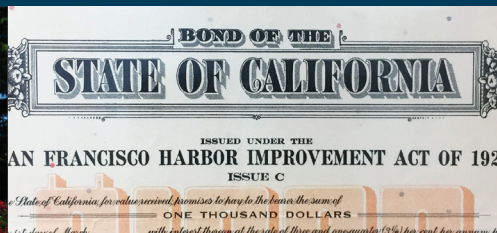




NEWS...

From the Desk of California State Treasurer Fiona Ma, CPA



JANUARY 2020

Dear Friends,

A core mission of the State Treasurer’s Office is managing the financing of California’s debt. Read about the issuing of bonds and the related activities that take place within the Public Finance Division of my office on page three .

In this month’s issue you’ll also find the answer to a question that has come up more times than you might guess. What is the difference between the State Controller’s Office and the State Treasurer’s Office? You’ll find the answer, and a handy one-sentence summary at the end of page six.

It has been a great first year for me as your State Treasurer, by the way. I am quite proud of what my team and I have accomplished. And we are eagerly looking forward to all we stand to accomplish in the new year.

If you would like to learn more about those accomplishments, I invite you to visit my [website](#) and download a copy of our “Year-End Highlights.”

Best wishes for a successful and inspiring 2020!

In Peace & Friendship,

Fiona

TABLE OF CONTENTS

- [Welcome from Treasurer Fiona Ma](#) 1
- [Tax Tip](#) 2
- [Heart of the Treasury](#) 2
- [The ABCs of the BCAs](#) 3
- [Ask Fiona](#) 6
- [Top Billing](#) 7
- [The Vault](#) 7
- [The Ma Squad](#) 8-9

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.



A Tax Tip

Form W-2 will be arriving in mailboxes soon!

Did you know that if you purchased holiday gifts online and were not charged sales tax, you likely owe the state use tax on the purchase price? Not all remote sellers are required to collect California sales tax, so if the seller didn't charge you tax, then you, as the consumer, are responsible for paying it. Generally, if the item would have been taxable if purchased from a brick-and-mortar retailer in California, it is subject to use tax. Use tax is owed by April 15 in the year after you make a purchase for which

California tax was not charged. You may report use tax on your California state income tax return or to the California Department of Tax and Fee Administration by visiting <https://onlineservices.cdtfa.ca.gov/Directory>.

For more information on the use tax, refer to CDTFA Publication 110, California Use Tax Basics, available online at <https://www.cdtfa.ca.gov/formspubs/pub110/#use>.

EMPLOYEE OF THE YEAR



Heart of the Treasury

Meet the people in the State Treasurer's Office whose public service inspires us and is making a difference.

You might remember Sandra Kent. Sandra was employee of the month in July. In December, she was also named STO Employee of the Year!

Congratulations Sandra!

Sandra is an analyst with the California Debt and Investment Advisory Committee's (CDIAC) Education and Outreach Unit. In addition to acting as a clearinghouse for information, CDIAC provides education and technical assistance on debt issuance and public fund investments to local public agencies and other public finance professionals.

The work Sandra performs in the education unit is unique and requires technical acumen as well as an understanding of municipal debt issuance and public investment, marketing and public outreach. Sandra

has repeatedly stepped up to help train newly hired specialists and provided guidance as they worked on time-sensitive projects.

She is further credited with single-handedly making several new CDIAC programs -- Understanding Benchmarking, Understanding Cash Flow and Cash Flow Forecasting, Municipal Debt Essentials, and Fundamentals of Public Funds Investing in Collaboration with CMTA -- successful. Sandra is the epitome of professionalism, teamwork and leadership.

Once again, congratulations Employee of the Year Sandra Kent!

(Learn more about CDIAC here: <https://www.treasurer.ca.gov/cdiac/index.asp>)



ABCs of the BCAs

Financing and Investing in California Families, Businesses and Infrastructure ... Through 26 Boards, Commissions and Authorities (BCAs) Treasurer Ma is a Member of or Chairs

FEATURED DIVISION

Public Finance Division (PFD)

At the core of what the State Treasurer's Office does day in and day out are the activities of the Public Finance Division (PFD). Everything from the communities in which we live to the national financial markets are affected by what goes on in this important division of the State Treasurer's Office.

Treasurer Fiona Ma, supported by the PFD, acts as the agent for sale on all state bonds, including conduit bonds issued by state financing authorities. Through the PFD and the sale of bonds the state acquires funding for projects that benefit the public. California voters often mandate such bond issues.



Artist's rendering of the planned expansion of the West Sacramento headquarters of CalSTRS, a project funded through green bonds sold through the Public Finance Division.

Examples of the types of projects funded by California bonds regularly appear in the pages of this newsletter in a feature called, "The Vault." On page seven of this issue, for example, you will find a reference to the December 5, 2019 sale of \$272.6 million of lease revenue bonds that are providing funding to build an environmentally cutting-edge expansion of the Sacramento headquarters of the California State Teachers' Retirement System. This past

fall the PFD also sold bonds to fund construction projects for CalFire; jails in Riverside, Santa Barbara, Tulare and Sutter counties for the California Department of Corrections and Rehabilitation (CDCR); as well as the No Place Like Home program, which provides permanent supportive housing for persons who are experiencing or at risk of homelessness.

Bonds also may be sold by the state to build dams, airports, seaports, roads, railways, public water systems, schools, hospitals, and much more. California is the largest municipal issuer of debt in the nation and so has a very visible and important presence in the capital markets. As of November 1, 2019, California had approximately \$80.7 billion of General Obligation (GO) Bonds and Lease Revenue Bonds (LRBs) outstanding.

The PFD is deeply interested in every aspect of the sale of California bonds, but the Division's mission statement makes clear the narrow nature of its primary focus. The mission of the PFD is to effectively and efficiently manage the state's debt programs and minimize the state's borrowing costs.

Keeping the state's borrowing costs as low as possible is serious business. It translates into a correspondingly lower public expense and the savings to taxpayers can be especially significant when costs are reduced through the PFD's strategic refinancing of existing, older bonds to achieve more favorable borrowing terms.

Since becoming the State Treasurer one year ago, Fiona Ma has been the agent of sale for \$6.17 billion of Refunding GO bonds and in the process has saved taxpayers \$1.8 billion on a present value basis, or more than an anticipated \$2.3 billion over the next 20 years.

Bonds handled by the PFD range from financial instruments known as General Obligation (GO) Bonds to Conduit Revenue Bonds. Here is a short primer on some bond types of importance to our state government:

- **General Obligation (“GO”) Bonds:** The State Constitution prohibits the creation of general obligation indebtedness of the state except when a bond measure wins the approval of a majority of the electorate voting in a general election, or a direct primary. A GO bond measure advances to the ballot on a two-thirds vote of all members to each house of the Legislature, or by a voter initiative if enough signatures are collected from the public. Each bond act provides a continuing appropriation from the state’s General Fund to cover debt repayment. A recent example is the September 5, 2019 sale of GO bonds through the PFD to provide funding for Prop 51 (the Kindergarten through Community College Public Education Facilities Bond Act of 2016).
- **Lease Revenue Bonds (“LRBs”):** In addition to GO bonds, the state acquires and constructs capital facilities through the issuance of LRBs. Such borrowing must be authorized by the Legislature in a separate act or appropriation. The State Public Works Board uses the proceeds of the bonds to pay for the acquisition or construction of facilities such as office buildings, courthouses or correctional institutions. These facilities are leased to the state and the lease provides the source of revenues that pay back the bonds. Recent examples include the CalFire and CDCR projects cited above.
- **Revenue Anticipated Notes (RANs”):** When necessary, the state issues RANs to partially fund timing differences between receipts and disbursements within a particular fiscal year. (The state has not issued RANs in recent years.)
- **Revenue Bonds:** These bonds pay for specific revenue producing enterprises and projects, and the revenues generated by that enterprise or project provide the source of repayment for the bonds. Issuers of state revenue bonds include, among others: Department of Water Resources; Department of Veterans Affairs; University of California; California

State University (CSU), California Infrastructure and Economic Development Bank; California Housing Finance Agency; California Earthquake Authority. A recent example is the sale of CSU Systemwide Revenue Bonds to finance the acquisition, construction, renovation and improvement of various facilities on CSU campuses.

- **Conduit Revenue Bonds:** Although issued by a government entity, the proceeds are loaned to a nongovernmental borrower for purposes that are permitted in the Internal Revenue Service Code. The nongovernmental borrower repays the loan. A recent example is the CalPlant I, LLC, project issued through the California Pollution Control Financing Authority. Funds raised for this project will be used to complete construction of a plant that treats and disposes of solid waste left behind as California rice is harvested. The plant recycles waste rice straw (from the farming and harvesting) into medium density fiberboard.



When construction is complete, CalPlant I will be the world’s first commercial-scale producer of rice-straw-based medium density fiberboard.

An interactive online tool developed by the State Treasurer’s Office called [DebtWatch](#) is available on the Treasurer’s website and allows anyone to explore bonded debt at a local government level up through and including state indebtedness.

Much more information about the Treasurer’s Public Finance Division, state finances, credit ratings and upcoming bond offerings can be found at [BuyCaliforniaBonds.com](#).

ScholarShare 529 Assists Non-profits and Local Governments

ScholarShare 529, California's official college savings plan, has launched a platform designed to assist local governments and non-profits interested in launching their own Children's Savings Account (CSA) program.

Local governments and non-profits may establish these accounts for young children, often with an initial seed contribution, to help them save for higher education. One key goal is to inspire children to perform well in school and realize that higher education is in their future.

ScholarShare 529 has partnered with VistaShare to utilize its platform Outcome Tracker to assist CSA program administrators. It is especially timely because the Legislature and the Governor have allocated \$25 million in the current budget to fund the CSA Grant Program which will provide support to new and existing CSA programs.

Outcome Tracker offers CSA administrators a number of features including easy import of child data, application of additional contributions and incentives, direct interaction with parents, data reporting, and seamless interaction with ScholarShare 529 accounts.

ScholarShare 529, a gold-rated college savings plan, offers families a diverse set of high-quality, low-fee investment options. Any growth from the investments is tax-free as long as it is used to pay for qualified higher education expenses, including tuition and fees, books, certain room and board costs, computer equipment and other required supplies.

Note: Each month we will be sharing information on one of our BCAs and explain how the programs behind the acronym are enhancing the lives of Californians all across the state -- and how you, your family, or your business can share in, and contribute to, California's prosperity.

Calendar of Upcoming BCA Events

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

January

15-16

California Debt and Investment Advisory Commission – Advanced Public Funds Investing: The Analytics of Portfolio Selection and Decision-Making In Collaboration with California Municipal Treasurers Association

Claremont, California

Details: For more information and to register, visit the Treasurer's [website](https://www.treasurer.ca.gov/scholarshare/meeting/index.asp)
<https://www.treasurer.ca.gov/scholarshare/meeting/index.asp>

For a full roster of additional meetings, public presentations, deadlines for grants, and more, for ALL boards, commissions and authorities (BCAs) please go to the Treasurer's website: <https://www.treasurer.ca.gov/>



Ask Fiona

Dear Fiona,

What is the difference between State Treasurer and State Controller?

Sincerely,
Adam

Dear Adam,

Many people mix up my role as State Treasurer with that of the State Controller. Although our positions are similar in that we both act as fiscal officers for California, we have very distinct roles in California government. As State Treasurer, I serve as the state’s asset manager, banker, and financier. The State Controller, on the other hand, acts as the state’s accountant and auditor.

I am responsible for the state’s incoming and invested funds. I act as the agent on all bond sales. I also manage the state’s Pooled Money Investment Account. That means I invest taxpayer money to manage the state’s cash flow and strengthen the financial security of local governmental

entities. I also serve as chairperson, or as a member of 26 state boards, authorities, and commissions, including the Public Employees’ Retirement System (CalPERS) and State Teachers’ Retirement System (CalSTRS).

The State Controller’s responsibilities are different. The Controller is responsible for the accountability and disbursement of the state’s financial resources. The Controller also safeguards many types of property until claimed by the rightful owner, audits government spending, and administers the payroll system for state government. Like me, the Controller also serves on numerous state boards, authorities, and commissions. And like me, she sits on the boards that serve CalPERS and CalSTRS.

Here is a useful way to think of the differences in our roles: I oversee the state’s savings account while the State Controller manages its checkbook. For more information on my role as State Treasurer and the role of State Controller, please visit these websites: <https://www.treasurer.ca.gov/> and <https://www.sco.ca.gov/>.

Sincerely,
Fiona



Have a Question for the Treasurer?
Readers: Send your questions for California State Treasurer Fiona Ma via email to: AskFiona@treasurer.ca.gov
Address letters to: California State Treasurer Fiona Ma
Post Office Box 942809, Sacramento, CA 94209-0001



Top Billing

A monthly update on key legislation for Treasurer Ma

Note:

With the end of the 2019 legislative session, Top Billing is on legislative recess. Look for news of key legislation for Treasurer Ma to return soon.



The Vault

Calendar of recent and upcoming public finance activities and bond sales

December 5

IBank, California State Teachers' Retirement System (CalSTRS) Headquarters Expansion Lease Revenue Bonds, Series 2019 (Green Bonds-Climat Bond Certified) (\$272.6 million)

Proceeds will be used to construct, furnish and equip an expansion to the existing headquarters of CalSTRS in the City of West Sacramento.

More information about the upcoming fall bond sales can be found at [BuyCaliforniaBonds.com](https://www.buycaliforniabonds.com).

The bond issuances described above (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.

Date to be Determined

California Earthquake Authority: Revenue Bonds, Series 2020 (Federally Taxable) (\$300 million)

The bond proceeds will be used to augment the California Earthquake Authority's claims-paying ability for earthquake damages.





The Ma Squad



Visiting the new UnitedAg Health & Wellness Center in Selma, California. The center serves farm workers and their families. Front row, left to right: UnitedAG Health & Wellness Center Nurse Practitioner Johnny Jimenez, Treasurer Ma, PacificAg Consulting owner and President Thomas Amaro. Back row (left to right): CA Health Facilities Financing Authority Executive Director Frank Moore, Bream Family Farms President Eric Bream, Elite Corporate Wellness owner and CEO Nicholas Gambini, the Treasurer’s Central California External Affairs Representative Seth Douulton, Deputy Treasurer Audrey Noda, CHFFA Deputy Executive Director Carolyn Aboubechara.



Valley Children’s Healthcare President and CEO Todd Suntrapak and Treasurer Ma tour the hospital’s Madera, CA, facilities to see firsthand the significant impact the Children’s Hospital Bond Act funding has on children’s programs and services, including the expansion and renovation of essential patient care areas and equipment throughout the hospital.



Treasurer Ma and Senate President pro Tempore Toni Atkins at the opening of the Bluewater and Stella state-of-the-art low-income housing project in San Diego. From left to right: San Diego Housing Commission President and CEO Richard Gentry, developer Affirmed Housing Vice President Jimmy Silverwood, Treasurer Ma, Affirmed Housing President and CEO James Silverwood, Senator Atkins.



The Ma Squad



The Treasurer's team at the California State Association of Counties' Annual Conference. From left to right: Northern California External Affairs Deputy Noah Starr, Rachell Owen-Reinwald, External Affairs Central California Representative Seth Doultou, California Pollution Control Financing Authority Deputy Director Janae Davis, California Health Facilities Financing Authority Deputy Director Carolyn Aboubechara.



The 2019 public sector Bond Buyer Trailblazing Women award winners included Treasurer Ma; Emily Brock, Director of the Government Finance Officers Association's Federal Liaison Center; Kelly Flannery, CFO of the City of Charlotte; and Olga Chernat, Executive Director of New York City Municipal Water Finance Authority.



In New York with Mark Maroney, a managing director for RBC Capital Markets, which served as the senior managing underwriter in the hugely successful sale of \$272.6 million of lease revenue bonds for the expansion of the California State Teachers' Retirement System (CalSTRS) headquarters in West Sacramento. From left to right: Mr. Maroney, CalSTRS CFO Julie Underwood, Public Finance Division Assistant Director Julie Giordano, Treasure Ma, IBank Interim Executive Director Nancee Robles, Chief of Staff Genevieve Jopanda.