1995 ANNUAL REPORT

MATTHEW FONG
State Treasurer and Chairman
August 1996

To the Members of the California Legislature and the Governor of the State of California:

On behalf of the members of the California Debt Advisory Commission, I am pleased to submit the Commission's 1995 Annual Report. This report provides an overview of the Commission's responsibilities and output during 1995, and presents a summary of the year's debt issuance activity.

As this report details, the Commission became a much more active player in public finance issues during 1995. Working with statewide associations representing local government treasurers and finance officers, it developed and initiated a new continuing education program on municipal investment practices. As part of this effort, it initiated production of a video presentation for local elected officials on their oversight responsibilities, and developed a new seminar program for local officials on managing investment portfolios.

The Commission continued its efforts to curb abuses of the Marks-Roos Local Bond Pooling Act. It successfully sponsored legislation to make several reforms in this area (SB 1275, Killea), and continues to monitor issuance of this type. The Commission also began an effort to assist local agencies in meeting their new continuing disclosure obligations pursuant to rule changes promulgated by the Securities and Exchange Commission (SEC). This effort served as the basis for development of a new seminar program to be offered in 1996, and the publication of a set of Guidelines for local officials to use in meeting their obligations for land-based financings.

The Commission's education, research and technical assistance efforts are an important element in our efforts to ensure the wise use and safety of hard-earned taxpayer dollars. CDAC will continue to aggressively seek opportunities to promote this objective in the coming years.

Respectfully submitted,

Matt Fong  
State Treasurer
California Debt Advisory Commission

The California Debt Advisory Commission was created in 1981 to assist state and local governments effectively and efficiently issue, monitor and manage public debt. To carry out its responsibilities, the Commission maintains a database of all public debt issued in California, conducts a continuing education program, publishes a monthly newsletter with debt issuance data and informative articles, and conducts research to develop reports, guidelines and briefs on topical issues. In 1995, the Commission’s responsibilities were expanded to include a municipal education program to help local governments safely and effectively invest public funds.

1995 Members

Matt Fong
California State Treasurer
and Chairman

Lucy Killea
State Senator

Wally Knox
State Assemblyman

Pete Wilson
Governor
or
Russell S. Gould
Director
Department of Finance

Donald W. Merz
Treasurer-Tax Collector
Sonoma County

Robert Leland
Finance Director
City of Fairfield

Kathleen Connell
State Controller

Robert G. Beverly
State Senator

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AN INTRODUCTION TO THE COMMISSION

The California Debt Advisory Commission (CDAC) was created in 1981 with the passage of Chapter 1088, Statutes of 1981 (AB 1192, Costa). This statute mandates the Commission to serve as the State's clearinghouse for public debt issuance information and to assist state and local agencies with monitoring, issuance, and management of public debt. Pursuant to Chapter 1088, the Commission is specifically required to:

- Serve as the state's statistical center for debt information;
- Publish a monthly newsletter concerning debt issuance in the State;
- Maintain contact with all participants in the municipal debt industry to improve the market for public debt;
- Provide technical assistance to state and local governments in an effort to reduce debt issuance cost and to protect the debt issuers' credit ratings in the market;
- Undertake or commission studies on methods to reduce debt issuance costs and to improve credit ratings;
- Recommend legislative changes to improve the marketability of state and local agency issued debt and to ensure repayment of debt; and
- Assist the Housing Bond Credit Committee and all state financing authorities and commissions in carrying out their responsibilities.

Since the Commission's creation in 1981, the Legislature has given CDAC additional responsibilities. Chapter 1399, Statutes of 1984 (AB 4025, Waters) requires CDAC to collect, summarize, and report annually to the Legislature specific information on the use of proceeds from the sale of housing bonds. Moreover, Chapter 1399 — modified by the Local Government Omnibus Act of 1994 (Chapter 939, SB 1393) — stipulates that no issuer may issue any bonds subject to the reporting requirements of Section 8855.5 until the State Treasurer certifies that the public agency or nonprofit corporation has filed all of the information required by Section 8855.5 with the California Debt Advisory Commission.

Additionally, the Legislature requires issuers to report specific information to the Commission when they (1) sell refunding or revenue bonds through negotiation or private placement or (2) issue bonds payable in a foreign currency. Also, pursuant to legislation enacted in 1992 (Chapter 772, SB 1464, Mello), the Commission is required to collect specific fiscal information on Mello-Roos community facilities districts which issue bonds after January 1, 1993. SB 1464 requires that all CFDs issuers, regardless of the date of sale of the bonds, report draw on reserve or default information to the Commission.

Further, beginning January 1, 1996, Chapter 229, Statutes of 1995 (SB 1275) requires certain Marks-Roos local bond pool participants issuing debt to report yearly fiscal status information and, regardless of when their debt is issued, to report to the Commission draws on reserve funds or non-payments of principal and interest within ten days of each occurrence.
The Commission fulfills its mandates through a variety of programs and publications summarized in this report. Data on the debt issued in California is primarily derived from the information reported on behalf of issuers of California public debt. In developing programs and publications, staff expertise and knowledge is supplemented by information from experts in the financial community and the field of public finance, as well as by outside data sources.

THE COMMISSION MEMBERS

The Commission consists of nine members, including the State Treasurer, the Governor or the Director of the Department of Finance, the State Controller, two local government finance officials, two Assembly members, and two Senators. The State Treasurer serves as the Chairman and appoints the two local government officials. The Speaker of the Assembly appoints the Assembly representatives and the Senate Rules Committee appoints the Senate representatives. Appointed members serve four-year terms, or at the pleasure of their appointing power. The Commission meets throughout the year to direct the activities of the 12-member staff.

THE TECHNICAL ADVISORY COMMITTEE

To assist the Commission in its mandated functions, the Technical Advisory Committee (TAC) was established in 1983. Comprised of approximately thirty individuals representing participants in the municipal debt issuance process, including bond counsels, financial advisors, underwriters, credit analysts, insurance providers, investors, and local issuers, the TAC serves two primary functions:

1) To assist the CDAC in its deliberations by providing a forum for initial discussion of issues, problems, and topics related to public finance and municipal debt issuance; and

2) To provide technical review and critique of reports, issue briefs, and other CDAC documents before they are published.

Since its inception, the TAC has continually provided Commission staff with valuable advice on a wide variety of issues, ranging from the contents of CDAC's reporting forms to emerging issues in public finance. Many of the TAC members also serve as faculty for the Commission's technical assistance seminars.

The State Treasurer appoints TAC members to staggered two-year terms. All TAC members serve without compensation. Appendix B shows the members of the Technical Advisory Committee that served during calendar year 1995, and Appendix C shows those serving on the TAC in 1996.
THE COMMISSION'S PROGRAMS

In order to carry out its mandate to assist state and local agencies in matters related to debt issuance and debt management, the Commission engages in a wide range of activities that can be classified into three general program areas: (1) data collection, (2) policy research and development, and (3) technical assistance.

Data Collection

In compliance with its statutory requirements, CDAC maintains two data repositories: the debt issuance database and the housing bond proceeds database. The debt issuance repository is considered the most comprehensive and accessible database of California debt issuance in existence. Depending on the needs of state and local governments and market conditions, the volume of individual debt issuance reports received may range from 2,500 to 4,000 each year. Data from these reports is the basis for the statistical information disseminated by the Commission.

As the state's clearinghouse for public debt financing information, the Commission has compiled data on all public debt issued in California since January 1, 1982. All issuers of state and local government debt are required to submit issue-related information to the Commission 30 days prior to the sale date. The data reported to CDAC includes the sale date, the name of the issuer, the type of sale, the principal amount, the type of debt instrument, the source(s) of repayment, the purpose of the financing, the rating of the issue, and the members of the financing team.

Effective January 1, 1995, CDAC released new reporting forms (revision 1995) for use by all bond counsels and issuers or their representatives in reporting debt issuances pursuant to California Government Code Section 8855(g). To assist those who are new to the reporting process, an instruction sheet is available for the revised Report of Proposed Debt Issuance and Report of Final Sale forms. The revised forms incorporate requests for additional information from public and private municipal bond participants due to changes and innovations in the municipal market. The revised reporting forms also assist issuers in complying with reporting requirements related to negotiated refundings.

Policy Research and Development

The Commission's mandated functions include some that are intended to improve the market for, and indeed the marketability of, public debt issued in California. Such functions include efforts to maintain contact with all participants in the municipal debt industry, to undertake or commission studies of various aspects of the market in order to provide guidance to state and local debt issuers, and to recommend legislative changes in matters affecting public debt issuers. To fulfill these functions, CDAC's Policy Research section gathers information from CDAC's debt issuance database, public and private experts throughout the municipal industry, public and private finance groups, periodicals and journals, and other
existing resources. With the assistance of the Executive Director, the Commission determines the issues that are addressed by the Policy Research Section. Research staff remains knowledgeable of developments and events in the municipal and other financial markets in order to provide the Executive Director and the Commission with input and advice on making such determinations.

The Commission selects projects that are of current interest and have practical relevance to public finance practitioners. These projects are typically designed to (1) keep issuers apprised of emerging trends in public finance, (2) develop ways of reducing issuance costs, (3) provide financing options for local issuers, (4) raise the issuers' sophistication level with regard to debt issuance and debt management, and (5) preserve the integrity and viability of existing debt instruments by alerting policymakers to potential problem areas.

The Commission places a high priority on making its data and expertise available to public agencies in useful forms. This accessibility is the crux of the Commission's technical assistance program.

Technical Assistance

CDAC's technical assistance program has three components. The first is its publication of reference materials, issue briefs, hearing documents, statistical reports, technical guidelines for state and local issuers, and other research findings and briefs. One of its most notable publications is the California Debt Issuance Primer, which contains information on the types of debt instruments available and the roles and responsibilities of municipal debt issuers and private industry professionals. The Primer provides a comprehensive overview of and reference document for the debt issuance process in California.

The second component is CDAC's seminar program. Since 1984, CDAC has organized educational seminars focusing on public finance matters and the debt issuance process. Offered throughout the year at various locations in the State, CDAC seminars are designed to: (1) introduce public officials who are new to the field of public finance to the municipal debt issuance process; (2) strengthen the expertise of public officials who are familiar with the municipal debt issuance process; and, (3) inform public officials about current topics that may affect public finance and public debt issuance. The majority of the officials are from local agencies while the remainder represent state and federal agencies.

In addition to the educational seminars, CDAC has conducted public hearings on current matters affecting public finance and the debt issuance process. The purpose of these hearings is to provide a forum for discussion of the varying points of view, to provide local and state officials with information, and to provide CDAC with a foundation for research. Further, CDAC has acted as co-sponsor of public finance-related conferences, symposia, and seminars conducted by private companies and statewide associations. Such co-sponsorships allow CDAC to contribute its expertise to the event, increase contacts with experts from public and private sectors, and keep abreast of current matters affecting public finance and the debt issuance process in California.

The third component of CDAC's technical assistance program is responding to inquiries concerning California debt issuance. The Commission receives daily contacts from representatives of public and private entities and the media for data on debt issuance and information on the nature and application of specific debt instruments. CDAC staff responds to over 2,000 such requests for assistance each year.
MAJOR CHANGES TO THE COMMISSION'S PROGRAMS IN 1995

New Reporting Requirements

In 1995, CDAC's mandated functions were expanded with the passage of SB 1275 (Killea). SB 1275 contains provisions intended to curb potential abuses of the Marks-Roos Bond Pooling Act, including limitations on the loan origination period and a prohibition against underwriters also acting as financial advisors in these transactions. The legislation also establishes new disclosure requirements for these bond pools. Under this new requirement, Marks-Roos bond pool participants must file with the Commission detailed annual reports, as well as draw on reserve or default reports.

New Area of Responsibility

In 1995, the Commission's overall functions were expanded from the areas of public finance and municipal debt issuance to include the area of investment of public funds. The impetus for this expansion was the December 1994 Orange County bankruptcy filing, which came on the heels of unrealized losses totaling approximately $1.7 billion from the county's investment pool.

In response to the Orange County investment losses, Governor Pete Wilson requested that State Treasurer Fong convene a Task Force on Local and State Investment Practices in early 1995. The Task Force's purpose was to report findings and make recommendations for possible investment guidelines for consideration by the California Legislature. The Task Force not only examined the practices of the Orange County pool, but also those of other California counties, many California cities, the State's Pooled Money Investment Account, and other state agencies. Based on its findings, the Task Force made four recommendations, which in summary are:

(1) Amend state laws to require each local treasurer or chief financial officer to provide annual written statements of investment policy and quarterly investment reports to his/her legislative body;

(2) Amend state law to restrict the use of leverage in local and state investment portfolios by limiting reverse repurchase agreements used to buy securities to no more than 20 percent of a portfolio;

(3) Refrain from making other changes to state laws at this time concerning permitted state and local investments; and,

(4) Encourage statewide associations representing local agency financial managers and elected officials to work with CDAC to develop continuing education programs aimed at state and local officials who have direct or supervisory responsibility for investment of public funds.
Shortly after the commencement of the 1995 Regular Session, the Governor convened the Second Extraordinary Session of the Legislature "to consider measures to meet the immediate financing needs of Orange County" in the wake of the bankruptcy filing. In addition, each house of the Legislature formed a special committee to consider legislation regarding the investment of public funds in an effort to avoid future losses like those in Orange County. The result of these efforts was the passage of legislation in 1995 affecting investment of public funds.

In summary, this legislation requires treasurers to submit quarterly investment reports and annual investment policy statements to their legislative body. It also establishes the primary investment objective of government officials as safety (safeguarding the principal), with liquidity and return as second and third objectives, respectively, and requires the county board of supervisors in each county or city and county to establish a county treasury oversight committee. In addition, this legislation affects the investment of public funds by imposing the prudent investor standard on government officials, specifying match-to-maturity requirements for investments of local agency bond and note proceeds, and imposing limitations on investments in certain types of derivatives, among other things.

With these new laws affecting investment practices and a new emphasis on the responsibility of government officials over such practices, there is a need for greater understanding of the fundamentals of investing public funds and of the day-to-day administration of government investment portfolios. Treasurer Fong, as Chairman of the Commission, has directed CDAC to establish the continuing education program called for in the Task Force report and to provide additional policy research and technical assistance in the areas of investment instruments and investment practices. Legislation is pending to formalize these new responsibilities.
OVERVIEW

Continuing a return to lower levels of debt issuance, California public debt issuance dropped by 36 percent from the $42.2 billion sold in 1994 to just over $27 billion in 1995. This 36 percent decline reflects all types of debt issues and issuers, considered in the aggregate. When the data is separated by type and issuer, we find that the greatest drop occurred in State volume which totaled $3.8 billion in 1995, down 76.6 percent from the $16.1 billion in debt issued in 1994. Local agencies sold $22.9 billion for the year, also a decrease, but only down 11.4 percent from $25.9 billion sold in 1994.

The early 1990s were characterized by a dramatic increase in debt issuance, whereas the levels of debt issued in 1995 are more consistent with the issuance levels of the 1980's. A large part of the increase in the early 1990s was due to one-time refundings as opposed to new money issues, which have remained relatively stable over time.
CALIFORNIA DEBT ISSUANCE IN 1995

This section summarizes California public debt statistics and highlights the major purposes for which new debt was issued in 1995. A more detailed treatment of public debt issued in California is provided in the Commission’s two companion publications: 1995 Calendar of Public Debt Issuance and 1995 Summary of California Public Debt.

Overall volume for 1995 continues to decline from the 1993 level, which was the highest volume of California public debt issuance recorded since the Commission began collecting this data. As shown in Chart 1, after reaching $32.9 billion in 1985, total debt issuance volume declined in 1986, and again in 1987. Total volume, rose modestly again in 1988 to a plateau spanning three years. Then the volume of state and local debt issuances began a steady climb to reach a peak of $56.7 billion in 1993. It dropped by 25 percent in 1994 to $42.2 billion. The 1995 total of $27 billion represents a further drop of 36 percent from the 1994 level.

The drop in statewide debt reflects declines in both state and local issuance, with the greatest decline occurring in state volume. The state’s 1995 issuance totaled only $3.8 billion, down 77 percent from the $16.1 billion in debt issued in 1994. Local agencies sold $22.9 billion for the year, a decrease of 11.4 percent from 1994 issuance of $25.9 billion. This represents a 37 percent decline from the $41.3 billion issued by local agencies in 1993 but is closer to the $26.8 billion reported in 1992.
Issuances by non-profit student loan corporations increased to $261 million in 1995, from $150 million issued in 1994, of which $100 million was for refunding. Student loan issuance, a combination of bonds and notes, represented just one percent of the total volume statewide.

The total number of debt issues reported sold in 1995 was 1,596. Of that total, 110 were state issues; six were student loan corporation financings; and the remaining 1,480 were sold by local issuers. This is down 5 percent from the total 1,675 issues reported in 1994.

Table 1 below shows a comparison of California long-term and short-term public debt issuance, including refundings, between 1994 and 1995.

The most dramatic difference in the two-year comparison is in short-term interim debt financing. The State of California issued no short-term notes in calendar year 1995. This marks the first time in over a decade that there was no State interim financing issuance. By comparison, in 1994 State cash-flow issuance totaled $10.2 billion; in 1993, $7 billion; and in 1992, $10.7 billion.

Table 1

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Long-Term Debt</td>
<td>23,543</td>
<td>$20,307</td>
<td>-13.7</td>
</tr>
<tr>
<td>(Refundings)</td>
<td>(10,874)</td>
<td>(6,307)</td>
<td>-42.0</td>
</tr>
<tr>
<td>(New Money)</td>
<td>(12,669)</td>
<td>(14,000)</td>
<td>+10.5</td>
</tr>
<tr>
<td>Short-term Debt</td>
<td>18,638</td>
<td>6,702</td>
<td>-64.0</td>
</tr>
<tr>
<td>Total</td>
<td>$42,181</td>
<td>27,009</td>
<td>-36.0</td>
</tr>
</tbody>
</table>

Note: Figures include state and local governmental entities and Student Loan Corporation issues. *Totals may not add due to rounding.

Local short-term issuance also decreased this year, but not so significantly. Local agencies sold $6.7 billion in interim financing notes, down 21 percent from $8.4 billion sold in 1994.

Long-term debt financing also decreased at both the state and local levels. The state's total issuance was $3.8 billion, over half of the 1994 long-term issuance of $5.9 billion. For both years, about one-third of the state's long-term issuance was for refunding of prior debt. In 1995, $1.1 billion of the long-term debt (29 percent) was refundings; the refunding total in 1994 was $1.8 billion (31 percent of total long-term issuance). Local agencies refunded far more long-term debt in 1994 (51 percent of the total long-term volume) than in 1995 when 32 percent of the total long-term debt was refunded.
Refunding of prior debt decreased slightly in 1995 with a little over 23 percent of the total California debt issuance refunded, as compared to 26 percent of the total volume in 1994. This is also a significant factor in the decline of California's overall 1995 debt issuance volume. The sharp rise in California debt issuance in the two years prior to 1995 was due to extremely low interest rates, which resulted in a spate of refunding, as well as an increase in interim financing for cash-flow purposes. Chart 2 below illustrates the refunding vs. new money issuance since 1985.

Chart 2

California Public Debt Issuance
Refunding vs. New Money
1985 through 1995

Notes and Commercial Paper Account for One-Third of Debt Issuance

Chart 3 illustrates the distribution of the type of debt instruments sold in 1995. Of an aggregate $27 billion sold by California public agencies, notes ($6.9 billion) and commercial paper ($523 million) total $7.6 billion and account for 28 percent of the total. This is comparable to the 31 percent market share of notes and commercial paper in 1994. The category of notes includes tax anticipation, revenue anticipation, tax and revenue anticipation, bond anticipation, grant anticipation, and tax allocation notes.
Enterprise revenue bonds, typically issued for capital improvements and public works projects, totaled $5.1 billion and represent 19 percent of all 1995 debt issues. Other financings over ten percent of the total issuance by type include conduit revenue bonds for $3.1 billion, and the "other bond" category for $2.7 billion. Other bonds consist of $2.4 billion in pension obligation bonds and the Orange County refunding recovery bond issuance which totalled $279 million. Each of the other debt instrument types accounted for less than ten percent of the issuance volume.

Chart 3

California Debt Issuance by Type
January 1, 1995 - December 31, 1995

Source: California Debt Advisory Commission
Chart 4 shows the distribution of 1995 California public debt issuances by purpose. Capital improvements financings ($9.8 billion), the largest purpose category, accounted for 36 percent of the total aggregate $27 billion sold by all California public agencies. Issuances in the next largest categories include interim financing ($6.7 billion), 25 percent of the total, and "other" purposes ($3.1 billion) and housing ($2.7 billion) both over ten percent of the total.

The remaining categories - education, commercial/industrial, hospitals/health care, and redevelopment-each accounted for less than ten percent of the total 1995 California public debt volume.

Source: California Debt Advisory Commission
State Issuance Down in 1995

As shown in Table 2, the 1995 debt issuance for agencies and departments of the state totaled $3.8 billion, down 77 percent from the $16.1 billion in debt issued in 1994. Most of this decline reflects the lack of any short-term debt issuance in 1995, whereas over $10 billion of short-term debt was sold in 1994. All but two categories of debt financings decreased in 1995. The State issued over one-third of its total volume, $1.4 billion, in housing bonds (single-family, multifamily, and college). This was an increase of 21 percent from the 1994 total of $1.1 billion. Another third of the volume, $1.3 billion, was sold for capital improvements and public works projects, which included water and power projects, public transit, and prisons and jails. This category increased 19 percent from the total $1.1 billion sold in 1994. Education bonds totalled $600 million, far less than the $2.8 billion sold last year. Over $407 million in bonds were issued for hospital and health care facilities, of which $336 million (82 percent) was for refunding of prior issues. The remaining $74 million sold by the State was for commercial and industrial development projects with 14 percent of this total for refunding.

<table>
<thead>
<tr>
<th>Public Debt Issuance by Purpose</th>
<th>1994</th>
<th>1995</th>
<th>Percentage Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interim Financing</td>
<td>$10,200</td>
<td>$0</td>
<td>-100%</td>
</tr>
<tr>
<td>Educational Facilities</td>
<td>2,800</td>
<td>600</td>
<td>-78.6</td>
</tr>
<tr>
<td>Housing</td>
<td>1,144</td>
<td>1,381</td>
<td>+20.7</td>
</tr>
<tr>
<td>Commercial/Ind. Devel.</td>
<td>176</td>
<td>74</td>
<td>-57.9</td>
</tr>
<tr>
<td>Hospital/Med. Facil.</td>
<td>674</td>
<td>408</td>
<td>-39.6</td>
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<tr>
<td>Cap. Impr./Public Works</td>
<td>1,106</td>
<td>1,313</td>
<td>+18.7</td>
</tr>
<tr>
<td>Redevelopment</td>
<td>3</td>
<td>0</td>
<td>-100</td>
</tr>
<tr>
<td>Other</td>
<td>7</td>
<td>0</td>
<td>-100</td>
</tr>
<tr>
<td>Total</td>
<td>$16,111</td>
<td>$3,776</td>
<td>-76.6%</td>
</tr>
</tbody>
</table>

Note: Figures may include taxable debt issuances and issuances for the purpose of refunding existing debt.
*Totals may not add due to rounding.

The State of California, which in the past five years sold an average of $2.8 billion per year in general obligation (G.O.) voter-approved bonds, sold just $1.2 billion in G.O. bonds in 1995. This was a 44 percent decrease from the $2.2 billion issued in 1994. Of that total, $81 million was for refunding. Conduit revenue bond sales also decreased, but not as sharply. The State sold $1.6 billion of conduit revenue bonds (of which 47 percent was for refunding prior issuance) as compared to the 1994 issuance of $2 billion (with 63 percent for refunding).
Local Agencies Issue for Infrastructure

Table 3 provides a breakdown of local agency issuance in 1994 and 1995. Capital improvements and public works bonds represent the greatest portion of the issuance volume for local agencies. Approximately $8.5 billion was issued by local agencies for public infrastructure projects in 1995. This is down less than one percent from the 1994 issuance. Of the 1995 total, 22 percent was for refunding, while in 1994 double that amount (44 percent) was for refunding of prior bond issuance. Projects financed under this category include bridges and highways ($1.5 billion); wastewater collection and treatment ($909 million); water supply, storage and treatment ($694 million); and airports ($827 million). Multiple capital improvements and public works projects, which include many assessment district projects, accounted for the largest dollar volume in this category - $1.8 billion.

The next largest category of local debt issuance was interim financing at $6.7 billion. It accounts for 29 percent of the local total, but was down from 1994. However, when the 1994 taxable note financings are excluded from the totals, issuance was about the same for both years.

<table>
<thead>
<tr>
<th>Table 3</th>
<th>California Local Agencies</th>
<th>Public Debt Issuance by Purpose</th>
<th>1994 and 1995</th>
<th>(Millions $)*</th>
<th>Percentage Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interim Financing</td>
<td>$8,438</td>
<td>$6,702</td>
<td>-20.6%</td>
<td></td>
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</tr>
<tr>
<td>Educational Facilities</td>
<td>1,261</td>
<td>1,366</td>
<td>+8.3%</td>
<td></td>
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</tr>
<tr>
<td>Housing</td>
<td>806</td>
<td>1,296</td>
<td>+60.8%</td>
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<tr>
<td>Commercial/Ind. Devel.</td>
<td>210</td>
<td>191</td>
<td>-9.1%</td>
<td></td>
<td></td>
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<tr>
<td>Hospital/Med. Facil.</td>
<td>1,447</td>
<td>1,003</td>
<td>-30.7%</td>
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<tr>
<td>Cap. Impr./Public Works</td>
<td>8,564</td>
<td>8,499</td>
<td>-0.8%</td>
<td></td>
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<tr>
<td>Redevelopment</td>
<td>1,278</td>
<td>906</td>
<td>-29.1%</td>
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<tr>
<td>Other</td>
<td>3,917</td>
<td>3,010</td>
<td>-23.2%</td>
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</tr>
<tr>
<td>Total</td>
<td>$25,920</td>
<td>$22,972</td>
<td>-11.4%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: Figures may include taxable debt issuances and issuances for the purpose of refunding existing debt.

*Totals may not add due to rounding.
A comparison of the types of debt financings issued by local agencies appears in Table 4. Local issuance was a mixed bag, with total dollar volume down and bond volume up. Although the total debt issuance volume for local agencies ($22.9 billion) was down 11 percent from 1994, certain debt type categories showed a gain. Issuance of bonds, as a type of debt as opposed to notes, COPs, and other type of debt, increased slightly. The bond total of $13.5 billion was up a modest three percent from the $13.2 billion issued in 1994.

Twenty-three percent of the 1995 local agency bond issuance was for refunding while over 34 percent of the 1994 total was refunding. Local G.O. bonds totaled $1.1 billion, up 20 percent from 1994. Conduit revenue bonds rose to $1.4 billion in 1995, up 42 percent from $984 million issued in 1994, and public lease revenue bond issuance increased 22 percent to $728 million from the $599 million sold in 1994.

<table>
<thead>
<tr>
<th>Bond Type</th>
<th>1994 (Millions $)</th>
<th>1995 (Millions $)</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bonds</td>
<td>$13,174</td>
<td>$13,537</td>
<td>+2.8%</td>
</tr>
<tr>
<td>Notes</td>
<td>9,216</td>
<td>6,936</td>
<td>-24.7</td>
</tr>
<tr>
<td>COPs/Leases</td>
<td>2,945</td>
<td>1,976</td>
<td>-32.9</td>
</tr>
<tr>
<td>Commercial Paper</td>
<td>584</td>
<td>523</td>
<td>-10.4</td>
</tr>
<tr>
<td>Other</td>
<td>0</td>
<td>1</td>
<td>+100.0</td>
</tr>
<tr>
<td>Total</td>
<td>$25,920</td>
<td>$22,972</td>
<td>-11.4%</td>
</tr>
</tbody>
</table>

Note: Figures may include taxable debt issuances and issuances for the purpose of refunding existing debt.

The greatest jump was in revenue (pool) bonds with a total issuance of $942 million in 1995. This is more than two and one half times the $362 million sold in 1994. This type of bond financing is used primarily by joint power agencies for infrastructure or pool financings. Bond categories that decreased in 1995 include tax allocation, limited tax obligation and "other" types of bonds.

Certificates of participation and lease issuance, which has been as high as $6 billion in the last three years, totaled just under $2 billion in 1995, a 53 percent decrease from the $2.9 billion sold in 1994. Tax and revenue anticipation note (TRAN) issuance decreased by 13 percent in 1995. Agencies sold $6.5 billion in TRANs in 1995 vs. $7.5 billion in 1994. Total note issuance decreased to $6.9 billion down 25 percent from total note issuance of $9.2 billion in 1994.
Agencies in L.A. County Tops in Volume

Issuers in Los Angeles County sold $5.1 billion of debt in 1995, almost 19 percent of the total state volume. The State of California and its authorities and agencies were next with $3.8 billion, followed by Orange County and multiple county issuers, each issuing over $2.5 billion. Issuers in San Bernardino County sold $2.2 billion in debt and over $1 billion issuance was reported from agencies in San Diego ($1.6 billion), Sacramento ($1.3 billion), and Alameda ($1.1 billion) counties. Three counties (Alpine, Del Norte and Modoc) reported no debt issuance for 1995. Multiple issuers are those agencies that are joint powers agencies located in several counties or whose jurisdictions cross county lines.

Mello-Roos Bond Issuance Down Slightly in 1995

A total of 57 Mello-Roos Community Facilities Districts issued debt in 1995. Total volume for the year was $622 million, down six percent from $662 million issued in 1994. Approximately half of the issuance was for refunding of prior issuance. Issuers used two-thirds of the issuance ($410 million) for capital improvements and the remaining third ($211 million) for funding educational facilities. Chart 5 provides a historical perspective of Mello-Roos issuances by Community Facilities Districts since 1983, with a breakdown of refunding versus new money.

![Graph of Mello-Roos Issuance Refunding vs. New Money](chart5.png)

Source: California Debt Advisory Commission
Following the sale of a single $8.5 million issue in 1983, issuance by Community Facilities Districts increased steadily over the next seven years. After reaching a peak volume of $977 million in 1990, CFD issuances declined by 15 percent to $828 million in 1991, by another 33 percent to a volume of $553 million in 1992, and continued to drop by another 55 percent in 1993 to just $249 million for the year - the lowest volume registered since 1987. The volume has two components, the number of issues sold per year and the average dollar size per issue. The highest dollar amount per issue ($16.4 million) was registered in 1986, when nine issues were sold for an aggregate $147 million. The largest number of CFD issues (73) was sold in 1990 and, again, in 1991 with an average issue size of $13.4 million and $11.3 million, respectively. In 1993 the average issue size dropped to an all-time low of $8.3 million, when CFDs sold 30 issues totalling $249 million. In 1994, Community Facilities Districts sold 49 issues totaling $662 million, at an average of $13.5 million per issue, and in 1995 there were 57 issues totaling $621 million, at an average of $10.9 million per issue. From 1983 through 1995, Community Facility Districts reported 474 issuances to the Commission with a combined total of $5.7 billion for the period, which averages to $12.0 million per issue. A breakdown of Mello-Roos issuances by purpose is shown in Chart 6.

Chart 6
Mello-Roos Issuance by Purpose
January 1, 1985 - December 31, 1995

Source: California Debt Advisory Commission
Taxable Financings

Issuers sold $3.8 billion in taxable debt in 1995. Over two-thirds of that total ($2.6 billion) was sold for pension obligation bonds. 1994 taxable financings topped $6.3 billion and included $3.8 billion in pension obligation bonds, as well as $1.6 billion in taxable short-term notes. Taxable interim financing issues decreased to $82 million in 1995. Total taxable issuance was 14 percent of the total statewide volume.

Competitive vs. Negotiated Financings

Table 5 provides an eleven-year comparison of negotiated vs. competitive financings. Seventy-eight percent of the total volume of debt issuance was sold by negotiation in 1995. The remaining 22 percent of the volume was competitively sold. The State competitively sold 43 percent of its total issuance, while local agencies used this method for 18 percent of their total volume.

<table>
<thead>
<tr>
<th>Year</th>
<th>Competitive</th>
<th>% of Total</th>
<th>Negotiated</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995</td>
<td>$ 5,857</td>
<td>22.0%</td>
<td>$21,153</td>
<td>78.0%</td>
</tr>
<tr>
<td>1994</td>
<td>15,589</td>
<td>37.0%</td>
<td>26,504</td>
<td>63.0%</td>
</tr>
<tr>
<td>1993</td>
<td>14,826</td>
<td>26.2%</td>
<td>41,850</td>
<td>73.8%</td>
</tr>
<tr>
<td>1992</td>
<td>9,446</td>
<td>21.6%</td>
<td>34,296</td>
<td>78.4%</td>
</tr>
<tr>
<td>1991</td>
<td>10,001</td>
<td>28.7%</td>
<td>24,821</td>
<td>71.3%</td>
</tr>
<tr>
<td>1990</td>
<td>6,043</td>
<td>25.0%</td>
<td>18,091</td>
<td>75.0%</td>
</tr>
<tr>
<td>1989</td>
<td>4,545</td>
<td>20.3%</td>
<td>17,812</td>
<td>79.7%</td>
</tr>
<tr>
<td>1988</td>
<td>3,418</td>
<td>15.2%</td>
<td>19,068</td>
<td>84.8%</td>
</tr>
<tr>
<td>1987</td>
<td>1,780</td>
<td>10.2%</td>
<td>15,603</td>
<td>89.8%</td>
</tr>
<tr>
<td>1986</td>
<td>3,273</td>
<td>13.5%</td>
<td>21,041</td>
<td>86.5%</td>
</tr>
<tr>
<td>1985</td>
<td>5,445</td>
<td>16.6%</td>
<td>27,460</td>
<td>83.4%</td>
</tr>
</tbody>
</table>

Note: Figures may include taxable debt issuances and issuances for the purpose of refunding existing debt.
ACCOMPLISHMENTS IN 1995

THE COMMISSION'S PUBLICATIONS

One of the Commission's many challenges is to keep the public informed about issues that affect public finance. As a statewide resource agency on public finance matters, the Commission strives to make the information at its disposal as accessible to the public as possible. To meet this goal, CDAC disseminates a variety of publications throughout the year. With the exception of the California Debt Issuance Primer - a reference manual for issuers of public debt - reports and other publications are available to any interested party free of charge.

In 1995, CDAC published the 14th volume of DEBT LINE, the Commission's monthly newsletter, and released seven new publications, which are described below. (A listing of all CDAC publications currently in print is available upon request.)

Recommended Changes to the Marks-Roos Local Bond Pool Act of 1985:
Report to the Legislature and Governor
[CDAC #95-1]

This report was authorized in 1992 with the intention of curbing future abuses of the Act while preserving its many beneficial uses. The recommendations for legislation address the following issues: recovering the cost of issuance; conflicts of interest in financial advisory relationships; suitability of bond pool investments; fees charged on non-program investments; and ongoing disclosure requirements. Major recommendations in the report include: (1) prohibit the underwriter of a Marks-Roos bond issue from serving as a financial advisor or investment advisor on bond pool investments; (2) limit the administrative fees charged by public financing agencies; (3) require competitive bidding for guaranteed investment contracts; (4) prohibit the underwriter, financial advisor or investment advisor of a Mark-Roos pool from selling to that bond pool any security or obligation issued by a state or local government from its dealer inventory or that it underwrote; and (5) establish a reporting requirement for Marks-Roos bond pools.
1994 Annual Report  
[CDAC #95-2]

Third in a series, this report summarizes the activities of the Commission on an annual basis. As such, the 1994 Annual Report provides a synopsis of the activities and accomplishments of the Commission and its members, gives an overview of California public finance activities during 1994, and outlines major new projects planned by the Commission for 1995. In addition to the digest of the Commission’s programs and activities, the report also provides a broad perspective on major events that shaped California public finance in 1994.

The 1994 Annual Report is supplemented by several charts and tables that provide a perspective on California public debt activity over time, as well as an appendix containing an excerpt from the Government Code upon which the California Debt Advisory Commission’s programs and operations are based, and other pertinent information relating to the Commission.

Recommended Practices for California Redevelopment Agencies  
[CDAC #95-5]

During the past two years, redevelopment in California has come to a crossroads. As the State of California faced its most challenging fiscal crisis since the Great Depression, attention turned to redevelopment. This program, with a stable funding source and special powers, offers one of the only effective tools available to local governments to offset serious economic dislocation. Yet, some redevelopment agencies (RDAs) have been criticized for abusing the powers delegated to them by the State.

The goals of this report are as follows: (1) to provide an overview of RDA operating practices and legal constraints placed within an historical context; (2) to disseminate examples of successful, innovative practices selected from RDAs across the State; (3) to serve as a resource for RDAs to stimulate enhanced innovation; and, (4) to provide management tools and guidance toward improving redevelopment practices in California.

Annual Summary 1995: The Use of Housing Revenue Bond Proceeds  
[CDAC #95-6]

This is the eleventh edition in a series of reports designated to summarize information on local agencies’ use of tax-exempt housing revenue bond proceeds, based on unaudited data reported to the CDAC by the issuing agencies. This Summary includes information on the incomes, family sizes, rents or mortgage payments of housing occupants; the number, size, sales price, and geographic distribution of the units that are developed; the length of time the units have to comply with income-targeting requirements; and the type of developers or sponsors of housing projects.
This Summary shows that $8.6 billion in housing revenue bonds, issued between January 1, 1985 and June 30, 1995, were subject to the reporting requirements in 1995. Of this volume, local issuers submitted detailed housing data on a total volume of $8 billion (93 percent). The information included in this report indicates that multifamily bond proceeds of $7 billion provided funds for the construction of 119,351 units. Additionally, nearly $1 billion in funds for single-family mortgages have been made available from bond proceeds.

1995 Summary of California Public Debt
[CDAC #95-7]

This report is a companion volume to the 1995 Annual Report [CDAC #95-2]. The purpose of this report is to provide a profile of public borrowing by all levels of government in the state. It is based on unaudited data for public debt issuance from January 1 through December 31, 1995.

The report is devoted to tables that summarize 1995 state and local debt issuance by type of debt instrument (general obligation bonds, certificates of participation, etc.), use of proceeds (single-family housing, education, health care, etc.), taxable financings, financings to refund existing debt, type of issuing agencies (state, cities, counties, etc.), and Mello-Roos financings. This report is the tenth Summary published since 1985.

1995 Calendar of Debt Issuance
[CDAC #95-8]

A companion publication to the 1995 Annual Report [CDAC #95-2] and the 1995 Summary of California Public Debt [CDAC #95-7], the calendar contains detailed information on each California debt issue sold in 1995 as reported to the Commission. The information presented in the Calendar is organized by state agency, county and issuer to portray each entity’s debt issuance activity for the year. Details include the type of debt instrument sold, the sale date, the purpose for which the funds are raised, and related information of relevance to issuers, analysts, and others interested in California’s public debt portfolio. This report is the tenth in a series published annually since 1985.

1995 Mello-Roos Yearly Fiscal Status Report
[CDAC #96-1]

This 1995 Mello-Roos Community Facilities Districts Yearly Fiscal Status Report is the third annual report issued detailing specific fiscal information on Community Facilities Districts (CFDs). The report is prepared annually from information submitted to the Commission by CFD agencies issuing bonds since January 1, 1993. Legislation enacted in 1992 (SB 1464, Mello Chapter 772, Statutes of 1992) requires that all issuers of CFD bonds report annually, until the bonds are retired, on the fiscal status of their bonds sold. Legislation was amended in 1993 to include a requirement for reporting data on all CFD-issuer defaults or draws on reserve funds.
In 1995, a total of 53 issuers, located in 19 counties, were required to file status reports on 99 separate bond issues. Of that total, three issuers failed to file the report. An additional nine issuers reported voluntarily.

OTHER COMMISSION PUBLICATIONS

DEBT LINE (Monthly)

In 1995, approximately 1,650 public and private subscribers received copies of DEBT LINE, CDAC’s monthly newsletter. This publication contains a calendar listing of all proposed and sold debt issues reported to the Commission, summary tables on the types of debt and the purposes of the financing, as well as various informational articles. The Commission is receiving an average of 20 new subscription requests every month, and at the beginning of 1996 had over 1,650 subscribers.

DEBT LINE provides three basic types of information. First, it provides information to issuers and other public finance professionals on municipal bond financing transactions occurring in the state. Agencies which are considering a financing transaction often consult DEBT LINE for vital information on similar issues in the market, such as the volume of debt issuance, interest costs, type of sale, and members of the financing team. Others consult the newsletter for an indication of new trends or innovations in public finance.

Second, DEBT LINE serves as a forum for discussions of critical issues in public finance. While some articles are intended to inform readers of developments taking place in the marketplace, other articles present differing views on or expositions of a particular topic. The January, 1995 issue, for example, provided a summary of the actions which led to, and the results of, the Orange County bankruptcy filing in Aggressive Investment Strategy Comes Back to Haunt Orange County. From time to time, the Commission publishes articles of interest to the public finance community such as Yield Hungry Money Managers Turn to 'Derivatives' which also appeared in the January 1995 issue. Recommendations for amending the California Constitution was a topic featured in the September 1995 issue titled California Constitution Revision Commission Proposes Overhaul of State and Local Government. A SEC disclosure article, Continuing Disclosure for Bonds Issued Prior to the New SEC Rule: What's An Issuer To Do? was headlined in the December 1995 issue.

Third, DEBT LINE is the primary vehicle for advising the public of the Commission’s activities. It includes announcements concerning new CDAC publications, programs, and seminars, as well as summaries of the Commission’s meetings and hearings.
Issue Brief Series

To round out its technical assistance function, the Commission developed the Issue Brief series, which are reference documents on topical public finance matters. As such, these documents present objective analyses on important technical issues, including suggestions for addressing these issues. These are somewhat more technical than a typical DEBT LINE article, but not lengthy enough to be published in report form, and are made available separately in the Issue Brief format. Currently, the Issue Brief series includes:

Issue Brief No. 1 - Competitive versus Negotiated Sale of Debt - is intended to assist public issuers in determining the appropriate method of sale for their debt offerings.

Issue Brief No. 2 - Understanding the Underwriter Spread - is designed to provide public issuers with a basic understanding on how underwriters are compensated as part of the debt transaction and to identify ways of evaluating the various components of the underwriting spread.

Issue Brief No. 3 - Preparing Requests for Proposals - provides a starting point for smaller agencies or infrequent issuers in their search to obtain expert help in preparing for a bond sale. A Request for Proposals (RFP) is a formalized method of soliciting information of candidate firms concerning their qualifications, experience, proposed compensation arrangements, and suggested approaches to a planned financing.

1995 Default/Draw on Reserve Report

Effective January 1994, any Community Facilities District (CFDs) with outstanding debt, regardless of when sold, must report to the Commission a failure to make principal and interest payments (default) or a draw on the reserve funds to make those payments within 10 days of the event.

The Commission has defined a Draw on Reserve Funds as any withdrawal of funds that decreases the Reserve Fund below that amount stated as the Minimum Reserve Fund Required in the official bond documents/indenture of the bond sale. The information contained in the Default/Draw on Reserve Report is obtained from the reports filed by the CFD bonds' issuers. This report is available upon request, and the information is also provided on the Internet.

COMMISSION SEMINARS AND SYMPOSIUMS

In 1995 the Commission continued to offer seminar programs as part of its public assistance function, including events which are co-sponsored by statewide associations. These seminars and symposiums are designed to serve the needs of various groups and to bring players in the financial market together for an exchange of information and a fresh look at persisting problems. CDAC's ongoing educational program is constantly evolving to meet the varied and changing needs of the financial community it serves.
Symposium on California Water Issues

A symposium entitled *Meeting the Challenge: Impact on California Water* was offered jointly by the CDAC and Standard and Poor's Corporation (S&P) on February 28, 1995 in San Francisco. The symposium drew individuals from state and municipal water agencies, financial institutions, and water resource consultants, to discuss recent developments and identify emerging trends in water, and the impact of the landmark accord reached between the State and federal agencies on the use of Sacramento-San Joaquin Delta water.

The fourth of its kind co-hosted by CDAC and S&P, these annual symposia are designed to provide a forum for public and private sector officials to discuss critical public finance and policy issues facing the State of California. Previous symposia focused on K-12 education, housing and transportation issues.

Fundamentals Seminar

The *Fundamentals of Debt Financing*, the Commission’s introductory seminar for public officials interested in understanding the debt issuance and debt management process, was held April 6 and 7, 1995 in Irvine. The one and one-half day seminar is designed to cover the basics of a bond issue, including the participants’ roles, types of debt financings, credit ratings, disclosure issues, and ethics. The seminar’s faculty consists of private and public financing professionals. The *Fundamentals* seminar, which has attracted hundreds of participants over the last six years, is open only to local and state officials.

Municipal Investment Management Workshop

This one-day workshop, *Municipal Investment Management Workshop*, was held April 21, 1995 in Sacramento. Co-sponsored with the California State Association of Counties (CSAC), the California Council on Partnerships, and the California Association of County Treasurers and Tax Collectors (CACTTC), this program was planned as a response to the events in Orange County. The workshop was designed for elected county supervisors, chief administrative officers and staff who do not have the day-to-day working knowledge of investments. Workshop sessions included a discussion of the roles and responsibilities of the county financial management team, an explanation of fixed income products and provider services, an examination of the world of bonds, a definition of paper loss, and a discussion of the prudent *person* rule and a local agency’s role as fiduciary.
Seminar on Current Issues in Public Finance

The Current Issues in Public Finance seminar, co-sponsored by CDAC, the California State Association of Counties (CSAC), and the California Association of County Treasurers and Tax Collectors (CACTTC), was held in Sacramento on April 24 and 25, 1995. Designed for elected officials, chief administrative officers, treasurers and tax collectors, county counsels, public works directors, auditor-controllers, and their staff responsible for issuing, managing, and administering county debt, this seminar provided general sessions on the impact of U.S. Department of Housing and Urban Development (HUD) reforms, funding alternatives for cash short-falls, secondary market disclosure, solid waste financing issues, dealing with credit agencies and enhancement providers after Orange County, proposed changes to private activity bond rules and their impact on benefit assessment districts, and the California Constitution Revision Commission's preliminary proposals for constitutional reform. State Treasurer Matt Fong delivered the keynote address.

Mechanics of a Bond Sale Seminar

For public officials who require more advanced training in public finance, CDAC offered the Mechanics of a Bond Sale seminar. The seminar, held on September 21 and 22, 1995 in Irvine, provided an in-depth examination of each step of the bond issuance process. CDAC's Mechanics seminars are designed to take public officials through the steps in a debt financing and include such topics as capital outlay planning, structuring a bond issue and putting together a financing team, preparation of legal documents, marketing and pricing an issue, risks and rewards of debt issuance, investing bond proceeds, and methods for achieving and maintaining a positive credit rating.

THE COMMISSION'S PUBLIC HEARINGS

As part of its mandated tasks, CDAC is required to maintain contact with municipal issuers, investors, underwriters, credit rating agencies, and others to improve the market for state and local government debt issues. To help meet this requirement, the Commission schedules public hearings on topics of widespread interest. CDAC's public hearings are held at various locations throughout the State, often on consecutive days in both northern and southern California. This allows for timely input from all interested parties. The hearings, conducted as conditions warrant, attest to the Commission's commitment to providing public oversight and input on issues affecting debt issuance in California.
Orange County Public Hearing

State Treasurer Matt Fong chaired a public hearing on the Credit Implications of the Orange County Crisis. on February 23, 1995, in Santa Ana. The CDAC-sponsored hearing was held to examine two key issues: (1) The likely impact of the Orange County crisis on the debt obligations of Orange County Investment Pool agencies and on the market for California credits generally; and (2) The steps state and local leaders can take to restore the confidence of investors in California municipal securities.

The Commission heard testimony from private and public sector experts on a variety of financial and legal issues arising from the bankruptcy filing of Orange County and its investment pool losses. The testimony presented at the hearing prompted State Treasurer Fong to sound a stern "fiscal earthquake" warning: "If Orange County doesn't get its fiscal house in order, the earthquake will be felt all the way to San Diego and all the way north to Eureka. Small borrowers may be closed out of the financial markets."

The final report on the hearing published by CDAC includes the Commission's background paper, a transcript of the testimony, and a summary of the testimony.

THE COMMISSION'S PUBLIC OUTREACH EFFORTS

The Commission is often invited to conferences and other gatherings to address various issues related to California debt issuance and debt management. CDAC uses these opportunities to share the Commission's views on various public finance matters and to learn about issues of concern for groups who have an interest in how state and local agencies issue and manage debt. In 1995, CDAC staff made presentations and conducted workshops for groups including the following:

Annual Bond Buyer Conference on Public Finance
Asia Foundation of San Francisco
Association for Government Leasing and Finance
California State Association of Counties
California Association of County Treasurers & Tax Collectors
California Constitution Revision Commission
California Integrated Waste Management Board
California Municipal Treasurers Association
California Society of Municipal Analysts
California State and Local Institutional Investors Conference
Claremont Institute's Annual Public Policy Conference and Legislative Roundtable
Fund Services Associates Seminar
Government Finance Officers Association Annual Meeting
Local Agency Investment Fund Conference
Municipal Bond Insurance Association
National Council of State Legislatures' Fiscal Partners Project
National Federation of Municipal Analysts
Public Securities Association Spring Conference
Robert Morris Associates Conference
Special Districts Association Conference
State Debt Management Network Conference

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THE COMMISSION'S DATA REPOSITORY

For calendar year 1995, the data collection unit of the Commission processed 1,777 reports of proposed debt issuance by California state and local issuers of public debt. CDAC also received 1,596 reports for issues sold during the year. These included issues that were reported as proposed sales in prior years but were actually sold in 1995. Each of the over 3,300 reports CDAC processed in 1995 contains detailed information on that particular sale of public debt.

In addition to debt issuance reports, CDAC compiled data on the use of housing revenue bond proceeds. For the 1995 Annual Summary: The Use of Housing Revenue Bond Proceeds, the Commission contacted 187 local agencies for data on 649 debt issuances relating to multifamily and single-family housing projects. These bond proceeds were used to assist in the financing of a reported 119,351 multifamily units and 3,833 single family residences.

The data which support all CDAC publications, as well as information provided to the public upon request, is collected from the individual debt issuance reports that CDAC receives each year.

Database Conversion

The cornerstone of the Data Collection and Analysis Unit is a database system which receives, stores, and compiles debt issuance information reported to the Commission. To accommodate new mandates for additional debt issuance data collection and to provide technical assistance in a more efficient manner, the Commission transitioned to an in-house developed relational database application in 1995.

The benefits of the new application are reflected in changes to the calendar of issues pages in DEBT LINE. Changes include: (1) the addition of guarantor and trustee names (if reported) on sold issues; and (2) addition of final date of maturity and the type of maturity. This additional information is reported to CDAC via the new Report of Proposed Debt Issuance and the Report of Final Sale forms.

Revised Reporting Forms


The revised forms reflect new information requests from public and private municipal bond participants due to changes and innovations in the municipal market place and the conversion of the Commission database to a new application. In addition, the revised reporting forms assist issuers in complying with the additional reporting requirements related to negotiated refundings.
Data on Disk Subscriptions

CDAC took a step towards providing debt issuance data in an electronic format with the inception of its Data on Disk project. Under this project, CDAC provides data that is collected and compiled on sold California public debt issues on a monthly basis via a diskette to prepaid subscribers. Up until this time, the Commission's data on debt issuance has been available only in hard copy format.

A subscription includes the following:

- CDAC will prepare and mail one diskette per subscriber each month containing the data on sold issues reported to the Commission for that timeframe.
- The sold information is copied from the Commission database in an ASCII format onto the diskette and is sent with an accompanying definition worksheet. The data is cumulative from the month of January of the year.
- The information copied onto the diskette is the sold data published in the Calendar portion DEBT LINE. The data will exclude information on proposed issues.
- The subscription entitles the subscriber to one calendar year of data beginning with information on public debt issuance sold on January 1st through December 31st of each year.
- The data included on the diskettes is reported to the California Debt Advisory Commission on the Report of Proposed Debt Issuance and the Report of Final Sale forms from sources considered to be reliable.
- A subscription for the current calendar year costs $72 plus sales tax of $5.58 for a total of $77.58.
- Prior calendar years' sold data may be requested for $6 plus sales tax of $.47 for each prior year prepaid for a total of $6.47 prepaid.

The Commission's data includes yearly sold information from 1985 through year-to-date 1996.

CDAC Goes On Line

Internet surfers may cruise the State Treasurer's Home Page on the Internet. This site provides information about current events, press releases, and general STO information. It also includes a link to CDAC's Home Page, where the visitor can obtain selected information about the Commission, available CDAC reports, current CDAC seminar schedules, and reported defaults and draws for Mello-Roos and Marks-Roos financings. In the future, this site will also provide the latest statistics on state and local debt issuance from the Commission's database of public debt issuance.

The STO Home Page is located at http://www.treasurer.ca.gov. The CDAC Home Page is located under the Boards and Commissions, California Debt Advisory Commission. To request information or assistance, contact CDAC by e-mail @ CDAC@treasurer.ca.gov.
THE OUTLOOK FOR 1996

The California Debt Advisory Commission's 1996 agenda includes a combination of new and ongoing programs as CDAC enters its 15th year. This chapter highlights programs and activities planned for 1996.

Investment Practices Video

As part of its effort to promote the continuing education of public officials in the area of investment practices, CDAC has been working with representatives of statewide associations to prepare an educational video for local elected officials. The video will discuss the importance of investment oversight, the basics of investment programs, and provide some tips for monitoring investment program performance.

CDAC's partners in the video project include the following statewide associations:

- California State Association of Counties
- California Society of Municipal Finance Officers
- California Association of County Treasurers and Tax Collectors
- California Municipal Treasurers Association
- California Special Districts Association
- Association of California Water Agencies
- California Association of Sanitation Agencies

The video is expected to run approximately 12 minutes, and is specifically targeted at local elected officials who have less available time to attend the investment seminars and workshops that are available through their associations. CDAC and its partners hope that a copy of the video can be made available to each of the state's local entities so it can be viewed in the context of a city council or board of supervisors meeting or at a local special event held for that purpose. Video completion and distribution are expected to occur in late 1996.

Investment Guidelines

To promote continuing education of public officials in the area of investment practices, CDAC also has initiated a cooperative effort to develop guidelines to assist local agencies in their efforts to comply with investment legislation enacted in 1995 and 1996 in response to the Orange County bankruptcy. The legislation seeks to prevent similar investment debacles by restricting permissible investments and promoting oversight procedures for the management of public funds.
Although there is widespread support for the objectives of the new investment laws, many officials have expressed uncertainty over their implementation. The purpose of the guidelines is to resolve these and other issues in a collaborative manner.

This cooperative effort combines the expertise of representatives from seven statewide associations as well as the California State Legislature. The associations involved are:

- Association of California Water Agencies
- California Association of County Treasurers and Tax Collectors
- California Municipal Finance Officers Association
- California Municipal Treasurers Association
- California Special Districts Association
- California State Association of Counties
- League of California Cities

CDAC will distribute copies of the guidelines to the participating associations and upon request from interested parties. It is anticipated that the guidelines will be available for distribution in the Fall of 1996.

SEC Disclosure Guidelines

On March 21, 1996, CDAC issued the report Disclosure Guidelines for Land-Based Securities in draft form. The draft report was issued to address uncertainty in the market surrounding the Securities and Exchange Commission’s (SEC’s) recent continuing disclosure regulation and municipal enforcement initiative. The staff chose to focus its efforts on land-based financing (i.e., Mello-Roos and assessment bonds) because most of the uncertainty surrounding the new disclosure rule concerns these types of financings. But the document also discusses the securities fraud liabilities applicable to issuers of all types of municipal securities and recommends oversight procedures for issuers to minimize these liabilities.

The draft document has been widely distributed to issuers and industry professionals. Additionally, staff at the SEC has reviewed and commented on the draft. The most significant suggestion forwarded by commentators is that CDAC should divide the information in the draft into two separate reports. The first report would focus exclusively on disclosure for land-based securities; the second would discuss municipal securities regulation more generally and offer procedural guidelines to minimize securities fraud liabilities for issuers of all types of municipal securities. The Commission supports the issuance of two separate reports, and it is anticipated that both reports will be issued by the end of 1996.

California Debt Issuance Primer: Revised and Expanded Edition

The California Debt Issuance Primer is a reference manual developed for state and local government officials responsible for the issuance and management of public debt issues. The Primer, originally developed under consultant contract and published in 1988, was subsequently updated in 1990. Designed as a reference manual, the Primer contains information on the roles and responsibilities of public debt issuers and provides a comprehensive overview of the various debt financing options available to California issuers. It also describes the roles of participants in a debt financing, the steps in the debt issuance process, state oversight and financing programs, and key terms and concepts in public finance.
Due to the many changes in state and federal law, as well as recent innovations in the area of debt issuance and management, the Commission is laying the groundwork for reworking, revising, and expanding the Primer.

Seminar on Waste Facilities Financing

A one-day solid waste seminar, titled Financing Solid Waste Facilities: Making The Deal Work For Both You and the Market, was held February 1, 1996, in Burbank. CDAC conducted the seminar with three co-sponsors, the California Integrated Waste Management Board, the California State Association of Counties (CSAC), and the League of California Cities. The seminar brought together solid waste professionals, local finance officers, and municipal bond industry professionals to discuss the means to achieve viable financing strategies for solid waste projects in the current regulatory environment.

Topics included solid waste regulations and compliance strategies; flow control and related court decisions and legislation affecting solid waste management; the role of state and local agencies in waste management; the integration of waste management into the debt issuance process; the credit quality of and disclosure requirements for solid waste bond issuers. Public and private agency officials and their staff who are involved in solid waste management, the planning and design stages of a solid waste project or the financing arrangements for solid waste facilities were encouraged to attend.

Symposium on 1996 Elections

CDAC and Standard and Poor's (S&P) hosted the fifth annual symposium on public finance and policy issues confronting California on March 7, 1996, in Los Angeles. The symposium, titled The 1996 Elections: The Voters Take Charge, focused on ballot measures that may be placed before the voters in the 1996 elections.

The symposium began with an overview of voter attitudes and preferences that will influence the outcome of the 1996 elections. The symposium also focused on State general obligation bond issues that were on statewide ballots in the Primary Election held in March, as well as those that may be placed on the November General Election ballot. The presentation was followed by two discussion sessions - the first concerning the California Constitution Revision Commission's proposals to revise the Constitution, and the second concerning tax reform measures that are in the process of qualifying for the November ballot. The forum brought together experts in the fields of public finance and public policy to provide insights into the issues to be decided by voters in the 1996 elections.
Investing Public Funds Seminar

Investing Public Funds: Fundamentals of Managing Your Portfolio, a one and one-half day investment seminar was held May 2-3, 1996, in San Diego. CDAC developed this new seminar to allow investment professionals, local finance officers, and local public officials responsible for the investment of public funds the opportunity to discuss (1) the fundamental concepts and methods of investing public funds; (2) the management of a governmental investment portfolio; (3) the roles and responsibilities of local officials in the investment process; and (4) the means for ensuring the safety and liquidity of investments while obtaining the best returns possible. This inaugural seminar is part of the Commission's new educational program for public officials concerning the investment of public funds. The Commission has also scheduled a similar seminar in Berkeley on October 17-18, 1996.

Public agency officials and their staff responsible for or involved in the investment of public funds were encouraged to attend.

Fundamentals of Debt Financing Seminar

While specialized seminars represent the future of CDAC's technical assistance efforts, the Commission's regular seminar series remain an important part of its continuing education program in 1996. Offered in both southern and northern California, these popular seminars are open to any and all interested public agency officials and staff. Seminar sessions are conducted by municipal finance industry experts, including members of the Commission's TAC, and public officials with extensive experience in public finance.

The Fundamentals of Debt Financing, the Commission's introductory seminar for public officials interested in understanding the debt issuance and debt management process, was held on May 16-17, 1996 in Irvine. This one and one-half day seminar is designed to cover the basics of a bond issue, including the participants' roles, types of debt financings, credit ratings, and disclosure issues.

Mechanics of a Bond Sale Seminar

CDAC again will offer the Mechanics of a Bond Sale seminar on October 24-25, 1996 in Irvine. This seminar is designed for more advanced training in public finance and focuses on the technical aspects of bond issuance. Offered to public agency officials and their staff, the Mechanics seminar will include in-depth examinations of each step of the bond issuance process, starting from the capital outlay planning stage to the post-bond sale administrative stage.
Disclosure Seminar

The SEC's new continuing disclosure rule and municipal enforcement initiative have generated concern among issuers about their liabilities under the federal securities law. The Commission will address these concerns by offering the Understanding Municipal Securities Regulation: Complying with Disclosure Requirements and Avoiding Enforcement Action seminar on September 19-20, 1996, in Berkeley, and again on September 26-27, 1996, in Long Beach. This seminar will educate issuers about their legal obligations and offer practical advice on how to minimize their liabilities. The seminar will include presentations by officials from the SEC and CDAC and will review the disclosure role of counsel, underwriters and financial advisors. This seminar will be open to both public and private sector professionals.
Chapter 11.5. CALIFORNIA DEBT ADVISORY COMMISSION

8855. Creation, composition, term; officers; compensation; powers and duties

(a) There is created the California Debt Advisory Commission, consisting of nine members, selected as follows:

(1) The Treasurer, or his or her designate.

(2) The Governor or the Director of Finance.

(3) The Controller, or his or her designate.

(4) Two local government finance officers, appointed by the Treasurer, one each from persons employed by a county and by a city or a city and county of this state, experienced in the issuance and sale of municipal bonds and nominated by associations affiliated with such agencies.

(5) Two Members of the Assembly appointed by the Speaker of the Assembly.

(6) Two Members of the Senate appointed by the Senate Committee on Rules.

(b) The term of office of an appointed member is four years, but appointed members serve at the pleasure of the appointing power. In case of a vacancy for any cause, the appointing power shall make an appointment to become effective immediately for the unexpired term. Any legislators appointed to the commission shall meet with and participate in the activities of the commission to the extent that the participation is not incompatible with their respective positions as Members of the Legislature. For purposes of this chapter, the Members of the Legislature shall constitute a joint interim legislative committee on the subject of this chapter.

(c) The Treasurer shall serve as chairperson of the commission and shall preside at meetings of the commission. The commission, on or after January 1, 1982, and annually thereafter, shall elect from its members a vice chairperson and a secretary who shall hold office until the next ensuing December 31 and shall continue to serve until their respective successors are elected.

(d) Appointed member of the commission shall not receive a salary, but shall be entitled to a per diem allowance of fifty dollars ($50) for each day’s attendance at a meeting of the commission not to exceed three hundred dollars ($300) in any month, and reimbursement for expenses incurred in the performance of their duties under this chapter, including travel and other necessary expenses.
(e) The commission shall do all of the following:

(1) Assist the Housing Bond Credit Committee and all state financing authorities and commissions in carrying out their responsibilities as prescribed by law, including assistance with respect to federal legislation pending in Congress.

(2) Upon request of any state or local government units, to assist them in the planning, preparation, marketing, and sale of new debt issues to reduce cost and to assist in protecting the issuer’s credit.

(3) Collect, maintain, and provide information on state and local debt authorization, sold and outstanding, and serve as a statistical center for all state and local debt issues.

(4) Maintain contact with state and municipal bond issuers, underwriters, credit rating agencies, investors, and others to improve the market for state and local government debt issues.

(5) Undertake or commission studies on methods to reduce the costs and improve credit ratings of state and local issues.

(6) Recommend changes in state laws and local practices to improve the sale and servicing of state and local debts.

(f) The commission may adopt bylaws for the regulation of its affairs and the conduct of its business.

(g) The issuers of any proposed new debt issue of state or local government shall, no later than 30 days prior to the sale of any debt issue at public or private sale, give written notice of the proposed sale to the commission, by mail, postage prepaid. This subdivision shall also apply to any nonprofit public benefit corporation incorporated for the purpose of acquiring student loans.

(h) The notice shall include the proposed sale date, the name of the issuer, the type of debt issue, and the estimated principal amount thereof. Failure to give this notice shall not affect the validity of the sale.

(i) The commission shall publish a monthly newsletter describing and evaluating the operations of the commission during the preceding month.

(j) The commission shall meet on the call of the chairperson, or at the request of a majority of the members, or at the request of the Governor. A majority of all nonlegislative members of the commission constitutes a quorum for the transaction of business.

(k) All administrative and clerical assistance required by the commission shall be furnished by the Office of the Treasurer.

8855.5 Bond issuing agencies, authorities, governmental units, or nonprofit corporations; reports to commission

(a)(1) Any redevelopment agency which issues revenue bonds to finance residential construction pursuant to Chapter 7.5 (commencing with Section 33740) or Chapter 8 (commencing with Section 33750) of Part 1 Division 24 of the Health and Safety Code, (2) any housing authority which issues revenue bonds to finance housing developments or residential structures pursuant to the Housing Authorities Law, Chapter 1 (commencing with Section 34200) of Part 2 Division 24 of the Health and Safety Code, (3) any local
(6) Any nonprofit corporation that has qualified under Section 501(c)(3) of the federal Internal Revenue Code and which issues indebtedness for which the interest is exempt from federal income taxation to finance the purchase, construction, or rehabilitation of housing in this state, shall report to the California Debt Advisory Commission the incomes, family size, and rents or mortgage payments of the occupants, the number, size, cost, sales price, location by zip code, and geographical distribution of the units developed; the length of time the units are required to be held for occupancy by targeted income groups, and, if applicable, the number of years the units are required to be held as rentals; and the distribution of housing developments among for-profit, limited dividend, and nonprofit sponsors. For the purposes of this section, “nonprofit sponsors” includes public agencies.

(b) The information required to be reported by subdivision (a) shall be reported at least annually during the time that a percentage of the units are required to be occupied by, or made available to, persons or families within a particular income group. The report required by subdivision (a) shall only apply to housing units financed with the proceeds of bonds that are authorized to be issued, and which are issued, on and after January 1, 1985, pursuant to any of the provisions described in subdivision (a) or implementing provisions supplementary thereto, such as the authorizations contained in Chapter 5 (commencing with Section 6500) of Division 7 of Title 1. For purposes of this section, “bonds” means any bonds, notes, interim certificates, debentures, or other obligations issued under the authority of the provisions, or as otherwise, described in subdivision (a), and “issues” includes the issuance of bonds to refund previously issued bonds pursuant to the statutory provisions authorizing the original issuance or pursuant to supplementary authorization, such as Article 10 (commencing with Section 53570) of Chapter 3 of Part 1 of Division 2 of Title 5.

The redevelopment agency, housing authority, local agency, or city and county may charge a fee to the recipient of agency financing not to exceed the cost of making the reports required by this section.

8855.7 Reports required by Section 8855.5; analysis of compliance with subsection (d) or Section 142 of Internal Revenue Code; certification of compliance with filing requirements.

(a) The reports required by Section 8855.5 shall also contain an analysis by the reporting agency of compliance with the targeting requirements of subsection (d) of Section 142 of the Internal Revenue Code of 1986 (26 U.S.C. Sec. 142) with respect to any issue of its bonds subject to those requirements for federal tax exemption under Section 103 of the Internal Revenue Code of 1986 (26 U.S.C. Sec.103). The analysis shall identify the numbers of rental units subject to this reporting requirement by categories based on the number of bedrooms per unit, and shall report as to each of these categories.

(b) No public agency or nonprofit corporation subject to the reporting requirements of Section 8855.5 may issue any bonds, including bonds to refund previously issued bonds, subject to the reporting requirements of that section until the Treasurer certifies that the public agency or nonprofit corporation has filed the information required by Section 8855.5 and this section with the California Debt Advisory Commission.
8855.8 Commission compilation and summary of reports; contents

The commission shall compile and summarize the information reported to the commission pursuant to Section 8855.5 and issue that summary to the Legislature and the Legislative Analyst on or before November 1 of each year that the information is received by the commission. This summary shall also list any redevelopment agency, housing authority, local agency, city, and county which issued bonds under the authority of any of the programs specified in subdivision (a) of Section 8855.5 without first obtaining a certification from the Treasurer required pursuant to Section 33760, 34312.3, 52097.5, or 52045 of the Health and Safety Code.

8856. Fees

In providing services under paragraph (2) of subdivision (c) of Section 8855, the commission may charge fees in an amount not to exceed the fees established by the Department of General Services for the provision of contract services. In carrying out all the other purposes of this chapter, the commission may charge fees to the lead underwriter or the purchaser in an amount equal to one-fortieth of 1 percent of the principal amount of the issue, but not to exceed five thousand dollars ($5,000) for any one issue. Amounts received under this section shall be deposited in the California Debt Advisory Commission Fund, which is hereby created in the State Treasury. All money in the fund shall be available, when appropriated, for expenses of the commission and the Treasurer.

Until such time as fees are received by the advisory commission and appropriated pursuant to this chapter for the expenses of the commission and the Treasurer, the commission may borrow such moneys as may be required for the purpose of meeting necessary expenses of initial organization and operation of the commission.

8857. Employees

The chairman of the commission, on its behalf, may employ an executive director and other persons necessary to perform the duties imposed upon it by this chapter. The executive director shall serve at the pleasure of the commission and shall receive compensation as fixed by the commission.

8858. Review of capital improvement financing; report

The commission shall comprehensively review the financing of capital improvements by all agencies of local government and study the comparative debt of local governmental agencies for capital improvements and the use of bond financing as a source of the indebtedness. The review shall include an analysis of all general obligation and revenue bond financing laws. On or before January 1, 1983, the commission shall submit to the Legislature a report of its findings and recommendations, if any, for revising the laws governing such financing devices.

8859. Advice regarding local bond pooling authorities

The commission may, upon request, advise local agencies regarding the formation of local bond pooling authorities pursuant to Article 4 (commencing with Section 6584 of Chapter 5 of Division 7 of Title 1), and may advise the authorities regarding the planning, preparing, insuring, marketing, and selling of bonds as authorized by that article.
COMMISSION TECHNICAL ADVISORY COMMITTEE
1995

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Olivenhain Municipal Water District
Tom Friery
City of Sacramento
Norma Lammers
CA State Association of Counties
Jeff Thomas
City of Tustin
Sharon Yonashiro
Los Angeles County

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Amy Doppelt
Fitch Investors Service
Steven Zimmermann
Standard & Poor's Corporation

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Municipal Bond Investor's Assurance

INVESTOR REPRESENTATIVE MEMBERS
Thomas Kenny
Franklin Advisers
COMMISSION TECHNICAL ADVISORY COMMITTEE
1996

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Olivenhain Municipal Water District
Tom Friery
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George Jeffries
City of Tustin
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City of Santa Rosa
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Kairoff & Co., Inc
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Kitahata & Company
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Moody's Investor's Service
Amy Doppelt
Fitch Investors Service
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Standard & Poor's Corp

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Financial Security Assurance
John Pizzarelli
Municipal Bond Investor's Assurance

INVESTOR REPRESENTATIVE MEMBERS
Thomas Kenny
Franklin Advisers

As of June 1996
COMMISSION FUNDING AND EXPENDITURES

The Commission is funded out of the California Debt Advisory Commission Fund, established under Chapter 1088/81. The CDAC Fund is supported by fees levied on debt issues reported to the Commission. Specifically, Chapter 1088 authorizes the Commission to charge a fee, equal to one-fortieth of one percent (2.5 basis points), up to $5,000 for each issue, to the lead underwriter or purchaser of a debt issue.

The Commission has reduced its fee schedule twice since 1982 to provide a more equitable fee schedule for short-term and long-term debt issues sold in California, and to reduce the reserve in the CDAC Fund to a level equal to one year's appropriation. In 1986, the Commission also rebated $1.2 million to state and local government agencies which remitted fees based on the schedule set in law for debt issues sold in 1982 and 1983. The Commission again approved a fee reduction in 1988 to one-one-hundredth of one percent (1 basis point) for long-term debt issues, up to a maximum of $1,500 for each issue. However, in response to a declining fund balance, a substantial drop in debt issuance in 1995, and similar debt issuance levels predicted for 1996, the Commission approved a new reporting fee schedule in June 1995. The reporting fee was increased to 1/40th of one percent (2.5 basis points) for long-term debt issues sold on or after September 1, 1995 up a maximum of $5,000 for each issue.

As Table 6 indicates, the Commission required $1,261,762 in fiscal year 1994-95 to conduct its mandated functions. This was only partially offset by $599,473 in revenues. By the start of the 1995-96 fiscal year, the CDAC Fund balance had declined to $581,841.

Table 6

California Debt Advisory Commission
Operating Revenues and Expenditures
Fiscal Year 1994-95

<table>
<thead>
<tr>
<th>CDAC Fund:</th>
<th></th>
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</thead>
<tbody>
<tr>
<td>Beginning balance (7/1/94)</td>
<td>$1,217,435</td>
</tr>
<tr>
<td>Revenues*</td>
<td>599,473</td>
</tr>
<tr>
<td>Reimbursements</td>
<td>26,657</td>
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<tr>
<td>Total resources</td>
<td>$1,843,565</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Expenditures:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Staff salaries</td>
<td>$597,381</td>
</tr>
<tr>
<td>Staff benefits</td>
<td>141,231</td>
</tr>
<tr>
<td>General expense</td>
<td>31,763</td>
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<tr>
<td>Printing</td>
<td>53,468</td>
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<tr>
<td>Communications</td>
<td>7,765</td>
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<tr>
<td>Postage</td>
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<tr>
<td>In-state travel</td>
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<tr>
<td>Out-of-state travel</td>
<td>3,546</td>
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<td>Training</td>
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<tr>
<td>Facilities operation</td>
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<tr>
<td>Consultant and professional contracts</td>
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<tr>
<td>Data processing</td>
<td>2,540</td>
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<tr>
<td>Central administrative services</td>
<td>23,549</td>
</tr>
<tr>
<td>Equipment</td>
<td>23,221</td>
</tr>
<tr>
<td>Total expenditures</td>
<td>$1,261,762</td>
</tr>
</tbody>
</table>

Operating transfers out            | 38        |
CDAC Fund: Ending balance (6/30/95) | $581,841  |

*Includes interest earnings.
California Debt Advisory Commission
915 Capitol Mall, Room 400
Sacramento, CA 95814
(916) 653-3269