

AGENDA ITEM 6 (INFORMATION ITEM) CDIAC FEE SCHEDULE

CDIAC Fee Structure June 18, 2013

STAFF REPORT

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

Because CDIAC maintains a Fund surplus, staff recommended and the Commission approved by Resolution 10-03 on July 15, 2010, that CDIAC maintain 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 per issuance. In addition, Resolution 10-03 maintains this fee schedule until the Commission takes an action to amend it.

When the accounting for FY 2012-13 is final, staff estimates a decline in the Fund balance of 7.5 percent from FY 2011-12. FY 2012-13 fee revenue is tracking with the projection made last year and is expected to exceed FY 2011-12 fee revenue by 13 percent. While FY 2012-13 expenditures are expected to be 9 percent less than last year's projection, they will exceed total revenues by approximately 26 percent. This reflects the continuance of a multi-year trend of revenue exceeding expenses. This trend is expected to continue at about the same pace in FY 2013-14.

As reported in the Executive Director's Report earlier, CDIAC's projected Fund balance for FY 2013-14 is \$5.8 million, an estimated 10 percent decline from FY 2012-13. A projected 4.5 percent increase in FY 2013-14 fee revenue will place CDIAC's fee revenue slightly above the

last ten-year average and at pre-recession levels.¹⁰ However, FY 2013-14 expenditures are expected to increase by over 10 percent and outpace total revenues by 30 percent.

While the reoccurrence of an operational deficit is an on-going concern, CDIAC's improving fee revenue and sizable remaining fund balance (2.3 times FY 2013-14 total expenditures) will be sufficient to cover expenditures for FY 2013-14.

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.

¹⁰ The *SIFMA 2013 US Municipal Issuance Survey*, 12/21/2012, projected a 9 percent increase in total US municipal debt issuance for calendar year 2013. CDIAC staff projects fee revenue for FY 2013-14 to increase by only half as much (4.5 percent) as that projected by the SIFMA survey. This adjustment was a result of the inconsistency of calendar and fiscal years and the expectation of issuance below the SIFMA forecast for the July–December, 2013 period. (Revenues in the January-June, 2013 period are 11 percent higher than the same period in 2012.) The SIFMA survey is a compilation of forecasts from analysts representing 12 firms engaged in underwriting and/or analyzing the US municipal bond market.