

AGENDA ITEM 4 (INFORMATION ITEM)

FISCAL YEAR 2018-19 REPORT OF OPERATIONS

Fiscal Year 2018-19 Report of Operations June 13, 2019

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) which is 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

CDIAC's Database, a large portion of which can be accessed on its website, contains reports of proposed and issued debt, annual fiscal status reports for Mello-Roos and Marks-Roos debt and reports on draws on reserves and defaults for Mello-Roos and Marks-Roos issues.¹ The Database contains information from 1984 to the present and is updated continuously by Data Unit staff. As of March 19, 2019 the Database contained more than 63,144 issuance records. The Database now contains Annual Debt Transparency Reports (ADTR).²

For FY 2018-19, the Data Unit received and processed 10,616 reports including Reports of Proposed Debt Issuance (RPDI),³ Reports of Final Sale (RFS),⁴ Marks-Roos Local Bond Pooling Yearly Fiscal Status Re-

¹ 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.

² Per Government Code Section 8855(k), added by SB 1029 (Chapter 307, Statutes of 2016) issuers required to submit an annual debt transparency report for Report of Final Sale submitted on or after January 21, 2017.

³ Per Government Code Section 8855(i) issuers of proposed new debt must give notice no later than 30 days prior to the sale date.

⁴ 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 2018-19

TYPE OF REPORT	FY 2018-19	FY 2017-18	INCREASE/ DECREASE
Reports of Proposed Debt Issuance	2,137	3,339	-36.0%
Reports of Final Sale	2,161	3,235	-33.2%
Mello-Roos Yearly Fiscal Status Reports	1,459	1,437	1.5%
Marks-Roos Yearly Fiscal Status Reports	2,432	2,350	3.5%
Annual Debt Transparency Report	2,420	1,123	115.5%
Mello-Roos/Marks-Roos Draw on Reserve/Default/Replenishment Filings	7	5	40.0%
TOTAL REPORTS RECEIVED	10,616	11,489	-7.6%

ports (MKR YFSRs), Mello-Roos Community Facilities Districts Yearly Fiscal Status Reports (MLR YFSRs), and Mello-Roos/Marks-Roos Draw on Reserve/Default filings (DFDs) and the Annual Debt Transparency Report (ADTR), a 7.6% decrease over the total number of reports received in FY 2017-18 (Figure 1).

With the implementation of CDIAC’s regulatory package, effective on April 1, 2017, all reports, with the exception of the ADTR, must be filed using CDIAC’s online portal.⁵ During FY 2018-19, only 7 reports were sent in hardcopy form mail or e-mail (Figure 2).

CDIAC recognizes that the number of ADTRs required to be filed by issuers will essentially double on an annual basis and began working with issuers in late 2017 to establish an alternative to filing individual reports through the online portal. CDIAC began by identifying “volume filers,” those issuers who would be required to submit 25 or more ADTRs on an annual basis. For the initial filing period, two of those issuers agreed to submit their data on an Excel spreadsheet. The State Treasurer’s Office (STO) Information Technology Division (ITD) staff formatted the data so that it could be uploaded into CDIAC’s debt database. The “batch upload” process for volume filers was officially launched in 2018.

Debt Issuance Fees

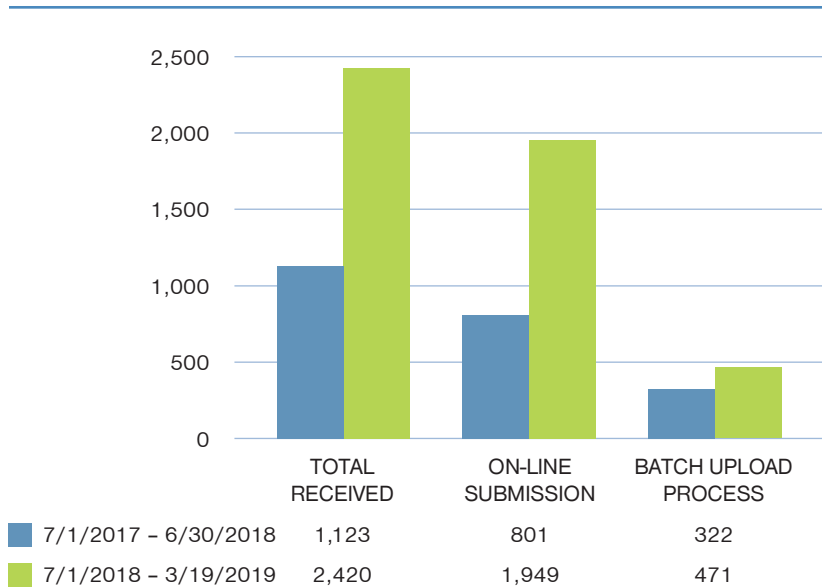
A critical function of the Data Unit is the collection of issuance fees which are the source of CDIAC’s operational funding.⁶ With the adoption of CDIAC’s regulations, fee amounts are calculated based on prin-

⁵ Title 4, Division 9.6, Sections 6000-6062, effective April 1, 2017.

⁶ Government Code Section 8856 authorizes CDIAC to charge the lead underwriter, the purchaser or the lender a fee not to exceed one-fortieth of one % of the principal amount of the issue not to exceed \$5,000 for any one issue.

FIGURE 2

ADTR, METHODS OF SUBMITTAL, FISCAL YEAR 2017-18 AND 2018-19



cipal amount of the issue times 2.5 basis points (0.025%), not to exceed \$5,000.00, on all debt with a final maturity greater than 18 months. No fee is assessed for issues whose final length of maturity is 18 months or less. A detailed fee schedule is available on CDIAC's website.⁷

For FY 2018-19, the Data Unit sent out 775 invoices for a total of approximately \$2.2 million in fees. Figure 3 reflects the breakdown of fees assessed for state and local agencies between July 1, 2018 and March 19, 2019.

Public Access to Debt Issuance Data

CDIAC uses a variety of online methods to provide immediate access to debt issuance data, including:

DEBTWATCH DATA PORTAL: ACCESS TO REPORTS AND ISSUANCE DOCUMENTS. DebtWatch provides citizens, the media, policy makers and others a new resource for understanding state and local government debt issuance.⁸ 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. DebtWatch provides data on both proposed and completed financial transactions and the ability to access

⁷ <http://www.treasurer.ca.gov/cdiac/reporting.asp>.

⁸ DebtWatch is located at: <http://debtwatch.treasurer.ca.gov/>.

FIGURE 3**FEES ASSESSED, STATE AND LOCAL ISSUERS
JULY 1, 2018 TO MARCH 19, 2019**

	FEES ASSESSED	# OF INVOICES
STATE		
Long-Term Debt	\$226,634	52
Short-Term Debt	0	0
LOCAL		
Long-Term Debt	\$2,007,919	723
Short-Term Debt	0	0
TOTAL FEES ASSESSED	\$2,234,553	775

the issuance documents that were submitted to CDIAC with the issuer's RFS. Types of documents include official statements, bond specimens, indentures and resolutions of the governing body, promissory notes, leases, loan agreements, instalment sales agreements, and other issuance-related disclosures.

A field was added to the DebtWatch portal to provide access to the issuance documents. The field has been formatted to indicate whether or not the documents have been submitted but not yet uploaded to the site (coded as "Pending") or were not submitted with the RFS (coded as "None Submitted"). CDIAC is using a similar method to provide access to data reported on the Annual Debt Transparency Reports (ADTRs) which will include a drop down feature to allow interested parties to view current and prior reports. Five new fields of data were added to DebtWatch pertaining to the ADTR: 1) A link to the ADTR, if a report has been submitted; 2) The filing status if an issue is ADTR reportable; 3) Whether or not the issue is required to report under the statute; 4) If the issue is reportable in the next FY; and, 5) The last period in which an ADTR was submitted. CDIAC recorded 11,698 hits to the DebtWatch website for the same period. (Figure 4a).

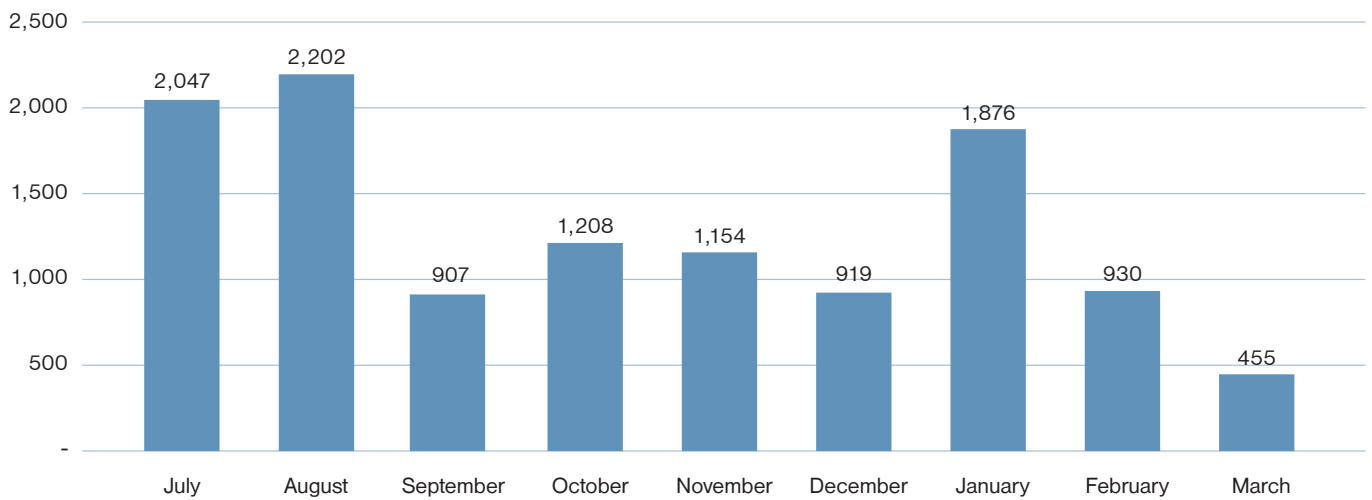
DEBT LINE NEWSLETTER. CDIAC is required to publish a monthly newsletter describing the operations of the Commission during the prior month.⁹ CDIAC's monthly publication, *Debt Line*, serves this purpose and includes a monthly calendar of issues providing comprehensive information on all reports of proposed and final debt issuances received during the prior month.

ONLINE TABLES AND GRAPHS. CDIAC posts monthly and annual state and local debt issuance data to its website in the form of summary

⁹ Government Code Section 8855(h)(9).

FIGURE 4A

DEBTWATCH WEBSITE ACTIVITY, JULY 1, 2018 TO MARCH 19, 2019



tables. Tables showing aggregate totals on the type, purpose, and amount of debt issued and the amount refunded for the current and five prior calendar years is available on the website.¹⁰ Graphs showing a comparison of debt data for the current and prior calendar year by state and local agencies are also available on the website as well as the purpose and amount of proposed and completed transactions for the prior month.¹¹

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.¹²

CDIAC recorded 1,882 hits to its on-line resources during the first nine months (excluding DebtWatch) in FY 2018-19. Each “hit” or inquiry is recorded as well as the purpose for which the individual visited the site (Figure 4b).

Reports

CDIAC publishes a number of summary reports annually, compiling data reported throughout the current calendar year and, in some cases, from past years.

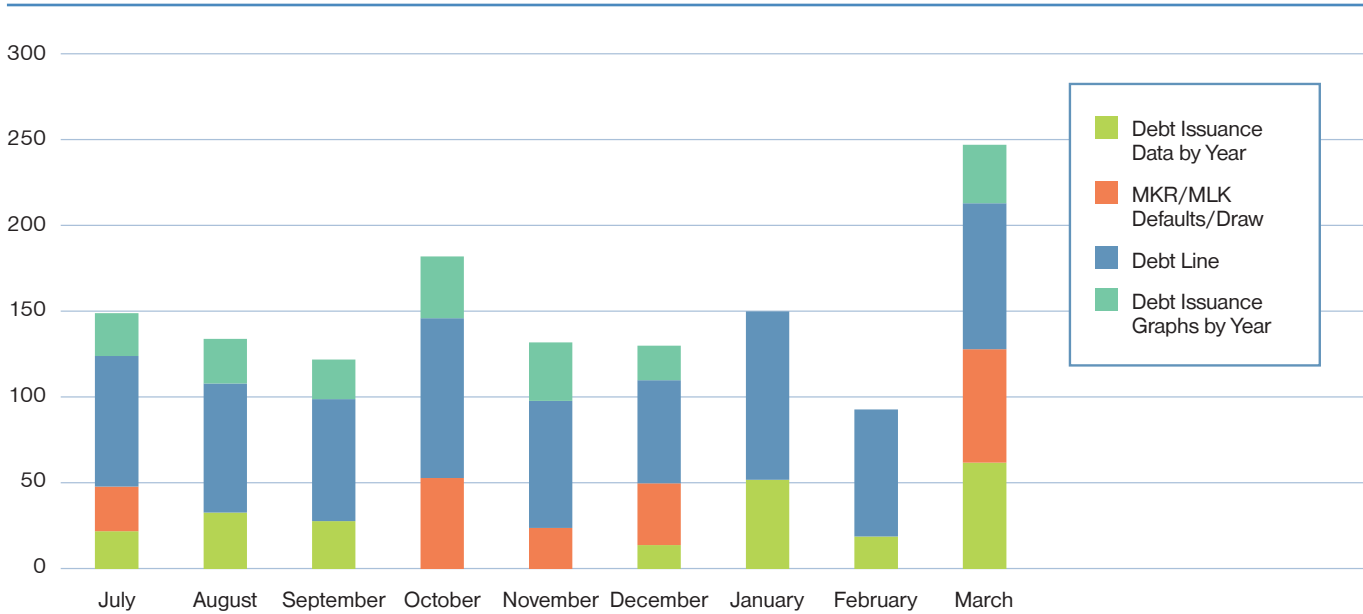
¹⁰ Summary tables are available at: <https://www.treasurer.ca.gov/cdiac/debtdata/debt-data.asp>.

¹¹ Graphs are available at: <https://www.treasurer.ca.gov/cdiac/graphs/index.asp>.

¹² Mello-Roos/Marks-Roos Default and Draw on Reserve Reports are available at: <https://www.treasurer.ca.gov/cdiac/default-draw/issuename.asp>.

FIGURE 4B

DEBT ISSUANCE DATA WEBSITE ACTIVITY, JULY 1, 2018 TO MARCH 19, 2019



MARKS-ROOS LOCAL BOND POOLING ACT YEARLY FISCAL STATUS REPORT AND THE MELLO-ROOS COMMUNITY FACILITIES DISTRICT YEARLY FISCAL STATUS REPORT. The Report summarizes data received in Marks-Roos and Mello-Roos Yearly Fiscal Status Reports received between July 1 and June 30.¹³ In an effort to bring The Marks-Roos Bond Pooling Act Participants Yearly Fiscal Status Report to a current status, the Data Unit has published reports for FY 2012-13 and staff is currently compiling and verifying data for the remaining intervening fiscal years and expects to post the remaining reports to the CDIAC website prior to the end of 2019.

The Mello-Roos Community Facilities District Yearly Fiscal Status Report, covering the period of July 1, 2015 through June 30, 2016 was published in February 2018. The report for the July 1, 2016 through June 30, 2017 will be published by mid-2019. 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. 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 a refunding. Each listing also shows the interest rate, rating, credit enhancement information, final

¹³ 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.

maturity date, and major participants in the financings. The report is organized chronologically by issuer, beginning with the State of California and its departments and agencies, then local agencies (further sorted by county, agencies within counties, and by the sale date of the issue) and student loan corporations. The 2017 calendar was published in June 2018. CDIAC expects the 2018 calendar to be published in spring 2019.

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. The tables included in the report contain statistics on both state and local agencies broken out by type of issuer, type of debt, purpose of financing, federal taxability, and whether the issue is a refunding or not. The 2017 summary tables were published in June 2018. CDIAC expects the 2018 calendar to be published in spring 2019.

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 and a report. The 2018 report is expected to be published in spring 2019.

Other Data Unit Projects and Initiatives

DEBT AUTHORIZED BUT UNISSUED. SB 1029 (Hertzberg, Chapter 307, Statutes of 2016), added the requirement for issuers to report annually on any debt whose issuance was reported to CDIAC on or after January 21, 2017. CDIAC developed the ADTR to assist issuers in satisfying the new reporting requirement and to provide consistency in data received. Due to the nature of the data required by the SB 1029, especially the requirement to report on the amount of debt authorized and unissued, staff determined that reporting on authorization should begin with the submittal of the RPDI. This data could then be verified when the RFS was submitted and would then be pre-populated on the ADTR. In order to ensure that the authorization was correctly tracked, an "authority" table had to be established in the database so that multiple issues could be linked to one issuance authorization in order to calculate the amount of authorization available at the beginning of the reporting period, added during the reporting period, and remaining at the end of the reporting period. Since some issues are sold using more than one issuance authorization, it was necessary to associate additional authorizations to one issue. Working with ITD, Data Unit staff updates to the database reports were completed in October 2018 and new RPDI, RFS, and ADTR were made available to issuers.

ADTR BATCH UPLOAD PROCESS. As mentioned earlier in this report, CDIAC implemented a batch upload process for filers of multiple reports. As of March 19, 2019 three filers have submitted their ADTR data via the batch upload.

ELECTRONIC DOCUMENT STORAGE. CDIAC's effort to reduce the amount of archived materials stored both on site and in the state's warehouses by systematically reviewing, digitizing, and electronically storing all paper documents in an electronic document storage facility (FileNet) continued during FY 2018-19. Staff began digitization in 2009 with calendar year 2008 documents. To date, all 2005 through 2018 documents have been scanned and electronically stored. The scanning process for the 2004 files is approximately 97% complete. CDIAC now automatically transfers scanned documents received from report filers to FileNet with minimal action required by staff.

TECHNICAL ASSISTANCE. Data Unit staff responded to 8 requests for technical assistance during the fiscal year a drop of 20% due to the easy accessibility to DebtWatch.

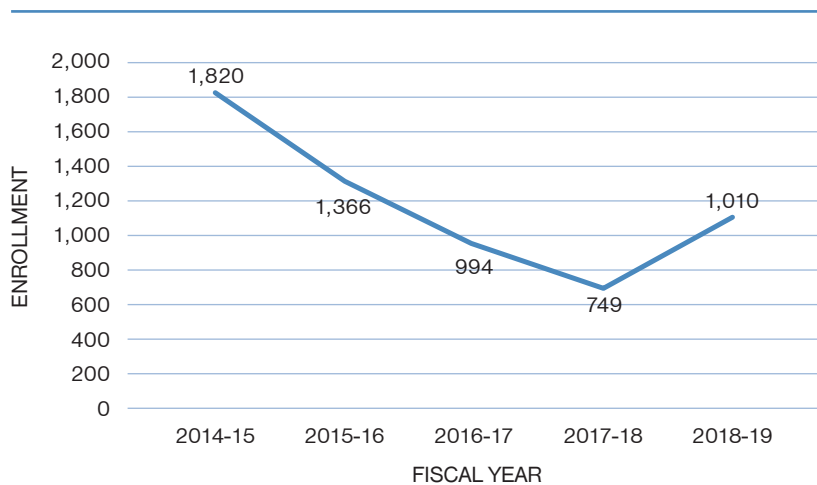
EDUCATION AND OUTREACH UNIT

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

SEMINAR ENROLLMENT. In FY 2018-19, 1,010 municipal professionals attended educational events offered by CDIAC or in partnership with other public finance organizations, a 35% increase from FY 2017-18 (Figure 5). Multiple webinar offerings in FY 2014-15 and FY 2015-16

FIGURE 5

SEMINARS, CONFERENCES, WORKSHOPS AND WEBINARS ATTENDANCE
FYS 2014-15 THROUGH 2018-19



drew high numbers of attendees in those years. In FY 2016-17, CDIAC returned to more intensive in-person trainings, which typically attract fewer participants than webinars. During FY 2018-19 CDIAC conducted 4 webinars in addition to the five in-person seminars, one of which was the three-day Municipal Debt Essentials program.

CDIAC continues to serve its core constituency, local public agencies, through its educational programs. In FY 2018-19, approximately 73% of the attendees of CDIAC’s educational programs were representatives of cities, counties, special districts, schools and other local government entities (Figure 6).

Webinars remain an effective mode of delivering CDIAC’s educational information as 37% of attendance at CDIAC’s education programs was attributed to the four webinars broadcast during the fiscal year.

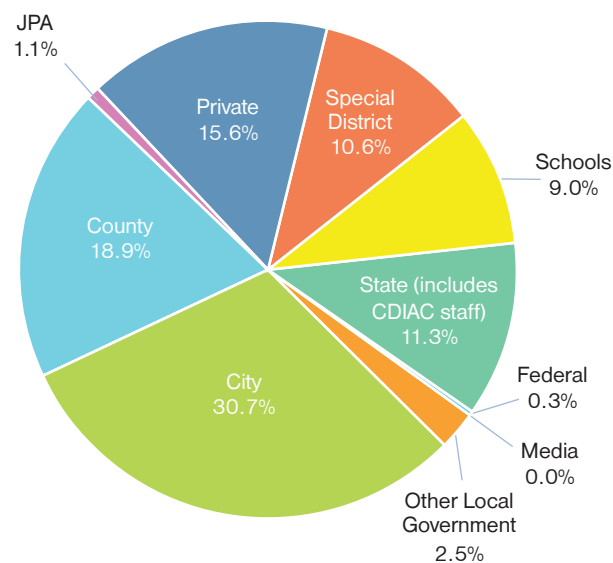
CDIAC Education Programs Offered in FY 2018-19

WEBINARS

In FY 2018-19, CDIAC offered four webinars, two of which focused on the enhancements to CDIAC’s implementation of the ADTR pursuant to SB 1029. The other two webinars were follow-on training to two sessions at the CDIAC/CMTA *Fundamentals of Public Funds Investing* seminar.

FIGURE 6

ENROLLMENT AT CDIAC EDUCATIONAL PROGRAMS BY AGENCY TYPE
FY 2018-19



SB 1029 – PHASE II – MODIFICATIONS TO THE REPORT OF PROPOSED DEBT ISSUANCE (RPDI) AND REPORT OF FINAL SALE (RFS). This webinar, broadcast on October 26, 2018, described the modifications made to the RPDI and RFS to make the annual debt reporting required by SB 1029 more flexible and efficient.

SB 1029 – PHASE II – MODIFICATIONS TO THE ANNUAL DEBT TRANSPARENCY REPORT (ADTR). Broadcast on November 1, 2018, this webinar described the enhancements made to the ADTR which were designed to make the required annual reporting more efficient, consistent and user-friendly for submitter.

UNDERSTANDING CASH FLOW AND CASH FLOW FORECASTING. This webinar was designed to allow participants the opportunity to conduct a case study analyzing cash flows. Broadcast on February 21, 2019, it was a webinar version of a group exercise on cash flow presented at the CDIAC/CMTA *Fundamentals of Public Funds Investing* program and was formatted to benefit both those who had attended the program and those who had not.

UNDERSTANDING BENCHMARKING. This webinar was the second presented as a follow-on to an exercise offered at the CDIAC/CMTA *Fundamentals of Public Funds Investing* workshop. Held on February 28, 2019, it was designed to allow participants the opportunity to develop a benchmark using Excel and to evaluate their investments against the derived benchmark. Both those who attended the program and those who did not benefited from working through the exercise using their own computers.

SEMINARS

In FY 2018-19, CDIAC hosted five educational programs.

FUNDAMENTALS OF LAND-SECURED FINANCING. This program, held on September 5, 2018, detailed the land-secured financing process from district pre-formation through project implementation and ongoing administration. Both Mello-Roos community facilities district and assessment district financings were covered in depth.

CURRENT TOPICS AND PRACTICES IN LAND-SECURED FINANCING. For the first time, CDIAC held this program in tandem with its core *Fundamentals of Land-Secured Financing*, on September 6, 2018. This intermediate course provided public officials with an understanding of these financial structures and an update on current topics and practices related to their use and administration.

PUBLIC FUNDS INVESTING WORKSHOP: USING MS EXCEL. This one-day workshop, offered twice in October 2019, focused on using Microsoft

Excel to further participants' understanding of key investment concepts. Participants engaged in interactive learning using their own laptops or tablets and spreadsheets to familiarize themselves with the relationship between yield, duration and convexity. The workshop concluded with an exercise on benchmarking and provided participants with Excel spreadsheets to utilize with their own investment portfolios.

MUNICIPAL DEBT ESSENTIALS. From February 12-14, 2019, 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 initial disclosure.

Educational Partnerships

In FY 2018-19, two of CDIAC's trainings were delivered in partnerships with other organizations.

THE BOND BUYER PRE-CONFERENCE. In October 2018, CDIAC held a three-quarter day event, *A Different Perspective: Issuer Insights on the California Municipal Bond Market* at *The Bond Buyer's* 28th Annual California Public Finance Conference. The seminar marked the 17th consecutive year that CDIAC has partnered with *The Bond Buyer* for the pre-conference. The program allowed representatives from a variety of local agencies to explore strategies to improve industry practices, and discuss the obstacles they encounter while issuing debt and how they manage to work around them.

CDIAC AND CALIFORNIA MUNICIPAL TREASURERS ASSOCIATION - FUNDAMENTALS OF PUBLIC FUNDS INVESTING. In January 2019, CDIAC once again collaborated with the California Municipal Treasurers Association on a one-and-a-half day seminar designed to provide fundamental concepts, tools, and strategies necessary for public funds investment staff to manage and oversee those investments. Panelists addressed the components of portfolio management, including roles and responsibilities of practitioners, understanding permitted investments, establishing policy objectives, fixed income economics and managing

cash flow. Panelists also discussed structuring and diversifying an investment portfolio, benchmarking and best practices in portfolio accounting, disclosure and reporting.

Support of the State Treasurer’s Office (STO) Divisions, Boards, Authorities and Commissions (BCAs)

During FY 2018-19, staff in the Education Unit provided assistance to several of the divisions and BCAs within the STO. Using CDIAC’s webinar portal and staff expertise, more than 855 stakeholders were trained or informed through 11 webinars. (Figure 7).

FIGURE 7
STO SUPPORT, FY 2018-19

AGENCY	# OF WEBINARS	TOTAL PARTICIPANTS
California School Finance Authority (CSFA)	3	173
California Health Facilities Financing Authority (CHFFA)	6	342
Local Agency Investment Fund (LAIF)	1	154
California Tax Credit Allocation Committee	1	186
TOTALS	11	855

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 19, 2018, CDIAC staff have either initiated or completed the following research assignments.

Completed Projects

K-14 VOTER APPROVED GENERAL OBLIGATION BONDS: AUTHORIZED, BUT UNISSUED – 2019 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 2018.

LOCAL AGENCY INVESTMENT GUIDELINES: UPDATE FOR 2019. 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 com-

mon public fund investment topics related to local agencies. The 2019 update reflected statutory changes effective January 1, 2019.

PREPARING FOR THE END OF LIBOR: A LOOK AT LIBOR AND THE USD LIBOR ALTERNATIVE. This report provided a discussion of LIBOR, the market issues leading to its approaching termination, and identified alternative reference rates including the newly established Securities Overnight Financing Rate (SOFR).

RESULTS OF THE 2018 PRIMARY ELECTION: BOND AND TAX MEASURES APPEARING ON THE 2018 PRIMARY BALLOTS, JUNE 5, 2018. This bi-annual report provided an analysis of the certified results of the bond and tax elections held in the June 2018 Primary Election as well as a detailed listing of each bond and tax measure by county, region, type of tax or debt, and purpose.

RESULTS OF THE 2018 GENERAL ELECTION: BOND AND TAX MEASURES APPEARING ON THE 2018 GENERAL BALLOTS, NOVEMBER 6, 2018. This bi-annual report provided an analysis of the certified results of the bond and tax elections held in the November 2018 General Election as well as a detailed listing of each bond and tax measure by county, region, type of tax or debt, and purpose.

UPDATE TO THE CALIFORNIA DEBT ISSUANCE PRIMER. CDIAC published the *California Debt Issuance Guide (Guide)* a resource guide to public agencies using debt financing.

Ongoing Activity

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 AND INVESTMENT LEGISLATION AFFECTING STATE AND LOCAL GOVERNMENTS. CDIAC monitors the status and maintains an inventory of important state and federal legislation affecting public finance, municipal bond issuance, and public funds investing. Published periodically in *Debt Line* during the legislative session, the online inventory includes helpful links to the most current information on pending legislation.

DEBT LINE. CDIAC will continue to publish *Debt Line*, a monthly newsletter including 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 produced by CDIAC and allied organizations.

EDUCATION PROGRAM SUPPORT. The Research Unit will provide support to the Education Unit in their 2018-19 and 2019-20 programs.

TECHNICAL ASSISTANCE. The Research Unit will continue to provide input to local agencies and the general public on matters related to technical assistance request.