

## AGENDA ITEM 6 (INFORMATION ITEM) CDIAC FEE SCHEDULE

### CDIAC Fee Structure June 6, 2012

#### STAFF REPORT

Government Code Section 8856 authorizes the CDIAC to charge a fee of up to \$5,000 on public debt issuance reported to CDIAC. The lead underwriter or purchaser of the debt is liable for the fee payment. Fee proceeds are deposited into the CDIAC Fund for expenditure in accordance with the CDIAC's annual Budget Act appropriation.

Because CDIAC maintains a fund surplus, staff recommended and the Commission approved Resolution 10-03 on July 15, 2010, establishing a fee schedule below the statutory limit. As a result, fees assessed on long-term debt are equal to one-fortieth of one percent up to a maximum amount of \$3,000. Fees assessed on short-term debt are \$150. In addition, Resolution 10-03 maintains this fee schedule until the Commission takes an action to amend it.

As reported in the Executive Director's Report earlier, CDIAC's projected fund balance for FY 2012-13 is \$5.7 million. Between FY 2010-11 and FY 2011-12 the fund balance declined by approximately 12 percent. Although the reduction in CDIAC's fee revenue was not nearly as drastic in FY 2010-11 as projected from the forecasted decline in the US municipal debt markets, CDIAC staff projects a decline in fund balance in FY 2012-13 equal to the prior year (12 percent). In FY 2012-13, based on the 2012 SIFMA US Municipal Issuance Survey, CDIAC staff projects fee revenue to rebound to its most recent 10-year average.<sup>12</sup> How-

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<sup>12</sup> The *SIFMA 2012 US Municipal Issuance Survey*, 12/21/2011, projected an 18% increase in total US municipal debt issuance for calendar year 2012. CDIAC fee revenue for the first six months of CY 2012 exhibited an immaterial change from the prior year. Therefore, CDIAC staff projected fee revenue for FY 2012-13 to increase by only half as much (nine percent) as that projected by the SIFMA survey. The SIFMA survey is a compilation of forecasts from analysts representing 14 firms engaged in underwriting and/or analyzing the US municipal bond market.

ever, CDIAC's projected total expenditures in FY 2012-13 outpace the improving revenues by approximately 40 percent, creating the declining fund balance.

While the reoccurrence of an operational deficit is an on-going concern, CDIAC's improving fee revenue and sizable remaining fund balance will be sufficient to cover expenditures for FY 2012-13.

#### **STAFF RECOMMENDATION**

Staff recommends that the Commission take no action to amend the fee schedule at this time.

Staff will continue to closely monitor issuance trends and the resulting effect on projected fee revenue and fund balance. It will continue to report to the Commission on its assessment and the need to amend the fee schedule.