provide more opportunity during in-person events for applied learning, idea exchange, and coverage of topical subject matter. The implementation of a hybrid approach allows CDIAC to maximize the benefit afforded to constituents by each educational mode.

CDIAC intends to produce a new e-learning module on the topic of disclosure as an initial step toward building hybrid learning opportunities. The module will be a scripted 30 to 45 minute module designed to provide annual disclosure training to cross-functional staff of infrequent local issuers. CDIAC will build on this experience and identify other e-learning development opportunities that can be used to support CDIAC core debt and investment curricula.

ELECTED OFFICIALS TRAINING PROJECT. CDIAC is underway with a new contractual relationship to complete the development of the balance of the *Elect>Ed* curriculum on debt issuance and administration. Module 5, entitled, *It Takes a Team: The Role of External Professionals in a Successful Issuance*, is under development and targeted for completion in late August. Then, CDIAC is targeting completion of a new module every four to five months. New modules will be released upon completion to the Ed Portal. Full build-out of the curriculum is targeted for the end of the 2023. When the debt issuance and administration curriculum is complete, CDIAC will evaluate the opportunities to develop modules based on an investments curriculum or other public finance topics.

### Core and Topical Educational Programs

*Develop and conduct core and topical training in debt issuance and administration and the investment of public funds. Emphasize applied learning opportunities and use of technology to enhance the learner's experience.*

TOPICAL WEBINARS. CDIAC will continue to use the webinar format to develop educational content around emerging and hot public finance topics, but would like to enhance programs through the development of companion publications and guidance produced through CDIAC's research activities. CDIAC is currently exploring programming around topics including cybersecurity disclosure, financing lease fundamentals, EIFD best practices, blockchain, climate disclosure, and community bank lending.

Barring a reemergence of another COVID variant, CDIAC intends to come back to a full slate of in-person programming. Some programs will be produced in CDIAC's traditional format and other's will represent CDIAC's move into a more applied and hybrid format.

PRECONFERENCE TO *THE BOND BUYER* CALIFORNIA PUBLIC FINANCE CONFERENCE. For the 21<sup>st</sup> year, CDIAC will produce the preconference, a three quarter-day seminar program addressing an emerging or especially critical topic in California public finance. Scheduled for September 12-14, 2022 in Los Angeles, the preconference will be the first in-person program CDIAC will produce since March 2020. The program will be centered around the current market challenges, how those

challenges manifest in different municipal credit sectors, and how debt issuance is being shaped by agencies to manage risks and opportunities.

**DEBT ESSENTIALS.** CDIAC's flagship three-day debt issuance fundamentals program is tentatively scheduled for September 27-29, 2022 in Monterey. The first day covers the foundational concepts for issuing debt, including discussions of both long-term and short-term financing options as well as a clarification of the roles of debt issuers and financing team members. Day two focuses on planning a debt issuance and the strategic planning that occurs prior to debt issuance with regard to policy, affordability, structuring, and pricing. The final day takes up marketing and pricing and includes practical application with sessions built around pricing scenarios and exercises. The final day will also include discussion of fundamental post issuance responsibilities regarding debt service, arbitrage, investing, refunding and continuing disclosure.

**FUNDAMENTALS OF LAND-SECURED FINANCING & EMERGING TOPICS.** CDIAC is preparing to bring back its very popular land -secured financing fundamentals program and couple it with a second day of discussion around emerging topics. This program is tentatively scheduled for November 2-3, 2022 in Montebello. Day one will cover the details of the land-secured financing process from district pre-formation through project implementation and ongoing administration of both Mello-Roos and assessment district financings. Day two will focus on the uncertainty facing the housing and development sectors and how land-secured financings are structured to meet current challenges.

**PUBLIC FUNDS INVESTMENT WORKSHOP WITH CMTA - REDESIGNED.** In January or February of 2023, CDIAC, in cooperation with California Municipal Treasurers Association, will launch an applied workshop-style program that will be supported by learning opportunities available in the Ed Portal. The in-person program will be organized as a two-day applied learning event focused on cash flow management, asset-liability matching, portfolio simulation, and benchmarking. The format allows learners to assemble in a group learning environment to apply concepts and knowledge gained through the investments learning path available on-demand in CDIAC's Ed Portal.

**MUNICIPAL MARKET DISCLOSURE.** CDIAC's disclosure program is intended to help local agencies improve market transparency through better disclosure and staff training. Tentatively scheduled for Spring of 2023, the program focuses on the SEC rules and regulations for primary and secondary disclosure practices by debt issuers. CDIAC is planning to offer a second day to the program that will have a focus on emerging disclosure topics including climate disclosures, cybersecurity disclosure, and reporting to CDIAC's new Data Portal.

## Develop Timely and Practical Guidance and Integrated Research

*Develop analyses, reports and tools that improve the practice of public finance, and are integrated with, or foundational to, other products, services, or research.*

RESEARCH TO SUPPORT OF EDUCATIONAL PROGRAMMING. CDIAC will direct its research work to support and enrich the educational programming produced during the year. The research team will focus on producing articles, briefs, or guidance that will be used as an educational foundation or to consolidate the information presented during an educational program. Work is planned in the areas of cybersecurity disclosure, financing lease fundamentals, blockchain, and climate disclosure.

In addition to a focus on integration with educational programming and work on recurring and regularly scheduled articles, the Research Team will schedule several fundamental publications from CDIAC's library to be updated to reflect contemporary practices.

INVESTMENT PRIMER MAKEOVER. It has been 13 years since the California Investment Primer has been updated. CDIAC will scope a revision of the Investment Primer that will include update of the material, reformatting and reorganizing of the guide, and the development of an application in the model of the Debt Financing Guide.

APPRAISALS STANDARD FOR LAND-SECURED FINANCING. First developed in 1994 and later updated in 2004, the Appraisal Standards for Land-secured Financings provides the baseline approach for the development and adoption of appraisal standards by local agencies to meet statutory requirements for land-secured financings. Since 2004, practices in land secured structures have evolved beyond the CDIAC standards. For instance, CDIAC standards assume fee simple interest when more and more contemporary structures involve leasehold interests with a public agency as lessor. CDIAC will work with an external team of land secured experts to scope the project and plan for its development.

LEASE FINANCING IN CALIFORNIA – CONTENT SERIES. Through most of the nineties, CDIAC focused research on understanding current practices in leased-based financings as the issuance of these structures drastically expanded in the wake of Proposition 13. The work not only described practices, but also provided guidance to local officials entertaining these structures. Since the nineties, the use of lease financing has substantially changed from primarily a school finance tool to one used more broadly across sectors. Recognizing the evolution of the financing tool, CDIAC embarked on a content series to bring lease resources current. Envisioned as a three part series, the first piece (currently under development) establishes the legal foundations for lease financing and structural implications

for avoiding legal challenges. The next volume will cover common lease financing structures and discuss market implications and preferences. Lastly, CDIAC aims to build out policy and financial guidance to help negotiate some of the perils of lease financing and use the tool prudently. The series is expected to be released over the next 12 to 18 months.

### Build an Organization that Will Deliver on CDIAC's Value Proposition

*Develop and maintain an organization that is well known for delivering timely, convenient, practical, professional, and accurate data, information, and guidance.*

COMMUNICATIONS STRATEGY. CDIAC will continue to work at enhancing the CDIAC brand and develop an integrated communications strategy that can be utilized across all products and mediums of communication. CDIAC has celebrated its 40<sup>th</sup> year of operation with a commemorative 40<sup>th</sup> year logo, social media activity, and newsletter articles. Also, image consistency is being developed across its technology platforms: the Ed Portal and the Data Portal. CDIAC expects to launch a new mass communication system and new logo across all media in 2023.