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

Executive Director's Report
June 21, 2016

2016-17 BUDGET PROPOSAL

CDIAC's proposed budget for the Fiscal Year (FY) 2016-17 is \$3,506,000. This includes adjustments of \$103,000 for personal services costs (salaries, benefits, and retirement contributions) and operating expenses (pro rata state administrative expenses). The adjustments to the proposed FY 2016-17 budget account for an overall increase of nearly 3 percent from FY 2015-16.

CDIAC's FY 2016-17 budget authority includes \$3,326,000 of unreimbursed expenses and \$180,000 in reimbursed expenses. CDIAC generates reimbursements by charging fees for educational programming and from the sale of select CDIAC publications. .

In FY 2016-17, 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 BUDGET APPROPRIATION WITH ADJUSTMENTS (THOUSAND \$)

	FISCAL YEAR 2014-15 BUDGETED	FISCAL YEAR 2015-16 BUDGETED	FISCAL YEAR 2016-17 PROPOSED
Authorized Positions	20	20	20
Personal Services	\$1,780	\$1,719	\$1,719
Operating Expenses & Equipment	1,264	1,684	1,684
BUDGET ACT APPROPRIATION ^A	\$3,044	\$3,403	\$3,403
Net Adjustments ^B	75	63	103
GRAND TOTAL	\$3,119	\$3,466	\$3,506

^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 net increases for salaries, benefits, retirement, and state pro-rata administrative costs.

CDIAC FUND CONDITION (THOUSAND \$)

	2014-15 ACTUAL	2015-16 ESTIMATED ^D	2016-17 PROJECTED
RESERVES, ADJUSTED	\$5,888	\$5,426	\$5,053
REVENUE			
Fees ^A	\$2,157	\$2,460	\$2,400
Interest ^E	9	375	14
Reimbursements, Misc.	54	25	50
TOTAL REVENUES	\$2,220	\$2,860	\$2,464
EXPENDITURES			
State Operation	\$2,680	\$3,228	\$3,340
Adjustments (Fiscal)	2	5	4
TOTAL EXPENDITURES	\$2,682	\$3,233	\$3,344
FUND BALANCE ^C	\$5,426	\$5,053	\$4,173

^A FY 2016-17 fee revenue is projected to remain virtually unchanged from FY 2015-16. The fee revenue projection assumes no change in CDIAC's fee schedule although fee collections under the proposed CDIAC rulemaking at the statutorily prescribed rate would be approximately \$3.2 million annually. The FY 2016-17 revenue projection is consistent with the *SIFMA 2016 US Municipal Issuance Survey* which forecast a 1.2 percent decrease 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 ten firms engaged in underwriting and/or analyzing the US municipal bond market. The SIFMA forecast represents the median response of those surveyed with responses ranging from a 24.3 percent decrease to a 33.4 percent increase in US long-term debt issuance.

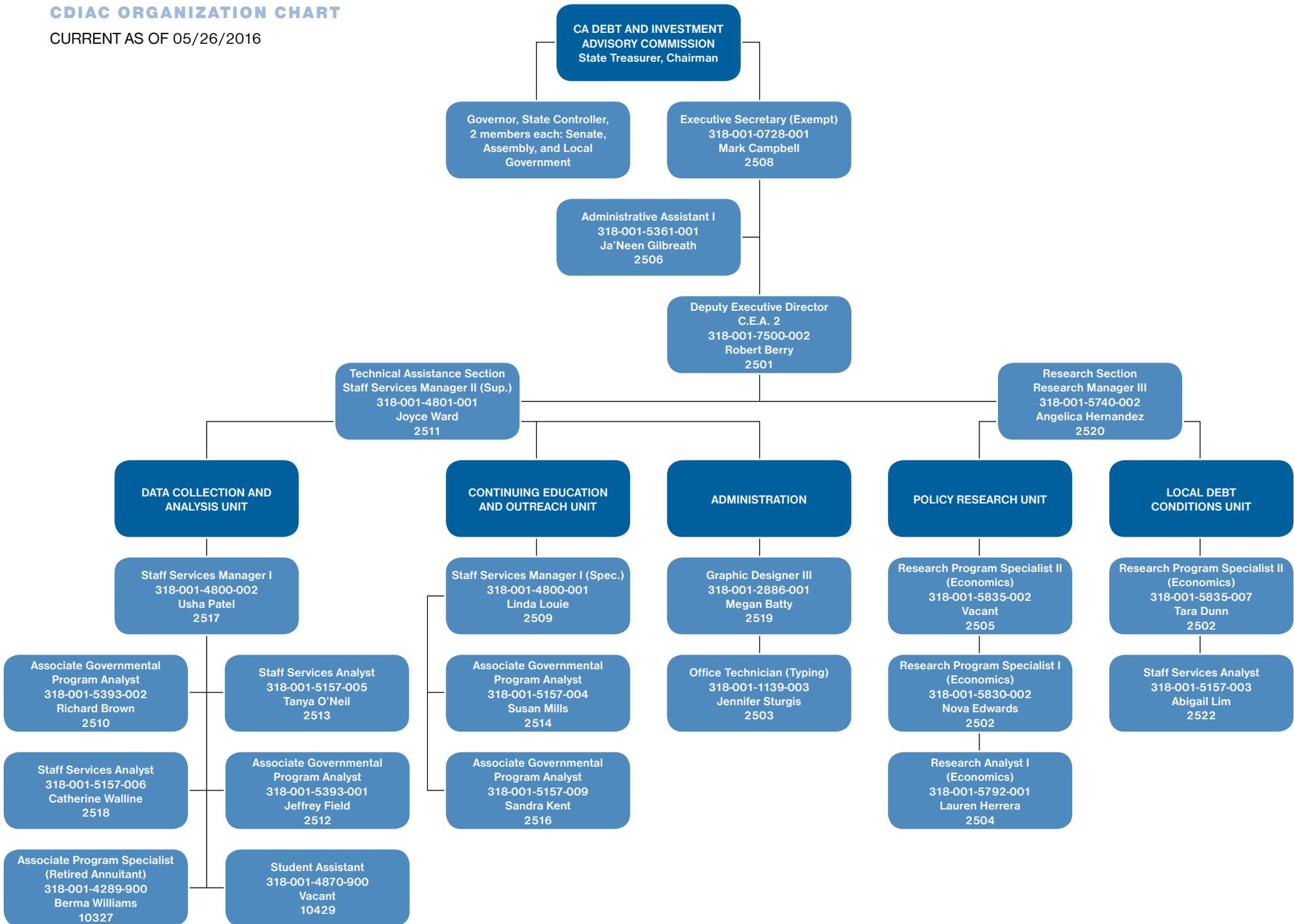
^B FY 2015-16 interest includes earnings on CDIAC's Fund Balance and accrued interest on CDIAC's loan to the General Fund in the amount of \$362,027 (see note #3).

^C The Fund Balance includes a \$2 million loan to the General Fund made in FY 2008-09 that was repaid to the CDIAC fund on July 15, 2015.

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

CDIAC ORGANIZATION CHART

CURRENT AS OF 05/26/2016



UNIT REPORTS

Data Collection and Analysis Unit

EXPANDING DEBTWATCH FUNCTIONALITY. On November 17, 2015, Treasurer Chiang unveiled DebtWatch, an open data platform providing Californians access to 30 years of debt issuance data. The information displayed on DebtWatch is generated from CDIAC's Debt Issuance Database. CDIAC continues to explore opportunities to expand the content and form of DebtWatch. In 2016 DebtWatch will offer users links to debt documents submitted to CDIAC. These documents include the preliminary and final offering documents, loan and sales agreements, indentures, and authorizing resolutions. Providing these through DebtWatch will help users of the site to gain a better understanding of the purposes and structure of the debt issued by their public agencies.

EXPANDING DEBTWATCH FUNCTIONALITY, PART 2. CDIAC staff are beginning to explore sources of information that when coupled with debt issuance reports help to better understand the actions of the public agency. The first set of information now being developed for DebtWatch is bond and tax election results.

ELECTRONIC DEBT REPORTS. CDIAC staff are currently exploring opportunities to use DebtWatch to reduce or eliminate many of the debt issuance reports now published by CDIAC.

SYSTEM AND PROCESS IMPROVEMENTS. CDIAC staff continue to evaluate opportunities to improve efficiency, including on-line submission for all reports of proposed and sold debt. 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, CDIAC 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.

DIGITIZING SOURCE BOND DOCUMENTS. In late 2009 the Data Unit began a project to reduce the amount of archived materials stored on site by systematically reviewing, digitizing, and electronically storing all paper documents in an electronic document storage facility (FileNet). Staff began digitization with calendar year 2008 documents. To date, all 2008 through 2011 documents have been scanned and stored. The scanning process for the 2012 files is approximately 55 percent complete.

Education and Outreach Unit

CURRICULUM AND PROGRAM DEVELOPMENT. The retirement of senior debt and treasury staff and changes to the method and manner in which

debt is issued will continue to drive demand for training. In response, CDIAAC must continue to develop programming that addresses these two environmental forces. CDIAAC has convened an advisory group on curriculum development to assist in developing educational programming and updating core seminars.

INTERNET-BASED TRAINING ON DEMAND. CDIAAC will explore the opportunity to utilize electronic learning management systems to provide information and training to public officials. These learning management systems offer the ability to deliver material, monitor participation, test learning acquisition, and track enrollment. This will enable CDIAAC to develop certification-based training programs in the future. CDIAAC is currently evaluating services offered by the California State University and the University of California to produce and distribute on-demand training.

OUTREACH AND COLLABORATION. CDIAAC plans to continue its collaboration with local, state, and national organizations such as the Government Finance Officers Association (GFOA) and the State Debt Management Network (SDMN). Staff also attend regional and divisional association meetings and events to interface with professional groups to build a presence in the industry.

EXISTING PARTNERSHIPS. In 2016, CDIAAC will continue its partnerships with the California Society of Municipal Analysts (CSMA) and *The Bond Buyer*. Building on a successful collaboration in 2015, CDIAAC hopes to expand its partnership with the California Municipal Treasurer's Association (CMTA) to provide core public investment training. In addition, CDIAAC aims to further its existing relationship with The California Special District Association (CSDA) to develop a financing workshop specific to special districts.

DIRECT PROMOTION OF PROGRAMS. CDIAAC will continue to promote its programs through its subscribed email list and newsletter emails, postings on association webpages and, when necessary, direct promotion of seminars through targeted mailing of printed brochures to local public agency officials. Social media, such as Twitter and LinkedIn, will continue to be used.

Policy Research Unit

CDIAAC plans to continue to publish reports on topics in public finance, including:

UPDATE TO THE CALIFORNIA DEBT ISSUANCE PRIMER. CDIAAC plans to update the California Debt Issuance Primer, an essential resource for public finance professionals in California. The current vision would result in three integrated components, including a resource manual, workbook, and training video.

LOCAL AGENCY INVESTMENT GUIDELINES: UPDATE FOR 2017. CDIAC, working collaboratively with investment professionals, will review and update the CDIAC Local Agency Investment Guidelines. This document provides references and recommendations (developed by public and private sector professionals) for interpreting and applying California statute to public funds investing. The 2017 Update will reflect statutory changes effective January 1, 2017.

SECURITIZED INVESTMENTS. This issue brief will provide an overview of asset-backed and mortgage-backed securities, identify the risk associated with these investment products in a public portfolio, and describe the current status of proposed federal initiatives that may affect these securities.

INFRASTRUCTURE FINANCING DISTRICTS (IFDs). CDIAC will examine IFDs in this issue brief with a focus on the newly authorized Enhanced Infrastructure Financing Districts (EIFDs).

UPDATE OF LOCAL GOVERNMENT GENERAL OBLIGATION BOND ISSUANCE TRENDS (2005-2015). In 2008, CDIAC published *An Overview of Local Government General Obligation Bond Issuance Trends (1985-2005)*, which focused on the changes in the volume of general obligation (GO) bonds. This issue brief will update the 2008 report by addressing GO bond issuance activity from 2006 to 2015 and examine any changes in issuance patterns.

INDEPENDENT REGISTERED MUNICIPAL ADVISOR (IRMA) DISCLOSURE. This issue brief will review the IRMA exemption contained in the Municipal Advisor Rule and address how issuers utilize this exemption.

PRIVATE ACTIVITY BONDS (PABs). This issue brief will provide an overview of private activity bonds (PABs) including issuance trends, eligible projects/purposes, and limitations on use. The brief will also examine potential changes to the market that may affect the use of PABs.

LEGISLATIVE UPDATE

AB 1783 (HOLDEN) would establish within the Governor's Office of Planning and Research the Board of Infrastructure Planning, Development, and Finance to categorize and recommend the priority of the state's infrastructure needs and develop financing to finance these projects.

AB 2116 (GALLAGHER) would require the governing body of a school district to obtain reasonable and informed projections of assessed valuation in the district and to take into account the projections made by the county assessor.

AB 2429 (THURMOND) would increase the tax rate caps imposed on general obligation bonds issued by school and community college districts.

AB 2738 (OLSEN) would prohibit the proceeds from the sale of bonds from being withdrawn by the school district or community college district for investment outside the county treasury. The bill responds to pres-sures issuers face to increase investment earnings on bond proceeds.

SB 1029 (HERTZBERG) was proposed by Treasurer Chiang to require public agencies to submit an annual report on outstanding debt to CDIAC. The report would include specific information on the outstanding balance owed and the uses and purposes of expenditures made from bond proceeds. In addition, it would require issuers of public debt to attest to the existence of a debt policy at the time they submit a report of proposed debt issuance to CDIAC.