

## AGENDA ITEM 4 (INFORMATION ITEM) FISCAL YEAR 2016-17 REPORT OF OPERATIONS

### Fiscal Year 2016-2017 Report of Operations June 21, 2017

#### DATA COLLECTION AND ANALYSIS UNIT

In compliance with its statutory requirements, CDIAC's Data Collection and Analysis Unit (Data Unit) maintains the California Debt Issuance Database (Database), considered the most comprehensive and accessible database of California public debt issuance in existence. The Database is the source for the debt statistics and analysis regularly released by CDIAC.

#### Data Collection

Reports of proposed and issued debt, as well as annual fiscal status reports for Mello-Roos and Mark-Roos bonds submitted by public issuers to CDIAC, are maintained in the Database. A large portion of the Database can be accessed on CDIAC's website.<sup>1</sup> The Database contains information from 1984 to the present and is updated continuously by Data Unit staff. As of April 25, 2017, the Database contained 57,418 issuance records.

For fiscal year (FY) 2016-17, the Data Unit received and processed 9,310 reports including Reports of Proposed Debt Issuance (RPDI)s<sup>2</sup>, Reports of Final Sale (RFS)s<sup>3</sup>, Marks-Roos Local Bond Pooling Yearly Fiscal Status Reports (MKR YFSRs), Mello-Roos Community Facilities Districts Yearly Fiscal Status Reports (MLR YFSRs), and Mello-Roos/

<sup>1</sup> The Data Unit receives annual fiscal status reports for Mello-Roos and Marks-Roos bonds issued after January 1, 1993 and January 1, 1996, respectively.

<sup>2</sup> Per Government Code Section 8855(i) issuers of proposed new debt must give notice no later than 30 days prior to the sale date.

<sup>3</sup> Per Government Code Section 8855(j), issuers are required to submit reports of final sale no later than 21 days after the sale of the debt.

**FIGURE 1****REPORTS PROCESSED, FISCAL YEAR 2016-17**

TYPE OF REPORT	FY 2017	FY 2016	INCREASE/DECREASE
Reports of Proposed Debt Issuance	2,853	2,977	-4.1%
Reports of Final Sale	2,651	3,091	-14.2
Mello-Roos Yearly Fiscal Status Reports	1,461	1,497	-2.4
Marks-Roos Yearly Fiscal Status Reports	2,337	2,244	4.1
Mello-Roos/Marks-Roos Draw on Reserve/Default/Replenishment Filings	8	18	-55.6
<b>TOTAL REPORTS RECEIVED</b>	<b>9,310</b>	<b>9,827</b>	<b>-5.3%</b>

Marks-Roos Draw on Reserve/Default filings (DFDs). Figure 1 contains a breakdown of the reports processed by the Data Unit during FY 2016-17. This represents a 5.3 percent decrease over the total number of reports received in FY 2015-16.

The Data Unit has continued its transition to electronic (on-line) submission of data and reports as the primary means of data collection. Electronic submissions increase data collection efficiencies and help to ensure reporting accuracy. CDIAC began to encourage issuers several years ago, but as of January 1, 2016, all reports must be filed electronically.

A critical function of the Data Unit is the collection of CDIAC debt issuance fees, the source of CDIAC's operational funding. CDIAC's issuance fees are assessed based on the principal amount issued and maturity length.<sup>4</sup> In general, a flat fee of \$150 was assessed for short-term maturities. Long-term maturities were assessed a fee equal to 1.5 basis points (0.015%) times the principal amount issued, not to exceed \$3,000.

For FY 2016-17, the Data Unit issued 1,224 invoices totaling approximately \$2.2 million. Figure 2 reflects the breakdown of fees assessed for state and local agencies in FY 2016-17.

### Public Access to Debt Issuance Data

CDIAC used a variety of online methods to provide public officials and members of the public immediate access to debt issuance data, including:

DEBTWATCH DATA PORTAL. As a part of the Treasurer's ongoing effort to increase government transparency and accountability, CDIAC launched the

<sup>4</sup> Maturities of 18 months or less are considered as short-term maturities for the purpose of assessing the issuance fee. Maturities greater than 18 months are considered as long-term maturities for fee assessment.

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**FIGURE 2****FEES ASSESSED STATE AND LOCAL ISSUERS  
JULY 1, 2016 TO APRIL 25, 2017**

	<b>FEES ASSESSED</b>	<b># OF INVOICES</b>
<b>STATE</b>		
Long-Term Debt	\$158,656	64
Short-Term Debt	0	0
<b>LOCAL</b>		
Long-Term Debt	\$2,000,593	1091
Short-Term Debt	\$18,900	69
<b>TOTAL FEES ASSESSED</b>	<b>\$2,178,149</b>	<b>\$1,224</b>

DebtWatch website in November 2015.<sup>5</sup> DebtWatch provides citizens, the media, policy makers and others a new resource for understanding state and local government debt issuance. Containing easily accessible information relating to debt issued during the past thirty years, DebtWatch gives users the ability to compare, contrast, and analyze debt issuance data in unique, user-specific ways. As opposed to the searchable database discussed below, DebtWatch provides data on both proposed and completed financial transactions. A new feature added in 2016 is the ability to access documents submitted to CDIAC by the issuer with the issuer's Report of Final Sale, including official statements, bond specimens, indentures and resolutions of the governing body, promissory notes, leases agreements, loan agreements, instalment sales agreements, and other issuance-related disclosures. CDIAC updates DebtWatch monthly.

**DEBT LINE NEWSLETTER.** CDIAC publishes a monthly newsletter, Debt Line, describing its operations for the prior month.<sup>6</sup> It includes comprehensive information on all reports of proposed and finalized debt issuances received during the prior month.

**ONLINE TABLES AND GRAPHS.** CDIAC posts monthly California state and local debt issuance data to its website in the form of tables and graphs. Data on principal amount issues, the type of debt, and the purpose of issuance is summarized year-to-date and by the month. Tables showing data for the two prior calendar years is also available on line.

**ONLINE ISSUANCE DATA - EXCEL FORMAT.** This report contains the same information reported on the monthly calendar of issues, but only for debt for which CDIAC has received a report of final sale. The information is provided by month, as received. Aggregated data for prior years is also available.

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<sup>5</sup> DebtWatch is located at: <http://debtwatch.treasurer.ca.gov>.

<sup>6</sup> Government Code Section 8855(h)(9).

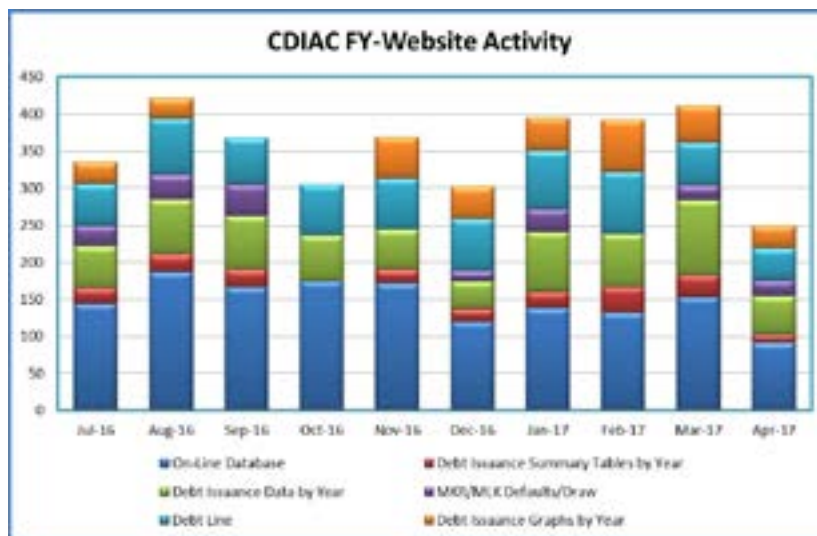
SEARCHABLE DATABASE. State and local debt issuance data is available through a searchable database that contains information from 1984 through the present on all completed debt transactions reported to CDIAC. The online database was accessed more than 1,480 times during the first ten months of FY 2016-17.

MARKS-ROOS AND MELLO-ROOS DRAW ON RESERVES/DEFAULT REPORTS. Data on draws on reserve and defaults are posted as the reports are received. Reports are listed by issuer and date of occurrence.

CDIAC recorded 3,547 hits to its online resources during the first ten months, excluding DebtWatch, in FY 2016-17. Each “hit” or inquiry is recorded as well as the purpose for which the individual visited the site (Figure 3). CDIAC recorded 26,040 hits to the new DebtWatch website for the same period. (Figure 4).

**FIGURE 3**

DEBT ISSUANCE WEBSITE ACTIVITY, FISCAL YEAR 2016-17



**FIGURE 4**

DEBT WATCH WEBSITE ACTIVITY, FROM JULY 1, 2016 - APRIL 16, 2017



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## REPORTS

CDIAC published a number of summary reports, presenting data reported throughout the calendar year and, in some cases, from past years.

MARKS-ROOS LOCAL BOND POOLING ACT YEARLY FISCAL STATUS REPORT AND MELLO-ROOS COMMUNITY FACILITIES DISTRICT YEARLY FISCAL STATUS REPORT. The Marks-Roos and Mello-Roos Yearly Fiscal Status Reports are received annually by CDIAC. Data is reported on a fiscal year basis (July 1 through June 30) and are due no later than October 30 each year.<sup>7</sup> CDIAC aggregates this data and publishes a summary which includes a calendar of issues containing all reported data.

The Marks-Roos Bond Pooling Act Participants Yearly Fiscal Status Report is currently in arrears. The Data Unit published the report for FY 2011-12 in 2016 and staff is currently compiling and verifying data for the intervening fiscal years. Staff expects to finalize and post the remaining reports prior to the end of 2017.

The Mello-Roos Community Facilities District Yearly Fiscal Status Report, covering the period of July 1, 2015 through June 30, 2016 will be published by mid-2017. All prior year reports have been published.

CALENDAR OF PUBLIC DEBT ISSUANCE. This annual report provides details on each issuance of public debt in California reported to CDIAC during the calendar year. Each listing includes the issuer name, county, debt type, purpose of the issue, date of sale, debt principal amount, and whether or not the issue is refunding outstanding debt. Each listing also shows the true and/or net interest costs, if the financing included credit enhancement, the final maturity date, and major participants in the financings.

SUMMARY OF CALIFORNIA PUBLIC DEBT ISSUANCE. This annual report provides aggregate summary information by issuer on major components of debt, such as long-term and short-term debt, tax-exempt and taxable debt, and refunding existing indebtedness for the calendar year.

ANNUAL REPORT. CDIAC's Annual Report provides more global analyses of public debt issued in California for the calendar year. The report includes comparisons of prior year's debt issuance including by type and purpose. Analysis on other characteristics of the debt and a report of CDIAC's operations are also included.

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<sup>7</sup> Pursuant to Government Code Sections 6599.1(b) and 53359.5(b) issuers of Mark-Roos (after January 1, 1996) and Mello-Roos (after January 1, 1993) bonds must submit Yearly Fiscal Status Reports to CDIAC.

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## Other 2016 Data Unit Projects and Initiatives

**ELECTRONIC DOCUMENT STORAGE.** CDIAC continued efforts to reduce the amount of archived materials stored both on site and in the State's warehouses by systematically reviewing, digitizing, and electronically storing these documents in an electronic document storage facility (FileNet). Staff began digitization in 2009 with calendar year 2008 documents. To date, all 2008 through 2011 documents have been scanned and electronically stored. The scanning process for the 2012 files is approximately 65 percent complete. Documents received in 2013 through 2016 are in various stages of completion.

**DEBTWATCH.** CDIAC is now able to provide public access to CDIAC's rapidly expanding library of digitized issuance documents. This ability to access them will be of great benefit to both the public, members of the academic community and policy makers.

**DATABASE UPDATES.** Working with the State Treasurer's Office Information Technology Division (ITD), CDIAC continued to explore ways to reduce time spent manually manipulating data and documents for both Data Unit staff and issuers.

**TECHNICAL ASSISTANCE.** Data Unit staff responded to 13 requests for technical assistance during the fiscal year a drop of 77 percent. CDIAC believes this may be due to the launch of DebtWatch. Requests for data on the cost of issuance paid to financing team members and information on school district debt were the two most common requests. Data on Mello-Roos bonds was the third most requested.

## EDUCATION AND OUTREACH UNIT

Government Code Section 8855(h)(7) requires CDIAC to provide a continuing education program to municipal debt and investment professionals.

**SEMINAR ENROLLMENT.** In FY 2016-17, 925 municipal professionals attended educational events offered by CDIAC or in partnership with other public finance organizations, a 32 percent decrease from FY 2015-16 (Figure 5).<sup>8</sup> This decrease in overall attendance can be attributed in part to fewer webinar offerings. CDIAC offered only one webinar in FY 2016-17 as compared to seven in FY 2015-16. Multiple webinar offerings in FY 2014-15 and FY 2015-16 drew high numbers of attendees and

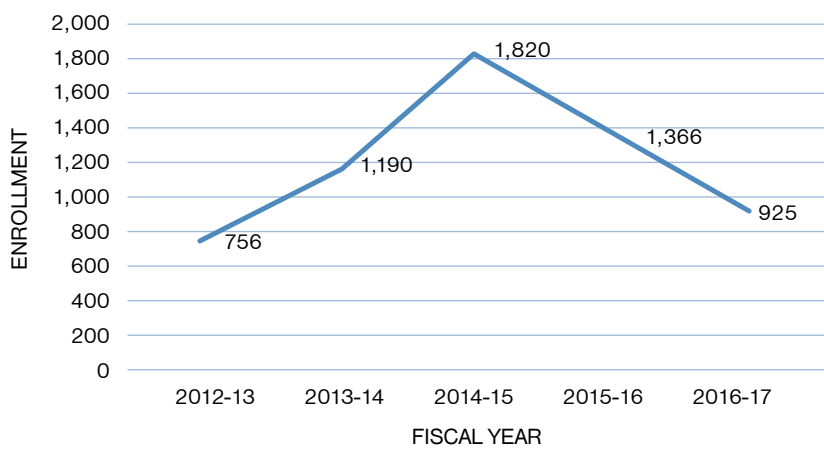
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<sup>8</sup> Represents nine months of data - totals as of April 19, 2017.

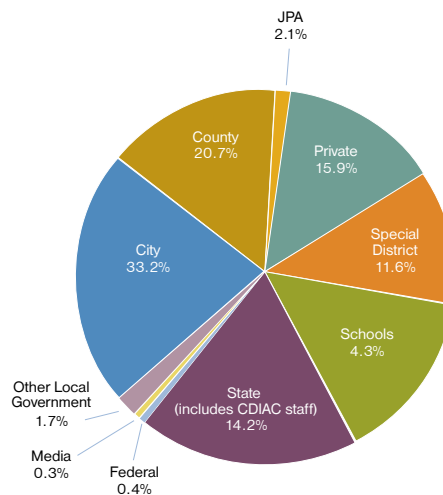
attributed to the increase in attendance in those years.

CDIAC continues to serve its core constituency, local public agencies, through its educational programs. Over the past ten months, 69 percent of the attendees of CDIAC’s educational programs have been public agency representatives of cities, counties, special districts, schools and other local government entities (Figure 6).

**FIGURE 5**  
SEMINARS, CONFERENCES, WORKSHOPS  
AND WEBINARS ATTENDANCE, FY 2016-17<sup>9</sup>



**FIGURE 6**  
ENROLLMENT AT CDIAC EDUCATION PROGRAMS  
BY AGENCY TYPE, FY 2016-17



<sup>9</sup> FY 2016-17 total attendance is as of April 19, 2017 and does not include attendance from the Bond Accountability seminar.

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Webinars remain an effective mode of delivering CDIAC's educational information. Even with only one webinar, thirty-seven percent of attendance in CDIAC's education programs was attributed to that webinar.

### FY 2016-17 CDIAC Webinars

Creating SB 1029-Compliant Local Debt Policies. On March 16, 2017, CDIAC held a webinar, in coordination with the California Special Districts Association and School Services of California, intending to support the efforts of local issuers to comply with Senate Bill 1029. Chapter 307, Statutes of 2016 (Senate Bill 1029, Hertzberg), signed by Governor Brown on September 12, 2016, amends Government Code section 8855 to place additional reporting obligations on issuers of public debt in California. Effective January 1, 2017, issuers must certify that they have adopted local debt policies concerning the use of debt and that the proposed debt issuance is consistent with those policies.

### FY 2016-17 CDIAC Seminars

MUNICIPAL MARKET DISCLOSURE: THE DEVELOPMENT AND ADMINISTRATION OF DEBT DISCLOSURE POLICIES. On September 8, 2016, CDIAC hosted this one-day seminar detailing the disclosure requirements of municipal issuers and taking an in-depth look at the process of developing and administering disclosure policies. This seminar continued the discussion presented in CDIAC's October 2015 webinar Disclosure Policies: What Every Issuer Should Consider by providing participants with an understanding of the purpose, structure, and content of disclosure policies, as well as the practices that help issuers implement and maintain them.

MUNICIPAL DEBT ESSENTIALS. On October 26-28, 2017, CDIAC hosted a three-day seminar series that forms the core of CDIAC's debt education programming. Each day of the series was designed to build upon the concepts presented the previous day. The series began with Debt 1: Debt Basics, which supplied the foundational concepts for issuing debt, including discussions of both long-term and short-term financing options as well as a clarification of the roles of debt issuers and financing team members. Debt 2: Planning a Bond Sale, provided an understanding of the strategic planning that occurs prior to debt issuance with regard to debt policy, debt affordability, structuring and pricing. Debt 3: Marketing and Pricing a Municipal Bond, explained the fundamental responsibilities of debt administration after bond issuance with discussions of debt service, arbitrage, investing, refunding and continuing disclosure.



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DEVELOPING AND ADMINISTERING INTERNAL CONTROLS FOR BOND ACCOUNTABILITY. On May 5, 2017, CDIAC held a one-day seminar focusing on a framework for developing and administering an internal control system to account for and report on the expenditure of bond proceeds. The seminar focused on the principles of a control system to provide for the prudent management and disbursement of public funds and applying these to bond administration. The program incorporated tools developed by the Task Force on Bond Accountability convened by the California State Treasurer John Chiang.

### Educational Partnerships

In FY 2016-17, three of CDIAC's trainings were delivered collaboratively through partnerships with The Bond Buyer; California Society of Municipal Analysts (CSMA); and California Municipal Treasurers Association (CMTA).

CDIAC PRE-CONFERENCE AT THE BOND BUYER'S 26TH ANNUAL CALIFORNIA PUBLIC FINANCE CONFERENCE -THE RELATIONSHIP BETWEEN ISSUERS AND THEIR CONSULTANTS IN THE POST-DODD-FRANK ERA. On September 20, 2016, CDIAC marked its 15th year of collaboration with The Bond Buyer by hosting a pre-conference examining the changing obligations of market participants as a result of regulatory reform and how these have affected public agencies. Specific attention was paid to the roles and obligations of financing team members, the impact of enforcement actions against issuers and public officials, and new and developing rules and regulations.

CDIAC AND THE CALIFORNIA SOCIETY OF MUNICIPAL ANALYST. California Lease Financing: A New Look at an Old Tool. On November 4, 2016, CDIAC partnered with the California Society of Municipal Analysts in a one-day symposium that considered the structure of tax-exempt lease and asset transfer financing, uses and benefits, and the nature of the security. It then considered the implications of Stockton's bankruptcy and the uncertainty that may remain with respect to the nature of a lease in Chapter 9.

CDIAC AND CALIFORNIA MUNICIPAL TREASURERS ASSOCIATION - FUNDAMENTALS OF PUBLIC FUNDS INVESTING. On January 18-19 2017, CDIAC collaborated with the California Municipal Treasurers Association on a two-day seminar designed to provide the fundamental concepts, tools, and strategies necessary to manage and oversee public investment portfolios. On day one panelists addressed the components of portfolio management, including roles and responsibilities of practitioners, understanding permitted investments, establishing policy

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objectives, and managing cash flow. On day two panelists addressed structuring and diversifying an investment portfolio, benchmarking, and best practices in portfolio management.

## RESEARCH UNIT

California Government Code Section 8855(h)(5) authorizes CDIAC to undertake research projects that improve practices or reduce the borrowing costs of public issuers in California. Since the Commission's last meeting on June 21, 2016, CDIAC staff have either initiated or completed the following research assignments.

### Completed Projects

**ALTERNATIVE TRADING SYSTEMS: SOLVING THE LIQUIDITY AND PRICING TRANSPARENCY PROBLEMS IN THE MUNICIPAL MARKET.** CDIAC published an issue brief on Alternative Trading Systems based on the discussion held at CDIAC's Preconference at The Bond Buyer's annual California Public Finance Conference on October 21, 2015.

**BOND AND TAX MEASURES APPEARING ON THE 2016 GENERAL BALLOTS: RESULTS OF THE 2016 GENERAL ELECTION.** This bi-annual report provides a detailed analysis of the certified results of the bond and tax elections held in November 2016 General Election. Also included in this report are detailed listings of each bond and tax measure by county, region, type of tax or debt, and purpose.

**BOND AND TAX MEASURES APPEARING ON THE 2016 PRIMARY BALLOTS: RESULTS OF THE 2016 PRIMARY ELECTION.** This bi-annual report provides a detailed analysis of the certified results of the bond and tax elections held in June 2016 Primary Election. Also included in this report are detailed listings of each bond and tax measure by county, region, type of tax or debt, and purpose.

**ELECTRONIC DISCLOSURE: 2017 UPDATE.** This issue brief updated earlier research on electronic disclosure filing and addresses recent trends in electronic disclosure.

**ISSUER APPLICATION OF THE MUNICIPAL ADVISORS RULE'S IRMA EXEMPTION.** This issue brief reviewed the IRMA exemption contained in the Municipal Advisor's (MA) Rule and address how issuers utilize this exemption. The brief examines the steps municipal issuers have taken to address the IRMA exemption and incorporate it into their debt issuance process, assesses which municipal issuers have publicly posted IRMA exemption letters, provides a profile of issuers that have publicly posted IRMA exemption letters, and compares the text of the existing letters.

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ISSUE BRIEF: SECURITIZED INVESTMENTS. This issue brief provides an overview of asset-backed and mortgage-backed securities, identifies the risk associated with these investment products in a public portfolio, and describes the current status of California Government Code section 8855(h)(5) authorizes CDIAC to undertake research projects that improve practices or reduce the borrowing costs of public issuers in California.

K-14 VOTER APPROVED GENERAL OBLIGATION BONDS: AUTHORIZED, BUT UNISSUED – 2016 UPDATE. CDIAC updated earlier research that cross referenced K-14 general obligation bond issuance with the underlying voter approved authority to determine the amount of general obligation bonds that were authorized, but unissued since 2002. This update added election and issuance activity for calendar year 2015 to the original data.

LOCAL AGENCY INVESTMENT GUIDELINES: UPDATE FOR 2017. CDIAC, working collaboratively with industry contacts, reviewed and updated 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 common public fund investment topics related to local agencies. The 2017 update reflected statutory changes effective January 1, 2017.

K-14 VOTER APPROVED GENERAL OBLIGATION BONDS: PROPERTY TAX RATES FOR BOND MEASURES AUTHORIZED UNDER PROPOSITION 39. Using information from CDIAC's debt issuance database and county tax assessors, CDIAC reviewed tax rates for general obligation bonds issued under Proposition 39 and preformed a detailed review to explain why some school districts have tax rates that exceed the tax rate limit established in statute.

AN OVERVIEW OF LOCAL GOVERNMENT OBLIGATION BOND ISSUANCE TRENDS – 2016 UPDATE. 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 updated the 2008 report by addressing GO bond issuance activity from 2006 to 2015 and examines changes in issuance patterns.