

**California Debt and Investment Advisory Commission**

**2000 ANNUAL REPORT**

**Philip Angelides  
State Treasurer and Chair**

**CDIAC #01-7**

# **CALIFORNIA DEBT AND INVESTMENT ADVISORY COMMISSION**

## **2000 ANNUAL REPORT**



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## **CALIFORNIA PUBLIC FINANCING IN 2000**

Public debt issuance in 2000 was constrained, at least in part, by rising interest rates. The Federal Reserve Bank, which took advantage of low prices for energy and tradable goods to grow the economy beyond natural rates, began lowering interest rates in early 1999. By July 1999, however, the Fed, concerned with rising inflation and investor “exuberance,” began reversing the trend and continued to do so through the end of 2000. On July 4, 2000 the federal funds rate peaked at 7.03 percent.

Ordinarily, rising rates stimulate the market, but the pattern of rate changes and a forecast of declining revenues actually slowed action in 2000. State and local agencies in California issued a combined total of \$30 billion in short- and long-term debt in 2000, resulting in an 11 percent drop from the \$34 billion issued in 1999.

Long-term debt issuance, defined in this report as debt issued for a term exceeding 18 months, fell 14 percent in 2000. Short-term debt fell only 3 percent. The impact of rising interest rates on long-term debt issuance was especially apparent in the amount refunded during the year, which fell 18 percent. New money issues, on the other hand, fell only 11 percent. Increases in the federal funds rate in 1999 and 2000 followed a brief period during 1998 when rates were at a four-year low. Public agencies had taken advantage of these conditions to refinance, ultimately refunding \$41 billion in debt during 1998.

In 2000, California public agencies issued 24 percent of statewide public debt as notes and commercial paper. General obligation bonds accounted for 23 percent while conduit revenue bonds accounted for 20 percent. All other forms of debt, including tax revenue bonds, certificates of participation and leases, were each less than 8 percent of the total volume of debt issued by California public agencies in 2000.

Statewide issuance was focused on three specific purposes above all others. Capital improvements and public works, education, and interim financing represented 29 percent, 25 percent, and 23 percent, respectively, of all debt issued by California public agencies in 2000.

Debt issued by the State of California rose a modest 4 percent in 2000. The volume of bonds issued, particularly general obligation and enterprise revenue bonds, accounted for the increase. The State committed more of its debt in 2000 to education and housing. Debt issuance in these two areas rose 32 percent and 42 percent, respectively. Debt issued by the State for other purposes fell. Among them, debt issuance for commercial and industrial development purposes declined 48 percent, hospital and healthcare issuance declined 57 percent, and interim financing fell 97 percent.

Debt issued by California local agencies, including cities, counties, and special districts, fell 15 percent from 1999. Both long- and short-term debt issued by these agencies declined from the prior year. The volume of debt issued by local agencies for education, housing, interim purposes, however, increased from 1999 to 2000 as did the issuance of bond and grant anticipation notes. All other forms of short-term debt declined. General obligation bonds and conduit revenue bonds rose in proportion to the volume of debt issued through other structures.

Looking towards the future, a drop in interest rates in 2001 may help to increase certain types of debt issuance, particularly in the form of refundings. Weighing against the tendency of issuers to reduce interest costs, however, is the overall state of the economy. Local agencies may be constrained from issuing new debt if revenues continue to fall.

## STATEWIDE DEBT ISSUANCE

The following section summarizes the issuance of public debt during 2000 in California. The analysis is drawn from information contained in two companion CDIAC publications: *2000 Calendar of Public Debt Issuance* and *2000 Summary of California Public Debt*.

- The number of debt issues reported sold by all public agencies in 2000 was 1,813.

The 1,813 reported debt issues in 2000 were nine percent less than the 1,978 reported issues in 1999. Of the 1,813 issues sold during 2000, the State issued 163 (9 percent), student loan corporations accounted for another 3 (0.2 percent), and local issuers sold the remaining 1,647 (91 percent).

- California public agencies issued \$30 billion in debt during 2000 (Chart 1 and Table 1).

The State and agencies of the State issued 25 percent of the total dollar volume of debt reported. City and county governments (25 percent), joint powers authorities (16 percent), and K-12 school districts (18 percent) accounted for much of the remainder. The average size of debt issued by public agencies during 2000 also fell to below \$17 million. The average size of issues for 1999 was slightly more than \$17 million, having fallen from an average of over \$30 million for debt issued in 1998.

Chart 1

### California Public Debt Issuance 1991 through 2000

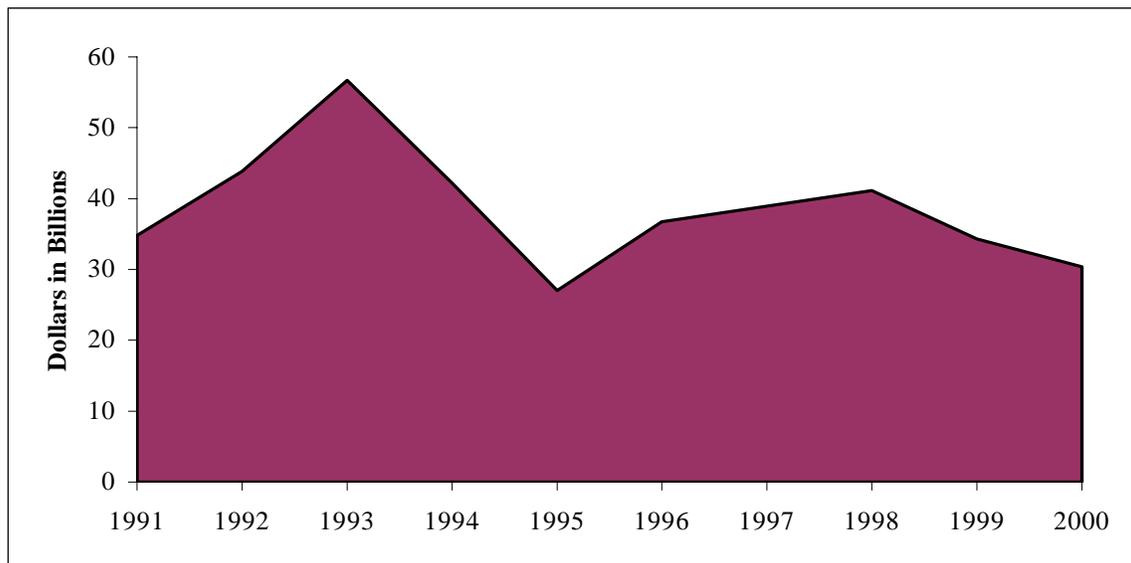


Table 1

**California Public Debt Issuance  
Types of Issuers  
1999 and 2000**

Dollars in Millions\*

	<b>1999</b>	<b>Percent of Total</b>	<b>2000</b>	<b>Percent of Total</b>	<b>Percent change 1999-2000</b>
State Issuers	\$7,494	21.8%	\$7,708	25.4%	3.9%
County Government	3,313	9.7%	2,581	8.5%	-22.1%
City Government	3,339	9.7%	3,779	12.4%	13.2%
City/County Government	438	1.3%	1,097	3.6%	150.5%
Joint Powers Agencies	2,566	7.5%	573	1.9%	-77.7%
Marks Roos JPAs	4,752	13.9%	4,118	13.6%	-13.3%
K-12 School Districts	4,685	13.7%	5,402	17.8%	15.3%
Other Issuers	7,722	22.5%	5,127	16.9%	-33.6%
<b>Total</b>	<b>\$34,310</b>	<b>100%</b>	<b>\$30,385</b>	<b>100%</b>	<b>-11.4%</b>

Note: Total includes state and local governmental entities and Student Loan Corporation issues.

\* Totals may not add due to rounding.

- The \$30 billion in public debt issued in 2000 was 11 percent less than the \$34 billion issued in 1999 (Table 1).

Nearly 50 percent of the decline in total volume of debt issued by California public agencies in 2000 was the result of a lower level of issuance by joint powers authorities issuing debt other than Marks-Roos bonds. This type of debt fell nearly 78 percent between 1999 and 2000. In addition, debt issued by all other types of public entities fell approximately 34 percent. The lower level of issuance by other public entities accounted for the remaining 50 percent of the difference between total volume issued in 1999 and 2000.

- Seventy-seven percent of the public debt issued in 2000 was issued as long-term debt (Table 2, page 4). The remaining 23 percent was short-term debt, issued for interim financing purposes.

Table 2

**California Public Debt Issuance  
Long-term vs. Short-term  
1999 and 2000**

Dollars in Millions\*

	<b>1999</b>	<b>Percent of Total</b>	<b>2000</b>	<b>Percent of Total</b>	<b>Percent change 1999-2000</b>
Long-term Debt	\$27,011	78.7%	\$23,336	76.8%	-13.6%
Short-term Debt	7,300	21.3%	7,050	23.2%	-3.4%
<b>Total</b>	<b>\$34,310</b>	<b>100%</b>	<b>\$30,385</b>	<b>100%</b>	<b>-11.4%</b>

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

\* Totals may not add due to rounding.

**Refunding of Debt Slows in 2000**

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. Like 1999, however, the proportion of refunded debt to all long-term debt fell slightly in 2000. Refundings represented just over 30 percent of all long-term debt issued in 2000 (Table 3).

Table 3

**California Public Debt Issuance  
Long-Term Debt  
Refunding vs. New Debt  
1999 and 2000**

Dollars in Millions\*

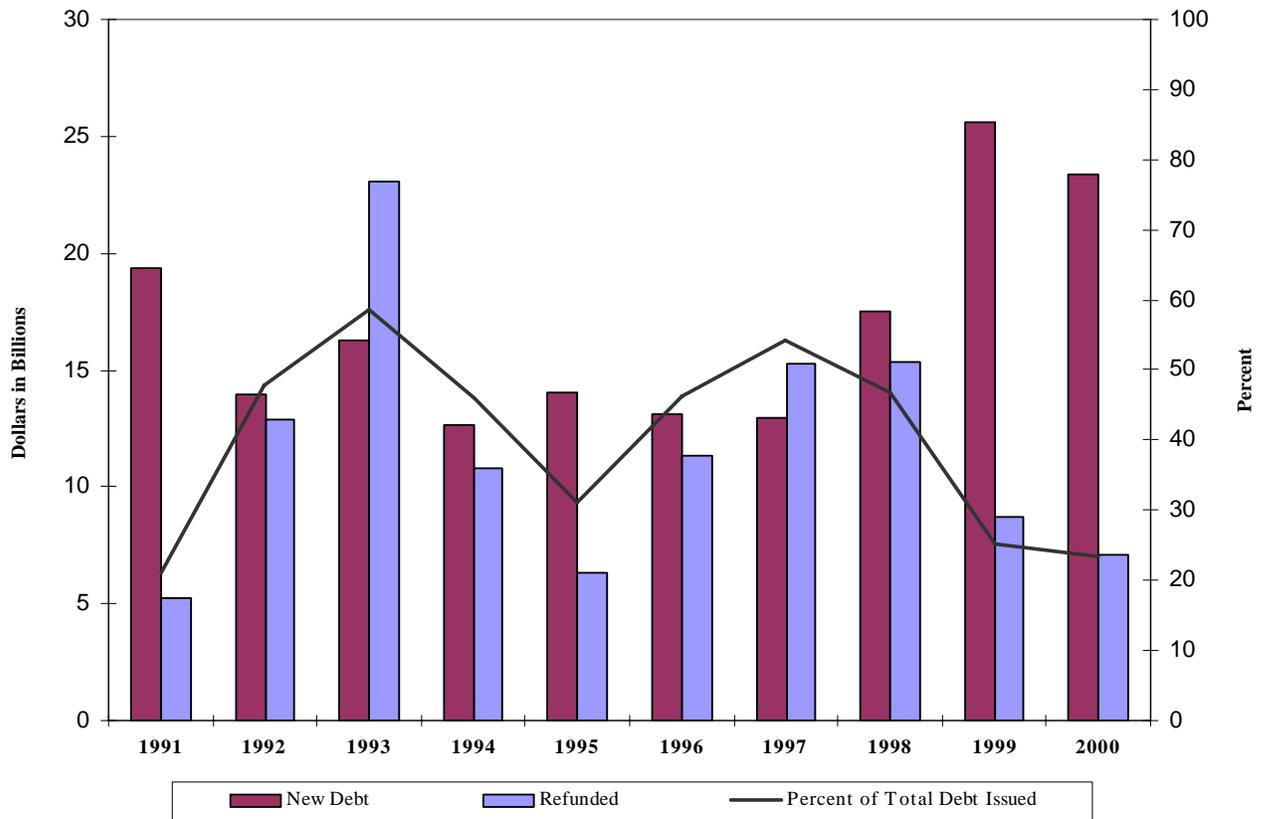
<b>Long-Term Debt</b>	<b>1999</b>	<b>Percent of Total</b>	<b>2000</b>	<b>Percent of Total</b>	<b>Percent Change 1999-2000</b>
Refunding	\$8,685	32.1%	\$7,092	30.4%	-18.3%
New Debt	18,327	67.9%	16,244	69.6%	-11.4%
<b>Total</b>	<b>\$27,011</b>	<b>100.0%</b>	<b>23,336</b>	<b>100.0%</b>	<b>-13.6%</b>

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 1991. The rise and fall in refunded debt is related in part to the changing cost of money. In 1993 and 1997 the amount of refunded debt exceeded new debt issued when the annualized federal funds rates were at 3.02% and 5.46%, respectively. Characteristically, refundings slowed after a flurry of such activity. With the Federal Reserve Bank lowering rates at the end of 2000 and through the beginning of 2001, refunding may again increase in 2001.

Chart 2  
**California Public Debt Issuance**  
**Long-Term Debt**  
**Refunding vs. New Debt**  
**1991 through 2000**



As a whole, public agencies refunded 18 percent less debt in 2000 than in 1999. During 2000, the State issued \$7.7 billion in debt of which \$3.2 billion (41 percent) was used to refund prior debt (Table 4). In 1999, the State issued \$7.5 billion in debt, of which \$1.5 billion (20 percent) was used to refund existing debt. The significant decline in local refundings, however, lowered the overall refunding figure. Local agencies, excluding student loan corporations, issued \$22.6

billion in debt in 2000, refunding \$3.9 billion (17 percent) of that amount. In 1999, local agencies issued \$26.6 billion in debt, refunding \$7.1 billion (27 percent).

Student loan corporations issued \$83 million in conduit revenue bonds in 2000. For a third consecutive year, issuance by student loan corporations has fallen. In 1999 these agencies issued \$261 million in debt. The decline may reflect the access to alternative sources of student financing in California, including personal wealth.

Table 4

**State and Local Debt Issuance  
Total Amount Issued vs. Refunding  
1999 and 2000**

Dollars in Millions\*

<b>Type Debt</b>	<b>Amount Issued 1999</b>	<b>Amount Refunded 1999</b>	<b>Amount Issued 2000</b>	<b>Amount Refunded 2000</b>	<b>Percent Change in Refundings 1999-2000</b>
<b>State Debt Issued</b>					
State Bonds	\$ 6,370	\$ 1,524	\$ 7,624	\$3,161	107.4%
State COPs	82	0	0	0	0.0%
State Notes	1,042	0	84	0	0.0%
Total State Debt	\$ 7,494	\$ 1,524	\$ 7,708	\$3,161	107.4%
<b>Local Debt Issued</b>					
Local Bonds	\$15,988	\$ 6,061	\$13,089	\$ 3,489	-42.4%
Local Commercial Paper	759	60	655	0	-100.0%
Local COPs	3,333	956	2,330	432	-54.8%
Local Notes	6,476	40	6,521	9	-77.5%
Total Local Debt	\$26,556	\$ 7,116	\$22,595	\$3,930	-44.8%
<b>California Student Loan Corp.</b>	\$261	\$44	\$83	\$0	-100.0%
<b>Total</b>	<b>\$34,311</b>	<b>\$ 8,685</b>	<b>\$30,385</b>	<b>\$7,092</b>	<b>-18.3%</b>

\*Totals may not add due to rounding.

**Interim Financing Largest Component of 2000 Note Debt**

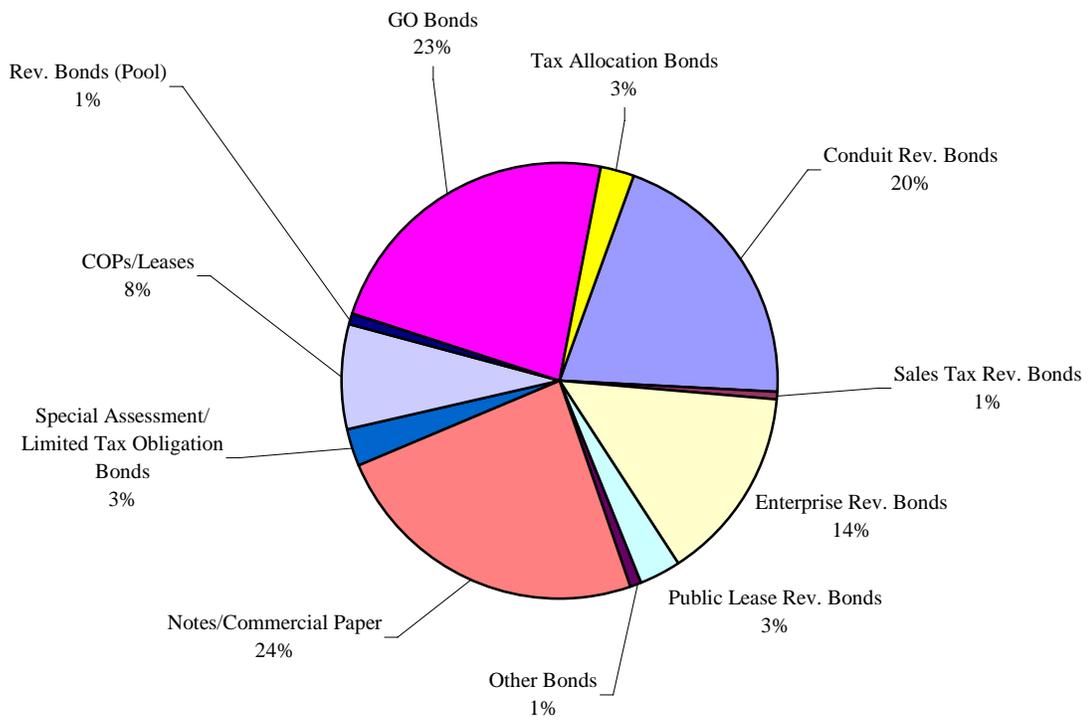
Of the \$30 billion in public debt issued by public agencies in 2000, notes and commercial paper accounted for \$7.3 billion (24 percent) of the total. Nearly all of this debt (96 percent) was issued for interim financing purposes. Of this total, the State issued just \$84 million in notes, while local agencies issued the remaining \$7.2 billion.

The use of general obligation debt rose in comparison to other types of debt in 2000. Public agencies used this financing structure to issue \$7 billion (23 percent) in debt in 2000. Conduit revenue bonds issued under the authority of state and local agencies accounted for \$6.2 billion or

20 percent of all public debt issued during the year, while enterprise revenue bonds, typically issued for capital improvements and public works projects, totaled \$4.3 billion (14 percent). All other types of debt individually accounted for 8 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 2000.

Chart 3

**California Public Debt Issuance  
Type of Debt  
2000**



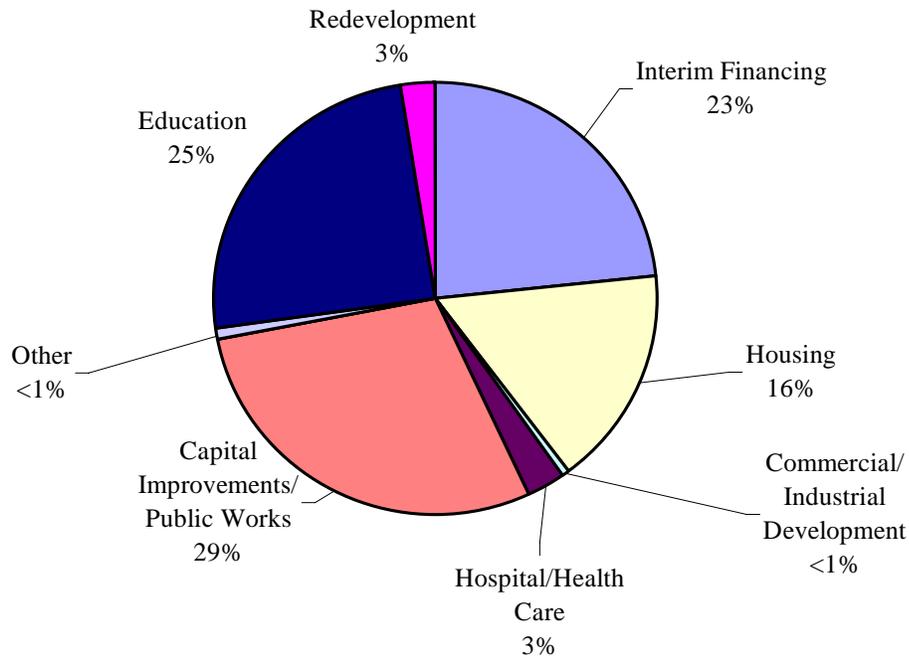
Total Debt Issued = \$30.4 Billion

## Capital Improvements and Public Works Lead All Other Financings

Chart 4 shows California public debt issuance by purpose in 2000. Capital improvements and public works accounted for 29 percent (\$8.8 billion) of the total debt sold by all California public agencies. Education, interim financing, and housing financing represented 25 percent (\$7.5 billion), 23 percent (\$7.0 billion), and 16 percent (\$5.0 billion), respectively. The remaining categories – commercial/industrial development, hospital/health care, redevelopment, and other purposes – each accounted for less than 3 percent of the total public debt issued in California in 2000.

Chart 4

### California Public Debt Issuance Purpose of Debt 2000



Total Debt Issued = \$30.4 Billion

## Competitive Financings Rise, Although Negotiated Deals Continue to Dominate

Table 5 provides a ten-year comparison of negotiated vs. competitive financings for all public debt issued. In 2000, competitively bid issues rose eight percent to \$9.9 billion, comprising 33 percent of the total debt issued. Negotiated financings accounted for approximately 67 percent.

In 1999, the \$8.5 billion in California public agency debt issued through a competitive structure accounted for 25 percent of the debt issued that year.

Table 5

### California Public Debt Issuance Competitive vs. Negotiated Financings 1991 through 2000

Dollars in Millions\*

Year	Competitive	Percent of Total	Negotiated	Percent of Total
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	21.7%	21,153	78.3%
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	73.3%
1999	8,503	24.8%	25,808	75.2%
2000	9,862	32.7%	20,254	67.3%

## STATE OF CALIFORNIA DEBT ISSUANCE

The State of California and its financing authorities and agencies issued a total of \$7.7 billion in debt in 2000, an increase of three percent from the \$7.5 billion issued in 1999 (Table 6, page 10). Long-term debt accounted for nearly all state debt issued in 2000. The State's budget surplus and strong cash position may have negated the need for interim financing. Unlike the previous year, the State did not issue any certificates of participation or revenue anticipation notes during 2000. The largest nominal change in debt issuance came in the use of general obligation bonds where the State issued nearly \$4 billion in debt, representing an increase of 48 percent over the \$2.7 billion issued in 1999. The rise in general obligation bond issuance accounted for the slight increase in overall debt issued by the State in 2000.

Table 6

**State of California  
Type of Debt  
1999 and 2000**

Dollars in Millions\*

Type	1999	Percent	2000	Percent	Percent Change 1999-2000
<b>Bonds</b>					
Conduit Revenue Bonds	\$3,032	40.5%	\$3,040	39.4%	0.3%
General Obligation Bonds	2,680	35.8%	3,962	51.4%	47.8%
Public Enterprise Bonds	304	4.1%	532	6.9%	75.0%
Public Lease Revenue Bonds	353	4.7%	90	1.2%	-74.5%
Subtotal Bonds	\$6,370	85.0%	\$7,624	98.9%	19.7%
<b>COP/Leases</b>	\$82	1.1%	0	0.0%	-100.0%
<b>Notes</b>					
Grant Anticipation Note	17	0.2%	31	0.4%	82.4%
Revenue Anticipation Note	1,000	13.3%	0	0.0%	-100.0%
Other Note	25	0.3%	53	0.7%	112.0%
Subtotal Notes	1,042	13.9%	84	1.1%	-91.9%
<b>Total</b>	<b>\$7,494</b>	<b>100%</b>	<b>\$7,708</b>	<b>100%</b>	<b>2.9%</b>

\*Totals may not add due to rounding.

The bulk of state debt was committed to education financing for a second year in a row (Table 7, page 11). Education financing during 2000 accounted for 51 percent of all debt issued by the State. In 1999, 39 percent of the State's debt was issued for this purpose. Debt issued for housing was second in terms of total volume, accounting for \$2.3 billion or 30 percent of the State's debt issuance in 2000. Debt issued for capital improvement, hospital/healthcare, and commercial and industrial development purposes followed with \$1.1 billion (14 percent), \$260 million (3 percent), and \$102 million (1 percent), respectively.

Table 7

**State of California  
Purpose of Debt  
1999 and 2000**

Dollars in Millions\*

<b>Purpose</b>	<b>1999</b>	<b>Percent</b>	<b>2000</b>	<b>Percent</b>	<b>Percent Change 1999-2000</b>
Education	\$2,957	39.5%	\$3,911	50.7%	32.3%
Housing	1,635	21.8%	2,324	30.2%	42.1%
Commercial/Industrial Development	195	2.6%	102	1.3%	-47.7
Hospital/Health Care	609	8.1%	260	3.4%	-57.3
Capital Improvements/ Public Works	1,081	14.4%	1,080	14.0%	0.0
Interim Finance	1,017	13.6%	31	0.4%	-97.0
<b>Total</b>	<b>\$7,494</b>	<b>100%</b>	<b>\$7,708</b>	<b>100%</b>	<b>2.9%</b>

\* Totals may not add due to rounding.

## LOCAL AGENCY DEBT ISSUANCE

Local agencies issued \$22.6 billion in debt in 2000 as compared to the \$26.6 billion issued in 1999 (Table 8, page 12). Of the debt issued by local agencies \$6.5 billion was for short-term interim financing. This type of debt accounted for 29 percent of the total debt issued by these agencies. In 1999 local agencies issued roughly \$6.5 billion in short-term debt or 24 percent of that year's total debt.

Public enterprise revenue bonds were the predominant form of long-term debt issued by local agencies in 2000, representing 17 percent of all debt issued by local agencies. General obligation and conduit revenue bonds were the second and third most popular forms of long-term debt issued by local agencies. General obligation debt grew 24 percent between 1999 and 2000, accounting for 14 percent of local debt in 2000. The nominal amount of debt issued through conduit revenue bonds remained stable between the two years, but the share of local debt accounted for by this type of instrument increased to 13 percent from 11 percent.

Local Agency debt issued for bonds fell by 18 percent in 2000 (Table 8, page 12). While the amount of debt issued through general obligation and conduit revenue bonds increased during this period, debt issued through nearly every other category of bond instrument fell. Certificates of participation and other lease-backed debt instruments also fell while notes remained nearly unchanged.

Table 8

**Local Agency  
Type of Debt  
1999 and 2000**

Dollars in Millions\*

Type	1999	Percent	2000	Percent	Percent Change 1999-2000
<b>Bonds</b>					
Conduit Revenue Bonds	\$2,964	11.1%	\$3,032	13.4%	2.3%
General Obligation Bonds	2,335	8.8%	3,051	13.5%	23.5%
Limited Tax Allocation Bonds	1,092	4.1%	583	2.6%	-46.6%
Public Enterprise Bonds	4,920	18.5%	3,804	16.8%	-22.7%
Public Lease Revenue Bonds	1,112	4.2%	866	3.8%	-22.1%
Revenue Bonds (pools)	891	3.4%	230	1.0%	-74.2%
Special Assessment Bonds	565	2.3%	292	1.3%	-48.3%
Sales Tax Revenue Bonds	697	2.6%	207	0.9%	-70.3%
Tax Allocation Bonds	1,207	4.5%	774	3.4%	-35.9%
Other Bonds	206	0.8%	251	1.1%	21.8%
Subtotal Bonds	\$15,988	60.2%	\$13,089	57.9%	-18.1%
<b>Commercial Paper</b>	\$759	2.9%	\$655	2.9%	14.3%
<b>COP/Leases</b>	\$3,333	12.6%	\$2,330	10.3%	-21.8%
<b>Notes</b>					
Bond Anticipation Note	\$53	0.2%	\$125	0.6%	135.8%
Grant Anticipation Note	34	0.1%	81	0.4%	138.2%
Revenue Anticipation Note	69	0.3%	62	0.3%	-10.1%
Tax Allocation Note	35	0.1%	20	0.1%	-42.9%
Tax and Revenue Anticipation	6,051	22.8%	6,054	26.8%	0.0%
Tax Anticipation Note	100	0.4%	24	0.1%	-76.0%
Other Note	135	0.5%	155	0.7%	14.8%
Subtotal Notes	\$6,476	24.4%	\$6,521	28.9%	0.7%
<b>Total</b>	<b>\$26,556</b>	<b>100%</b>	<b>\$22,595</b>	<b>100%</b>	<b>-14.9%</b>

\* Totals may not add due to rounding.

Nearly 34 percent of all local agency debt issued in 2000 was used for capital improvements and public works (Table 9, page 13). In 1999, however, local agency financing for this purpose consumed 42 percent of all debt issued during the year. The decline in the share of debt for capital improvement and public works was accompanied by a rise in educational and interim financing. Educational financing by local agencies rose 13 percent between 1999 and 2000. Interim financing rose 12 percent during the same period.

Local agencies issued \$7.7 billion in debt for capital improvement and public works, including multiple capital improvements and public works (\$1.4 billion); power generation (\$1.2 billion); and waste water collection and treatment (\$1.1 billion). Power generation financing by local agencies soared 62 percent over 1999 levels. The rising cost of energy and the uncertainty of supply in the newly restructured California energy market may have been a driving factor in financing for this purpose.

The change in educational financing between 1999 and 2000 was the result of greater levels of issuance for K-12 school facilities and for college and university facilities. Debt issued for K-12 schools increased nearly 10 percent to \$3.1 billion and debt issued for college and university facilities increased 103 percent to \$274 million. Debt issued for other educational purposes decreased slightly to \$167 million from \$169 million.

Table 9

**Local Agency  
Purpose of Debt  
1999 and 2000**

Dollars in Millions\*

<b>Purpose</b>	<b>1999</b>	<b>Percent</b>	<b>2000</b>	<b>Percent</b>	<b>Percent Change 1999-2000</b>
Education	\$3,163	11.9%	\$3,572	15.8%	12.9%
Housing	2,538	9.6%	2,634	11.7%	3.8%
Commercial/Industrial Development	90	0.3%	53	0.2%	-41.1%
Hospital/Health Care	1,792	6.7%	600	2.7%	-66.5%
Capital Improvements/ Public Works	11,046	41.6%	7,681	34.0%	-30.5%
Redevelopment	1,365	5.1%	775	3.4%	-43.2%
Other	278	1.0%	260	1.2%	-6.5%
Interim Finance	6,283	23.7%	7,019	31.1%	11.7%
<b>Total</b>	<b>\$26,556</b>	<b>100%</b>	<b>\$22,595</b>	<b>100%</b>	<b>-14.9</b>

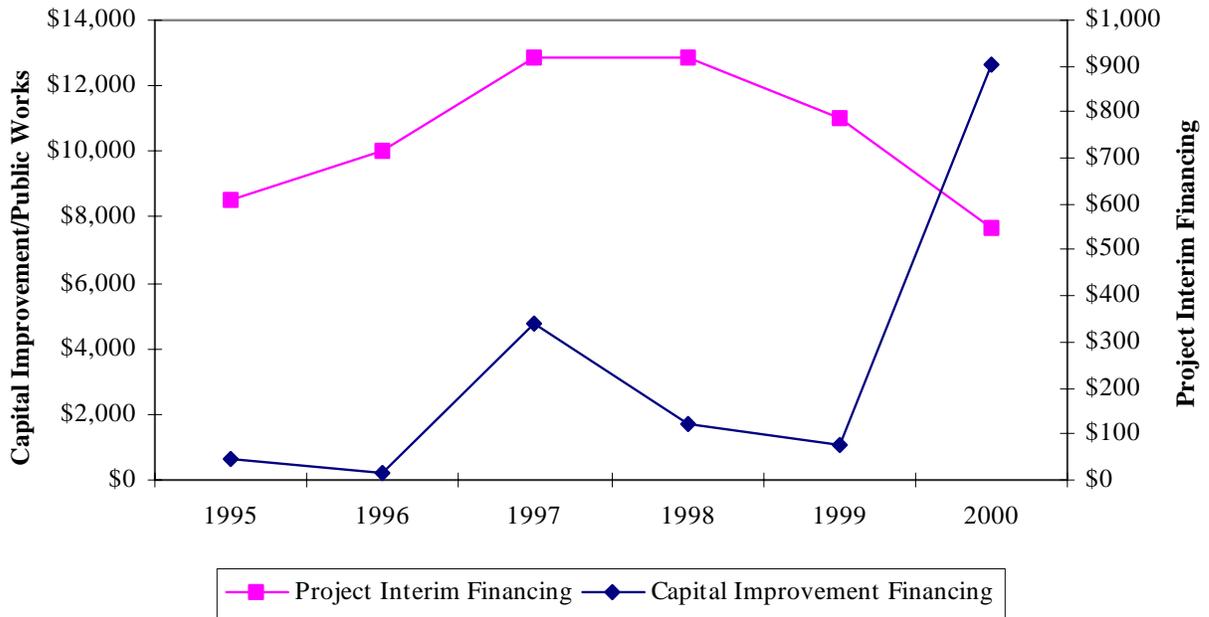
\* Totals may not add due to rounding.

The rise in interim financing by local governments in 2000 was a product of the soaring demand for short-term project funding. Between 1999 and 2000, interim financing used for capital improvements climbed to \$905 million from \$76 million, an increase of more than one thousand percent. The year-to-year difference likely reflects the continuation of projects financed by prior year debt. Although CDIAC did not begin to differentiate between capital improvement financing and cash flow interim financing until 1995, Chart 5 (page 14) suggests that, for this short period, project-related cash flow needs rise following a period of capital financing. This

may be explained by the fact that debt issued over the past few years for capital improvement projects are now beginning to break ground.

Chart 5

**Local Agency  
Project Interim Financing vs.  
Capital Improvement and Public Works  
1995 through 2000**



**MELLO-ROOS COMMUNITY FACILITIES DISTRICTS**

Mello-Roos Community Facilities Districts (CFDs), formed primarily for the construction of local capital improvements (streets, sewers, etc.) and school facilities, sold 61 issues in 2000 for a total volume of \$636 million (Chart 6, page 15). The total debt issued by Mello-Roos CFDs in 2000 declined by 43 percent from the \$1.1 billion issued in 1999. New debt and refundings both fell in 2000, although the 76 percent drop in refundings was substantially higher than for new money issues, which declined only 18 percent. Chart 7 (page 16) indicates the volume of Mello-Roos bonds by purpose for the last 11 years.

Chart 6

**Mello-Roos Bond Issuance  
Refunding vs. New Debt  
1991 through 2000**

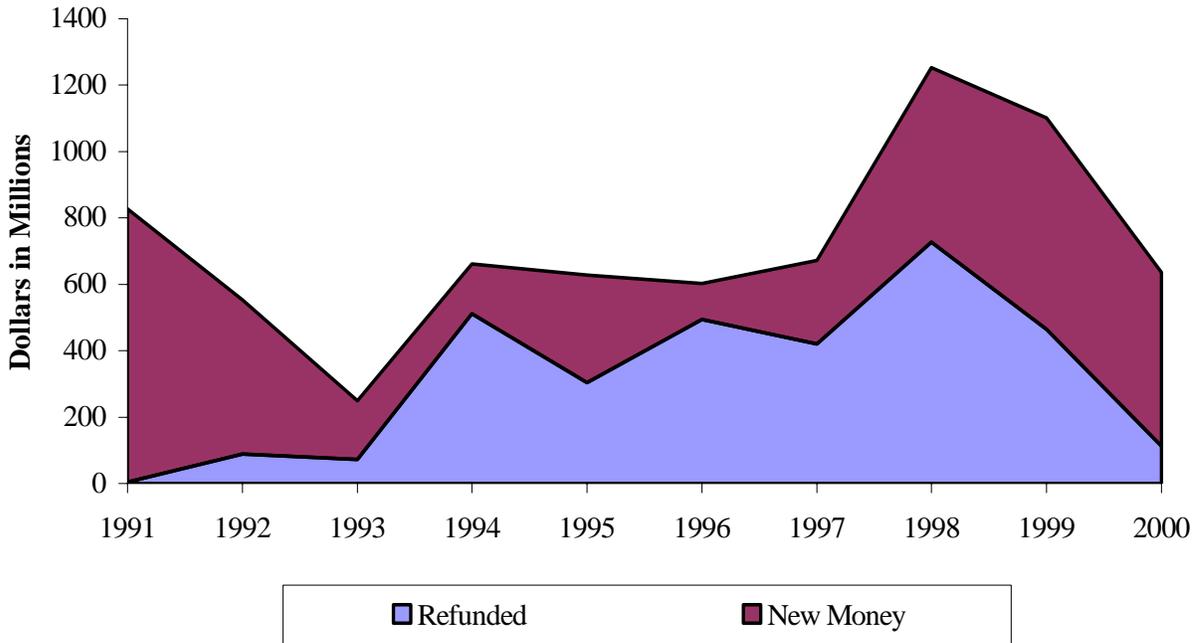
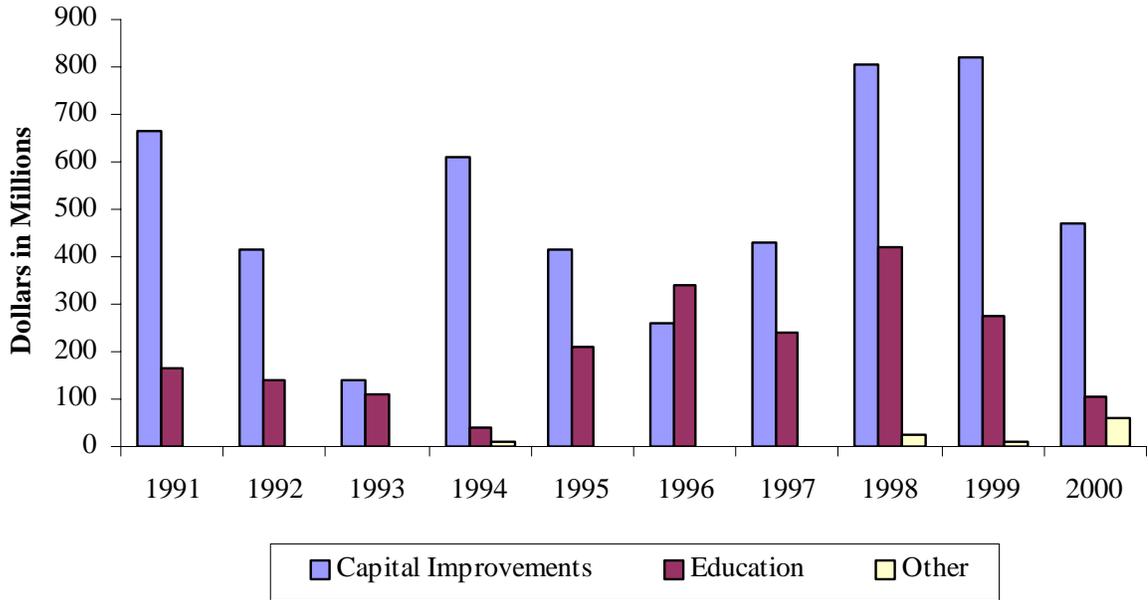


Chart 7

**Mello-Roos Issuance  
Purpose of Debt  
1991 through 2000**



**Defaults and Draws on Reserves Fall Again**

Issuers of Mello-Roos bonds must report any default, defined as a non-payment of principal and interest on any scheduled payment date, or any draw on the reserve funds to pay principal and interest on the bonds beyond levels set by the CDIAC. In 2000, nine issuers reported either defaults (non-payment of principal and interest) or draws on the reserve fund for 15 separate bond issues (Table 10, page 17).

From 1994 (the first year reports to the Commission were required) through 1996, the total number of reported defaults each year did not exceed six. In 1997, that number climbed to 17 defaults and had remained around that level until 2000 when it dropped to 8.

Table 10

**Mello-Roos Community Facilities Districts  
Number of Defaults/Draws by Year  
1994 through 2000**

<b>Year</b>	<b>Number of Defaults</b>	<b>Number of Draws</b>	<b>Total Number of Defaults and Draws</b>
1994	6	21	27
1995	5	23	28
1996	5	31	36
1997	17	22	39
1998	18	11	29
1999	16	11	27
2000	8	7	15

Additional information on Mello-Roos CFDs and their defaults or draws is available in the *2000 Mello-Roos Communities Facilities Districts Yearly Fiscal Status Report*. CDIAC periodically reports on defaults and draws on its website at [www.treasurer.ca.gov/cdiac](http://www.treasurer.ca.gov/cdiac).

## **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 AB 1192, 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 through education, information, and technical assistance in the management of public debt and investment of public funds. These roles have unfolded through the following activities:

- Serve as the State's statistical center for debt information;
- Publish a monthly newsletter;
- Maintain contact with 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.
- Collect and report annual outstanding public debt for entities within the State.
- Collect specific information on debt issued through Mello-Roos Community Facilities Districts after January 1, 1993, or as a member of a Marks-Roos Bond Pool beginning January 1, 1996, and collect reports of draws on reserves or defaults on such debt from public financing agencies required to report to CDIAC.
- Collect specific information from issuers who sell refunding or revenue bonds through negotiation or private placement or issue bonds payable in a foreign currency.

- Collect from cities and counties, 2nd and 4th quarterly financial investment reports as well as annual investment policies to further CDIAC's educational responsibilities.
- Receive notice of public hearings and copies of resolutions adopted by a Joint Powers Authority for certain bonds authorized pursuant to Marks-Roos Local Bond Pooling Act of 1985.

## **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 2001 Commission members included: Philip Angelides, State Treasurer; Gray Davis, Governor or Timothy Gage, Director of Finance; Kathleen Connell, State Controller; State Senator Charles Poochigian; State Senator Mike Machado; State Assemblymember Louis J. Papan; State Assemblymember Joseph Simitian; 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) (as listed in Appendix B) 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 continuing education 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

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](mailto: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 evaluate 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 the debt issuance process in California and serves as a reference for state and local governmental officials

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 a number of attendees are from state and federal agencies.

### **Monthly and Annual Publications**

#### ***DEBT LINE***

In 2000, CDIAC published the 19<sup>th</sup> 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*, CDIAC periodically provides *Default and Draw on Reserve Reports* for both Mello-Roos CFD issuers and Marks-Roos Bond Pooling Act

to requestors. Over 700 of these reports were distributed in 2000 or approximately the amount sent out in 1999.

### ***Mello-Roos Yearly Fiscal Status Report***

The *2000 Mello-Roos Community Facilities Districts Yearly Fiscal Status Report* will be the eighth annual report issued detailing specific fiscal information on Mello-Roos CFDs. The 1999 report was not issued by the CDIAC as a consequence of technical difficulties uncovered in updating the database software. The report has been prepared annually since January 1, 1993 from information submitted to the Commission by CFD agencies issuing bonds. 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. The report contains information on public financing authorities that loan to two or more local obligators or buy two or more local obligations.

### ***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 2000 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.



### ***Mechanics of A Bond Sale***

Date: April 13<sup>th</sup> and 14<sup>th</sup>  
Site: Fresno, 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.

### ***Smart Investing in California Communities (STO, CDIAC, S&P, Local Government Commission Symposium)***

Date: May 5<sup>th</sup>  
Site: San Francisco, CA

This one-day symposium sponsored by the California State Treasurer's Office, California Debt and Investment Advisory Commission, Standard and Poor's, and the Local Government Commission examined the critical role of community reinvestment. The conference highlighted the opportunities for financially successful reinvestment, drawing on the experience, knowledge, and perspective of some of private sector and public sector leaders in the state as well as the U.S.

### ***AGL&F's 19<sup>th</sup> Annual Spring Conference***

Date: May 10<sup>th</sup> through 12<sup>th</sup>  
Site: Berkeley, CA

CDIAC participated in the pre-conference of this association's annual conference. A half-day pre-conference provided local issuers the basic lingo of leasing market and summarized the types of leases used by California public agencies. It also provided an understanding of the appropriate uses of lease debt and highlighted guidelines for issuance and management of lease debt. Several issuers also presented some real life projects financed with tax exempt leasing.

### ***Understanding Municipal Securities Regulations***

Date: November 2<sup>nd</sup>  
Site: Sacramento, 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.

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STATE OF CALIFORNIA GOVERNMENT CODE

DIVISION 1 OF TITLE 2 (*EXCERPT*)

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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, postate 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  
2000-2001**

**PUBLIC MEMBERS**

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**Robert Black**

*Del Norte County*

**Barbara Coates**

*Plumas County*

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**Sarah Hollenbeck**

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**Tim Youmans**

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**Edward B. Burdett**

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**David Johnson**

*Bank of America*

**Bernie Mikell**

*Fleet Securities, Inc.*

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INVESTMENT ROSTER  
1999-2000**

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## COMMISSION FUNDING AND EXPENDITURES

The Commission is funded out of the California Debt and Investment Advisory Commission Fund, established under Chapter 1088/81. The CDIAF Fund is supported by fees levied on debt issues reported to the Commission. Specifically, the Commission is authorized to charge a fee to the lead underwriter or purchaser of a debt issue equal to one-fortieth of 1 percent (2.5 basis points), up to \$5,000 for each issue.

In late 1995, the Commission took action to avert a deficit in CDIAF's Fund by increasing reporting fees. The goal was to generate revenues that would cover CDIAF's current operating costs as well as to restore its reserve to an appropriate level. With the increase in reporting fees, the goal was met more quickly than anticipated. A notable increase in the *number* of debt issues sold caused fee revenues to exceed estimates.

In an effort to draw down excess funds that had accumulated in CDIAF's reserve as a result of the fee increase, the Commission approved a two-phase fee reduction in February of 1998. The first phase reduced fees below the level needed to fully fund current operations in order to spend down the excess balance in the reserve. The second phase was planned to provide for an increase in fees to a level necessary to fully fund operations for the next fiscal year.

When it was determined that there was still a need to spend down the excess funds in the reserve, the Commission deferred the planned fee increase in 1999 for another year. Since that time, the fee increase has been deferred by the Commission in 2000 and 2001. Currently, the fee increase has been deferred until July 1, 2002. The copy of the revised fee schedule follows (Appendix D).

The Commission believes a prudent reserve is equal to one fiscal year's spending authority, which is currently \$1.8 million per fiscal year. This level of reserve funding provides the Commission with greater flexibility to adjust to changes in debt issuance levels, and potentially

to outlast temporary periods of low debt issuance without changes in the fee structure.

As Table 8 indicates, the Commission began the year with a fund balance of \$3,779,000 and added to that reimbursements and revenue of \$1,720,000 to total \$5,499,000 in resources for the 1999-2000 Fiscal Year. Expenses for 1999-2000 totaled \$1.3 million resulting in an ending fund balance of \$4.1 million. It should be noted that expenditures were lower than revenues due in part to a number of staff vacancies resulting in salary savings.

Table 8

### California Debt and Investment Advisory Commission Operating Revenues and Expenditures Fiscal Year 1999-2000

CDIAF Fund:	
Beginning balance (7/1/99)	\$3,779,000
Revenues*	1,649,000
Reimbursements	<u>71,000</u>
Total resources	\$ 5,499,000

Expenditures:	
Staff salaries	\$ 636,849
Staff benefits	117,463
General expense	67,326
Printing	51,678
Communications	9,429
Postage	4,900
In-state travel	16,006
Out-of-state travel	3,695
Training	4,640
Facilities operation	85,343
Consultant/professional contracts	313,406
Data processing	461
Central administrative services	<u>41,804</u>
Total expenditures	\$1,353,000

CDIAF Fund:	
Ending balance (6/30/00)	\$4,146,000

\*Includes interest earnings.

## CALIFORNIA DEBT AND INVESTMENT ADVISORY COMMISSION

**REPORTING FEE SCHEDULE**  
Date of Adoption: June 7, 2001

*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, 2002, the fee will be equal to one hundred and fifty dollars (\$150).
  - B. For such issues sold on or after July 1, 2002, 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, 2002, 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, 2002, 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  
Sacramento, CA 94209-0001  
(916) 653-3269  
FAX (916) 654-7440  
or access CDIAC's website at:  
[www.treasurer.ca.gov/cdiac/cdiac.htm](http://www.treasurer.ca.gov/cdiac/cdiac.htm)*

*The following materials are available at cost.*

**DEBT ISSUANCE PRIMER**

**1998 CALIFORNIA DEBT ISSUANCE PRIMER**, California Debt And Investment Advisory Commission and Orrick, Herrington & Sutcliffe, April, 1998.

A comprehensive handbook of the debt issuance process in California. This handbook is available for \$25.00 per copy.

*The following publications are provided free of charge to interested parties upon request. However, we suggest you limit your request to information that will be used. If you have questions about the content of the publication, please call the Commission.*

**MONTHLY PUBLICATION**

**DEBT LINE, A MONTHLY PUBLICATION**, California Debt and Investment Advisory Commission, 1982 to present.

The legislatively-mandated 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.

**DEBT LINE OFFPRINTS**

Selected articles from CDIAC's monthly newsletter, *DEBT LINE*, relating to public debt and investment issues:

- [Sources of Supplemental Funding for Infrastructure](#) - May 2000
- [Validation Actions and Public Finance](#) - July 2000
- [Understanding Special Districts and Public Debt](#) - August 2000
- [Special Districts and Public Debt: Part Two](#) - September 2000
- [Price Transparency Efforts in the Municipal Securities Market](#) - October 2000
- [The Role and Use of Repositories in the Disclosure Process for Municipal Securities](#) - November 2000
- [Municipal Finance Outlook for 2001](#) - January 2001

## ANNUAL REPORTS

**1999 CALENDAR OF DEBT ISSUANCE [CDIAC #01-4]**

**1998 CALENDAR OF DEBT ISSUANCE [CDIAC #99-4]**

**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**, California Debt Advisory Commission, June 1, 1990

**1989 CALENDAR OF ISSUES**, California Debt Advisory Commission, February 15, 1990

**1988 CALENDAR OF ISSUES**, California Debt Advisory Commission, February 15, 1989

**1987 CALENDAR OF ISSUES**, California Debt Advisory Commission, February 1, 1988

**1986 CALENDAR OF ISSUES**, California Debt Advisory Commission, May 15, 1987

**1985 CALENDAR OF ISSUES**, California Debt Advisory Commission, March 31, 1986

**1999 SUMMARY OF CALIFORNIA DEBT ISSUANCE [CDIAC #01-3]**

**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]**

**1991 SUMMARY OF CALIFORNIA PUBLIC DEBT [CDAC #92-4]**

**1990 SUMMARY OF CALIFORNIA PUBLIC DEBT**, California Debt Advisory Commission, June 1, 1990

**1989 SUMMARY OF CALIFORNIA PUBLIC DEBT**, California Debt Advisory Commission, February 15, 1990

**1988 SUMMARY OF CALIFORNIA PUBLIC DEBT**, California Debt Advisory Commission, February 15, 1989

**1987 SUMMARY OF CALIFORNIA PUBLIC DEBT**, California Debt Advisory Commission, February 1, 1988

**1986 SUMMARY OF CALIFORNIA PUBLIC DEBT**, California Debt Advisory Commission, May 15, 1987

**1985 SUMMARY OF CALIFORNIA PUBLIC DEBT**, California Debt Advisory Commission, March 31, 1986

**1985 CALIFORNIA PUBLIC DEBT BY ISSUING AGENCIES**, California Debt Advisory Commission, August 15, 1986 \*

**\*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".**

**2000 ANNUAL SUMMARY – THE USE OF HOUSING REVENUE BOND PROCEEDS**, California Debt and Investment Advisory Commission, February 2001. [CDIAC #01-1]

**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**, California Debt and Investment Advisory Commission, 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]

**1999/2000 MELLO-ROOS COMMUNITY FACILITIES DISTRICTS YEARLY FISCAL STATUS REPORT**, May 2000 [CDIAC #01-6]

**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]

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

## **ISSUE BRIEF SERIES**

**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

These are short reference documents on various public finance topics.

## **STATE & LOCAL TAX AND BOND BALLOT MEASURES**

**STATE AND LOCAL BOND AND TAX BALLOT MEASURES: RESULTS OF THE NOVEMBER 2000 GENERAL ELECTION**, February 2001 [CDIAC 01-05]

**STATE AND LOCAL TAX AND BOND BALLOT MEASURES: RESULTS OF THE NOVEMBER 1999 PRIMARY ELECTION**, March 2000 [CDIAC 00-3]

**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, California Debt and Investment Advisory Commission [CDIAC #98-7]

**STATE AND LOCAL TAX AND BOND BALLOT MEASURES: RESULTS OF THE 1996 GENERAL ELECTION**, March 1997, California Debt and Investment Advisory Commission [CDIAC #97-2]

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

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

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

**STATE AND LOCAL TAX AND BOND BALLOT MEASURES: SUMMARY OF GENERAL ELECTION, NOVEMBER 6, 1990**, California Debt Advisory Commission, February 22, 1991

**STATE AND LOCAL TAX AND BOND BALLOT MEASURES: SUMMARY OF GENERAL ELECTION, JUNE 1990**, California Debt Advisory Commission, August 1990

**STATE AND COUNTY TAX AND BOND BALLOT MEASURES: SUMMARY OF GENERAL ELECTION, NOVEMBER 8, 1988**, California Debt Advisory Commission, February 1, 1989

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

## MISCELLANEOUS

### **ANNUAL REPORT 1999 [CDIAC #01-2]**

### **ANNUAL REPORT 1998 [CDIAC #99-6]**

### **ANNUAL REPORT 1997 [CDIAC #98-4]**

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.

**APPRAISAL STANDARDS FOR LAND-SECURED FINANCINGS**, California Debt Advisory Commission, May, 1994 [CDAC #94-6]

**ASSESSMENT OF LOCAL GOVERNMENT INVESTMENT POOLS: A Survey of California County Pools**, California Debt and Investment Advisory Commission, January 31, 2000 [CDIAC 00-1]

**A REVIEW OF THE MARKS-ROOS LOCAL BOND POOLING ACT OF 1985**, California Debt and Investment Advisory Commission, 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 background staff report prepared for the hearing and testimony provided to the Commission.

### **DEBT ISSUANCE DATA**

DEBT ISSUANCE DATA (formerly DATA ON DISK) includes data compiled by CDIAC containing the sold issues received by CDIAC for the respective month. This information is currently published in the *Calendar* portion of *DEBTLINE* and excludes the proposed information that appears in the *Calendar*. This data is reported to CDIAC and compiled from the *Report of Proposed Debt Issuance* and the *Report of Final Sale*. This data is available for downloading from CDIAC's website at [www.treasurer.ca.gov/cdiac/cdiac.htm](http://www.treasurer.ca.gov/cdiac/cdiac.htm).

This information is also available on diskette for current and prior years by annual subscription. The subscription price is \$77.58 per year (including tax) for 2001 Monthly Sold Data and \$6.47 per year for prior year data (1985 through 2000). To find out more about subscribing to DEBT ISSUANCE DATA or if you have any other questions, please contact CDIAC at (916) 653-3269 or e-mail CDIAC at [CDIAC@treasurer.ca.gov](mailto:CDIAC@treasurer.ca.gov).

**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**, California Debt and Investment Advisory Commission, 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**, California Debt Advisory Commission, 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**, California Debt and Investment Advisory Commission, June 1998 [CDIAC #98-6]

**LEASES IN CALIFORNIA: THEIR FORM AND FUNCTION**, California Debt Advisory Commission, 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.

**(REVISED) LOCAL AGENCY INVESTMENT GUIDELINES** – Updated as of January 1, 2000, California Debt and Investment Advisory Commission [CDIAC 00-2]

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

**MARKS-ROOS 1996 BOND POOLING ACT PARTICIPANTS YEARLY FISCAL STATUS REPORT AND DRAW ON RESERVE DEFAULT REPORT**, California Debt and Investment Advisory Commission, February, 1997 [CDIAC #97-4]

**MARKS-ROOS, RECOMMENDED CHANGES [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**, California Debt Advisory Commission, 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**, California Debt Advisory Commission, October 1991

This report is a reprint of the guidelines included in the report above.

**QUICK REFERENCE GUIDE TO DEBT ISSUANCE AND PUBLIC INVESTMENT SEMINARS**, California Debt and Investment Advisory Commission, March 2001

This Guide contains information on the various debt issuance and public investment seminars offered through CDIAC's Continuing Education and Outreach Program. CDIAC's various seminars are described and the Guide includes information on the subject matter contained in each program, the duration of the program and how often the program is offered.

**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.

**California Debt and Investment Advisory Commission**  
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