

AGENDA ITEM 3 (INFORMATION ITEM) EXECUTIVE DIRECTOR'S REPORT

Executive Director's Report June 23, 2015

2015-16 BUDGET PROPOSAL

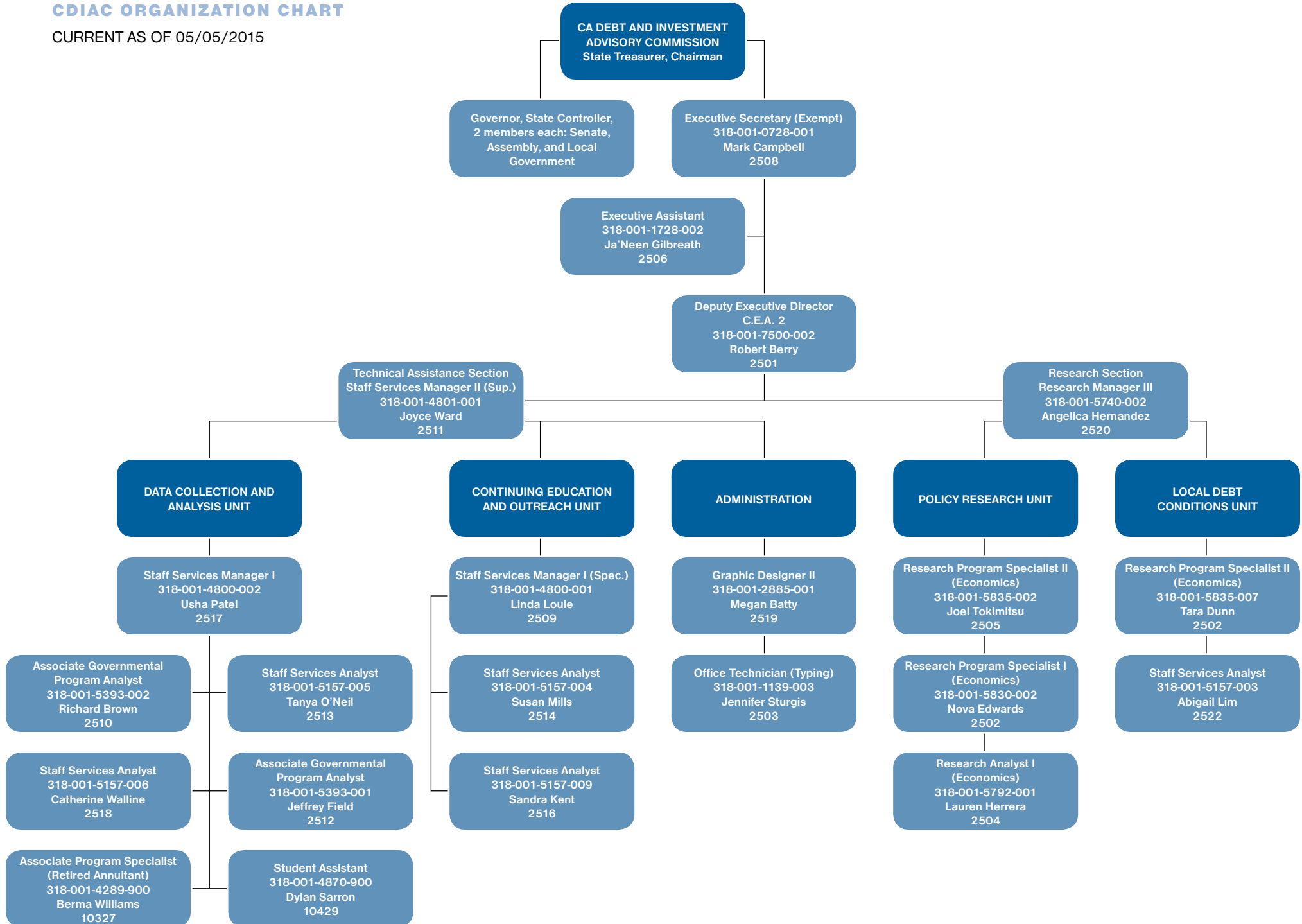
CDIAC's proposed budget for the Fiscal Year (FY) 2015-16 is \$3,405,000. This reflects an anticipated increase of \$235,256 in Operating Expenses & Equipment over FY 2014-15 as a result of a budget change proposal to increase information technology support to CDIAC. The proposed budget also includes adjustments for statewide increases in employee compensation, benefits, retirement contributions and pro rata state administrative costs. The combination of the increase in Operating Expenses & Equipment and other adjustments causes CDIAC's proposed FY 2015-16 budget to climb by 9.2 percent from its FY 2014-15 budget.

Of the amount budgeted for FY 2015-16, \$3,225,000 is appropriated from the CDIAC fund. The remaining budget authority is derived from reimbursements generated by seminar fees and the sale of CDIAC publications.

In FY 2015-16, CDIAC is authorized for 20 full-time staff, a retired annuitant, and a student assistant. The following chart provides a three year overview of CDIAC's authorized budget.

CDIAC ORGANIZATION CHART

CURRENT AS OF 05/05/2015



CDIAC BUDGET APPROPRIATION WITH ADJUSTMENTS (THOUSAND \$)

| | FISCAL YEAR 2013-14 BUDGETED | FISCAL YEAR 2014-15 BUDGETED | FISCAL YEAR 2015-16 PROPOSED ^c |
|--|------------------------------------|------------------------------------|---|
| Authorized Positions | 20 | 20 | 20 |
| Personal Services | \$1,710 | \$1,780 | \$1,780 |
| Operating Expenses & Equipment | 1,339 | 1,264 | 1,499 |
| BUDGET ACT APPROPRIATION ^a | \$3,049 | \$3,044 | \$3,279 |
| Net Adjustments ^b | 35 | 75 | 126 |
| GRAND TOTAL | \$3,084 | \$3,119 | \$3,405 |

^a Includes \$180,000 appropriation authority for reimbursements associated primarily with education programs and the sale of the printed version of the California Debt Issuance Primer.

^b Includes appropriation increases for employee compensation, benefits, and retirement rate increases. FY 2015-16 also includes an appropriation increase for higher pro rata state administrative costs allocated to CDIAC and other special funds.

^c A budget change proposal (BCP) from the STO (Information Technology Division) is expected to be included in the Governor's May FY 2015-16 Budget revision. The BCP will increase CDIAC's FY 2014-15 OE&E by \$235,256.

CDIAC FUND CONDITION (THOUSAND \$)

| | 2013-14 ACTUAL | 2014-15 ESTIMATED ^d | 2015-16 PROJECTED |
|---------------------------|-------------------|-----------------------------------|----------------------|
| RESERVES, ADJUSTED | \$6,640 | \$5,893 | \$5,272 |
| REVENUE | | | |
| Fees ^a | \$1,737 | \$2,040 | \$2,100 |
| Interest ^b | 10 | 9 | 375 |
| Reimbursements, Misc. | 81 | 52 | 50 |
| TOTAL REVENUES | \$1,828 | \$2,101 | \$2,525 |
| EXPENDITURES | | | |
| State Operation | \$2,561 | \$2,720 | \$3,243 |
| Adjustments (FISCAL) | 13 | 2 | 5 |
| TOTAL EXPENDITURES | \$2,575 | \$2,722 | \$3,248 |
| FUND BALANCE ^c | \$5,893 | \$5,272 | \$4,549 |

^a FY 2015-16 fee revenue is projected to increase by less than three percent based on a projection that debt issuance in California increases very slightly from the level in FY 2014-15. The fee revenue projection assumes no change in CDIAC's fee schedule and considers the SIFMA 2015 US Municipal Issuance Survey, 12/4/2014 which forecast a 2.7 percent increase in US long-term debt issuance. Ninety-eight percent of CDIAC's fee revenue is derived from long-term debt issuance. The SIFMA survey is a compilation of forecasts from analysts representing fourteen firms engaged in underwriting and/or analyzing the US municipal bond market.

^b FY 2015-16 interest includes earnings on CDIAC's Fund Balance and accrued interest on CDIAC's loan to the General Fund (see note #c).

^c The Fund Balance includes a \$2 million loan by CDIAC to the General Fund made in FY 2008-2009. The loan earns interest calculated at the rate earned on the Pool Money Investment Account at the time of transfer. Repayment is scheduled on July 15, 2015 per the FY 2013-14 Budget Act.

^d Nine months of actual data combined with an Apr-June estimate for revenues and expenditures.

UNIT REPORTS

Data Collection and Analysis Unit

SOCRATA OPEN DATA PORTAL PROJECT. In order to provide more access to CDIAC's data, CDIAC and the State Treasurer's Office Information Technology Division (ITD) are developing a data portal that will provide greater access to CDIAC's Debt Issuance Database. Until now, much of this data was available only by request. The project will use a platform provided by Socrata. The anticipated launch for this project is July 27, 2015. In addition, CDIAC will work with ITD to identify strategies to provide bond documents, including official statements now scanned and stored by the Data Unit, to the public.

DEBT ISSUANCE DATABASE REVIEW AND DEVELOPMENT PROJECT. CDIAC has undertaken an extensive analysis of its Debt Issuance database to identify improvements in functionality, performance, and utility. As a result of this effort, staff have developed a detailed vision statement that reflects current uses, third-party data, and the potential to embrace new technologies to achieve expanded program and policy goals. Over the next twelve months staff expect to pursue efforts to gain approval and budget authority to procure the needed resources to create a new California debt database. Staff, in conjunction with ITD, must complete a business case analysis and a feasibility study report. Both of these are necessary precursors to receiving budget authority to pursue the project.

INTEGRATING DATA COLLECTION. CDIAC staff will explore opportunities to capitalize on the data it currently receives to expand the information provided through both the Socrata Open Data Portal and the new debt database. For example, CDIAC is aligning data it has collected since 2004 on bond elections with its debt issuance data to reveal the amount of bonds issued under the authority of specific bond measures.

SYSTEM AND PROCESS IMPROVEMENTS. CDIAC staff continue to evaluate opportunities to improve efficiency and produce higher valued outcomes. Towards this end, staff will be implementing a program to achieve a 95 percent on-line submission rate for reports of proposed and sold debt by June 2016. In concert with this effort, staff will continue to identify ways to maximize the existing system's performance by modifying work processes and reports whenever possible. For example, CDAIC has identified and requested an update to the Marks-Roos report that notifies issuers of their reporting responsibilities. In the past, staff printed each notice as a separate report. This will greatly reduce staff time in preparing this report.

CLARIFICATION OF REPORTING OBLIGATIONS OF ISSUERS. With the passage of AB 2274, Gordon (Chapter 181, Statutes of 2014), making

technical changes to Government Code Section 8855, CDIAC's data collection processes are better aligned with current municipal financing practices. Specifically, AB 2274 made explicit CDIAC's authority to capture reports of debt issuance and collect issuance fees on traditional financing structures as well as new and emerging structures that public entities may employ in the future, including direct loans. To implement these new reports, CDIAC plans to establish regulations through the state's rulemaking process (see Item 6).

DIGITIZING SOURCE BOND DOCUMENTS. In order to support the improvements made to CDIAC Debt Issuance database in the future and to support the functionality provided by the Open Data Portal Project, staff are digitizing bond documents, including reports and supplemental documents submitted by issuers pursuant to law. Although CDIAC now requests and many issuers submit these documents in an electronic form, hard copy documents that CDIAC receives must be scanned and indexed in a searchable database. CDIAC hopes to complete the scanning of documents attached to issuance reports received between 2008 and 2012 by the end of 2015.

EDUCATION AND OUTREACH UNIT

EXPANDING EDUCATIONAL OPPORTUNITIES THROUGH THE INTERNET. CDIAC will continue to strategically utilize and expand its webinar programming as a complement to in-person training. In addition, CDIAC will develop electronic training modules based on the content of CDIAC publications that may include the Debt Issuance Primer, Investment Primer, and Local Agency Investment Guidelines. This training will be made available on a continuous basis through CDIAC's website.

DEVELOPING A TRAINING LIBRARY. CDIAC also will explore the use of emerging technologies to deploy on-demand web-based training and other interactive training opportunities that employ a different approach than webinars.

OUTREACH AND COLLABORATION WITH PUBLIC FINANCE ORGANIZATIONS. CDIAC will continue to work with membership-based and professional organizations to identify and develop educational programs and expand its access to public finance officials. Staff will continue to attend the meetings of these organizations and, whenever possible, contribute to these organizations by participating in planning and event coordination or as a member of their governance committees. Finally, CDIAC will continue to explore opportunities to reach and engage its constituents through the use of social media platforms.

TRANSFORMING THE MARKET THROUGH EDUCATION. CDIAC has embraced the use of symposia and forums to advance discussions on several

policy fronts. For example, CDIAC hosted a program as part of the 2014 *Bond Buyer's* California Public Finance Conference on Alternative Finance that considered the emergence of new forms of capital and the implication for borrowers and investors. Continuing this strategy, CDIAC is developing a program for the 2015 *Bond Buyer's* California Public Finance Conference that will consider alternative trading systems and the potential to use them to increase liquidity and price transparency for issuers.

POLICY RESEARCH UNIT

DEVELOPMENT OF A DATA WAREHOUSE. CDIAC plans to procure or develop parallel and complementary data sets to expand the utility of CDIAC debt issuance data by creating a Data Warehouse. This effort aligns with the Open Data Portal Project. A Data Warehouse will provide internal and external researchers with a “go-to” source for data relevant to the study of public financial management by combining CDIAC’s municipal debt data with a wide variety of available economic and demographic data.

TASK FORCE ON BOND ACCOUNTABILITY. At the direction of the State Treasurer, CDIAC has formed a Task Force on Bond Accountability to develop best practices for the administration of bond proceeds, including the reporting and accounting of expenditures and the means by which public agencies make this information available to constituents. The Task Force will assess the benefits and opportunities to recommend practices that better ensure the legal and authorized use of bond proceeds by California public agencies.

PROPOSITION 218—MEETING THE FINANCING NEEDS OF CALIFORNIA PUBLIC AGENCIES. CDIAC will consider opportunities to convene a symposium on the challenges posed by Proposition 218 for local agencies financing facilities and services with assessment districts.

UPDATE TO THE CALIFORNIA PUBLIC FUND INVESTMENT PRIMER. CDIAC will conduct a needs assessment on the current *Investment Primer* to determine what updates to the Primer are required to address changes in practices or laws regarding the investment of public funds.

BOND DISCLOSURE PRIMER. CDIAC will evaluate the need and opportunity to create a primer on municipal market disclosure. Such a primer would be a likely companion to the *California Debt Issuance Primer* and provide public finance officials a desk-reference guide on disclosure requirements and best practices.

OUTREACH AND COLLABORATION WITH PUBLIC FINANCE ORGANIZATIONS. CDIAC continues to work with public finance organizations, public agencies, and research organizations to identify and assess new

forms of public debt and investments coming into the market. This collaboration helps to keep CDIAC informed of market trends and emerging products and practices to produce research that is timely and relevant.

DEBT LINE. CDIAC will continue to publish Debt Line, a monthly newsletter that includes issuance statistics and analysis, research articles penned by CDIAC staff, important dates and details arising from MSRB and SEC regulatory activities, and announcements of educational programming offered by CDIAC and allied organizations.

TECHNICAL ASSISTANCE. CDIAC will continue to provide technical assistance to local agencies and the general public on debt issuance and investment of public funds.

LEGISLATIVE UPDATE

AB 222 (Block) would require general obligation bonds issued and sold by or on behalf of a local agency to be secured by a statutory lien on all revenues received pursuant to the levy and collection of the property tax imposed to service those bonds.

AB 283 (Dababneh) would extend the existing authority for a local agency to invest its surplus funds, in certificates of deposit or in another form of investment indefinitely. It would also remove the limit on the percentage of local agency funds that may be invested by any one private sector entity acting as a placement agent. Current law limits the amount of an agency's funds that may be invested in certificates of deposit to 30 percent and limits the placement of such deposits by a single entity to ten percent of the agency's funds.

SB 710 (Galgiani) would, until January 1, 2022, authorize a joint powers authority to issue bonds and enter into a loan agreement for the financing or refinancing of a project that is situated in another state under certain conditions. The bill would require the Legislative Analyst, on or before January 1, 2021, to prepare and submit a report to the Legislature on the issuance of those bonds and the financing of those projects. It would further require, no later than July 1, 2020, that authorities that have issued those bonds provide information concerning the bonds, the projects financed, and the public benefits accruing to the state in support of the Legislative Analyst's report.

