

California Debt and Investment Advisory Commission



1999 ANNUAL REPORT

Philip Angelides
State Treasurer and Chair



CDIAC 01-02

CALIFORNIA DEBT AND INVESTMENT ADVISORY COMMISSION
1999 ANNUAL REPORT

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CALIFORNIA DEBT AND INVESTMENT ADVISORY COMMISSION

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Alameda County

* Membership of Commission as of October 31, 2000

California Debt and Investment Advisory Commission
915 Capitol Mall, Room 400
P.O. Box 942809
Sacramento, CA 94209-0001
(916) 653-3269
e-mail: CDIAC@treasurer.ca.gov

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CALIFORNIA PUBLIC FINANCE IN 1999

In 1999, **state** and **local agencies** in California issued a combined total of \$34 billion in short-term and long-term debt. Public debt issuance during the year fell \$6.7 billion (16 percent), however, reflecting changing market conditions including rising interest rates.

The combination of low unemployment and the gradual up-tick in inflation prompted the Federal Reserve to boost short-term interest rates by 50 basis points. Long-term rates, which often move in anticipation of Fed action, rose by slightly more than 25 basis points during the same period. In the latter part of the year, the Fed moved to tighten the money supply and debt issuers were forced to compensate by raising interest rates.

The hardest hit was the issuance of debt to refund existing debt. Refunded debt, which in 1998 represented 38 percent of all debt issuance, declined to just 25 percent of debt issued in 1999. The State, for example, issued 32 percent less bonds in 1999, a difference of just over \$3.0 billion from the amount issued in 1998.

Apart from inflation, most other economic indicators for the year were positive. Unemployment, which had averaged 5.3 percent during 1999, fell as low as 4.8 percent in November. Wage and salary jobs grew at the rate of 3.5 percent during the year and taxable sales rose 8.1 percent over 1998 levels and as personal incomes skyrocketed, public revenues grew. The Legislative Analyst's Office projected the State's 1999-2000 budget year reserve to be \$7.9 billion.

Large public coffers seemed to encourage local and state government to rely less upon debt financing to meet long-term needs. While short-term debt financing by public agencies, used most commonly to manage cash flow or for interim project financing, declined by only 8 percent between 1999 and 1998, long-term debt financing, used typically for capital purchases, declined 18 percent.

In 1999, public entities transacted 1,978 distinct debt issues. **K-12 school districts** far exceeded all other issuers in the number of issues, completing 707 distinct issues or 36 percent. **Marks-Roos joint powers authorities** issued a mere 255 issues (13 percent) while **city governments** accounted for 250 separate issues (13 percent).

When viewed in terms of total dollars issued, the State led all public issuers, issuing 22 percent of the total public debt issued in 1999. **K-12 school districts** and **Marks-Roos joint powers authorities** each issued 14 percent while **city governments** and **county governments**, as distinct entities, each issued approximately 10 percent of the total volume of public debt issued.

California's population, estimated to be 34.1 million in 1999, is projected to grow at an annual rate of approximately 1.7 percent during the next six years, reaching 37.4 million by 2005. During this period, the state's population growth rate will be roughly double the national level. The 3.3 million new Californians to be added between 1999 and 2005 represent slightly more than the current population of San Diego County.

In response to past and continued growth, state financing for education purposes topped all other uses. The State issued nearly \$3 billion in debt for this purpose in 1999, accounting for 8.6 percent of all debt issued during the period. Prior year financing for education purposes equaled \$3.5 billion (8.5 percent). The decline in debt issued for education between 1999 and 1998, 15

percent, was less than the 32 percent drop in total debt issued by the state for the period, reflecting the importance of education among public project financing.

Population growth made housing one of the most pressing issues facing State and local leaders during 1999. The issuance of debt by state agencies for housing purposes increased between 1999 and 1998 by \$210 million (15 percent) while local issuance increased \$232 million (10 percent). Housing financing represented nearly 5 percent of all debt issued by the State in 1999, but only 3.5 percent in 1998.

Ironically, state and local financing for capital improvement and public works purposes fell between 1999 and 1998. State financing for this purpose dropped \$987 million (48 percent) between 1999 and 1998, possibly in response to the availability of other resources to finance capital projects. Local financing of capital improvements and public works declined \$1.8 billion (14 percent) between 1999 and 1998.

STATEWIDE DEBT ISSUANCE

The following sections summarize the statewide issuance of public debt during 1999. The analysis is drawn from information contained in two companion CDIAC publications: *1999 Calendar of Public Debt Issuance* and *1999 Summary of California Public Debt*.

- The number of debt issues reported sold by all public agencies in 1999 was 1,978.

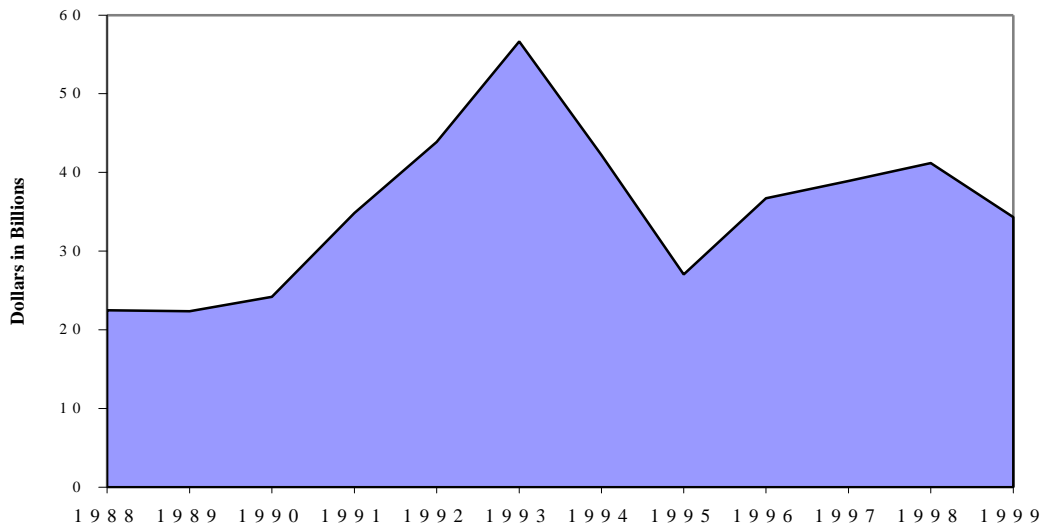
The number of debt issues reported sold in 1999 was only three percent less than the 2,048 reported issues in 1998. A comparison between the decline in total dollars issued and the number of issues for the two years indicates a lower average dollar amount for 1999 issues. In fact, the average amount of the issues sold in 1999 was \$17 million while the average amount of the issues sold in 1998 was \$20 million. Of the 1,978 issues sold during 1999, the State issued 163 (8 percent), student loan corporations accounted for another seven (0.4 percent), and local issuers sold the remaining 1,808 (91 percent).

- Public agencies issued \$34 billion in debt during 1999 (Chart 1 and Table 1).

The State and agencies of the State issued nearly 22 percent of the total dollar volume of debt reported. City and county governments (18 percent), joint powers authorities (27 percent), including those issuing Marks-Roos bonds, and K-12 school districts (14 percent) accounted for much of the remainder.

Chart 1

California Public Debt Issuance 1988 through 1999



- The \$34 billion in public debt issued in 1999 was 16 percent less than the \$41 billion issued in 1998 (Table 1).

The decline in public debt issuance overall was paralleled by a 32 percent drop in state issued debt. The State and agencies of the State issued \$7.5 billion in 1999 and \$11.1 billion in 1998. A lower volume of debt issuance by city and county governments also contributed to the tail off in the 1999 numbers. Cities issued nearly 21 percent less in 1999 than in 1998, while counties issued nearly 25 percent less debt in 1999 than in 1998.

- Seventy-nine percent of the public debt issued in 1999 was issued as long-term debt (Table 1). The remaining 21 percent was short-term debt, issued for interim financing purposes.

Table 1

**California Public Debt Issuance
Long-term vs. Short-term
1998 and 1999**

Dollars in Millions*

| | 1998 | Percent of Total | 1999 | Percent of Total | Percent change 1998- 1999 |
|-----------------|-----------------|-----------------------------|-----------------|-----------------------------|--|
| Long-term Debt | \$32,904 | 80.2% | \$27,011 | 78.7% | -17.9% |
| Short-term Debt | 8,103 | 19.8 | 7,300 | 21.3 | -9.9 |
| Total | \$41,007 | 100.0% | \$34,310 | 100.0% | -16.3% |

Note: Figures include state and local governmental entities and Student Loan Corporation issues.

* Totals may not add due to rounding.

Refunding of Debt Slows During 1999

The refinancing of debt has been a large part of statewide debt issuance for the past several years due, in part, to lower interest rates. In 1999, refundings represented 32 percent of all long-term debt issued (Table 2), a noticeable decline from percent refunded in 1998.

Table 2

California Public Debt Issuance Long-Term Debt Refunding vs. New Debt 1998 and 1999

Dollars in Millions*

| | 1998 | Percent of Total | 1999 | Percent of Total | Percent change 1998-1999 |
|-----------------------|-----------------|---------------------|-----------------|---------------------|--------------------------------|
| Long-Term Debt | | | | | |
| Refunding | \$15,374 | 46.7% | \$ 8,685 | 32.1% | -43.5% |
| New Debt | 17,530 | 53.3 | 18,327 | 67.9 | 4.5% |
| Total | \$32,904 | 100.0% | \$27,011 | 100.0% | -17.9% |

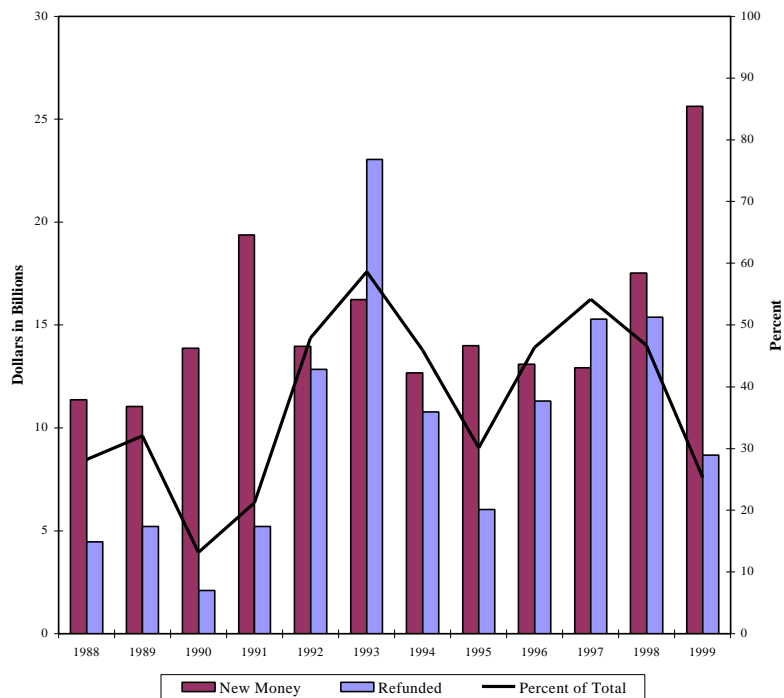
Note: Figures include state and local governmental entities and Student Loan Corporation issues.

* Totals may not add due to rounding.

Chart 2 illustrates the trend in both refunding and new money issuance since 1988. Refundings have exceeded new money issues only twice during that period. In both cases, 1993 and 1997, these outcomes were coincident with low interest rates.

Chart 2

**California Public Debt Issuance
Long-Term Debt
Refunding vs. New Debt
1988 through 1999**



The drop in refunded debt was attributable, in part, to rising interest rates. Many public debt issuers, particularly the State, took advantage of low rates in 1998 to refund prior debt. The State issued \$11.1 billion in debt during that year of which \$4.6 billion (41 percent) was used to refund prior debt (Table 3). In 1999, the State issued \$7.5 billion in debt, of which \$1.5 billion (20 percent) was used to refund existing debt.

The decline in state refunding in 1999 was most apparent in bonds, where the State used only 24 percent of financings to refund prior debt. In 1998, the State used 49 percent of the bonds issued during the year to refinance prior bonded debt. Similar declines during the same period were seen in local debt.

Table 3

**State and Local Debt Issuance
Total Amount Issued vs. Refunding
1998 and 1999**

Dollars in Millions*

| Type of Debt | Amount Issued 1998 | Amount Refunded 1998 | Amount Issued 1999 | Amount Refunded 1999 | Percent Change in Refundings 1998-99 |
|--|-----------------------------------|-------------------------------------|-----------------------------------|-------------------------------------|---|
| State Debt Issued | | | | | |
| State Bonds | \$ 9,373 | \$ 4,554 | \$ 6,370 | \$1,524 | -66.5% |
| State COPs | 6 | 6 | 82 | 0 | -100.0 |
| State Notes | 1,700 | 0 | 1,042 | 0 | 0.0 |
| Total State Debt | \$11,079 | \$ 4,559 | \$ 7,494 | \$1,524 | -66.7% |
| Local Debt Issued | | | | | |
| Local Bonds | \$17,801 | \$ 8,765 | \$15,988 | \$6,061 | -30.8% |
| Local Commercial Paper | 664 | 29 | 759 | 60 | 107.0 |
| Local COPs | 4,263 | 1,998 | 3,333 | 956 | -52.2 |
| Local Notes | 6,465 | 22 | 6,476 | 40 | 81.8 |
| Total Local Debt | \$29,233 | \$10,815 | \$26,556 | \$7,116 | -34.2% |
| California Student Loan Corp. | \$695 | \$0 | \$261 | \$44 | 100.0% |
| Total | \$41,007 | \$15,374 | \$34,311 | \$8,685 | -43.5% |

*Totals may not add due to rounding.

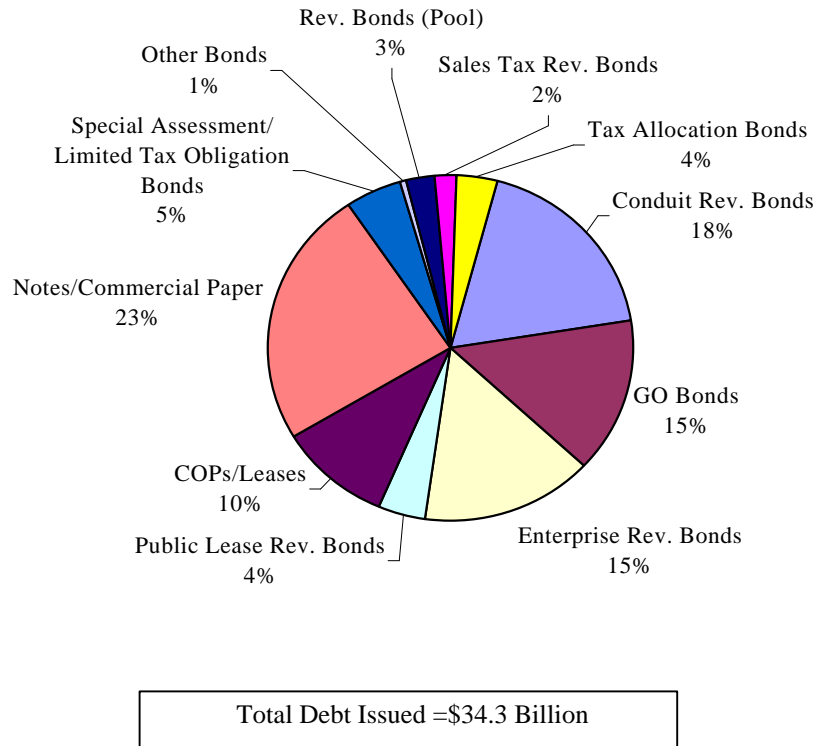
Notes Comprise Largest Component of 1999 Public Debt Issuance

Of the \$34 billion in public debt issued in 1999, notes accounted for \$7.5 billion (22 percent) of the total volume. Local agencies also issued over \$759 million in commercial paper in 1999, representing less than 2 percent of the total but approximately 14 percent more than in 1998. Enterprise revenue bonds, typically issued for capital improvements and public works projects, totaled \$5.2 billion and represented 15 percent of all public debt issued during 1999. Other financing instruments that represented more than 10 percent of the total debt issued by public agencies in 1999 included general obligation bonds (\$5.0 billion), conduit revenue bonds (\$6.3 billion), and certificates of participation/leases (\$3.4 billion). All other debt instrument types accounted for 10 percent or less of the total dollar volume of public issuance. Chart 3 illustrates the distribution of the type of debt instruments sold by all public agencies in California during 1999.

Chart 3

**California Public Debt Issuance
Type of Debt
1999**

Percentage by Dollars
January 1, 1999 – December 31, 1999



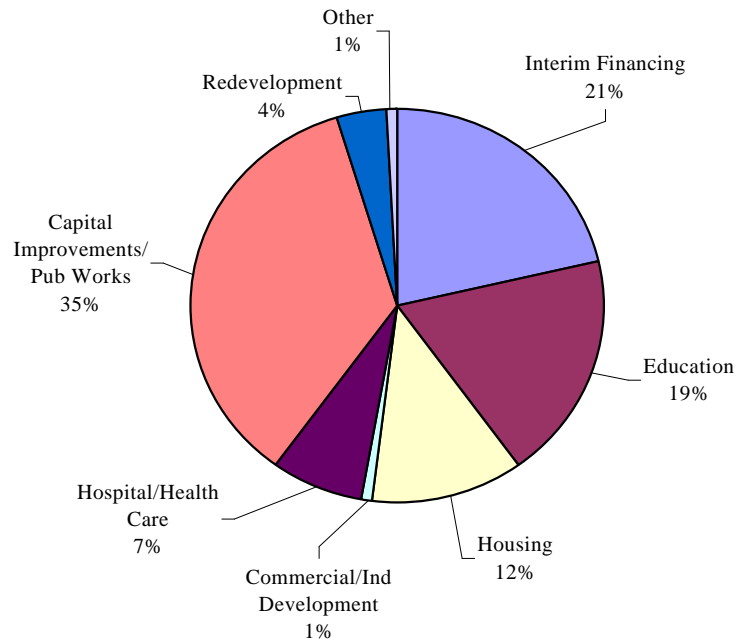
Capital Improvements and Public Works Issues Most Common

Chart 4 shows 1999 California public debt issuance by purpose. Capital improvements and public works accounted for 35 percent (\$12 billion) of the total \$34 billion sold by all California public agencies. Interim financing, education, and housing financing represented 21 percent (\$7.3 billion), 19 percent (\$6.4 billion), and 12 percent (\$4.2 billion), respectively. The remaining categories – commercial/industrial development, hospital/health care, redevelopment, and other purposes – each accounted for less than 10 percent of the total public debt issued in 1999.

Chart 4

California Public Debt Issuance Purpose of Debt 1999

Percentage by Dollars
January 1, 1999 – December 31, 1999



Total Debt Issued = \$34.3 Billion

Competitive Financings Comprise Nearly One-Quarter of All Transactions

Table 4 provides a twelve-year comparison of negotiated vs. competitive financings for all public debt issued. In 1999, competitively bid issues comprised 25 percent of the total debt issued while negotiated financings accounted for 75 percent.

Public debt issuance through competitive bidding as a percentage of total debt issued in 1999 decreased by 2 percent from 1998. In 1999, 25 percent of all public debt was competitively bid while 27 percent of all debt was competitively bid in 1998. The state sold 39 percent of its debt competitively during 1999, an increase from 1998 when 33 percent of state debt was sold competitively. Local agencies sold 21 percent of their bonds competitively in 1999 and 25 percent in 1998.

Table 4

California Public Debt Issuance Competitive vs. Negotiated Financings 1988 through 1999

Dollars in Millions

| Year | Competitive | Percent of Total | Negotiated | Percent of Total |
|------|-------------|------------------|------------|------------------|
| 1988 | \$3,418 | 15.2% | \$19,068 | 84.8% |
| 1989 | 4,545 | 20.3 | 17,812 | 79.7 |
| 1990 | 6,043 | 25.0 | 18,091 | 75.0 |
| 1991 | 10,001 | 28.7 | 24,821 | 71.3 |
| 1992 | 9,446 | 21.6 | 34,296 | 78.4 |
| 1993 | 14,826 | 26.2 | 41,850 | 73.8 |
| 1994 | 15,589 | 37.0 | 26,504 | 63.0 |
| 1995 | 5,857 | 22.0 | 21,153 | 78.0 |
| 1996 | 6,990 | 19.0 | 29,731 | 81.0 |
| 1997 | 9,444 | 24.6 | 28,971 | 75.4 |
| 1998 | 10,940 | 26.7 | 30,067 | 73.7 |
| 1999 | 8,503 | 24.8 | 25,808 | 75.2 |

STATE OF CALIFORNIA DEBT ISSUANCE

The State of California and its financing authorities and agencies issued a total of \$7.5 billion in debt in 1999, a decrease of 32 percent from the \$11.1 billion issued in 1998 (Table 5). Long-term debt issued in 1999 fell to \$6.5 billion from the \$9.4 billion issued in 1998. The biggest nominal decline came in the State's issuance of conduit revenue bonds, which dropped nearly \$1.4 billion (32 percent) between 1998 and 1999, while the largest percent decline was in public enterprise revenue bonds, which fell 66 percent from 1998 levels. The State's issuance of COPs increased however, rising from \$6 million to \$82 million.

Table 5

State of California Type of Debt 1998 and 1999

Dollars in Millions*

| Type | 1998 | 1999 | Percent Change |
|----------------------------|-----------------|----------------|----------------|
| Long-Term Debt | | | |
| Bonds | | | |
| Conduit Revenue Bonds | \$ 4,434 | \$3,032 | -31.6% |
| General Obligation Bonds | 3,203 | 2,680 | -16.3 |
| Public Enterprise Bonds | 889 | 304 | -65.8 |
| Public Lease Revenue Bonds | 845 | 353 | -58.2 |
| Subtotal Bonds | \$ 9,373 | \$6,370 | -32.0% |
| COP/Leases | \$ 6 | \$ 82 | 1266.7% |
| Total Long-Term Debt | \$ 9,379 | \$6,452 | -31.2% |
| Short-Term Debt | | | |
| Notes | \$ 1,700 | \$1,042 | -38.7% |
| Total | \$11,079 | \$7,494 | -32.4% |

* Totals may not add due to rounding.

State debt was used primarily for education financing during 1999 when nearly 39 percent of the State's debt was issued for this purpose (Table 6). Housing issues were second in terms of total volume, accounting for \$1.6 billion or 22 percent of the State's debt issuance for 1999. Debt issued for capital improvement, hospital/healthcare, and commercial and industrial development purposes followed with \$1.1 billion (14 percent), \$609 million (8 percent), and \$195 million (3 percent), respectively.

Table 6

**State of California
Purpose of Debt
1998 and 1999**

Dollars in Millions

| Purpose | 1998 | 1999 | Percent Change |
|-----------------------------------|-----------------|----------------|-----------------------|
| Education | \$ 3,493 | \$2,957 | -15.3% |
| Housing | 1,425 | 1,635 | 14.7 |
| Commercial/Industrial Development | 360 | 195 | -45.8 |
| Hospital/Health Care | 2,034 | 609 | -70.1 |
| Capital Improvements/Pub. Works | 2,067 | 1,081 | -47.7 |
| Interim Finance | 1,700 | 1,017 | -40.1 |
| Total | \$11,079 | \$7,494 | -28.8% |

LOCAL AGENCY DEBT ISSUANCE

During 1999, local agencies issued \$20.1 billion in long-term and \$6.5 billion in short-term debt as compared to the \$22.8 billion in long-term and \$6.5 billion in short-term debt issued by local agencies in 1998 (Table 7). Public enterprise revenue bonds were the predominant form of long-term debt issued by local agencies in 1999, representing 25 percent of all long-term debt issued by local agencies. Certificates of participation and leases provided the second most common form of long-term debt issued by local agencies. The \$3.3 billion issued in 1999 represented 17 percent of all local agency long-term debt. Local agencies also issued \$3 billion (15 percent) in conduit revenue bonds and \$2.3 billion (12 percent) in general obligation bonds.

Bonded debt issued by local agencies in 1999 fell by 10 percent as measured against 1998 bonded debt. The greatest dollar decline among types of bonds issued by local agencies between 1998 and 1999 occurred in general obligation bonds, which declined by \$573 million, a drop of nearly 20 percent. The only category of bonded debt to increase between 1998 and 1999 was conduit revenue bonds. Local agencies issued \$535 million (22 percent) more in this type of bonds in 1999 than they did in 1998.

Table 7

Local Agency Type of Debt 1998 and 1999

Dollars in Millions*

| Type | 1998 | 1999 | Percent Change |
|------------------------------|-----------------|-----------------|----------------|
| Long-Term Debt | | | |
| Bonds | | | |
| Conduit Revenue Bonds | \$ 2,429 | \$ 2,964 | 22.0% |
| General Obligation Bonds | 2,908 | 2,335 | -19.7 |
| Limited Tax Allocation Bonds | 1,272 | 1,092 | -14.2 |
| Public Enterprise Bonds | 5,090 | 4,920 | -3.4 |
| Public Lease Revenue Bonds | 1,292 | 1,112 | -13.9 |
| Revenue Bonds (pools) | 1,276 | 891 | -30.2 |
| Special Assessment Bonds | 784 | 565 | -27.9 |
| Sales Tax Revenue Bonds | 1,125 | 697 | -38.0 |
| Tax Allocation Bonds | 1,423 | 1,207 | -15.2 |
| Other Bonds | 243 | 206 | -15.2 |
| Subtotal Bonds | \$17,841 | \$15,988 | -10.4% |
| Commercial Paper | \$ 664 | \$ 759 | 14.3% |
| COP/Leases | \$ 4,263 | \$ 3,333 | -21.8% |
| Total Long-Term Debt | \$22,768 | \$20,081 | -11.8% |
| Short-Term Debt | | | |
| Notes | \$ 6,465 | \$ 6,476 | 0.0% |
| Total | \$29,233 | \$26,556 | -9.2% |

* Totals may not add due to rounding.

Nearly 42 percent of all local agency debt issued in 1999 was used for capital improvements and public works (Table 8). Local agencies issued \$11 billion in debt for this purpose for various types of projects including: multiple capital improvements and public works (\$4.4 billion); bridges and highways (\$1.6 billion); water supply and distribution (\$1.1 billion); and public transit (\$834 million). The remaining \$3 billion in debt issued for capital improvements and public works was dedicated to a variety of other purposes, including \$706 million for power generation and transmission, \$672 million for wastewater collection and treatment, \$380 million for airports, \$346 million for equipment, and other purposes. Financing for educational purposes declined in 1999 by \$679 million, but it accounted for nearly the same percentage of debt issued by all public agencies during the year. In 1999, educational debt accounted for 12 percent of all debt issued by local agencies in 1999 compared to 13 percent in 1998.

While local debt issued for most purposes declined between 1998 and 1999, debt used for hospital and health care, housing, and commercial and industrial development purposes increased. Debt issued for these purposes increased by \$265 million (17 percent), \$232 million (10 percent), and \$3 million (4 percent), respectively.

Table 8

**Local Agency
Purpose of Debt
1998 and 1999**

Dollars in Millions*

| Purpose | 1998 | 1999 | Percent Change |
|-----------------------------------|-----------------|-----------------|-----------------------|
| Education | \$ 3,842 | \$ 3,163 | -17.7% |
| Housing | 2,306 | 2,538 | 10.1 |
| Commercial/Industrial Development | 87 | 90 | 3.7 |
| Hospital/Health Care | 1,527 | 1,792 | 17.4 |
| Capital Improvements/Pub. Works | 12,844 | 11,046 | -14.0 |
| Redevelopment | 1,699 | 1,365 | -19.7 |
| Other | 525 | 278 | -47.0 |
| Interim Finance | 6,403 | 6,283 | -1.9 |
| Total | \$29,233 | \$26,556 | -9.2% |

* Totals may not add due to rounding.

STUDENT LOAN CORPORATION FINANCINGS

Student loan corporations issued \$261 million in conduit revenue bonds in 1999 (Table 3, page 7), a decline of 62 percent from the \$695 million issued in 1998.

MELLO-ROOS COMMUNITY FACILITIES DISTRICTS

Mello-Roos Community Facilities Districts (CFD) sold 92 issues in 1999 for a total volume of \$1.1 billion (Chart 5). The total debt issued by Mello-Roos CFDs in 1999 declined by 12 percent from the \$1.2 billion issued in 1998. New debt and refundings both fell in 1999, although the percent decline in refunded debt was substantially higher than for new debt.

Mello-Roos CFDs are formed primarily for the construction of local capital improvements (streets, sewers, etc.) and school facilities. Chart 6 indicates the volume of Mello-Roos bonds by purpose for the last 11 years.

Chart 5

Mello-Roos Issuance Refunding vs. New Debt 1988 through 1999

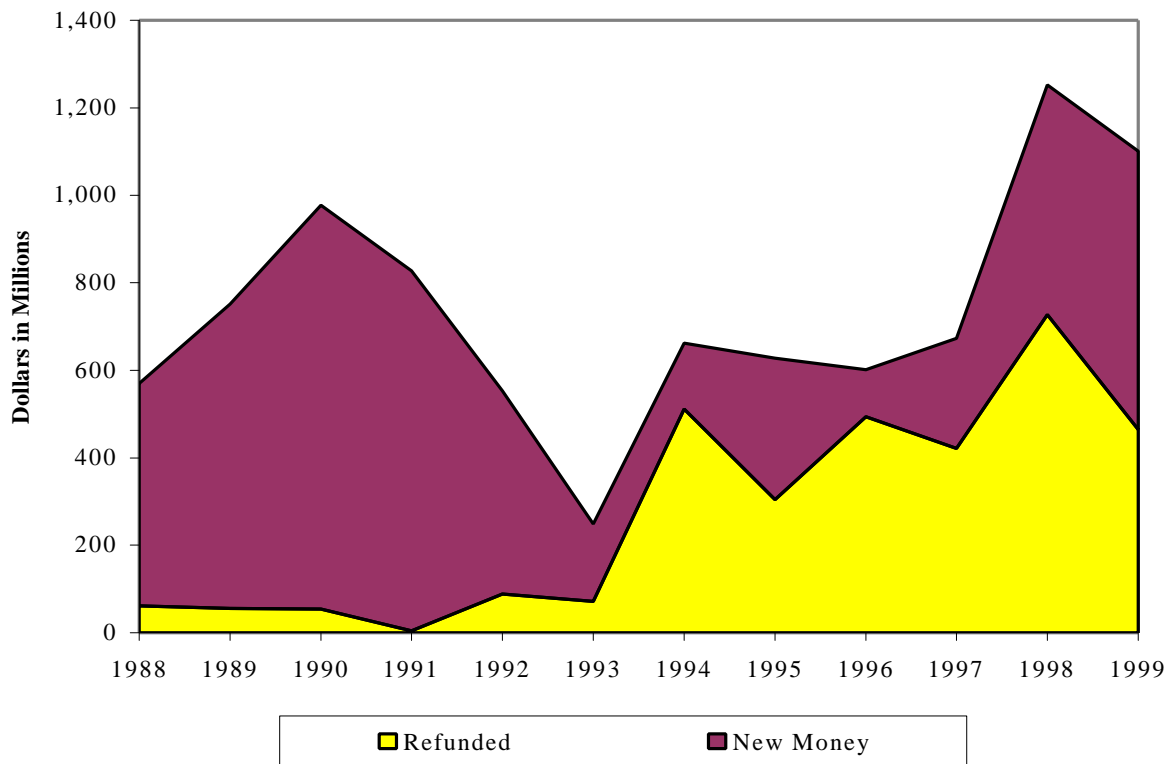
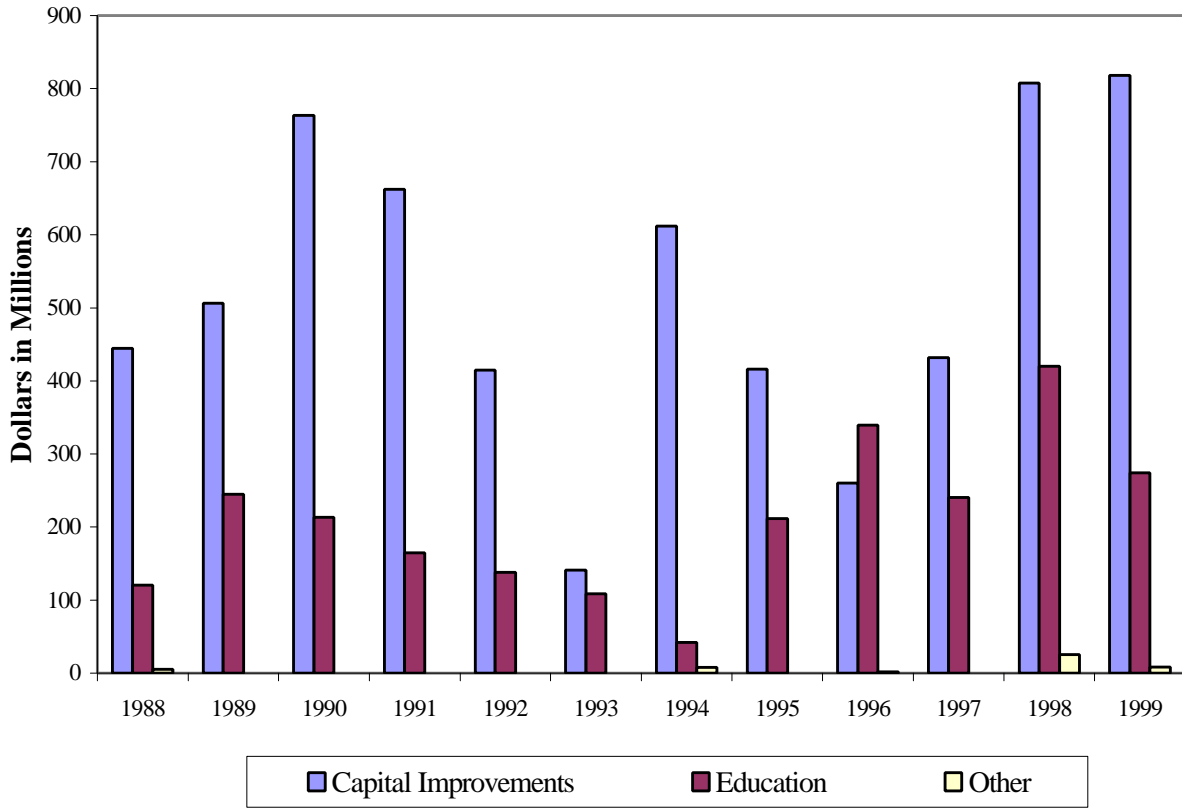


Chart 6

**Mello-Roos Issuance
Purpose of Debt
1988 through 1999**



Defaults and Draws on Reserves Down Slightly

Issuers of Mello-Roos bonds must report any default, defined as a non-payment of principal and interest, or any draw on the reserve fund if any such withdrawal of funds decreases the reserve fund below the Minimum Reserve Fund Requirement as stated in the official bond documents or indenture of the bond sale. In 1999, 11 issuers reported either defaults (non-payment of principal and interest) or draws on the reserve fund for 17 separate bond issues (Table 9).

From 1994 (the first year reports to the Commission were required) through 1996, the total number of reported defaults never exceeded 6. In 1997, that number climbed to 17 defaults and has remained at that level since.

Table 9

Mello-Roos Community Facilities Districts Number of Defaults/Draws by Year 1994 through 1999

| Year | Number of Defaults | Number of Draws | Total Number of Defaults and Draws |
|------|--------------------|-----------------|------------------------------------|
| 1994 | 6 | 21 | 27 |
| 1995 | 5 | 23 | 28 |
| 1996 | 5 | 31 | 36 |
| 1997 | 17 | 22 | 39 |
| 1998 | 18 | 11 | 29 |
| 1999 | 16 | 11 | 27 |

Additional information on Mello-Roos CFDs and their defaults or draws is available in the *1999 Mello-Roos Communities Facilities Districts Yearly Fiscal Status Report*.

THE CALIFORNIA DEBT AND INVESTMENT ADVISORY COMMISSION

BACKGROUND

The California Debt and Investment Advisory Commission (CDIAC) was created in 1981 as the California Debt Advisory Commission (CDAC) with the passage of Assembly Bill 1192 by Assemblymember Jim Costa (Chapter 1088, Statutes of 1981). Pursuant to this law, CDIAC serves as the State's clearinghouse for public debt issuance information and assists state and local agencies with monitoring, issuing, and managing public debt. On January 1, 1997, CDIAC's responsibilities were expanded by the passage of AB 1197, Takasugi (Chapter 833, Statutes of 1996) to include investment of public funds as well as debt issuance. CDIAC fulfills its statutory mandates through a variety of programs and publications.

MANDATES AND ROLES

State statutes require that CDIAC receive and record information on public debt in California and assist state and local agencies to monitor, issue and manage public debt and invest public funds. These roles have unfolded through the following activities:

- Serve as the State's statistical center for debt information;
- Publish a monthly newsletter concerning debt issuance in the State;
- Maintain contact with all participants in the municipal debt industry to improve the market for California's public debt;
- Provide technical assistance to state and local governments in an effort to reduce debt issuance costs and to protect debt issuers' credit ratings in the market;
- Undertake or commission studies on methods to reduce debt issuance costs and to improve credit ratings;
- Recommend legislative changes to improve the marketability of state and local agency debt and to ensure repayment of debt;
- Provide continuing education programs regarding the investment of public funds; and,
- Assist the state financing authorities and commissions in carrying out their responsibilities.

Over time, the Legislature has given CDIAC the following additional roles:

- Chapter 407, Statutes of 1998 (AB 2052, Firestone and Pringle) requires the reporting and collection of annual outstanding public debt for entities within the State. This legislation requires CDIAC to prepare an annual long-term indebtedness report utilizing information from existing sources.

- Chapter 229, Statutes of 1995 (SB 1275, Killea) requires certain Marks-Roos local bond pool participants to report yearly fiscal status information and, regardless of when their debt is issued, to report draws on reserve funds or non-payments of principal and interest within ten days of each occurrence to the CDIAC
- Chapter 772, Statutes of 1992 (SB 1464, Mello), requires CDIAC to collect specific fiscal information on Mello-Roos CFDs which issue bonds after January 1, 1993. Also, all Mello-Roos CFD issuers, regardless of the date of sale of the bonds, report draws on reserve or defaults to CDIAC.
- Chapter 1033, Statutes of 1985 required issuers to report to CDIAC when they sell refunding or revenue bonds through negotiation or private placement, or issue bonds payable in a foreign currency.

COMMISSION MEMBERS

The Commission consists of nine members: the State Treasurer, the Governor or the Director of Finance, the State Controller, two local government finance officials, two Assembly members, and two Senators. The State Treasurer serves as Chair and appoints the two local government officials. The Treasurer also appoints an Executive Director to oversee the day-to-day operations of the Commission and to recommend policy direction. The Speaker of the Assembly appoints the Assembly representatives and the Senate Rules Committee appoints the Senate representatives. Appointed members serve four-year terms at the pleasure of their appointing power. The Commission meets throughout the year to direct the activities of CDIAC staff.

The 2000 Commission members included: Philip Angelides, State Treasurer; Gray Davis, Governor or Timothy Gage, Director of Finance; Kathleen Connell, State Controller; State Senator Wesley Chesbro; State Senator Hilda Solis; State Assemblymember Louis J. Papan; State Assemblymember Scott Wildman; Donna Linton, Assistant County Administrator, County of Alameda; and, Susan Leal, Treasurer, City and County of San Francisco.

TECHNICAL ADVISORY COMMITTEE

The Technical Advisory Committee (TAC) was established in 1983 to assist the Commission in fulfilling its responsibilities. The TAC is comprised of individuals representing public finance, including bond counsel, financial advisors, underwriters, credit analysts, insurance providers, investors, and local issuers. The TAC serves two primary functions:

1. To assist the Commission by providing a forum for the initial discussion of issues, problems and topics related to public finance on both municipal debt issuance and public agency investment; and,
2. To provide technical review and critique reports, issue briefs and other CDIAC research and policy documents before they are published.

Since its inception, the TAC has continually provided Commission staff with advice on a wide variety of issues, ranging from the contents of CDIAC's reporting forms to emerging issues in public finance. Many of the TAC members also serve as faculty for the Commission's technical assistance seminars.

PROGRAMS AND SERVICES

CDIAC engages in a wide range of activities in three general program areas: data collection, policy research and development, and continuing education.

Data Collection and Dissemination

As the State's clearinghouse for public debt financing information, CDIAC has compiled data on all public debt issued in California since January 1, 1985. All issuers of state and local government debt are required to submit information on a proposed bond sale to CDIAC 30 days prior to the sale date. Issuers also must submit a report of final sale no later than 45 days after the sale with a copy of the final official statement. The data reported to CDIAC includes the sale date, the name of the issuer, the type of sale, the principal amount, the type of debt instrument, the source or sources of repayment, the purpose of the financing, the rating of the issue and the members of the financing team. Depending on market conditions, 2,500 to 4,000 reports are received each year. Data from these reports is the basis for statistical information used for debt issue analysis, research projects, and education.

The Data Unit receives daily requests from representatives of public and private entities and the media for data on debt issuance and information on the nature and application of specific debt instruments and investment tools and practices. CDIAC staff responds to over 2,000 such requests each year.

ACCESS TO CDIAC DEBT ISSUANCE DATA

Print Distribution – Printed debt issuance data is available free of charge.

Data on Disk Subscriptions – Subscribers receive a computer diskette each month containing the data on sold issues reported to CDIAC in the previous 30-day period. A pre-paid subscription for the calendar year costs \$77.00, including tax. Most current year data, however, can be delivered free of charge by e-mail. Prior calendar year data may be purchased for \$6.47 per year.

CDIAC On-Line – The CDIAC website is located at <http://www.treasurer.ca.gov/cdiac/cdiac.htm> or through the State Treasurer's home page under Boards and Commissions.

The CDIAC website provides the latest statistics on state and local debt issuance from CDIAC's database; selected information about CDIAC; CDIAC reports; seminar schedules; fee schedules; reported defaults and draws for Mello-Roos and Marks-Roos financings; and reporting forms for debt issuance.

E-mail – CDIAC can also be contacted by e-mail at cdiac@treasurer.ca.gov

Policy Research and Development

CDIAC's responsibilities include improving the market for public debt and assisting California's local agencies with public investment decisions. CDIAC staff maintain regular contact with

participants in the municipal finance industry and undertake or commission studies on matters affecting public finance in California. Information gathered by staff can act as a guide for state and local debt issuers and investors who often are confronted with difficult and complex decisions.

CDIAC projects are designed to help issuers reduce issuance costs and keep issuers apprised of emerging trends in public finance. CDIAC places a high priority on making its data and expertise available to public agencies in useful forms, which is the crux of the Commission's technical assistance program. The policy staff of CDIAC also evaluated potential legislative changes on matters affecting California public finance.

The Policy Unit publishes reference materials, issue briefs, hearing documents, statistical reports and technical guidelines for state and local issuers. One of CDIAC's most notable publications is the *California Debt Issuance Primer*, which provides comprehensive information on debt instruments, the roles and responsibilities of municipal debt issuers and private industry professionals, and other important information which is useful to anyone participating in municipal finance. The *Primer*, which was updated in 1998, provides a comprehensive overview of and reference document for the debt issuance process in California.

In addition, policy staff track and analyze state and federal legislation related to debt issuance and public investment laws in California. In addition, staff monitor the activities of professional organizations that provide policy recommendations to regulatory and non-regulatory agencies in the field of public finance. In both regards, CDIAC staff serve as a resource for local and state officials seeking to understand new laws and policies as they apply to the issuance and administration of public debt.

Continuing Education

Since 1984, CDIAC has conducted educational seminars focusing on public finance matters, the debt issuance process, and the investment of public funds. CDIAC seminars are offered throughout the year in various locations in the State and are designed to introduce public officials and their staff to the municipal debt issuance process and to techniques for investing public funds. The seminars also enhance the expertise of public officials who are familiar with the municipal debt issuance process and the investment of public funds. The majority of the seminar attendees are from local agencies, although many attendees are from state and federal agencies.

CDIAC also conducts public hearings on issues affecting public finance. These hearings provide a forum for public officials, industry participants, and the public to share ideas and information, and to provide CDIAC with a foundation for future research. In addition, CDIAC co-sponsors public finance-related conferences, symposia, and seminars conducted by private companies and statewide associations. These co-sponsorships allow CDIAC to contribute its expertise, increase contacts with experts from public and private sectors, and keep abreast of current matters affecting public finance in California.

Monthly and Annual Publications

DEBT LINE

In 1999, CDIAC published the 18th volume of **DEBT LINE**. This monthly publication is sent to over 1,800 subscribers. **DEBT LINE** contains a Calendar of Issues that lists the proposed and

sold public debt financings for the month. **DEBT LINE** also includes articles on public financing topics, CDIAC's programs and activities, and legislation affecting California public finance.

Mello-Roos and Marks-Roos Monthly Report

In addition to the *Mello-Roos Calendar of Issues*, other subscribers receive monthly *Default and Draw on Reserve Reports* for both Mello-Roos CFD issuers and Marks-Roos Bond Pooling Act participants. Over 700 of these reports were distributed in 1999, a 43 percent increase over the 400 reports that were distributed in 1998.

Mello-Roos Yearly Fiscal Status Report

The *1999 Mello-Roos Community Facilities Districts Yearly Status Report* was the seventh annual report issued detailing specific fiscal information on Mello-Roos CFDs. The report is prepared annually from information submitted to the Commission by CFD agencies issuing bonds since January 1, 1993. Chapter 772, Statutes of 1992 (SB 1464, Mello) requires that all issuers of Mello-Roos bonds report annually, until the bonds are retired, on the fiscal status of their bonds. Subsequent legislation enacted in 1993 included a requirement for reporting data on all Mello-Roos CFD issuer defaults or draws on reserve funds.

Marks-Roos Bond Pooling Act Participants Yearly Fiscal Status Report and Draw on Reserve Default Report

Pursuant to Chapter 229, Statutes of 1995 (SB 1275, Killea), certain bond pool participants must annually report specific information about Marks-Roos bond issues to the Commission.

Summary of California Public Debt

This report is a companion volume to the *Annual Report* and the *Calendar of Issues*. The purpose of this report is to provide a profile of public borrowing by all levels of government in the state. It is based on data for public debt issuance from January 1 through December 31.

The report is devoted to tables that summarize state and local debt issuance by type of debt instrument (general obligation bonds, certificates of participation, etc.), use of proceeds (single-family housing, education, health care, etc.); taxable financings; financings to refund existing debt; type of issuing agencies (state, cities, counties, etc.); and Mello-Roos financings. This report has been published since 1985.

Calendar of Debt Issuance

A companion publication to the *Annual Report* and the *Summary of California Public Debt*, the *Calendar* contains detailed information on each California debt issue sold in 1999 as reported to the Commission. The information presented in the *Calendar* is organized by state agency, county and issuer to portray each entity's debt issuance activity for the year. Details include the type of debt instrument sold, the sale date, and the purpose for which the funds are borrowed. This report has been published annually since 1985.

Annual Report

Past editions of this report have summarized the activities and accomplishments of CDIAC and have given an overview of California public finance activities during the past year.

California Debt Issuance Primer

The cornerstone of the Commission's technical information program is the *California Debt Issuance Primer*. This document, which has been distributed to over 1,500 public- and private-sector financing professionals, was originally published in 1988. It was subsequently updated in 1990 and 1998 to reflect changes in federal law and new financing techniques. The updated *Primer* includes expanded descriptions and discussions of types of debt instruments. The updated *Primer* also contains information about working with state agencies and offers an extensive list of other sources of public financing information.

Seminars, Workshops, and Symposia

In 1999, the Commission continued to offer educational seminars, conferences and symposia as part of its technical assistance program. The seminar faculty and presenters are selected from the private and public sector for their ability to share their expertise and knowledge on public finance. CDIAC's seminar program is constantly evolving to meet the needs of the public finance community in California.

Investing Public Funds: Fundamentals of Managing Your Portfolio

Date: January 12th and 13th
Site: Monterey, CA

This seminar provided investment professionals, local finance officers, and local public officials responsible for the investment of public funds the opportunity to learn about: the fundamental concepts and methods of investing public funds; the management of a governmental investment portfolio; the roles and responsibilities of local officials in the investment process; and the means for ensuring the safety and liquidity of investments while obtaining the best returns possible.

The Fundamentals of Debt Financing

Dates: February 4th and 5th
Site: Newport Beach, CA

This is CDIAC's introductory seminar for public officials and staff on the debt issuance and debt management processes. The seminar covered the basics of a bond issue, the participants' roles, types of debt financings, credit ratings, and disclosure issues.

Mechanics of a Bond Sale

Date: April 15th and 16th
Site: Los Angeles, CA

The *Mechanics of a Bond Sale* seminar is the second seminar offered by CDIAC in the debt issuance series. This seminar provided an in-depth examination of the bond issuance process. It taught public officials how to structure a bond issue, put together a financing team, prepare legal documents, market and price an issue, and evaluate the risks and rewards of debt issuance. In addition, this seminar covered rules regarding the investment of bond proceeds, and the administrative responsibilities of an issuer once a bond issue is sold.

Advanced Topics in Debt Issuance

Date: September 14th and 15th
Site: San Diego, CA

This new program is CDIAC's third and most advanced course in the debt issuance series, with topics that covered debt structuring considerations, variable rate debt, refunding considerations and bond pooling techniques.

Understanding Municipals Securities Regulation

Date: October 5th
Site: Long Beach, CA

This seminar educated issuers about their legal obligations with respect to primary and continuing disclosure, and offered practical advice on how to minimize liabilities. The seminar ended with an interactive case study on disclosure, reviewing the role of counsel, underwriters and financial advisors.

Investing Public Funds: Understanding and Evaluation Your Investment Alternatives

Date: November 4th and 5th
Site: San Diego, CA

This seminar is the second component of CDIAC's investment seminar series. It focused on more complex topics including: understanding the economics of public investment; managing the investment of both bond proceeds and operating funds; evaluating investment objectives; selecting the most appropriate investment vehicle; and conducting and accounting for your investment transactions.

STATE OF CALIFORNIA GOVERNMENT CODE

DIVISION 1 OF TITLE 2 (EXCERPT)

Chapter 11.5 CALIFORNIA DEBT AND INVESTMENT ADVISORY COMMISSION

§ 8855. Creation, composition, term; officers; compensation; powers and duties

(a) There is created the California Debt and Investment Advisory Commission, consisting of nine members, selected as follows:

(1) The Treasurer, or his or her designate.

(2) The Governor or the Director of Finance.

(3) The Controller, or his or her designate.

(4) Two local government finance officers, appointed by the Treasurer, one each from persons employed by a county and by a city or a city and county of this state, experienced in the issuance and sale of municipal bonds and nominated by associations affiliated with such agencies.

(5) Two Members of the Assembly appointed by the Speaker of the Assembly.

(6) Two Members of the Senate appointed by the Senate Committee on Rules.

(b)(1) The term of office of an appointed member is four years, but appointed members serve at the pleasure of the appointing power. In case of a vacancy for any cause, the appointing power shall make an appointment to become effective immediately for the unexpired term.

(2) Any legislators appointed to the commission shall meet with and participate in the activities of the commission to the extent that the participation is not incompatible with their respective positions as Members of the Legislature. For purposes of this chapter, the Members of the Legislature shall constitute a joint interim legislative committee on the subject of this chapter.

(c) The Treasurer shall serve as chairperson of the commission and shall preside at meetings of the commission. The commission, on or after January 1, 1982, and annually thereafter, shall elect from its members a vice chairperson and a secretary who shall hold office until the next ensuing December 31 and shall continue to serve until their respective successors are elected.

(d) Appointed members of the commission shall not receive a salary, but shall be entitled to a per diem allowance of fifty dollars (\$50) for each day's attendance at a meeting of the commission not to exceed three hundred dollars (\$300) in any month, and reimbursement for expenses incurred in the performance of their duties under this chapter, including travel and other necessary expenses.

(e) The commission shall do all of the following:

- (1) Assist all state financing authorities and commissions in carrying out their responsibilities as prescribed by law, including assistance with respect to federal legislation pending in Congress.
 - (2) Upon request of any state or local government units, to assist them in the planning, preparation, marketing, and sale of new debt issues to reduce cost and to assist in protecting the issuer's credit.
 - (3) Collect, maintain, and provide comprehensive information on all state and local debt authorization, sold and outstanding, and serve as a statistical clearinghouse for all state and local debt issues. This information shall be readily available upon request by any public official or any member of the public.
 - (4) Maintain contact with state and municipal bond issuers, underwriters, credit rating agencies, investors, and others to improve the market for state and local government debt issues.
 - (5) Undertake or commission studies on methods to reduce the costs and improve credit ratings of state and local issues.
 - (6) Recommend changes in state laws and local practices to improve the sale and servicing of state and local debts.
 - (7) Establish a continuing education program for local officials having direct or supervisory responsibility over municipal investments, and undertake other activities conducive to disclosure of investment practices and strategies for oversight purposes.
- (f) The commission may adopt bylaws for the regulation of its affairs and the conduct of its business.
 - (g) The issuers of any proposed new debt issue of state or local government shall, no later than 30 days prior to the sale of any debt issue at public or private sale, give written notice of the proposed sale to the commission, by mail, postage prepaid. This subdivision shall also apply to any nonprofit public benefit corporation incorporated for the purpose of acquiring student loans.
 - (h) The notice shall include the proposed sale date, the name of the issuer, the type of debt issue, and the estimated principal amount thereof. Failure to give this notice shall not affect the validity of the sale.
 - (i) The issuer of any new debt issue of state or local government, not later than 45 days after the signing of the bond purchase contract in a negotiated or private financing, or after the acceptance of a bid in a competitive offering, shall submit a report of final sale to the commission by mail, postage prepaid, or by any other method approved by the commission. A copy of the final official statement for the issue shall accompany the report of final sale. The commission may require information to be submitted in the report of final sale that it considers appropriate. [added in 1998]
 - (j) The commission shall publish a monthly newsletter describing and evaluating the operations of the commission during the preceding month.
 - (k) The commission shall meet on the call of the chairperson, or at the request of a majority of the members, or at the request of the Governor. A majority of all nonlegislative members of the commission constitutes a quorum for the transaction of business.
 - (l) All administrative and clerical assistance required by the commission shall be furnished by the Office of the Treasurer.

§ 8855.5 Bond issuing agencies, authorities, governmental units, or nonprofit corporations; reports to commission

(a)(1) Any redevelopment agency which issues revenue bonds to finance residential construction pursuant to Chapter 7.5 (commencing with Section 33740 or Chapter 8 (commencing with Section 33750) of Part 1 Division 24 of the Health and Safety Code, (2) any housing authority which issues revenue bonds to finance housing developments or residential structures pursuant to the Housing Authorities Law, Chapter 1 (commencing with Section 34200) of Part 2 Division 24 of the Health and Safety Code, (3) any local agency which issues bonds to finance residential rehabilitation pursuant to the Marks-Foran Residential Rehabilitation Act of 1973 (Part 13 (commencing with Section 37910), Division 24, Health and Safety Code), (4) any city or county which issues bonds for purposes of a home financing program carried on pursuant to Chapter 1 (commencing with Section 52000) to Chapter 6 (commencing with Section 52060), inclusive, of Part 5 of Division 31 of the Health and Safety Code or for purposes of financing the construction, acquisition, or development of multifamily rental housing pursuant to Chapter 7 (commencing with Section 52075) or Chapter 8 (commencing with Section 52100) of Part 5 of Division 31 of the Health and Safety Code, (5) any local agency, including any charter city or city and county, that issues revenue bonds to finance the purchase, construction, or rehabilitation of housing pursuant to any statute or under the authority of its charter, and

(6) Any nonprofit corporation that has qualified under Section 501(c)(3) of the federal Internal Revenue Code and which issues indebtedness for which the interest is exempt from federal income taxation to finance the purchase, construction, or rehabilitation of housing in this state, shall report to the California Debt and Investment Advisory Commission the incomes, family size, and rents or mortgage payments of the occupants, the number, size, cost, sales price, location by zip code, and geographical distribution of the units developed; the length of time the units are required to be held for occupancy by targeted income groups, and, if applicable, the number of years the units are required to be held as rentals; and the distribution of housing developments among for-profit, limited dividend, and nonprofit sponsors. For the purposes of this section, “nonprofit sponsors” includes public agencies.

(b) The information required to be reported by subdivision (a) shall be reported at least annually during the time that a percentage of the units are required to be occupied by, or made available to, persons or families within a particular income group. The report required by subdivision (a) shall only apply to housing units financed with the proceeds of bonds that are authorized to be issued, and which are issued, on and after January 1, 1985, pursuant to any of the provisions described in subdivision (a) or implementing provisions supplementary thereto, such as the authorizations contained in Chapter 5 (commencing with Section 6500) of Division 7 of Title 1. For purposes of this section, “bonds” means any bonds, notes, interim certificates, debentures, or other obligations issued under the authority of the provisions, or as otherwise, described in subdivision (a), and “issues” includes the issuance of bonds to refund previously issued bonds pursuant to the statutory provisions authorizing the original issuance or pursuant to supplementary authorization, such as Article 10 (commencing with Section 53570) of Chapter 3 of Part 1 of Division 2 of Title 5.

The redevelopment agency, housing authority, local agency, or city and county may charge a fee to the recipient of agency financing not to exceed the cost of making the reports required by this section.

§ 8855.7 Reports required by Section 8855.5; analysis of compliance with subsection (d) or Section 142 of Internal Revenue Code; certification of compliance with filing requirements.

(a) The reports required by Section 8855.5 shall also contain an analysis by the reporting agency of compliance with the targeting requirements of subsection (d) of Section 142 of the Internal Revenue Code of 1986 (26 U.S.C. Sec. 142) with respect to any issue of its bonds subject to those requirements for federal tax exemption under Section 103 of the Internal Revenue Code of 1986 (26 U.S.C. Sec.103). The analysis shall identify the numbers of rental units subject to this reporting requirement by categories based on the number of bedrooms per unit, and shall report as to each of these categories.

(b) No public agency or nonprofit corporation subject to the reporting requirements of Section 8855.5 may issue any bonds, including bonds to refund previously issued bonds, subject to the reporting requirements of that section until the Treasurer certifies that the public agency or nonprofit corporation has filed the information required by Section 8855.5 and this section with the California Debt and Investment Advisory Commission.

§ 8855.8 Commission compilation and summary of reports; contents

The commission shall compile and summarize the information reported to the commission pursuant to Section 8855.5 and issue that summary to the Legislature and the Legislative Analyst on or before November 1 of each year that the information is received by the commission. This summary shall also list any redevelopment agency, housing authority, local agency, city, and county which issued bonds under the authority of any of the programs specified in subdivision (a) of Section 8855.5 without first obtaining a certification from the Treasurer required pursuant to Section 33760, 34312.3, 52097.5, or 52045 of the Health and Safety Code.

§ 8856. Fees

(a) In carrying out the purposes of this chapter, the commission may charge fees to the lead underwriter or the purchaser in an amount equal to one-fortieth of 1 percent of the principal amount of the issue, but not to exceed five thousand dollars (\$5,000) for any one issue. Amounts received under this section shall be deposited in the California Debt and Investment Advisory Commission Fund, which is hereby created in the State Treasury. All money in the fund shall be available, when appropriated, for expenses of the commission and the Treasurer.

Until fees are received by the advisory commission and appropriated pursuant to this chapter for the expenses of the commission and the Treasurer, the commission may borrow the moneys required for the purpose of meeting necessary expenses of initial organization and operation of the commission.

§ 8857. Employees

The chairperson of the commission, on its behalf, may employ an executive director and other persons necessary to perform the duties imposed upon it by this chapter. The executive director shall serve at the pleasure of the commission and shall receive compensation as fixed by the commission. The commission may delegate to the executive director the authority to enter contracts on behalf of the commission.

§ 8858. Annual Report; outstanding state and local public debt; recent trends

Notwithstanding Section 7550.5, the commission shall prepare an annual report compiling and detailing the total amount of outstanding state and local public debt and examining recent trends in the composition of that outstanding debt. The report shall reflect all bonded indebtedness issued by governmental entities, including, but not limited to, the state and state authorities, school districts, cities, counties, city and counties, special districts, joint powers agencies, redevelopment agencies, and community college districts. The commission shall obtain the information for this report from existing sources, including the Controller, the State Department of Education, and the Chancellor's office of the California Community Colleges, and these shall assist the commission in carrying out this section. [added in 1998]

§ 8859. Advice regarding local bond pooling authorities

The commission may, upon request, advise local agencies regarding the formation of local bond pooling authorities pursuant to Article 4 (commencing with Section 6584 of Chapter 5 of Division 7 of Title 1), and may advise the authorities regarding the planning, preparing, insuring, marketing, and selling of bonds as authorized by that article.

**CDIAC TECHNICAL ADVISORY COMMITTEE
DEBT ROSTER
1999-2000**

PUBLIC MEMBERS

Constantine Baranoff*Elk Grove Unified School District***Robert Black***Del Norte County***Barbara Coates***Plumas County***Jay M. Goldstone***City of Pasadena***Sarah Hollenbeck***City & County of San Francisco***Connie Jamison***City of San Diego***Zane Johnson***City of Tracy***Norma Lammers***CA State Association of Counties***Gere W. Sibbach, CPA***San Luis Obispo County***Maureen Sicotte***Los Angeles County***Anna Vega***City of Richmond***Reagan Wilson***Stanislaus County*

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TRUSTEE REPRESENTATIVE MEMBER

Mike Klugman*BNY Western Trust Company*

BOND COUNSEL MEMBERS

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CREDIT ENHANCER MEMBER

Kathleen A. McDonough*AMBAC Assurance Corp.*

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Nathan Brostrom**J.P. Morgan Securities****Edward B. Burdett***Goldman Sachs & Co.***David Johnson***Bank of America***Bernie Mikell***Fleet Securities, Inc.***Peter Taylor***Lehman Brothers***Dawn Vincent***Stone & Youngberg, LLC*

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Amy Doppelt*Fitch Investors Service***Kenneth Kurtz***Moody's Investors Service***Steve Zimmermann***Standard & Poor's Corp*

**CDIAC TECHNICAL ADVISORY COMMITTEE
INVESTMENT ROSTER
1999-2000**

PUBLIC MEMBERS

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State Treasurer's Office

Joya DeFoor

City of Long Beach

Tom Friery

City of Sacramento

Marcia Humphrey

Napa County

Zenda James

City of Alameda

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Higgins Capital Management

Nancy Jones

Public Financial Management, Inc.

Girard Miller

ICMA Retirement Corporation

Lester Wood

Fund Services Advisors, Inc.

COMMISSION FUNDING AND EXPENDITURES

The California Debt and Investment Advisory Commission (CDIAC) is funded out of the California Debt and Investment Advisory Commission Fund (Fund). Mandated by California Government Code Section 8856, the Fund is supported by fees levied on debt issues reported to the Commission.

Historically, CDIAC's issuance fees have been raised and lowered as needed to ensure that CDIAC generates revenue necessary to cover its operating costs. In 1995, the Commission increased the fees to avert a deficit in the Fund. But because revenues quickly outpaced expenses, the Commission adopted a fee reduction effective April 1, 1998. Since that time, the fee structure has remained as follows:

- For short-term maturities of eighteen (18) months or less:
 - *fee of \$150 for issues sold on April 1, 1998 through June 30, 1999
 - *fee of \$200 for issues sold on or after July 1, 1999
- For long-term maturities greater than eighteen (18) months:
 - *fee of 1.5 basis points (0.00015) not to exceed \$3,000 for issues sold on April 1, 1998 through June 30, 1999
 - *fee of 2.0 basis points (.0002) not to exceed \$4,000 for issues sold on or after July 1, 1999

As Table C-1 reflects, the Fund began with a balance of \$3,155,252 on July 1, 1998. Revenues (including interest earnings) and reimbursements to the Fund totaled \$1,983,184 while expenditures for Personnel Services, Operating Expenses and Equipment totaled \$1,359,000. The ending Fund balance on June 30, 1999 was \$3,779,436.

This level of reserve funding provides CDIAC with the ability to adjust to changes in debt issuance levels, and to endure periods of low debt issuance without changes in the fee structure. A copy of the Fee Schedule adopted by the Commission on June 6, 2000 follows (Appendix D).

Table C-1

**California Debt and Investment Advisory Commission
Operating Revenues and Expenditures
Fiscal Year 1998-99**

| | |
|--------------------------------------|--------------------|
| CDIAC Fund: | |
| Beginning Balance (7/1/98) | \$3,155,252 |
| Revenues * | \$1,912,829 |
| Reimbursements | \$70,355 |
| Total Resources | \$5,138,436 |
| Expenditures: | |
| Staff Salaries | \$643,817 |
| Staff Benefits | \$155,273 |
| General Expense | \$73,309 |
| Printing | \$58,004 |
| Communications | \$14,983 |
| Postage | \$6,832 |
| In-state Travel | \$16,603 |
| Out-of-state Travel | \$2,590 |
| Training | \$4,705 |
| Facilities Operations | \$104,014 |
| Consultant and Professional Services | \$249,198 |
| Data Processing | \$229 |
| Central Administrative Services | \$43,988 |
| Equipment | \$10,610 |
| FY 97-98 Credit** | -\$25,155 |
| Total Expenditures | \$1,359,000 |
| Ending Balance | \$3,779,436 |

*Includes interest earnings

**Carried over from FY 1997-98 –
Chapter 282/97

CALIFORNIA DEBT AND INVESTMENT ADVISORY COMMISSION

REPORTING FEE SCHEDULE

Date of Adoption: June 6, 2000

Pursuant to Section 8856 of the California Government Code, the California Debt and Investment Advisory Commission (CDIAC) adopted the following two-phased fee schedule effective upon adoption.

1. **Issues Purchased by Agencies of the Federal Government:** No fee shall be charged on any issue purchased by an agency of the Federal Government.
2. **Issues of Less Than \$1,000,000:** No fee shall be charged to the lead underwriter or purchaser of any public debt issue which has a par value amount less than one million dollars (\$1,000,000), regardless of the term of the issue.
3. **Issues with Short-Term Maturities:** Notwithstanding Sections 1 and 2 above, the lead underwriter or purchaser of any public debt issue which has a maturity of eighteen (18) months or less, including those issues sold in a pooled financing (e.g., a TRAns pool), shall be required to pay a fee to the California Debt and Investment Advisory Commission in accordance with the following schedule:
 - A. For such issues sold on April 1, 1998 through June 30, 2001, the fee will be equal to one hundred and fifty dollars (\$150).
 - B. For such issues sold on or after July 1, 2001, the fee will be equal to two hundred dollars (\$200).
4. **Issues with Long-Term Maturities:** Notwithstanding Sections 1, 2, and 3 above, the lead underwriter or purchaser of any public debt issue which has a final maturity greater than eighteen (18) months shall be required to pay a fee to the California Debt and Investment Advisory Commission in accordance with the following fee schedule:
 - A. For such issues sold on April 1, 1998 through June 30, 2001, the fee will be equal to 1.5 basis points (0.00015) not to exceed three thousand dollars (\$3,000).
 - B. For such issues sold on or after July 1, 2001, the fee will be equal to 2.0 basis points (.0002) not to exceed four thousand dollars (\$4,000).
5. **Marks-Roos Financing Authority Issues:** One fee will be assessed for Marks-Roos Financing Authority bond issues where the bond sales occur simultaneously (i.e., reports filed with the Commission are received on the same date, financings are sold on the same date, and with the same financing team).
6. **All Proposed and Final Sales to be Reported to the California Debt and Investment Advisory Commission:** Nothing in this fee schedule shall relieve an issuer from giving written notice of a proposed debt issue no later than 30 days prior to the proposed sale, or to give final sale information within 45 days of the sale, to the California Debt and Investment Advisory Commission as required by Sections 8855(g) and (i) of the California Government Code.

CALIFORNIA DEBT AND INVESTMENT ADVISORY COMMISSION (CDIAC)

CURRENT LIST OF PUBLICATIONS

For information on how to receive the publications listed below, please call or write the:

*California Debt and Investment Advisory Commission
915 Capitol Mall, Room 400
Sacramento, CA 95814
P.O. Box 942809
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Email: CDIAC@treasurer.ca.gov*

The following materials are available at cost.

DEBT ISSUANCE PRIMER

1998 CALIFORNIA DEBT ISSUANCE PRIMER, April, 1998. This is a comprehensive handbook on the debt issuance process in California. Available for \$25.00 per copy.

DATA ON DISK

Subscriptions are available for:

Monthly Sold Data \$77.58 per year (includes tax)
Prior Years Sold Data \$6.47 for each year (includes tax)
Data is also available through the Internet at no charge.

The Commission's data includes **sold** information from 1985 through year-to-date 2000.

The following publications are provided free of charge to interested parties upon request.

We suggest you limit your request to information that will be used. If you have questions about the content of the publication, please contact the Commission.

MONTHLY PUBLICATIONS

DEBT LINE, A MONTHLY PUBLICATION, 1982 to present. This newsletter provides a calendar listing of all proposed and sold debt issues reported to CDIAC, as required by law, as well as summary tables and articles related to public debt and the investment of public funds.

ANNUAL REPORTS

CALIFORNIA PUBLIC DEBT

ANNUAL REPORT 1999 [CDIAC #01-2] This report provides the history of the Commission, a profile of its members, a discussion of topical events in California public finance, a review of debt issuance statistics and Commission activities, and a preview of the Commission's planned programs for the following year.

ANNUAL REPORT 1998 [CDIAC #99-6]

ANNUAL REPORT 1997 [CDIAC #98-4]

1999 CALENDAR OF DEBT ISSUANCE [CDIAC #00-6]

1998 CALENDAR OF DEBT ISSUANCE [CDIAC #99-1]

1997 CALENDAR OF DEBT ISSUANCE [CDIAC #98-3]

1996 CALENDAR OF DEBT ISSUANCE [CDIAC #97-6]

1995 CALENDAR OF DEBT ISSUANCE [CDAC #96-3]

1994 CALENDAR OF DEBT ISSUANCE [CDAC #95-8]

1993 CALENDAR OF DEBT ISSUANCE [CDAC #94-5]

1992 CALENDAR OF DEBT ISSUANCE [CDAC #93-6]

1991 CALENDAR OF DEBT ISSUANCE [CDAC #92-5]

1990 CALENDAR OF DEBT ISSUES, June 1, 1990

1989 CALENDAR OF ISSUES, February 15, 1990

1988 CALENDAR OF ISSUES, February 15, 1989

1987 CALENDAR OF ISSUES, February 1, 1988

1986 CALENDAR OF ISSUES, May 15, 1987

1985 CALENDAR OF ISSUES, March 31, 1986

1999 SUMMARY OF CALIFORNIA DEBT ISSUANCE [CDIAC #00-5]

1998 SUMMARY OF CALIFORNIA DEBT ISSUANCE [CDIAC #99-5]

1997 SUMMARY OF CALIFORNIA DEBT ISSUANCE [CDIAC #98-5]

1996 SUMMARY OF CALIFORNIA DEBT ISSUANCE [CDIAC #97-7]

1995 SUMMARY OF CALIFORNIA DEBT ISSUANCE [CDAC #96-2]

1994 SUMMARY OF CALIFORNIA DEBT ISSUANCE [CDAC #95-7]

1993 SUMMARY OF CALIFORNIA DEBT ISSUANCE [CDAC #94-4]

1992 SUMMARY OF CALIFORNIA PUBLIC DEBT [CDAC #93-5]

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1986 SUMMARY OF CALIFORNIA PUBLIC DEBT, May 15, 1987

1985 SUMMARY OF CALIFORNIA PUBLIC DEBT, March 31, 1986

1985 CALIFORNIA PUBLIC DEBT BY ISSUING AGENCIES, August 15, 1986¹

1998 MARKS-ROOS BOND POOLING ACT PARTICIPANTS YEARLY FISCAL STATUS REPORT AND DRAW ON RESERVE DEFAULT REPORT, April, 1999 [CDIAC 99-3]

1997 MARKS-ROOS BOND POOLING ACT PARTICIPANTS YEARLY FISCAL STATUS REPORT AND DRAW ON RESERVE DEFAULT REPORT, February 1998 [CDIAC #98-1]

1996 MARKS-ROOS BOND POOLING ACT PARTICIPANTS YEARLY FISCAL STATUS REPORT AND DRAW ON RESERVE DEFAULT REPORT, February, 1997 [CDIAC #97-4]

1998 MELLO-ROOS COMMUNITY FACILITIES DISTRICTS YEARLY FISCAL STATUS REPORT, April, 1999 [CDIAC #99-1]

1997 MELLO-ROOS COMMUNITY FACILITIES DISTRICTS YEARLY FISCAL STATUS REPORT, March, 1998, [CDIAC #98-2]

1996 MELLO-ROOS COMMUNITY FACILITIES DISTRICTS YEARLY FISCAL STATUS REPORT, January 1997, [CDIAC #97-1]

1995 MELLO-ROOS COMMUNITY FACILITIES DISTRICTS YEARLY FISCAL STATUS REPORT, January 1996, [CDAC #96-1]

1994 MELLO-ROOS COMMUNITY FACILITIES DISTRICTS YEARLY FISCAL STATUS REPORT, December 1994, [CDAC #94-8]

¹ Please note that 1985 was the only year that this report was published separately. Beginning in 1986 this information was incorporated into the "Summary of California Public Debt."

1993 MELLO-ROOS COMMUNITY FACILITIES DISTRICTS YEARLY FISCAL STATUS REPORT, December 1993, [CDAC #93-9]

ISSUE BRIEF SERIES²

ISSUE BRIEF NUMBER 1 - COMPETITIVE VS. NEGOTIATED SALE OF DEBT, September 1992

ISSUE BRIEF NUMBER 2 - UNDERSTANDING THE UNDERWRITING SPREAD, March 1993

ISSUE BRIEF NUMBER 3 - PREPARING REQUESTS FOR PROPOSALS, October 1994

STATE & LOCAL TAX AND BOND BALLOT MEASURES

STATE AND LOCAL TAX AND BOND BALLOT MEASURES: RESULTS OF THE NOVEMBER 1998 GENERAL ELECTION, March 1999 [CDIAC #99-2]

STATE AND LOCAL TAX AND BOND BALLOT MEASURES: RESULTS OF THE 1998 PRIMARY ELECTION, June 1998, [CDIAC #98-7]

STATE AND LOCAL TAX AND BOND BALLOT MEASURES: RESULTS OF THE 1996 GENERAL ELECTION, March 1997, [CDIAC #97-2]

STATE AND LOCAL TAX AND BOND BALLOT MEASURES: RESULTS OF THE 1996 PRIMARY ELECTION, June 1996, [CDAC #96-5]

STATE AND LOCAL TAX AND BOND BALLOT MEASURES: RESULTS OF THE 1994 PRIMARY AND GENERAL ELECTIONS, December, 1994, [CDAC #94-9]

STATE AND LOCAL TAX AND BOND BALLOT MEASURES: SUMMARY OF GENERAL ELECTION, JUNE 2 AND NOVEMBER 3, 1992, March 22, 1993 [CDAC #93-1]

STATE AND LOCAL TAX AND BOND BALLOT MEASURES: SUMMARY OF GENERAL ELECTION, NOVEMBER 6, 1990, February 22, 1991

STATE AND LOCAL TAX AND BOND BALLOT MEASURES: SUMMARY OF GENERAL ELECTION, JUNE 1990, August 1990

STATE AND COUNTY TAX AND BOND BALLOT MEASURES: SUMMARY OF GENERAL ELECTION, NOVEMBER 8, 1988, February 1, 1989

² These are short reference documents on various public finance topics.

**STATE AND COUNTY TAX AND BOND BALLOT MEASURES: SUMMARY OF
GENERAL ELECTION, NOVEMBER 4, 1986, February 9, 1987**

MISCELLANEOUS

APPRAISAL STANDARDS FOR LAND-SECURED FINANCINGS, May 1994 [CDAC #94-6]

**A REVIEW OF THE MARKS-ROOS LOCAL BOND POOLING ACT OF 1985, September
1998 [CDIAC #98-8]**

**COPs IN CALIFORNIA: CURRENT ISSUES IN MUNICIPAL LEASING , June 18, 1992
[CDAC #92-6]** A report on the public hearing on lease financing in California held by the
Commission on June 18, 1992. This report includes the staff report prepared for the hearing and
testimony provided to the Commission.

**DISCLOSURE GUIDELINES FOR LAND-BASED SECURITIES, September 12, 1996
[CDAC #96-6]** The Guidelines present the disclosure practices recommended for compliance with
the Securities and Exchange Commission amendments to Rule 15c2-12 (adopted in November 1994
by the SEC) for land-based financings. It provides background on land-based financings in
California, municipal securities regulation, primary market disclosure and continuing disclosure for
land-based securities.

GLOSSARY OF LEASING TERMS, Revised November 1997 [CDIAC #97-09] The purpose of
this glossary is to provide a helpful reference tool to public officials responsible for leasing
decisions.

**GUIDELINES FOR LEASES AND CERTIFICATES OF PARTICIPATION, November 1993
[CDAC #93-8]** The Guidelines are to help public officials understand tax exempt leasing and to
apply this tool judiciously.

**INTERAGENCY MUNICIPAL SECURITIES TASK FORCE REPORT, June 1998 [CDIAC
#98-6]**

LEASES IN CALIFORNIA: THEIR FORM AND FUNCTION, September 1990. This
informational study explains how and why State and local governments in California use tax-exempt
leases.

**LOCAL AGENCY INVESTMENT GUIDELINES - Recommendations for Implementing Recent
Statutory Changes to the California Government Code, October 10, 1996 [CDAC #96-7]** CDAC,
seven statewide associations and California Legislative staff prepared these interpretative guidelines
to aid local officials in their efforts to implement new investment laws.

**MARKS-ROOS 1998 BOND POOLING ACT PARTICIPANTS YEARLY FISCAL STATUS
REPORT AND DRAW ON RESERVE DEFAULT REPORT, [CDIAC #99-3]**

**MARKS-ROOS 1997 BOND POOLING ACT PARTICIPANTS YEARLY FISCAL STATUS
REPORT AND DRAW ON RESERVE DEFAULT REPORT, [CDIAC #98-1]**

MARKS-ROOS 1996 BOND POOLING ACT PARTICIPANTS YEARLY FISCAL STATUS REPORT AND DRAW ON RESERVE DEFAULT REPORT, February 1997 [CDIAC #97-4]

MARKS-ROOS, RECOMMENDED CHANGES [CDIAC #95-1] The recommendations put forth in this report are intended to curb the potential for abusive Marks-Roos financings in the future, protect the public from unwarranted and unnecessary taxes and assessments, and restore the confidence of investors in this form of infrastructure finance.

MELLO-ROOS FINANCING IN CALIFORNIA, September 1991. This report examines the public policy issues and credit quality concerns surrounding the use of Mello-Roos bonds. The report includes guidelines for local government issuers.

MELLO-ROOS GUIDELINES, October 1991. This report is a reprint of the guidelines included in the report above.

RDA RECOMMENDED PRACTICES [CDAC #95-5] A report to assist redevelopment agencies by providing recommended practices and examples of innovation culled from redevelopment activities throughout California.

1997 STRATEGIC PLAN, September 1997 [CDIAC #97-08] This document is a strategic plan to guide the California Debt and Investment Advisory Commission's activities in future years.

VIDEO

A video entitled "*How Safe Is Your Money?*" may be obtained from local associations or may be purchased from the Commission at a cost of \$6.50. It was produced for local government officials to give them an understanding of investment basics and investment oversight responsibilities and identifies the tools for carrying out those responsibilities.



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915 Capitol Mall, Room 400
P.O. Box 942809
Sacramento, CA 94209-0001
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