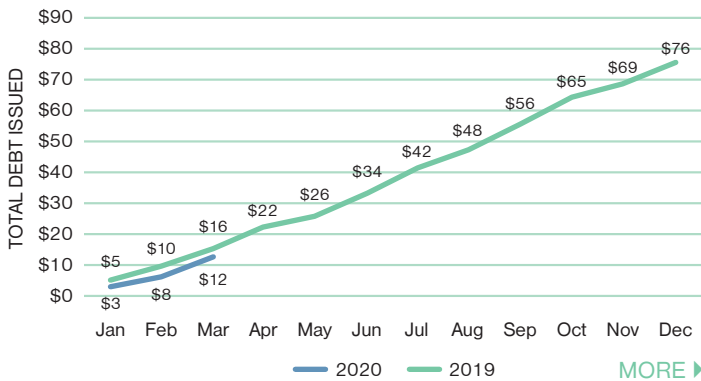
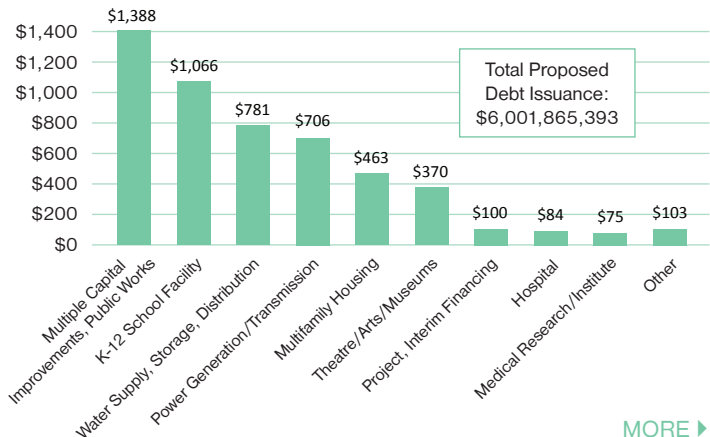


California Public Debt Issuance Monthly Data

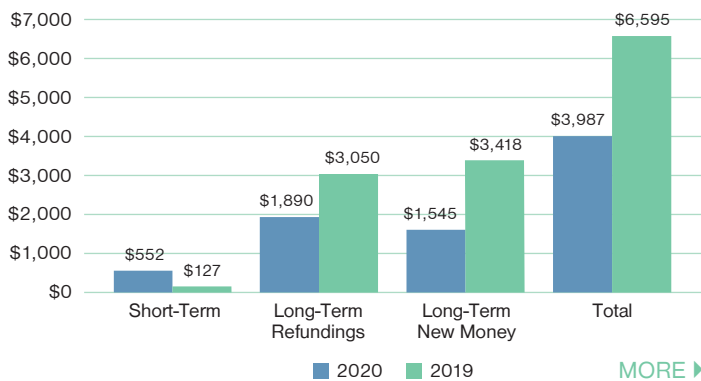
CUMULATIVE CALIFORNIA PUBLIC DEBT ISSUANCE (IN BILLIONS)¹



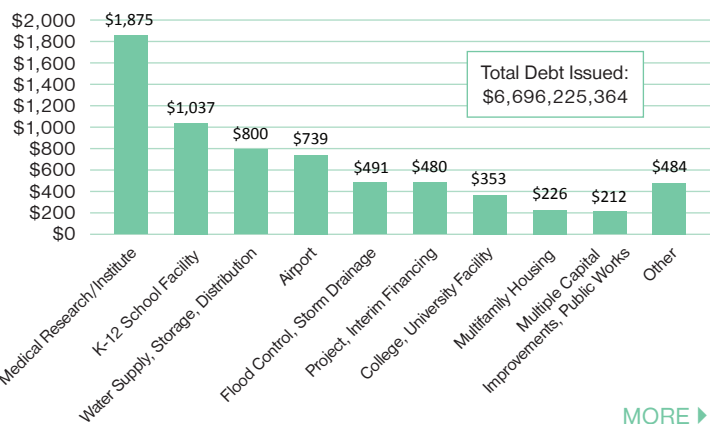
REPORTS OF PROPOSED DEBT ISSUANCE RECEIVED
3-16-2020 THROUGH 4-15-2020, BY PURPOSE (IN MILLIONS)



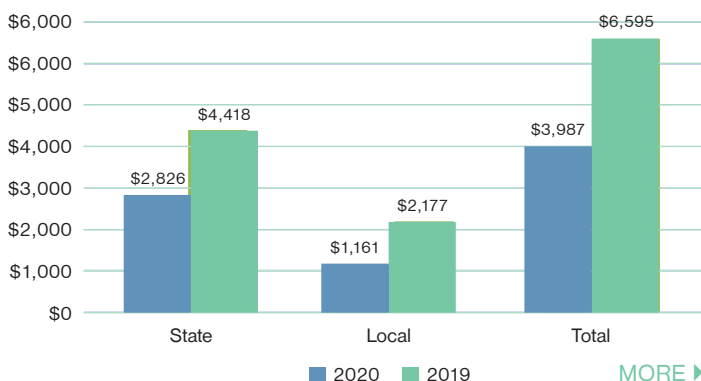
CALIFORNIA PUBLIC DEBT ISSUANCE, MARCH (IN MILLIONS)¹



TOTAL REPORTS OF FINAL SALE RECEIVED
3-16-2020 THROUGH 4-15-2020, BY PURPOSE (IN MILLIONS)



STATE* VERSUS LOCAL DEBT ISSUANCE, MARCH (IN MILLIONS)¹



* State issuers include the State of California, its agencies, commissions, authorities, departments and The Student Loan Corporation.

¹ Data may not include issuances reported after the 22nd day of the following month.

More detailed debt issuance information is available in the monthly [Debt Line Calendar](#). **DL**

INSIDE THIS ISSUE

Data Corner	2
Review of AB 2300 Reporting Requirements	6
Regulatory Activity Calendar	8
Save the Date	9



CALIFORNIA
DEBT AND
INVESTMENT
ADVISORY
COMMISSION

Chair:

FIONA MA, CPA
California State Treasurer

Members:

GAVIN NEWSOM
Governor

BETTY T. YEE
State Controller

SABRINA CERVANTES
Assemblymember

ASH KALRA
Assemblymember

STEVEN BRADFORD
Senator

JOHN M.W. MOORLACH
Senator

SANDIE ARNOTT
Treasurer-Tax Collector
County of San Mateo

NADIA SESAY
Executive Director
San Francisco Office of Community
Investment and Infrastructure

Executive Director:

ROBERT BERRY

Debt Line is published monthly by the California Debt and Investment Advisory Commission (CDIAC).

915 Capitol Mall, Room 400
Sacramento, CA 95814
P (916) 653-3269
F (916) 654-7440
cdiac@treasurer.ca.gov
www.treasurer.ca.gov/cdiac

Debt Line publishes articles on debt financing and public fund investment that may be of interest to our readers; however, these articles do not necessarily reflect the views of the Commission.

Business correspondence and editorial comments are welcome.

All rights reserved. No part of this document may be reproduced without written credit given to CDIAC. Permission to reprint with written credit given to CDIAC is hereby granted.

DATA - CORNER

Pension Obligation Financing in California

The first pension obligation bond (POB) issuance in California was reported to CDIAC in 1985 by the City of Oakland. The city issued over \$221 million to pay its pension liability owed to the Police and Fire Retirement System. POBs are issued by public agencies to satisfy payment obligations to the public agency's retirement system, which can be a self-managed system, a group system, the California Public Employees' Retirement System (CalPERS) or the California State Teachers' Retirement System (CalSTRS). The proceeds of POBs may be used to fund the public agency's required payments for the current fiscal year (annual contribution), the public agency's unfunded accrued actuarial liability (UAAL) or both. Financing the annual contribution in effect defers payment and provides the public agency cash flow relief in the current fiscal year. Financing the UAAL replaces a multi-year pension funding obligation with a multi-year debt service payment obligation.

Pension obligation financings are generally structured with an issuance by the public agency of a note payable to

the retirement system. The note is then refunded with POBs issued under a refunding bond law statute.¹ Pension obligation bonds can qualify for the Obligations Imposed by Law Exception to the constitutional debt limit. However, a validation action under California Code of Civil Procedure Section 860 et seq. is generally required.²

In addition to its pension obligations, many public agencies also have an obligation to provide other post-employment benefits (OPEBs) which some public agencies have also issued debt to finance. OPEBs are a public agency's future liabilities to pay for benefits, other than pension benefits, owed to retired employees, such as certain medical and other benefits.

Recently proposed legislation (SB 1067) would restrict the issuance of POBs by amending current refunding bond law statutes.³ The amendments would clarify that bonds issued using the refunding authority⁴, on and after January 1, 2021, would need voter approval.

To gain insight on POB activity in California, CDIAC staff reviewed the debt issuance data contained in DebtWatch.

VOLUME AND NUMBER OF DEALS. As reported to CDIAC from 1985 through April 2020, over \$25 billion of pension obligation debt has been

¹ California Debt Financing Guide, CDIAC, Section 3.3.2.2 Pension Obligation Bonds, pg. 3-11, www.treasurer.ca.gov/cdiac/debtpubs/financing-guide.pdf

² California Debt Financing Guide, CDIAC, Section 3.3.2.2 Pension Obligation Bonds, pg. 3-12, www.treasurer.ca.gov/cdiac/debtpubs/financing-guide.pdf

³ SB 1067, Moorlach, (2019-2020), https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?_bill_id=201920200SB1067

⁴ Government Code Sections 53552 and 53553.

issued.⁵ Over this 35-year period, 273 debt issuance transactions were reported as POBs or OPEBs. In addition, there are currently four (4) proposed POB/OPEB transactions that have been reported to CDIAC, totaling an additional \$486 million to be issued in May 2020 (Figure 1).

As shown in Figure 1, POB issuance activity was relatively low until it spiked in 1994. Just prior to the spike, Sonoma County issued California's first federally taxable pension obligation bond in 1993 after obtaining a judicial validation ruling ensuring the legality of the transaction.⁶ This POB issue paved the way for other public agencies to issue POBs after the Tax Reform Act of 1986, which restricted the issuance of tax-exempt bonds for pension liabilities.⁷

Since then, public agencies have generally followed suit, obtaining a validation action under California Code of Civil Procedure Section 860 et seq. prior to issuing POBs. Also during that time, legislation was approved (AB 3349) adding Section 6516.6 to Government Code allowing Joint Powers Agencies (JPAs) to issue revenue bonds under the Marks-Roos Act to finance local agencies' unfunded actuarial pension liabilities. The ability to pool pension obligation bonds offered smaller agencies a way to make the POB issuance more economical.⁸

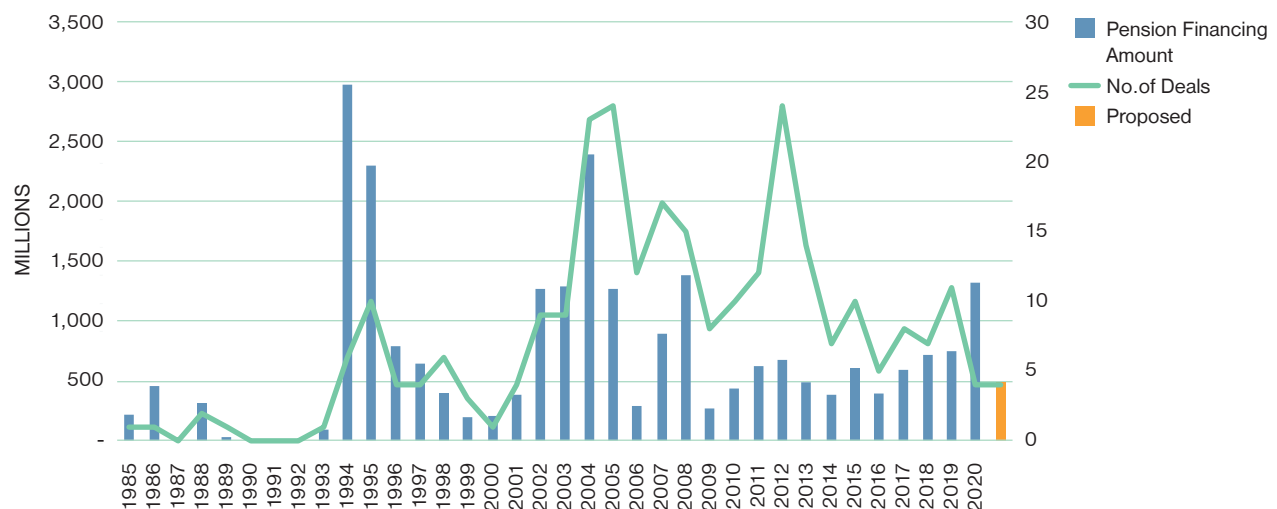
PUBLIC AGENCY ISSUERS. As shown in Figure 2, counties issued the highest volume of POBs and OPEBs overall (67%), with cities the second highest (24%) and the remaining issuer types

combined equaling 10%. The top three issuers of POBs by volume have been Orange County with \$3.952 billion, Los Angeles County with \$2.854 billion, and San Diego County with \$2.065 billion.

In Figure 3, cities issued half of all POBs by the number of deals indicating smaller issue sizes, followed by counties with 30% of deals, and special districts with 11%. The top three issuers by number of POB deals shows Orange County ranks first again, with the City of Riverside in second followed by San Diego County.

LOOKING AHEAD. As of March 15, 2020, the Federal Reserve Board cut rates to nearly zero in response to the global coronavirus outbreak.⁹ In these

FIGURE 1
PENSION OBLIGATION AND OTHER POST-EMPLOYMENT BENEFIT BONDS, 1985 - APRIL 2020



⁵ Based on Report of Final Sale data reported to CDIAC.

⁶ Official Statement, County of Sonoma, dated May 13, 2003, pg 36 <http://cdiacdocs.sto.ca.gov/2003-0816.pdf>

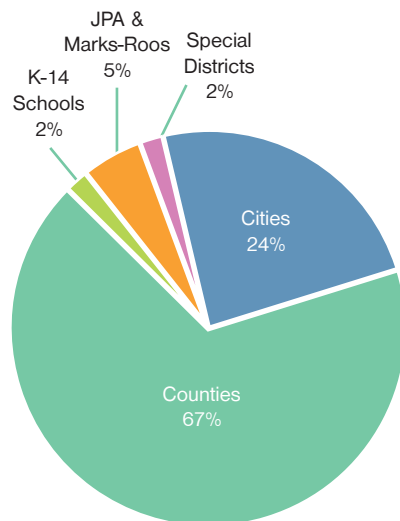
⁷ Pension Obligation Bond Financing, Orrick Herrington & Sutcliffe LLP, www.orrick.com/en/Practices/Pension-Obligation-Bond-Financing

⁸ Senate Floor Bill Analysis, AB 3349 (Chapter 293, Statutes of 1994), http://leginfo.ca.gov/pub/93-94/bill/asm/ab_3301-3350/ab_3349_cfa_940510_130403_sen_floor

⁹ "Press Release: Federal Reserve Issues FOMC statement," Board of Governors of the Federal Reserve System, Published March 15, 2020, Accessed March 16, 2020, www.federalreserve.gov/newsevents/pressreleases/monetary20200315a.htm.

FIGURE 2

PENSION OBLIGATION AND OTHER POST-EMPLOYMENT BENEFIT BONDS
PERCENTAGE OF VOLUME BY ISSUER GROUP AND TOP ISSUERS BY VOLUME

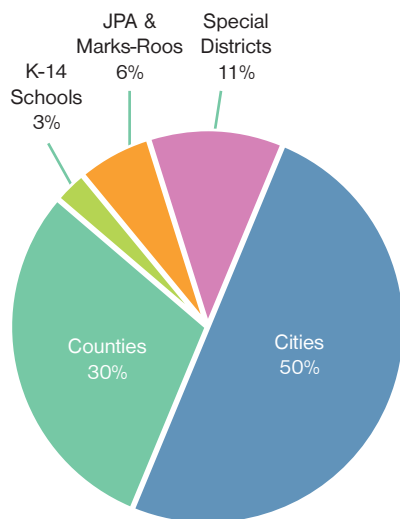


ISSUER	TOTAL AMOUNT (MILLIONS)
Orange County	\$3,952
Los Angeles County	\$2,854
San Diego County	\$2,065
Sacramento County	\$1,895
Riverside County	\$1,120
Oakland, City of	\$1,054
San Bernardino County	\$1,011

uncertain market conditions, governments issuing POBs may obtain lower taxable interest rates than in previous years, but this low interest rate environment coupled with volatile equity markets present challenges to public agency borrowers and their pension systems seeking higher investment yield for their portfolios. **DL**

FIGURE 3

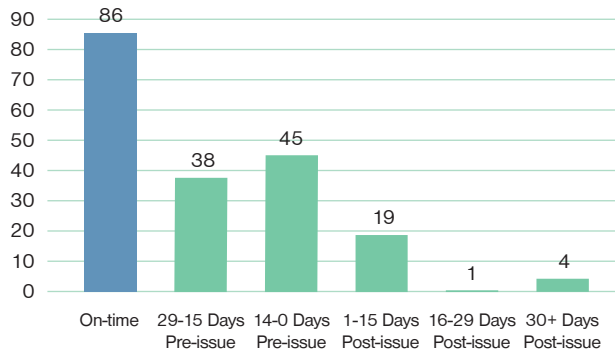
PENSION OBLIGATION AND OTHER POST-EMPLOYMENT BENEFIT BONDS
PERCENTAGE OF DEALS BY ISSUER GROUP AND TOP ISSUERS BY DEALS



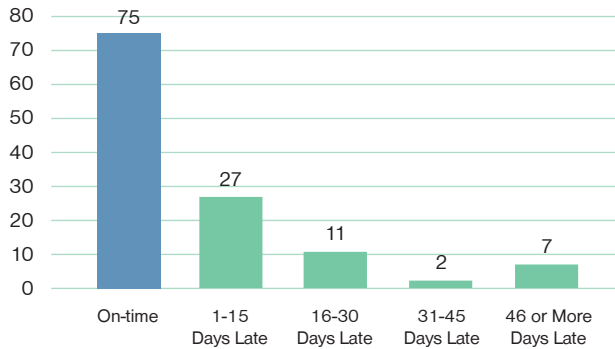
ISSUER	NO. OF DEALS
Orange County	15
Riverside, City of	12
San Diego County	9
Sacramento County	8
Oakland Joint Powers Financing Authority	6
Pasadena, City of	6
Fairfield, City of	6

TIMELINESS OF SUBMITTAL OF REPORTS

REPORTS OF PROPOSED DEBT ISSUANCE (RPDI)¹
RECEIVED MARCH 2020



REPORTS OF FINAL SALE (RFS)²
RECEIVED MARCH 2020



DATA UNIT ACTIVITY MARCH 2020

- ✓ RECEIVED AND PROCESSED **193** RPDI
- ✓ RECEIVED AND PROCESSED **122** RFS
- ✓ RECEIVED **12** MARKS-ROOS YEARLY FISCAL STATUS REPORTS FOR FY 2018-19
- ✓ RECEIVED **0** MELLO-ROOS YEARLY FISCAL STATUS REPORTS FOR FY 2018-19
- ✓ *RECEIVED **5** ANNUAL DEBT TRANSPARENCY REPORTS FOR FY 2018-19

DL

¹ California Government Code Section 8855(i) states that the issuer of any proposed debt issue of state and local government shall, no later than 30 days prior to the sale of any debt issue, submit a report of proposed issuance to the commission by any method approved by the commission.

² California Government Code Section 8855(j) states that the issuer of any debt issue of state or local government, not later than 21 days after the sale of the debt, shall submit a report of final sale to the commission by any method approved by the commission.

* As of 4/22/2020, a total 3,090 Annual Debt Transparency Reports had been filed for the FY 18-19 reporting period.

Review of AB 2300 Reporting Requirements

Nova Edwards
Data Collections Unit

Under Chapter 723, Statutes of 2001 (AB 2300, Florez), issuers of debt authorized under the Marks-Roos Local Bond Pooling Act of 1985 are required, with some exceptions, to submit copies of “public hearing notices” and “resolutions of intent” to issue debt for capital improvement projects to the California Debt and Investment Advisory Commission (CDIAC) and the State Attorney General’s Office.¹ This reporting requirement has been in effect since January 1, 2001. In 2019, CDIAC received 148 Reports of Final Sale for Marks-Roos bond issues.² One hundred twenty-two (122) issues fell under the purview of AB 2300, but after staff review were determined to have met the filing exemptions provided under Government Code sections 6586.5 and 6586.7. As a result, no issuers were required to submit “public hearing notices” and “resolutions of intent” to issue debt to CDIAC.

Table 1 and Table 2 summarize the results of CDIAC’s review of the AB 2300 reportable bonds.

Issuers can complete the Report of Proposed Debt Issuance and Report of Final Sale forms on CDIAC’s website at www.treasurer.ca.gov/cdiac/reporting.asp. Unless exempted, issuers must submit public hearing notices and copies of resolutions of intent to issue debt in accordance with Government Code sections 6586.5(a)(3) and 6586.7(a), respectively.

CDIAC will continue to track compliance with this statute and will report on its findings in future issues of *Debt Line*.

TABLE 1

2019 MARKS-ROOS BOND ISSUANCES
EXEMPTIONS TO FILING PUBLIC HEARING NOTICES, UNDER AB 2300

EXEMPTION CATEGORY (BY ISSUER OR PROJECT TYPE)	NUMBER OF MARKS-ROOS FILINGS	PERCENT OF TOTAL EXEMPT MARKS-ROOS FILINGS*
City & Local Agency(ies) Located within the City	50	41.0%
Water/Recycled Water/Wastewater Production, Storage, Transmission, or Treatment Facilities	34	27.9
County & Local Agency(ies) Located within the County	7	5.7
Public School Facilities	7	5.7
Transportation Facilities & Vehicles	6	4.9
Authority Consisting of No Less Than 100 Local Agencies	6	4.9
Facilities within Boundaries of the Authority: Local Agencies with Overlapping Boundaries	4	3.3
Generation or Transmission of Electrical Energy	4	3.3
Public Highways	2	1.6
Redevelopment	1	.8
Underground Utility/Communication Lines	1	.8
TOTAL	122	100.0%

*Percentages do not add to total due to rounding.

TABLE 2

2019 MARKS-ROOS BOND ISSUANCES
EXEMPTIONS TO FILING COPY OF RESOLUTION OF INTENT, UNDER AB 2300

EXEMPTION CATEGORY (BY ISSUER OR PROJECT TYPE)	NUMBER OF MARKS-ROOS FILINGS	PERCENT OF TOTAL EXEMPT MARKS-ROOS FILINGS*
City & Local Agency(ies) Located within the City	50	41.0%
Exempt from Filing a Public Hearing Notice Under AB 2300 Subsection (c) of Section 6856.5	48	39.3
County & Local Agency(ies) Located within the County	7	5.7
Transportation Facilities & Vehicles	6	4.9
Authority Consisting of No Less Than 100 Members	6	4.9
Facilities within Boundaries of the Authority: Local Agencies with Overlapping Boundaries	4	3.3
Redevelopment	1	0.8
TOTAL	122	100.0%

*Percentages do not add to total due to rounding.

EXHIBIT 1. EXEMPTIONS TO AB 2300 REPORTING

HEARING NOTICE EXEMPTION. Under various subsections of Government Code Section 6586.5, local agencies are exempt from filing copies of a hearing notice with CDIAC and the State Attorney General's Office if the bonds are issued:

- Pursuant to the California Community Development Law, Part 1 (commencing with Section 33000) of Division 24 of the California Health and Safety Code;
- To finance transportation facilities and vehicles;
- To finance a facility that is located within the boundaries of an authority, provided that the authority that issues those bonds consists of any of the following:
 - Local agencies with overlapping boundaries;
 - A county and a local agency or local agencies located entirely within that county;
 - A city and a local agency or local agencies located entirely within that city;
- To finance a facility for which an authority has received an allocation from the California Debt Limit Allocation Committee; and
- Of an authority that consists of no less than 100 local agencies and the agreement that established that authority requires the governing body of the local agency that is a member of

the authority in whose jurisdiction the facility will be located to approve the facility and the issuance of the bonds.

In addition, as stated in subdivision (c) of Section 6586.5, bonds issued for any of the following purposes are also exempt from the reporting obligations:

- To finance the undergrounding of utility and communication lines;
- To finance, consistent with the provisions of this chapter, facilities for the generation or transmission of electrical energy for public or private uses and all rights, properties, and improvements necessary therefor, including fuel and water facilities and resources;
- To finance facilities for the production, storage, transmission, or treatment of water, recycled water, or wastewater;
- To finance public school facilities; and
- To finance public highways located within the jurisdiction of an authority that is authorized to exercise the powers specified in Chapter 5 (commencing with Section 31100) of Division 17 of the Streets and Highways Code, provided that the authority conducts the noticed public hearing and makes the finding of significant public benefit in accordance with this section.

RESOLUTION OF INTENT EXEMPTION. Government Code 6586.7 exempts local agencies from filing resolutions of intent to issue bonds under Article 1 of the Marks-Roos Act as well as those issued for the following purposes:

- Specified in subdivision (c) of Section 6586.5;
- Pursuant to the California Community Development Law, Part 1 (commencing with Section 33000) of Division 24 of the California Health and Safety Code;
- To finance transportation facilities and vehicles;
- To finance a facility that is located within the boundaries of an authority, provided that the authority that issues those bonds consists of any of the following:
 - Local agencies with overlapping boundaries;
 - A county and a local agency or local agencies located entirely within that county;
 - A city and a local agency or local agencies located entirely within that city;
- To finance a facility for which an authority has received an allocation from the California Debt Limit Allocation Committee;
- Of an authority that consists of no less than 100 local agencies and the agreement that established that authority requires the governing body of the local agency that is a member of the authority in whose jurisdiction the facility will be located to approve the facility and the issuance of the bonds.

Regulatory Activity Calendar

APRIL 2020

- 9** The Municipal Securities Rulemaking Board (MSRB) filed a proposed rule change with the U.S. Securities and Exchange Commission (SEC) to provide regulatory relief on a temporary basis to brokers, dealers and municipal securities dealers (“dealers”) and municipal advisors (collectively, “regulated entities”) in light of the operational challenges due to the disruptions to normal business operations as a result of the coronavirus disease (COVID19) pandemic. [MSRB Notice](#)
- 29** Deadline to submit comment on MSRB Rule A-3, an effort to improve Board governance specific to board membership. Amendments include (but are not limited to) reducing the size of the board and placing a limit on the number of years a member can serve. The comment period was extended from March 30th to April 29th, on March 23, 2020. [MSRB Notice](#)

JULY 2020

- 31** Fees billed by the MSRB during the period of March 1, 2020 through July 31, 2020 that are not paid on time will not incur late charges. To provide regulatory relief during the Covid-19 pandemic, the MSRB proposed this rule change to suspend charging of late fees for the regulatory fees assessed by the MSRB under rules A-11, A-12 and A-13. Any unpaid balances as of August 1, 2020 will begin to incur late fee charges. [MSRB Notice](#)

MARCH 2021

- 31** Extended date for firms and individuals to complete certain professional qualification standards. Due to closure of the test center locations during the Covid-19 pandemic, the MSRB proposed a rule change to provide additional time to allow firms and individuals to fulfill certain professional qualification standards established under MSRB Rule G-3, on professional qualification requirements, consistent with MSRB Rule G-2, on standards of professional qualification. [MSRB Notice](#)
- 31** Updated compliance date for collecting new data from underwriters submitting an amended Form G-32 for primary offerings of municipal securities through the Municipal Securities Rulemaking Board (MSRB) EMMA system. [MSRB Notice](#) **DL**

SAVE THE DATE

CDIAC Webinars, Seminars, and Conferences

OCTOBER

OCTOBER 5, 2020

19th Annual Pre-conference at
The Bond Buyer's 30th Annual
California Public Finance Conference
Los Angeles, CA

To get the latest information about
CDIAC education programs, visit
www.treasurer.ca.gov/cdiac/seminars/.

Other Seminars and Conferences

MAY

MAY 17-20, 2020

Government Finance Officers Association
Annual Conference
Online Virtual Event
www.gfoa.org

MAY 18-22, 2020

California Special Districts Association
Special Districts Legislative Days
Online Virtual Event
www.csda.net

JUNE

JUNE 9-12, 2020
(POSTPONED FROM APRIL)

National Association of Bond Lawyers
The Essentials
Online Virtual Event
www.nabl.org

JULY

JULY 28-31, 2020
(POSTPONED FROM MAY)

Association of California Water Agencies
Spring Conference and Exhibition
Monterey, CA
www.acwa.com

AUGUST

AUGUST 22-26, 2020

National Association of State Auditors
Comptrollers and Treasurers
Annual Conference
Burlington, VT
www.nasact.org

AUGUST 24-27, 2020

California Special Districts Association
Annual Conference
Palm Desert, CA
www.csda.net

SEPTEMBER

SEPTEMBER 13-16, 2020

National Association of State Treasurers
Annual Conference
San Diego, CA
www.nast.org

SEPTEMBER 23-25, 2020

National Association of Bond Lawyers
The Workshop
Chicago, IL
www.nabl.org

SEPTEMBER 23-26, 2020

International City/County
Management Association
Annual Conference
Online Virtual Event
www.icma.org

OCTOBER

OCTOBER 5-7, 2020

The Bond Buyer 30th Annual California
Public Finance Conference
Los Angeles, CA
www.bondbuyer.com

OCTOBER 6-9, 2020

California Association of County
Treasurers and Tax Collectors
Education Conference
Burlingame, CA
www.cacttc.org

OCTOBER 7-9, 2020

League of California Cities
Annual Conference & Expo
Long Beach, CA
www.cacities.org

OCTOBER 25-28, 2020

Municipal Management Association of
Northern California Annual Conference
Monterey, CA
www.mmanc.org

OCTOBER 28-30, 2020

Municipal Management Association of
Southern California Annual Conference
San Diego, CA
www.mmasc.org

NOVEMBER

NOVEMBER 4-6, 2020

Council of Development Finance Agencies
National Development Finance Summit
Denver, CO
www.cdfa.net

DL

Organizations may submit information on future educational seminars, meetings, or conferences by emailing cdiac_education@treasurer.ca.gov. Publication of announcements is subject to space limitations.