



**CALIFORNIA
DEBT AND
INVESTMENT
ADVISORY
COMMISSION**

**2016
ANNUAL
REPORT**



June 9, 2017

To Our Constituents:

I am pleased to present the California Debt and Investment Advisory Commission (CDIAC) 2016 Annual Report.

In 2016, CDIAC continued to play an essential role in public finance in California through its core programs, including data collection, training, and technical assistance. As the public finance market has changed, so has CDIAC, providing timely information to increase market efficiency and ensure the safe and proper use of public funds. CDIAC's 2016 Pre-conference program at the Bond Buyer's California Public Finance Conference, addressing the impacts of Dodd-Frank on issuers, is a case in point.

But even while maintaining existing programs, CDIAC staff are initiating projects that will reshape the organization's relationship to you. First among them, CDIAC is undertaking a complete rewrite of the California Debt Issuance Primer. The project will produce a completely redesigned resource that will guide public finance professionals in the issuance and administration of debt. The existing Debt Primer was last updated in 2006. Second, staff are working on creating procedures and forms to collect annual debt data pursuant to SB 1029 (Chapter 307, Statutes of 2016). In imposing a new annual reporting requirement on issuers, the bill requires CDIAC to develop and deploy new database resources to capture and report on outstanding debt and the uses of proceeds. This information will, for the first time in many cases, enable taxpayers to understand the costs and benefits of their tax dollars. Finally, CDIAC staff is taking advantage of the educational opportunities provided by managed, on-line learning platforms to inform California elected officials about debt financing. This new educational tool will expand the scope of CDIAC educational curriculum for years to come.

Thank you for taking the time to review this report to learn about what CDIAC has accomplished in 2016 and what it hopes to accomplish in 2017. I think you will see how you, our constituents, directly benefit from these efforts.

Respectfully,

Mark B. Campbell
Executive Director

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The California Debt and Investment Advisory Commission (CDIAC) provides information, education, and technical assistance on debt issuance and public funds investing to state and local public agencies and other public finance professionals. CDIAC was created in 1981 with the passage of Chapter 1088, Statutes of 1981 (AB 1192, Costa). This legislation established the California Debt Advisory Commission as the State's clearinghouse for public debt issuance information and required it to assist state and local agencies with the monitoring, issuance, and management of public financings. CDIAC's name was changed to the California Debt and Investment Advisory Commission with the passage of Chapter 833, Statutes of 1996 (AB 1197, Takasugi) and its mission was expanded to cover the investment of public funds. CDIAC is specifically required to:

- Serve as the State's clearinghouse for public debt issuance information.
- Publish a monthly newsletter.
- Maintain contact with participants in the municipal finance industry to improve the market for public debt issuance.
- Provide technical assistance to state and local governments to reduce issuance costs and protect issuers' credit.
- Undertake or commission studies on methods to reduce issuance costs and improve credit ratings.
- Recommend legislative changes to improve the sale and servicing of debt issuances.
- Assist state financing authorities and commissions in carrying out their responsibilities.
- Collect specific financing information on public issuance through Mello-Roos Community Facilities Districts after January 1, 1993 or as a member of a Marks-Roos Bond Pool beginning January 1, 1996; collect reports of draws on reserves and defaults from Mello-Roos Community Facilities Districts and Marks-Roos Bond Pools filed by public financing agencies within 10 days of each occurrence.
- In conjunction with statewide associations representing local agency financial managers and elected officials, develop a continuing education program aimed at state and local officials who have direct or supervisory responsibility for the issuance of public debt or the investment of public funds.
- 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.

Figure 1 summarizes the CDIAC's statutory provisions.

Figure 1

CDIAC STATUTORY PROVISIONS

FUNCTION	CALIFORNIA CODE SECTION	DESCRIPTION OF PROVISIONS
CDIAC Authorizing Statute	Government Code Section 8855 - 8859	Establishes CDIAC's duties.
Report of Proposed Sale of Public Debt	Government Code Section 8855(i)	Requires the issuer of any proposed debt issue of state or local government to, no later than 30 days prior to the sale, give written notice of the proposed sale to CDIAC.
Report of Final Sale of Public Debt	Government Code Section 8855(j)	Requires the issuer of any debt issue of state or local government to submit, not later than 21 days after sale, a report of final sale to CDIAC including specific information about the transaction.
Mello-Roos Reporting Requirements	Government Code Section 53359.5(a) thru (c) and 53356.05	Reporting requirements: debt issuance, annual debt service, default, reserve draw, specific events affecting the value of outstanding bonds, and annual status.
Marks-Roos Reporting Requirements	Government Code Section 6586.5, 6586.7, 6599.1(a), 6588.7 (e)(2), 6599.1(c)	Reporting requirements: notice of hearing authorizing bond sale, copy of resolution authorizing bonds, written notice of proposed sale, debt issuance, annual debt service, default, reserve draw, rate reduction bond savings, and annual status.
General Obligation Bond Cost of Issuance	Government Code Section 53509.5(b)	Reporting requirements: cost of issuance of bonds issued by city, county, city and county, school district, community college district or special district.
Refunding Bonds Sold at Private Sale or on a Negotiated Basis	Government Code Section 53583(c)(2) (B)	Reporting requirement: written statement from public district, public corporation, authority, agency, board, commission, county, city and county, city, school district, or other public entity or any improvement district or zone explaining the reasons why the local agency made the decision to sell the bonds at a private sale or on a negotiated basis instead of at public sale.
School and Community College Districts	Education Code Section 15146(d)(2), and (e)	Reporting requirements: cost of issuance of bonds issued by a school district and report of sale or planned sale by a school district.
School and Community College Districts	Education Code Section 15303(b)	Reporting requirements: copy of the resolution adopted by the board of supervisors approving the use of Education Code allowing for the creation of school improvement districts within a school and community college district in the county.
Joint Powers Authority	Government Code Section 6548.5	Reporting requirements: level of fees or charges imposed by a Joint Powers Authority for the issuance of bonds pursuant to the Joint Exercise of Powers Act.
Joint Powers Authority	Government Code Section 6586.7	Reporting requirements: a copy of the resolution adopted by an authority authorizing bonds or the issuance of bonds or accepting the proceeds of bonds issued pursuant to Joint Exercise of Powers Act with exemptions given to certain types of issuers and projects.
Joint Powers Authority	Government Code 6586.5(a)(3)	Reporting requirements: public notice at least 5 days prior to hearing where the authority makes certain findings and takes actions with respecting to financing certain improvements.
Joint Powers Authority	Government Code Section 6588.7(e)(2)	Reporting requirements: a statement from the authority that it is issuing rate reduction bonds, the source of repayment, and the saving realized from the sale of the bonds.
City, County and Other Agencies	Government Code Section 54418	Reporting requirements: written notice from the agency explaining the reasons the legislative body has decided to sell revenue bonds at a private sale rather than public.
Harbor Agency—Joint Powers Authority	Harbor and Navigation Code Section 1706(b)	Reporting requirements: annual report regarding receipts and expenditures from the infrastructure fund established pursuant to a harbor agency Joint Powers Agency.
Redevelopment Agency	Health and Safety Code Section 33664(d)	Reporting requirements: copy of the agency's resolution specifying the financial advantage of the agency purchasing its own bonds and a covering letter with other information specific to the bonds.

To meet its statutory responsibilities, CDIAC divides its functions into four units: Data Collection and Analysis, Policy Research, Education and Outreach, and Administration.

Pursuant to statute, all state and local government issuers must submit information to CDIAC at two points during the debt issuance process: thirty days prior to the proposed sale date and no later than 21 days after the actual sale date.¹ Included in these reports to CDIAC are the sale date, name of the issuer, type of sale, principal amount issued, type of financing instrument, source(s) of repayment, purpose of the financing, rating of the issue, and members of the financing team. In addition, Mello-Roos and Marks-Roos bond issuers, for as long as their bonds are outstanding, must submit a yearly fiscal status report on or before October 30th. Data compiled from these reports are the basis for public issuance statistics and analyses released by CDIAC. Since 1984, CDIAC has maintained this information in the California Debt Issuance Database – a portion of which is available on CDIAC’s website.²

Since 1984, CDIAC has organized educational seminars focusing on public finance matters. Offered at locations throughout the state, CDIAC seminars are designed to: (1) introduce new public finance staff to the bond issuance and investment processes; (2) strengthen the expertise of public officials familiar with the issuance and the investment processes; and (3) inform public officials about current topics that may affect public issuance and the investment of public funds.

CDIAC COMMISSION MEMBERS

Pursuant to statute, the Commission may consist of between three and nine members, depending on the number of appointments made by the Treasurer or the Legislature. Three statewide elect-

ed officials — the State Treasurer, State Controller, and Governor or Director of Finance — serve ex officio. Statute names the Treasurer to be chair. Local government associations, such as the League of California Cities, may nominate two local finance officers for appointment by the Treasurer. The Senate Rules Committee and the Speaker of the Assembly may each appoint two members. Appointed members serve at the pleasure of their appointing power and otherwise hold four-year terms.

The 2016 Commission members serving as of June 30, 2016 included:

JOHN CHIANG
California State Treasurer
Residence: Torrance, California

Background: Mr. Chiang graduated with honors from the University of South Florida with a degree in finance, and received his law degree from the Georgetown University Law Center. As State Treasurer, he oversees a bank that processes trillions of dollars in transactions every year. He sells California’s bonds, invests the State’s money and manages its cash. Prior to being elected Treasurer, he served from 2007 through 2014 as State Controller. In that office, he took steps during the Great Recession to preserve cash to meet obligations to education and bond holders, worked to ensure the fiscal solvency of the State’s pension plans, and ensured that \$3.1 billion in unclaimed property was returned to the rightful owners. Prior to serving as Controller, he was elected to the Board of Equalization in 1998, where he led with innovative taxpayer-friendly services such as the State’s free income tax return preparation service, ReadyReturn.

Mr. Chiang holds a degree from the University of South Florida and a Juris Doctor from the Georgetown University Law Center.

¹ AB 2274, Gordon (Chapter 181, Statutes of 2014) reduced the time period for submission of final reports of debt issuance from 45 days to 21 days.

² While CDIAC has collected information since January 1, 1982, the Debt Issuance Database contains information from 1984 to present day.

EDMUND G. BROWN

Governor of California

Residence: Sacramento, California

Background: Edmund G. Brown Jr., known as Jerry, was elected Governor of California in November 2010. Governor Brown has held other elected positions including member of the Los Angeles Community College Board of Trustees, Secretary of State, Governor (1975 to 1983), Mayor of Oakland, and California Attorney General.

Governor Brown received his Bachelor of Arts degree in classics from the University of California at Berkeley and his law degree from Yale Law School.

BETTY YEE

California State Controller

Residence: Alameda, California

Background: Betty T. Yee was elected Controller in November 2014, following two terms of service on the Board of Equalization (BOE). As Controller, she continues to serve the BOE as its fifth voting member. As the State's chief financial officer, Yee also chairs the Franchise Tax Board and serves as a member of the California Public Employees Retirement System (CalPERS) and the California State Teacher's Retirement System (CalSTRS) boards. The two boards have a combined portfolio of nearly \$500 billion. She has more than 30 years of experience in public service, specializing in state and local finance and tax policy. Yee previously served as Chief Deputy Director for Budget with the California Department of Finance, where she led the development of the Governor's Budget, negotiations with the Legislature and key budget stakeholders, and fiscal analyses of legislation on behalf of the Administration. Prior to this, she served in senior staff positions for several fiscal and policy committees in both house of the California State Legislature. Yee currently serves on the board of directors for the Cal Alumni Association at the University of California, Berkeley; California Women Lead; and the Equality California Institute.

She was a co-founder of the Asian Pacific Youth Leadership Project, which exposes California high school youth to the public service, public policy, and political arenas.

A native of San Francisco, Yee received her bachelor's degree in sociology from the University of California, Berkeley, and her master's degree in public administration from Golden Gate University in San Francisco.

CAROL LIU

State Senator, 21st District

Residence: La Cañada Flintridge, California

Background: Carol Liu was elected to the California State Senate in 2008. Senator Liu serves as the Chair of the Senate Human Services Committee and the Budget Subcommittee on Education. She also serves on the following committees: Banking and Financing Institutions, Budget and Fiscal Review, Education, Governance and Finance, and Public Safety. She represented the 44th Assembly District from 2000-2006. Prior to her election to the State Assembly, she served eight years as a City Councilmember, including two terms as Mayor of the City of La Cañada Flintridge.

Senator Liu graduated from San Jose State College, earned a teaching and administrative credential from University of California, Berkeley, and spent 17 years working in public schools.

MATTHEW DABABNEH

Assembly Member, 45th District

Residence: Encino, California

Background: Assemblymember Dababneh was elected to the California State Assembly in November of 2013 to represent the 45th Assembly District which includes the communities of Bell Canyon, Calabasas, Canoga Park, Chatsworth, Encino, Hidden Hills, Northridge, Reseda, Sherman Oaks, Tarzana, West Hills, Winnetka, and Woodland Hills. Dababneh currently serves as the Chairman of the

Banking and Finance Committee and is also a member of the Insurance, Revenue and Taxation, and Privacy and Consumer Protection Committees. Prior to his election to the Assembly, Dababneh worked as the District Chief of Staff for Congressman Brad Sherman and served on the boards of several local non-profit organizations, including Hope of the Valley Rescue Mission, the Valley Cultural Center, Phoenix House Juvenile Drug Rehabilitation Academy, and the House of Hope. Dababneh graduated with a B.A. from the University of California, Los Angeles.

JOSÉ CISNEROS

*Treasurer of the City and County of San Francisco
Residence: San Francisco, California*

Background: As Treasurer, Mr. Cisneros serves as the City's banker and Chief Investment Officer, and manages tax and revenue collection for San Francisco. In 2006, Mr. Cisneros launched the Bank on San Francisco program, the first program in the nation to address the needs of unbanked residents by actively partnering with financial institutions to offer products and services to lower-income consumers. In addition, he worked to establish the Office of Financial Empowerment, only the third municipal office nationwide dedicated to stabilizing the financial lives of low-income families.

Mr. Cisneros received his Bachelor of Science from the Massachusetts Institute of Technology, Sloan School of Management and studied for his Master of Business Administration at Boston University. He is also a graduate of the International Business Program at Stichting Nijenrode University in the Netherlands.

DAVID BAUM

*City of San Leandro
Residence: San Francisco Bay Area, California*

Background: David Baum is the Director of Finance for the City of San Leandro. In this capacity, he is responsible for budget, treasury, debt administration, revenue management, general ac-

counting, payroll, and purchasing. He has more than 20 years of local government experience including serving as the Chief Financial Officer of the San Jose Redevelopment Agency and manager of the financial rehabilitation of the City of Hercules. In addition, he served over 10 years as a board member of an elementary and middle school in Saratoga.

Mr. Baum holds a Bachelor of Arts Degree in Economics from Stanford University.

CDIAC AND THE CALIFORNIA MUNICIPAL MARKET IN 2016

MANDATING DEBT POLICIES AND ANNUAL DEBT REPORTING

Chapter 307, Statutes of 2016 (Senate Bill 1029, Hertzberg) significantly altered the relationship between public agencies and their constituents. The bill, sponsored by Treasurer John Chiang, created two essential mechanisms by which issuers of public debt must now inform the public about how they have made the decision to use debt financing and what they are doing with the proceeds of these transactions.

With respect to the first, SB 1029 put in place a requirement that local governments that issue debt certify that they have adopted debt policies. Local governments are defined generally as cities, city and county, counties, special districts, school districts, and authorities. These issuers, effective January 1, 2017, must affirm that they have local debt policies that cover the proposed use of debt financing. Furthermore, these local debt policies must address specific elements of the project, the agency's plans, and the use of the proceeds of the sale of debt.

Why the emphasis on debt policies? Debt policies, if thoughtfully developed and employed, can assist debt managers to make decisions and support efforts to identify conflicts, inconsistencies,

and gaps in a local agency's approach to project finance. It can also be instrumental in setting a proper balance between limits on the use of debt financing and the need to respond to unforeseen circumstances and opportunities. Lacking a set of well-understood and well-communicated policies, issuers may run into problems in both the issuance and administration of debt. Failures, including the injudicious use of debt, poorly structured debt or repayment, or not meeting disclosure or tax obligations, may result in ratings downgrades or worse, costly violations of securities law and erode the public's confidence in their governmental agencies.

SB 1029 encourages an integrated planning process that acknowledges the issuer's long-term strategies by requiring that the plan account for decisions made in the capital improvement or facility plan. This includes recognition of the particular projects, their costs, source of funding and financing. This in turn, ensures that the plan is supported by the issuer's budget plan which identifies the uses of debt financing and the impact of servicing the debt on the issuer's other programs and services. If correctly administered the issuer's debt policies should affirm its strategic plan or long-term financial plan by integrating the goals and objectives identified in them.

SB 1029 also puts in place standards to manage bond proceeds. It does so by requiring that the plan address the agency's internal control system and measures that will be taken to ensure that proceeds of the debt are spent in the manner intended. The debt management plan should incorporate the agency's internal control system that is, itself, a combination of several other elements that should be set forth in a separate internal control plan. These include the agency's accounting procedures, its audit programs, the use and role of oversight and external review bodies, and the bond documents that set up the financial accounts and assign responsibility for managing expenditures.

SB 1029 also requires issuers of new debt to report on the principal issued and outstanding, the amount of authority approved and the amount outstanding, and the purposes to which the proceeds of the debt were expended. Issuers of debt after January, 2017, must submit this information to CDIAC until the debt has been fully repaid.

The information produced as a result of these two requirements improves the California bond market in significant ways. First, if the planning process conforms to best practices, issuers will make specific decisions about the use of debt financing that benefits from the framework of policies contained within strategic plans, capital improvement plans, and budgets. Second, this deliberative effort will be carried out in full view of the public and with its participation. Third, providing annual updates on the outstanding authority, a statistic that was not previously available except if calculated, allows investors and the community to anticipate the effect of additional debt on them. Finally, few issuers provide reports to their constituents, including investors, on how they have spent the proceeds received from the sale of debt. SB 1029 provides transparency that is often lacking and in doing so helps to build confidence among investors and taxpayers in their governmental organizations.

ADVANCEMENTS IN WEB BASED TRAINING

Treasurer Chiang published his strategic vision for California in February, 2016. The report, titled "Building California's Future Begins Today: Modernizing Public Finance and the Treasurer's Office", promoted the development of a certificate training program for California public officials. CDIAC has acted on the Treasurer's vision to expand its training services to include on-demand, on-line video training. It will begin with core training for elected officials on the topic of debt issuance and administration. The curriculum will be delivered in 8-10 short videos that will lead elected officials through the key concepts, terms, and processes needed to responsibly use debt financing for public programs and capital improvements.

The on-demand video format will complement the success CDIAC has demonstrated in providing webinar training over the Internet. The principle difference will be the 24-7 access users will have to the on-demand content. In addition, the on-demand videos allow CDIAC to craft the message, the instructional process, and the educational goals in a way that promises the greatest use and the highest educational value possible.

In 2015, CDIAC produced a series of webinars on public investment options that remains an available resource to investment staff in California. The catalog of on-line webinars and seminars continues to grow to provide benefits to public finance officials nationwide.

A FOCUS ON DISCLOSURE

The Securities and Exchange Commission (SEC) announced in December, 2016, that it had completed the settlement phase of the Municipal Continuing Disclosure Cooperative Initiative (MCDI) and would be turning its attention to underwriters and issuers that had not voluntarily disclosed violations under the program. The set-

tlement phase led to 75 settlement agreements with issuers in 45 states, including a 2014 settlement with Kings Canyon Joint Unified School District.

The SEC's continued focus on disclosure reflects the importance of this issue to the market. CDIAC has followed suit by offering programs that address disclosure and disclosure policies. On April 7th and again on September 8th, CDIAC offered "Municipal Market Disclosure: The Development and Administration of Debt Disclosure Policies". In addition, CDIAC three-day core program in debt issuance and administration, titled "Municipal Debt Essentials", includes basic training on preliminary and secondary disclosure activities in the municipal market.

Disclosure is the keystone to creating an efficient market and as such will remain a regular offering in CDIAC's educational curriculum.

SUMMARY OF STATE AND LOCAL BOND ISSUANCE

2016 debt issuance by California public agencies rose by 16.0 percent year-over-year (from \$67.7 billion to \$78.5 billion) while the total number of transactions rose by only 10.0 percent (from 2,829 to 3,111) (Figure 2).^{3,4,5}

Figure 2

PRINCIPAL AMOUNT ISSUED AND NUMBER OF ISSUES
ALL CALIFORNIA ISSUERS, 2015 AND 2016 (\$ IN MILLIONS)*

ISSUER TYPE	2015		2016		PERCENT CHANGE IN VOLUME FROM 2015 TO 2016
	VOLUME	NUMBER	VOLUME	NUMBER	
State Issuer	\$17,547	257	\$22,688	304	29.3%
K-12 School District	11,610	469	12,591	479	8.4
Joint Powers Agency	10,342	1,152	11,835	1,104	14.4
City Government	7,049	146	5,907	125	-16.2
City and County Government	1,884	35	4,581	51	143.2
County Government	2,574	234	2,530	517	-1.7
Other Issuers	16,715	536	18,392	531	10.0
TOTAL	\$67,721	2,829	\$78,523	3,111	16.0%

*Totals may not add due to rounding.

³ Total includes short-term and long-term debt.

⁴ State and local issuers include the State of California and its financing authorities, city and county governments, joint powers authorities, school districts, and other public entities, including but not limited to special districts, successor agencies to redevelopment agencies, community facilities districts, and community college districts.

⁵ A “transaction” is defined as any financing or portion of a financing for which a CDIAC number was generated.

Figure 3

CALIFORNIA PUBLIC DEBT, ALL CALIFORNIA ISSUERS
TOTAL PAR AMOUNT BY CALENDAR YEAR, 2006 TO 2016 (\$ IN MILLIONS)

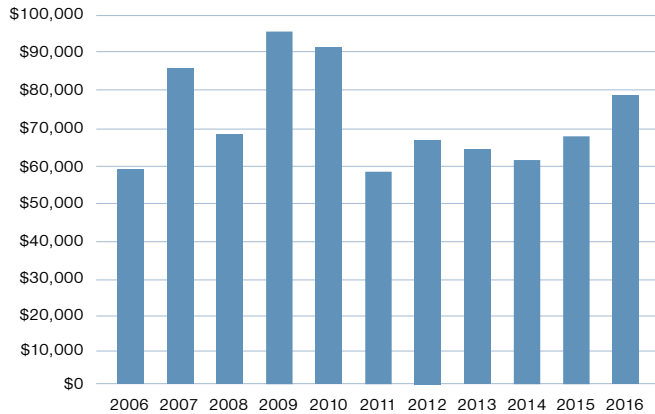
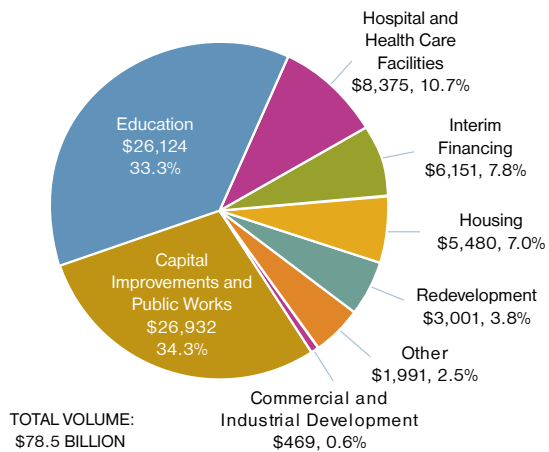


Figure 4

CALIFORNIA PUBLIC DEBT BY PURPOSE
ALL CALIFORNIA ISSUERS, 2015 (\$ IN MILLIONS)



In terms of the historical average, state and local debt issuance in 2016 was 8.2 percent above the 10-year average of \$72.0 billion (Figure 3).

Approximately 34 percent of the debt issued in 2016 by state and local agencies was for capital improvements and public works, almost 33 percent was for education, and nearly

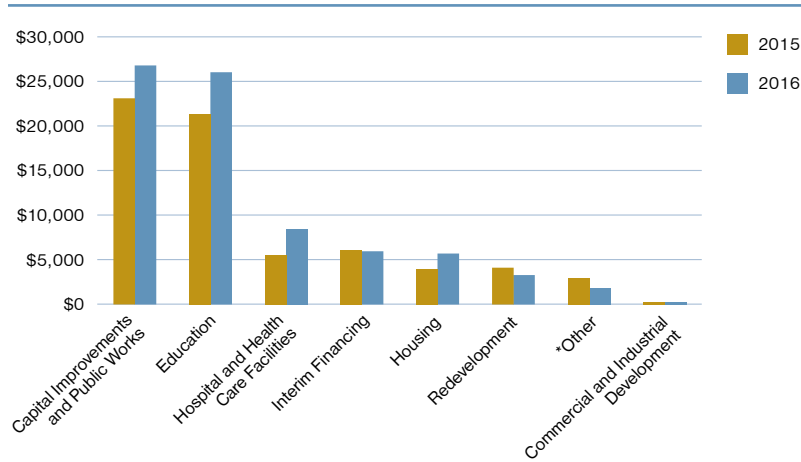
11 percent for hospital and health care facilities (Figure 4). All other uses accounted for close to 22 percent of the total debt issued.⁶

Debt issuance for hospital and health care facilities purposes increased 52.2 percent between 2015 and 2016. Issuance for housing increased by 51.2 percent as did education (21.0 percent),

⁶ “Other” projects include commercial energy conservation/improvement, insurance and pension funds, residential energy conservation/improvement, infrastructure and state revolving fund, Property Assessed Clean Energy (PACE) seismic safety improvements, and financing the acquisition, construction, and equipping of a hotel project.

Figure 5

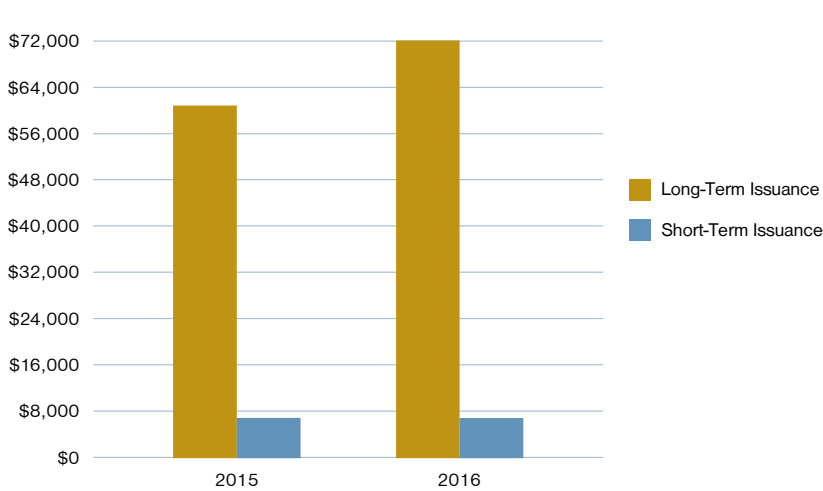
**CALIFORNIA PUBLIC DEBT BY PURPOSE
ALL CALIFORNIA ISSUERS, 2015 AND 2016 (\$ IN MILLIONS)**



*Other includes: commercial energy conservation/improvement, insurance and pension funds, residential energy conservation/improvement, infrastructure and state revolving fund, Property Assessed Clean Energy (PACE) seismic safety improvements, and financing the acquisition, construction, and equipping of a hotel project.

Figure 6

**COMPARISON OF LONG-TERM AND SHORT-TERM DEBT
ALL CALIFORNIA ISSUERS, 2015 AND 2016 (\$ IN MILLIONS)**



capital improvements and public works (16.9 percent), and commercial and industrial development (15.9 percent) (Figure 5). Purposes for which issuance declined were interim financing (3.0 percent decline), redevelopment (23.5 percent decline), and “other” (39.5 percent decline).

LONG-TERM DEBT VS. SHORT-TERM DEBT ISSUANCE⁷

In 2016, public agencies issued nearly \$72 billion in long-term debt – approximately 91 percent of total issuance for the year (Figure 6). The remaining \$6.7 billion was issued as short-term

⁷ Definitions of short-term debt differ within the finance community. CDIAC considers all forms of debt with an 18 month term or less as short-term and applies this definition to all reports and analyses of public debt it issued.

debt instruments, maturing in 18 months or less. Total long-term debt issuance increased by 17.8 percent from 2015 to 2016 while short-term issuance declined by 0.9 percent.

In 2016, long-term issuance consisted primarily of general obligation (GO) bonds (34.2 percent) and revenue bonds (25.3 percent).

NEW MONEY ISSUES VS. REFUNDING

Between 2015 and 2016, both new money issuance and refundings increased in California by 11.8 percent and 19.3 percent, respectively (Figure 7).

California public debt issuers refunded approximately \$45 billion in outstanding debt in 2016, an increase of 19.3 percent from the \$37.7 billion refunded in 2015.

COMPETITIVE VS. NEGOTIATED TRANSACTIONS

Public agencies have the ability to sell their debt through either a competitive or negotiated sale method. In a negotiated sale the issuer selects the underwriter and negotiates the sale prior to the issuance of the bonds. In a competitive sale underwriters submit sealed bids on a date specific and the issuer selects the best bid according to the notice of sale. In 2016, 88.3 percent of sales by California public debt issuers were negotiated. The trend over time has consistently favored negotiated sales by a wide margin. Since 2006, nearly 90 percent of California public debt has been issued through a negotiated sales approach (Figure 8).

Both issuer characteristics and financial conditions may contribute to the selection of one method over another. For example, the strength

Figure 7

COMPARISON OF NEW AND REFUNDING ISSUANCE ALL CALIFORNIA ISSUERS, 2015-2016 (\$ IN MILLIONS)

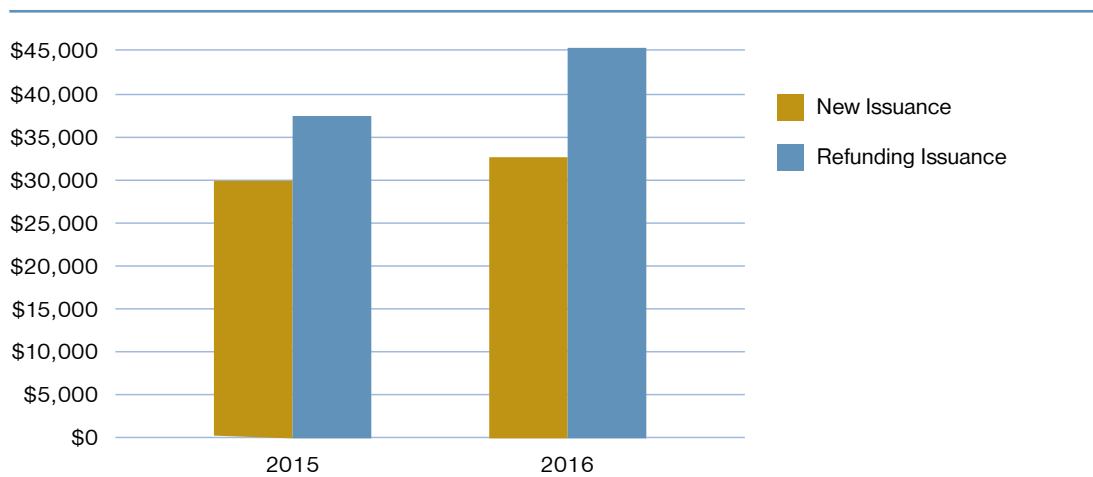


Figure 8

COMPETITIVE AND NEGOTIATED FINANCINGS
ALL CALIFORNIA ISSUERS, 2006-2016 (\$ IN MILLIONS)

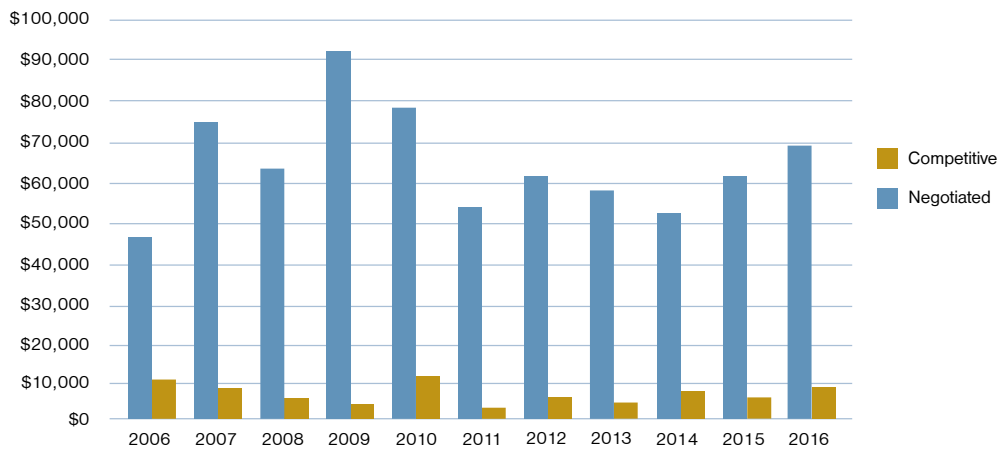
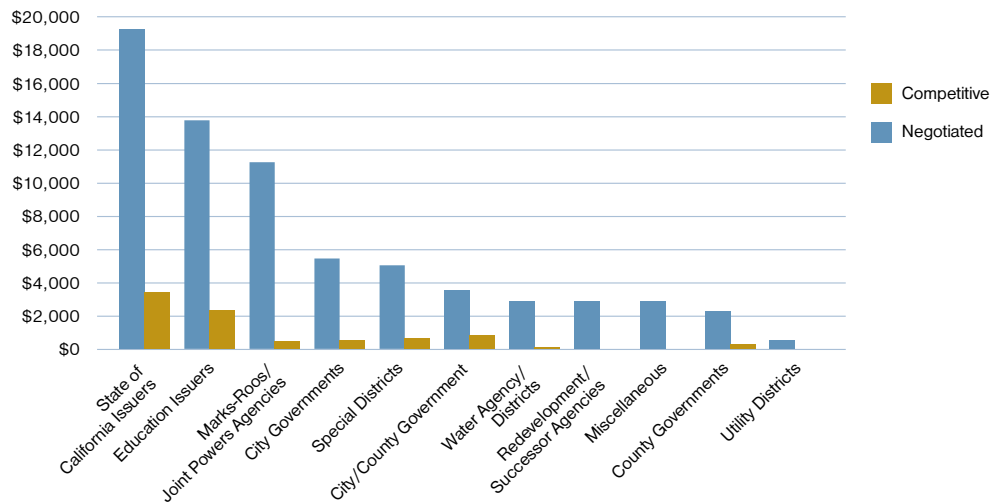


Figure 9

COMPARISON OF COMPETITIVE AND NEGOTIATED SALES
BY ISSUERS TYPE, ALL CALIFORNIA ISSUERS, 2016 (\$ IN MILLIONS)



of the credit, size of issue, type of debt instrument, and/or complexity of the structure may warrant the use of a negotiated sale method. However, as clearly evident in the prevalence of the method in the California municipal market,

the negotiated sale method is commonly used in more routine “vanilla” offerings, as well. In general, all issuers, irrespective of type of entity, preferred the negotiated sale method (Figure 9).⁸

⁸ Miscellaneous issuers include health care districts, hospital districts, housing authorities, and non-profit corporations. Utility districts are comprised of both municipal and public utility districts..

TAXABLE DEBT

Public issuers may utilize taxable bonds for certain projects or parts of a project that do not meet federal tax-exempt requirements (generally for projects that provide benefits to private entities as defined by tax code). Investor-led housing projects, local sports facilities, and borrowing to replenish an agency's underfunded pension plan are examples of bond issues that are federally taxable. The percentage of taxable issuance in 2016 increased to 11.6 percent from 11.4 percent in 2015 (Figure 10).

Figure 10

COMPARISON OF TOTAL VOLUME TO TAXABLE FINANCINGS
ALL CALIFORNIA ISSUERS, 2015 AND 2016 (\$ IN MILLIONS)

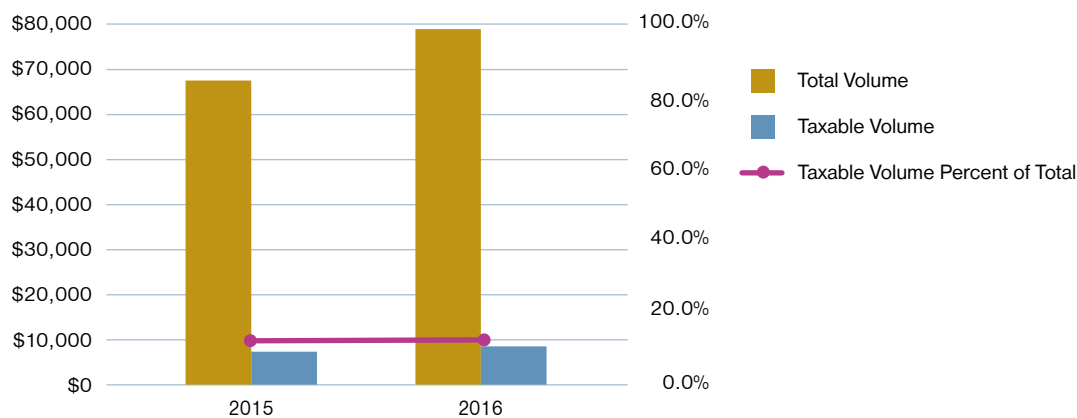
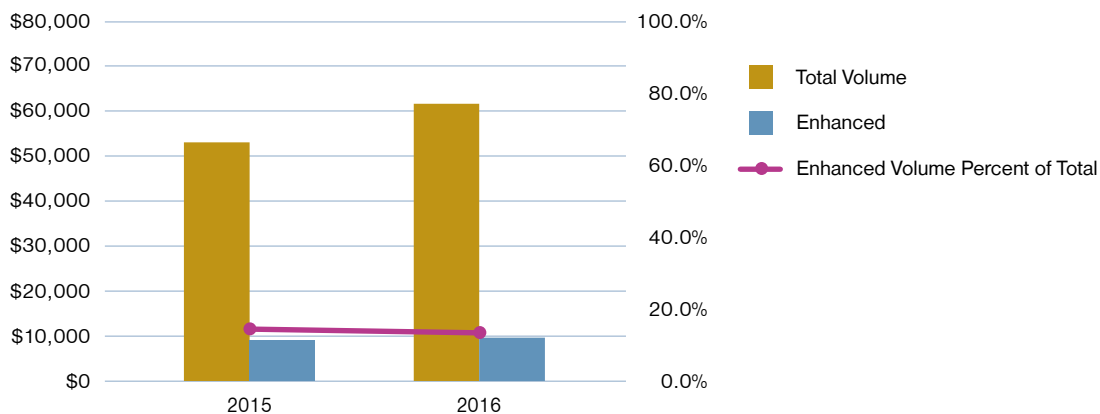


Figure 11

COMPARISON OF TOTAL VOLUME TO ENHANCED VOLUME*
ALL CALIFORNIA ISSUERS, 2015 AND 2016 (\$ IN MILLIONS)



*Does not include interim financing.

CREDIT ENHANCEMENTS

In 2016, the percentage of credit enhanced long-term debt decreased to 13.3 percent from 15.0 percent in 2015 (Figure 11). The overall volume of credit enhanced debt, however, increased 5.1 percent to \$9.7 billion from \$9.2 billion.

STATE DEBT ISSUANCE IN 2016

In 2016, the State of California sold \$16.2 billion in debt, of which approximately \$14.7 billion was in the form of long-term debt and \$1.5

billion in short-term notes.⁹ State issuance accounted for nearly 21 percent of all debt issued by public agencies in California.

Between 2015 and 2016, the issuance of revenue bonds and “other” bonds declined while the issuance of general obligation (GO) bonds and commercial paper increased (Figure 12).

Between 2015 and 2016, state issuance increased in four of the six purposes: education (29.1 percent), capital improvements and public works (40.7 percent), interim financing (3.7 percent) and hospital and health care facilities (253.1 percent) (Figure 13). State housing issuance, which had been on the rise since 2013, declined sharply

Figure 12

VOLUME OF STATE DEBT ISSUANCE, 2015 AND 2016 (\$ IN MILLIONS)

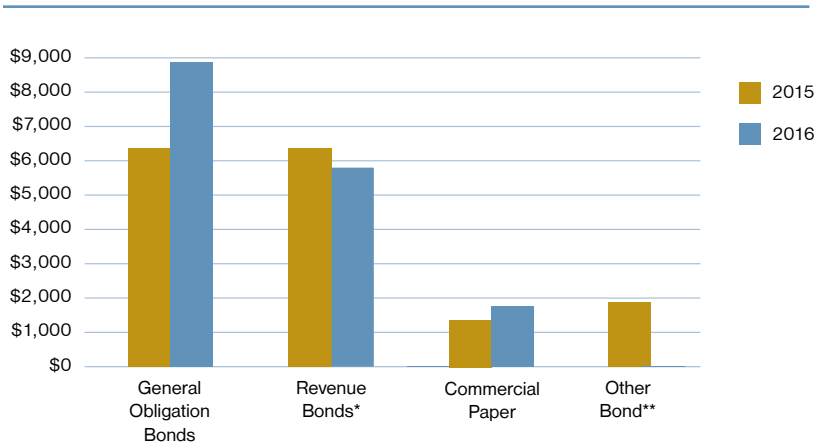
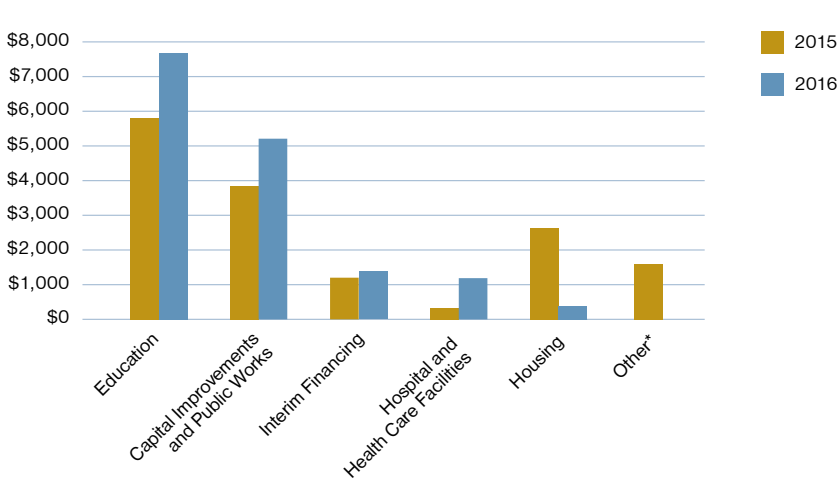


Figure 13

STATE DEBT ISSUANCE BY PURPOSE, 2015 AND 2016 (\$ IN MILLIONS)



*Other purpose is for a tobacco securitization bond.

⁹ In addition to the State of California, state issuers include the California Department of Water Resources, California State Public Works Board, Golden State Tobacco Securitization Corporation, The Regents of the University of California, California Department of Veterans Affairs, and the Trustees of the California State University.

from \$2.6 billion in 2015 to \$510 million (80.7 percent decline).

OTHER STATE ISSUERS AND CONDUIT ISSUANCE IN 2016

Issuance by state instrumentalities, including conduit bond issuers, rose in 2016. Overall, this category of issuers accounted for only 8 percent (\$6.4 billion) of all public agency issuance in 2016.¹⁰

From 2015 to 2016, issuance increased for every category of conduit debt (Figure 14).

Among state conduit bond issuers, financings for most purposes increased from 2015 to 2016. Issuance by hospital and health care facilities increased from \$1.1 billion in 2015 to \$3.8 billion in 2016 (240 percent increase), housing (71.3 percent increase), “other” (57.2 percent increase), commercial and industrial development (15.8 percent increase), and capital improvements and public works (3.5 percent increase) (Figure 15).

STUDENT LOAN FINANCE CORPORATION ISSUANCE IN 2016

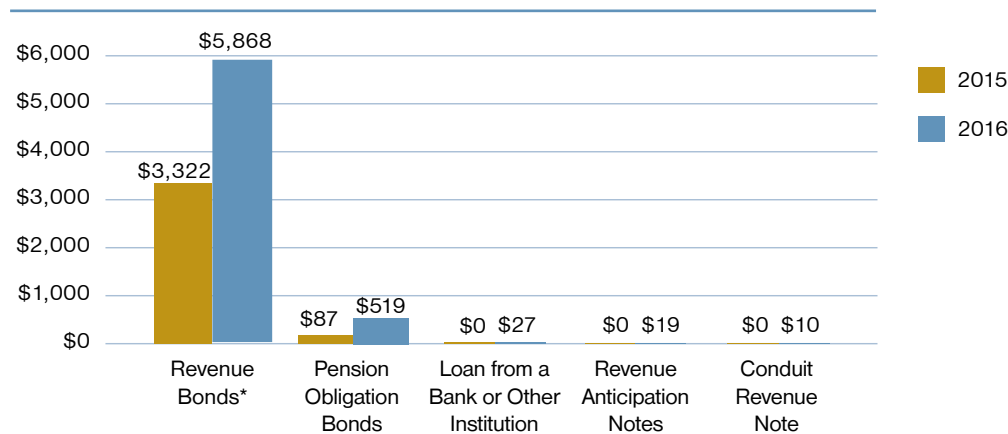
CDIAC typically receives filings from three classifications of State level student loan entities: private corporations, non-profit corporations, and the California Education Facilities Authority (CEFA). Just as in 2015, CDIAC received no such reports of debt issuance in 2016.

LOCAL DEBT ISSUANCE IN 2016

In 2016, local agencies issued nearly \$55.8 billion in short- and long-term debt, a 15.2 percent increase from 2015. Increased issuance was recorded in “other types of debt” (181.2 percent), other notes (116.9 percent), revenue bonds (35.6 percent), certificates of participation (15.1 percent), commercial paper (13.1 percent), and GO bonds (3.5 percent) (Figure 16). The only debt types that declined in issuance from 2015 to 2016 are tax and revenue anticipation notes (5 percent decline) and “other” bonds (16.3 percent decline).

Figure 14

STATE CONDUIT DEBT ISSUANCE BY DEBT TYPE
2015 AND 2016 (\$ IN MILLIONS)

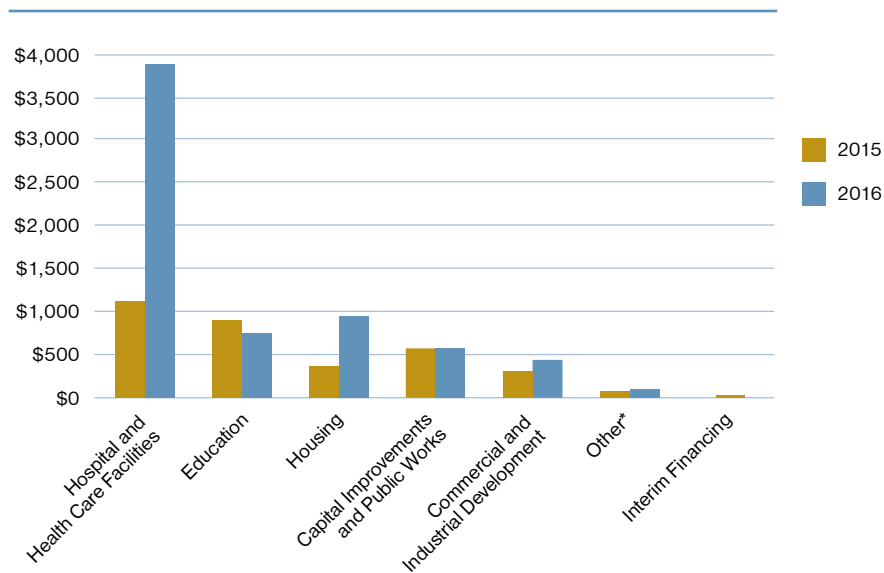


*Revenue bonds include conduit revenue bonds, public enterprise revenue bonds, public lease revenue bonds.

¹⁰ State instrumentalities include the California Educational Facilities Authority, California Health Facilities Financing Authority, California Housing Finance Agency, California Infrastructure & Economic Development Bank, California Pollution Control Financing Authority, California School Finance Authority, Capitol Area Development Authority, Del Mar Race Track Authority, Los Angeles State Building Authority, Oakland State Building Authority, and the San Francisco State Building Authority

Figure 15

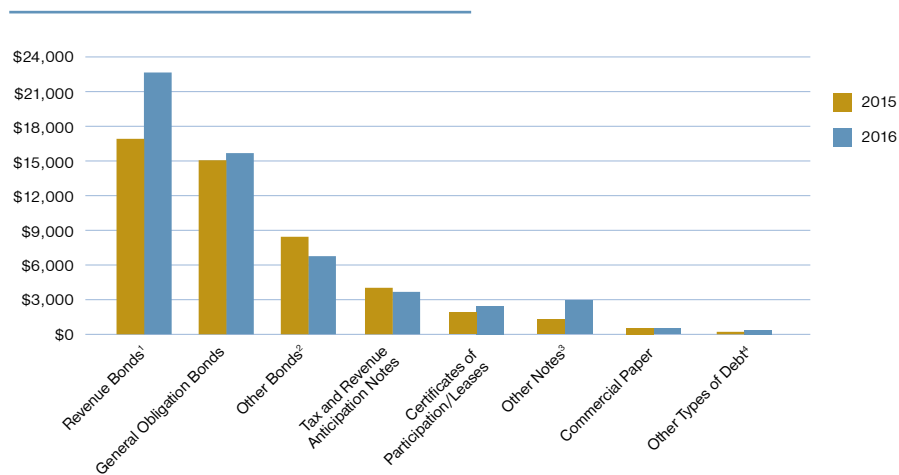
**CONDUIT STATE DEBT ISSUANCE BY PURPOSE
2015 AND 2016 (\$ IN MILLIONS)**



*Other includes human resources, California Earthquake Authority claims, and a State revolving fund.

Figure 16

**VOLUME OF LOCAL AGENCY BOND ISSUANCE BY DEBT TYPE
2015 AND 2016 (\$ IN MILLIONS)**



¹ Revenue bonds: conduit revenue bonds, public enterprise revenue bonds, public lease revenue bonds, and sales tax revenue bonds.

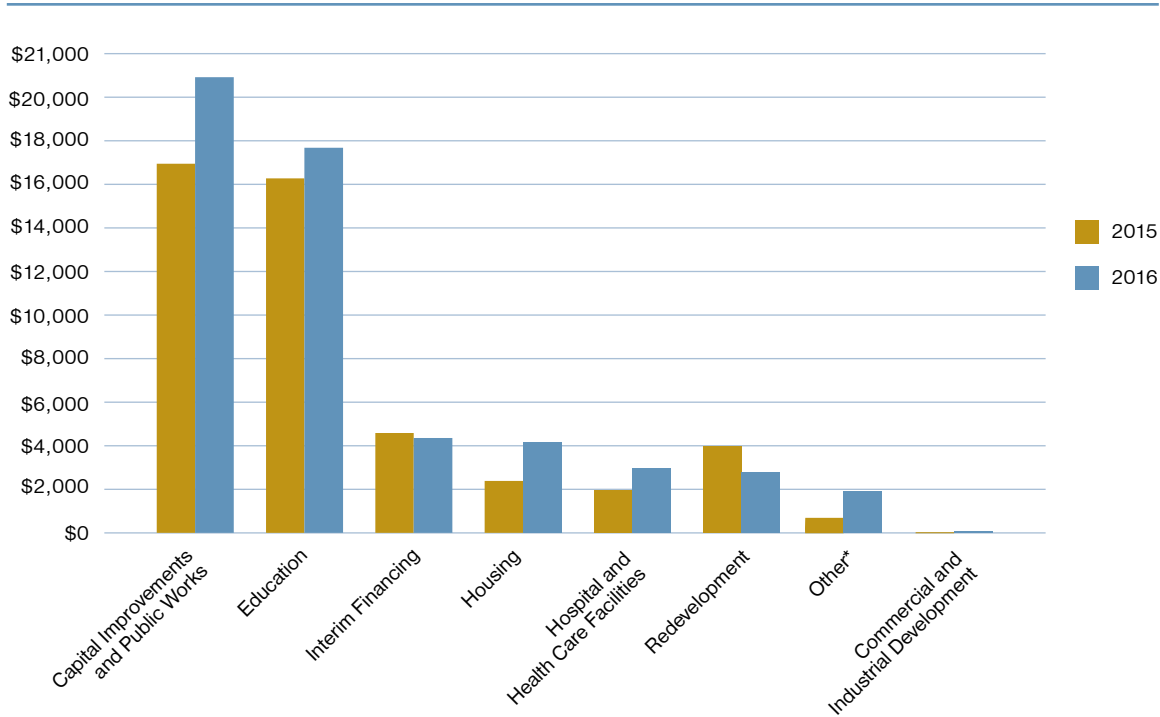
² Other bonds: limited tax obligation bonds, pension obligation bonds, special assessment bonds, and tax allocation bonds.

³ Other notes: general obligation notes, conduit revenue notes, promissory notes, revenue anticipation notes, tax allocation notes, and tax anticipation notes.

⁴ Other types of debt: capital leases, loans from a bank or other institution, Marks-Roos authority loans, and State agency loans.

Between 2015 and 2016, there was an increase in local issuance in most of the purpose categories: housing (74.4 percent), hospital and health care facilities (50.3 percent), “other” (22.6 percent), capital improvements and public works (21.9 percent), commercial and industrial development (16.8 percent), and education (9.2 percent). The remaining two purpose categories experienced declines in issuance: interim financing (5 percent decline) and redevelopment (23.7 percent decline) (Figure 17).

Figure 17
VOLUME OF LOCAL AGENCY ISSUANCE BY PURPOSE, 2015 AND 2016 (\$ IN MILLIONS)



*Other includes commercial energy conservation/improvement, human resources, insurance and pension funds, property assessed clean energy seismic safety improvements, state revolving fund program, a settlement agreement, delinquent tax financing, and residential energy conservation/improvement.

2016 REPORT OF OPERATIONS

DATA COLLECTION AND ANALYSIS UNIT

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

Data Collection

Reports of proposed and issued debt, as well as annual fiscal status reports for Mello-Roos and Mark-Roos bonds submitted by public issuers to CDIAC, are maintained in the Database. A large portion of the data collection can be viewed and accessed on CDIAC's website.¹¹ The Database

contains information from 1984 to the present and is updated continuously by Data Unit staff. As of December 31, 2016, the Database contained more than 56,000 issuance records.

For calendar year 2016, the Data Unit received and processed 10,326 reports including Reports of Proposed Debt Issuance (RPDIs),¹² Reports of Final Sale (RFSs),¹³ Marks-Roos Local Bond Pooling Yearly Fiscal Status Reports (MKR YF-SRs), Mello-Roos Community Facilities Districts Yearly Fiscal Status Reports (MLR YFSRs), and Mello-Roos/Marks-Roos Draw on Reserve/Default filings (DFDs). Figure 18 contains a breakdown of the reports processed by the Data Unit during calendar year 2016. This represents an 8.4 percent increase over the total number of reports received in calendar 2015.

¹¹ The Data Unit receives annual fiscal status reports for Mello-Roos and Marks-Roos bonds issued after January 1, 1993 and January 1, 1996, respectively.

¹² Per Government Code Section 8855(i) issuers of proposed new debt must give notice no later than 30 days prior to the sale date.

¹³ Per Government Code Section 8855(j), issuers are required to submit reports of final sale no later than 21 days after the sale of the debt.

Figure 18

REPORTS PROCESSED, CALENDAR YEAR 2015 VS. 2016

TYPE OF REPORT	2015	2016	INCREASE/DECREASE
Reports of Proposed Debt Issuance	2,927	3,388	15.7%
Reports of Final Sale	2,857	2,955	3.4
Mello-Roos Yearly Fiscal Status Reports	1,438	1,502	4.5
Marks-Roos Yearly Fiscal Status Reports	2,292	2,467	7.6
Mello-Roos/Marks-Roos Draw on Reserve/Default/Replenishment Filings	12	14	16.7
TOTAL REPORTS RECEIVED	9,526	10,326	8.4%

The increase in reporting may be the result of a surge in refunding volume as issuers rushed to market to take advantage of historically low rates to refinance higher cost debt.

The Data Unit has continued its transition to electronic (on-line) submission of data and reports as the primary means of data collection. Electronic submissions enhance data collection efficiencies and help to ensure reporting accuracy. Issuers were encouraged to use the electronic reporting forms prior to January 1, 2016, the date that all reports must be filed electronically. This allowed CDIAC to respond to any technical issues related to the online portal.

During 2016, online submissions of RPDIs and RFSs accounted for 99.7 percent of all submis-

sions, an increase over 2015 when they accounted for 84 percent. Of the 6,343 RPDIs and RFSs received for the year, 16 were sent in hardcopy form traditional mail or e-mail. Staff must manually enter the data contained in reports received in this manner.

Figure 19 displays the methods used to submit RPDIs and RFSs in 2016

The rate of online submission for all reports during 2016 was 98.7 percent, an increase from 87 percent in 2015 (Figure 20). Only 1.3 percent of all reports were filed by traditional mail and e-mail, this translated to approximately 128 reports that required manual data entry by Data Unit staff.

Figure 19

STATE AND LOCAL ISSUANCE METHODS OF SUBMITTAL, RPDIs AND RFSs

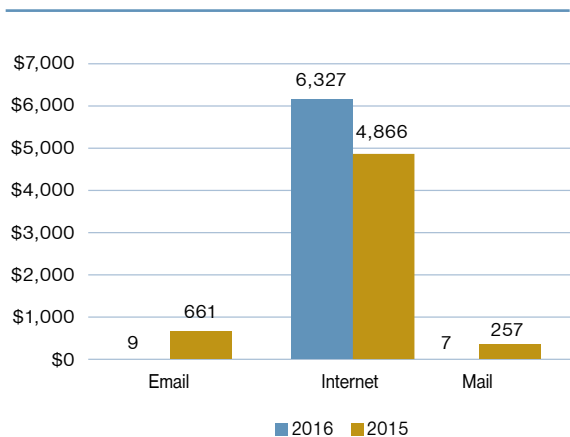
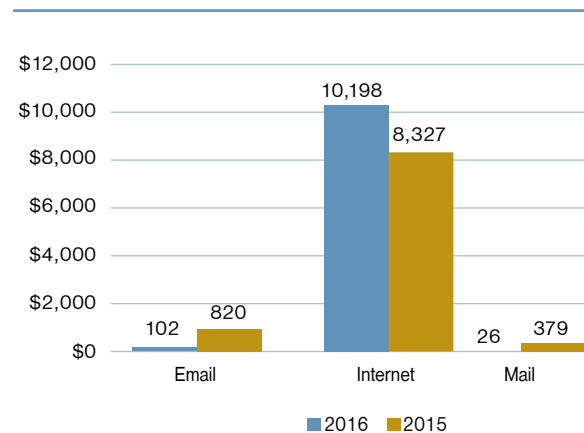


Figure 20

STATE AND LOCAL ISSUANCE, METHOD OF SUBMITTAL ALL REPORTS RECEIVED



Debt Issuance Fees

A critical function of the Data Unit is the collection of CDIAC debt issuance fees, the source of CDIAC's operational funding. CDIAC's issuance fees are assessed based on the principal amount issued and maturity length.¹⁴ In general, a flat fee of \$150 was assessed for short-term maturities. Long-term maturities were assessed a fee equal to 1.5 basis points (0.015%) times the principal amount issued, not to exceed \$3,000.

For 2016, the Data Unit issued 1,509 invoices totaling approximately \$2.7 million. Figure 21 reflects the breakdown of fees assessed for state and local agencies in 2016

Public Access to Debt Issuance Data

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

DEBTWATCH DATA PORTAL. As a part of the Treasurer's ongoing effort to increase government transparency and accountability, CDIAC launched the DebtWatch website in November 2015. DebtWatch provides citizens, the media, policy makers and others a new resource for understanding state and local government debt issuance. Containing easily accessible information relating to debt issued during the past thirty years, DebtWatch gives users the ability to compare, contrast, and analyze debt issuance data in unique, user-specific ways. As opposed to the searchable database discussed below, DebtWatch provides data on both proposed and completed financial transactions. A new feature added in 2016 is the ability to access the documentation of the debt issuance that was submitted to CDIAC

Figure 21

FEEs ASSESSED, STATE AND LOCAL ISSUERS
JANUARY 1, 2016 TO DECEMBER 31, 2016

	FEEs ASSESSED	# OF INVOICES
STATE		
Long-Term Debt	\$244,207	97
Short-Term Debt	0	0
LOCAL		
Long-Term Debt	\$2,403,559	1,337
Short-Term Debt	14,100	75
TOTAL	\$2,661,866	1,509

by the issuer with the issuer's Report of Final Sale. Documents vary depending upon the type of debt issued and the type of financing. The kinds of documents include official statements, bond specimens, indentures and resolutions of the governing body, promissory notes, lease agreements, loan agreements, installment sales agreements, and other issuance-related disclosures. If the field does not return a link to view the documents, it will return either "Pending", meaning documents may have been submitted by the issuer but have not yet been posted to DebtWatch, or "None Submitted", indicating that the issuer submitted no documentation with the Report of Final Sale. CDIAC updates DebtWatch monthly.

DEBT LINE NEWSLETTER. CDIAC publishes a monthly newsletter describing the operations of the Commission during the prior month.¹⁶ CDIAC's monthly publication, Debt Line, includes a monthly calendar of issues which provides comprehensive information on all reports of proposed and finalized debt issuances received during the prior month.

¹⁴ Maturities of 18 months or less are considered as short-term maturities for the purpose of assessing the issuance fee. Maturities greater than 18 months are considered as long-term maturities for fee assessment.

¹⁵ DebtWatch is located at: <http://debtwatch.treasurer.ca.gov/>.

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

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

SEARCHABLE DATABASE. State and local debt issuance data is available through a searchable database that contains information from 1984 through the present on all completed debt transactions reported to CDIAC. The online database was accessed more than 1,932 times during 2016.

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

CDIAC recorded 4,308 hits to its online resources, excluding DebtWatch, in 2016. Each “hit” or inquiry is recorded as well as the purpose for which the individual visited the site (Figure 22). CDIAC recorded 64,362 hits to the new DebtWatch website for 2016 (Figure 23).

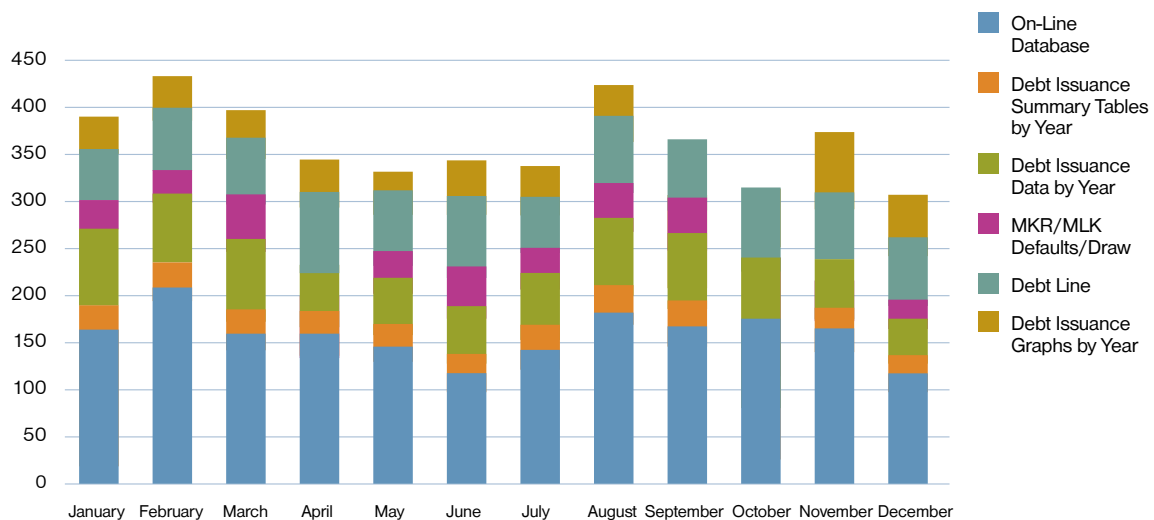
Reports

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

MARKS-ROOS LOCAL BOND POOLING ACT YEARLY FISCAL STATUS REPORT/MELLO-ROOS COMMUNITY FACILITIES DISTRICT YEARLY FISCAL STATUS REPORT. The Marks-Roos and Mello-Roos Yearly Fiscal Status Reports are received

Figure 22

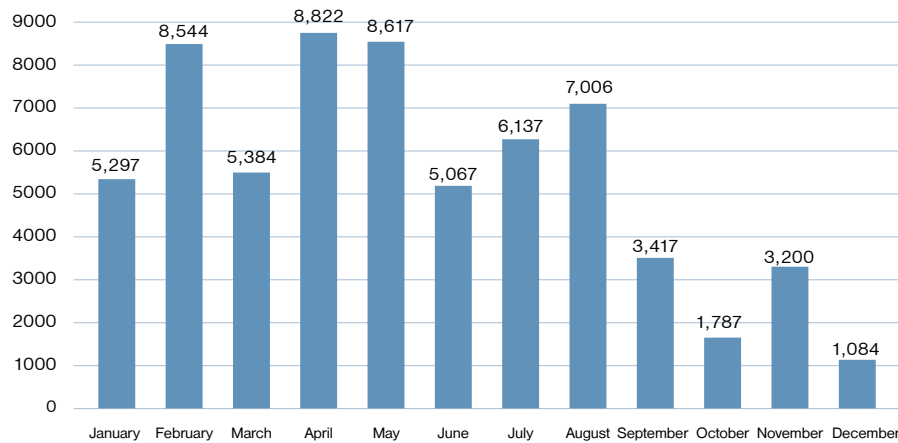
DEBT ISSUANCE DATA WEBSITE ACTIVITY,
JANUARY 1, 2016 TO DECEMBER 31, 2016



¹⁶ Government Code Section 8855(h)(9).

Figure 23

DEBTWATCH WEBSITE ACTIVITY,
JANUARY 1, 2016 TO DECEMBER 31, 2016



annually by CDIAC. Data is reported on a fiscal year basis (July 1 through June 30) and are due no later than October 30 each year.¹⁷ CDIAC aggregates this data and publishes a summary which includes a calendar of issues containing all reported data.

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

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

CALENDAR OF PUBLIC DEBT ISSUANCE. This annual report provides details on each issuance of public debt in California reported during the calendar year. Each listing includes the issuer name, county, debt type, purpose of the issue,

date of sale, debt principal amount, and whether or not the issue is refunding outstanding debt. Each listing also shows the true and/or net interest costs, if the financing included credit enhancement, the final maturity date, and major participants in the financings. The report is organized chronologically by issuer, beginning with the State of California and its departments and agencies, then local agencies (further sorted by county, agencies within counties, and by the sale date of the issue) and student loan corporations.

SUMMARY OF CALIFORNIA PUBLIC DEBT ISSUANCE. This annual report provides aggregate summary information by issuer on major components of debt, such as long-term and short-term debt, tax-exempt and taxable debt, and refunding existing indebtedness for the calendar year. The tables included in the report contain statistics on both state and local agencies broken out by type of issuer, type of debt, purpose of financing, federal taxability, and whether the issue is refunding outstanding debt or not.

¹⁷ Pursuant to Government Code Sections 6599.1(b) and 53359.5(b) issuers of Mark-Roos (after January 1, 1996) and Mello-Roos (after January 1, 1993) bonds must submit Yearly Fiscal Status Reports to CDIAC.

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

Other 2016 Data Unit Projects and Initiatives

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

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

DATABASE UPDATES. Application Based Reports and Public Interface – Working with the State Treasurer's Office Information Technology Division (ITD), CDIAC continued to explore ways to reduce time spent manually manipulating data and documents for both Data Unit staff and for our customers. Since issuers are required to submit financing documents to CDIAC with their report of final sale, staff requested that ITD provide the ability for issuers to attach their financing documents when submitting their report of final sale instead of having to send the documents as attachments in a separate e-mail. ITD provid-

ed this timesaving enhancement to our customers in January 2016.

TECHNICAL ASSISTANCE. Data Unit staff responded to 31 requests for technical assistance during the year a drop of 34 percent due to the easy accessibility to DebtWatch. Inquiries for cost of issuance data on fees paid to financing team members and information on school district debt were the two most common requests. Data on Mello-Roos bonds was the third most requested item.

2017 Outlook

DEBT ISSUANCE DATABASE REVIEW AND DEVELOPMENT PROJECT. CDIAC has undertaken an extensive analysis of the database to identify improvements in functionality, performance, and utility. As a result of this effort, CDIAC has developed a detailed vision that reflects current and future uses, the capture of third-party data, and the potential to embrace new technologies to achieve expanded program and policy goals. Over the next twelve months, CDIAC in conjunction with ITD will be working to develop and deploy the next generation database that will provide an integrated solution to address CDIAC's need to collect, manage and report on debt issuance in California.

IMPROVED DATA SOURCING. Working with ITD, CDIAC staff will explore opportunities to expand the scope of data now collected. CDIAC's vision for the improved database will add over one hundred new data elements to the system, a 33 percent increase. Staff believes that the value of the currently collected data will be enriched through the expansion of data elements.

DEBT DATA SENATE BILL 1029. SB 1029, Hertzberg, (Chapter 307, Statutes of 2016), amended Government Code section 8855 to place additional reporting obligations on issuers of public debt in California. The bill requires local issuers, who submit a report of proposed debt issuance on or after January 1, 2017, to certify that they

have adopted a debt policy that conforms to certain criteria listed in Government Code section 8855(i). ITD updated the report of proposed debt issuance to capture the debt policy certification on January 1, 2017.

In addition, all public issuers in California who submit a report of final sale to CDIAC on or after January 21, 2017, will be required to submit an annual report on the status of that debt until the debt is no longer outstanding. CDIAC staff is currently teaming with ITD and our stakeholders to develop and launch the annual debt transparency report. We expect to finalize the electronic report no later than October 1, 2017 in preparation for initial reports which are due no later than January 31, 2018. CDIAC plans to establish regulations to clarify reporting procedures during 2018.

DEBT DATA REGULATIONS. CDIAC expects to complete its initial rulemaking package in January 2017. The regulations will be captured under the California Code of Regulations Title 4, Division 9.6, Sections 6000-6062. This rulemaking action interprets, clarifies, and makes specific the requirements of state and local government entities to submit information to the Commission related to their authorization and issuance of debt and the annual fiscal status and specific events related to bonds issued pursuant to the Mello-Roos Community Facilities Act of 1982 and Marks-Roos Local Bond Pooling Act of 1985. This rulemaking action also makes specific the characteristics of a debt issue that would qualify for an exception to the statutorily authorized issuance fee. The expected publication and effective date of the regulations will be April 1, 2017.

ELECTRONIC DOCUMENT STORAGE. In order to support the improvements made to the database in the future and to support the functionality provided by the DebtWatch, staff are digitizing bond documents, including reports and supplemental documents submitted by issuers pursuant to Government Code section 8855(j). Although

CDIAC now requests and many issuers submit these documents in an electronic form, hard copy documents from prior years must be scanned and indexed in a searchable electronic document storage system called FileNet. CDIAC hopes to complete digitization of issuance documents received between 2012 and 2013 by the end of 2017. In concert with ITD, CDIAC is working on a process to automatically transfer the document files from a temporary file folder into FileNet with no action required by Data Unit staff. The completion of this process will significantly reduce man-hours used by staff to transfer and verify documents. CDIAC expects the process to be finalized in spring 2017.

EDUCATION AND OUTREACH UNIT

CDIAC's Education and Outreach Unit (Education Unit) provides continuing education to public finance officers, elected officials, and the public, develops and maintains relationship with allied organizations to provide training, and monitors the informational and educational needs of its constituents.

Education Programs

CDIAC's education programs include "core" seminars given on an annual or biennial basis (Figure 24), webinar trainings that allow for a timely response to current issues or technical training needs, and co-sponsored seminars with allied organizations that expand CDIAC's outreach.

In 2016, CDIAC conducted nine educational programs: four core seminars, two current topic seminars, and three co-sponsored seminars in various locations of the state. Although CDIAC had hosted webinars to complement its seminar offerings in prior years, 2016 marked a return to more intensive in-person trainings comprised of five to six individual sessions offering a more detailed discussion of the topic at hand.

Figure 24

CDIAC'S CORE SEMINARS

SEMINAR	DESCRIPTION
<p>MUNICIPAL DEBT ESSENTIALS</p>	<p>This 3-day seminar is designed to provide municipal financing principles through lecture, short examples, and classroom interaction.</p> <p>Day One, Debt Basics, covers the fundamental elements of debt financing, from the core concepts of bond math to the types of debt state and local governments can issue. It is designed to provide municipal financing principles through lecture and short examples and exercises.</p> <p>Day Two, Planning a Bond Sale, is focused on the preparation, planning, and processes involved in issuing municipal debt, including, but not limited to, the development of a written debt policy and plan of finance, structuring debt service payments, managing cost of issuance, and credit analysis.</p> <p>Day Three, Marketing and Pricing a Municipal Bond, covers the concepts and processes involved in accessing the capital markets. The topics include a discussion of the offering document used to sell the bonds and how underwriters and issuers seek to market and price the bond. Group exercises are included to provide practical application of the concepts.</p>
<p>ON-GOING DEBT ADMINISTRATION</p>	<p>This one-day seminar provides the knowledge needed to manage continuing disclosure, compliance with federal arbitrage rules, and the investment of bond proceeds. This curriculum focuses on the larger practices of living with an issue over the life of the bond.</p>
<p>INVESTING PUBLIC FUNDS</p>	<p>This one and a half-day seminar covers investment related topics. In alternating years, the course material varies covering municipal investment topics of varying complexity – basic to advanced concepts and topics are discussed.</p>
<p>MUNICIPAL MARKET DISCLOSURE</p>	<p>This one and a half-day seminar is an in-depth presentation on the requirements for disclosure of municipal securities information to the market. Topics include federal securities laws and regulations, issuer responsibilities, and continuing disclosure compliance.</p>
<p>FUNDAMENTALS OF LAND SECURED FINANCING</p>	<p>This one-day seminar focuses on the use of Mello-Roos and assessment district financing techniques, including how to form a district, issue debt, and administer liens.</p>

CORE SEMINARS. *Fundamentals of Land-Secured Financing*. This program, held in April 2016, detailed the land-secured financing process from district pre-formation through project implementation to ongoing administration. Both Mello-Roos community facilities district and assessment district financings were covered in-depth.

Municipal Debt Essentials. In October 2016, CDIAC held its three-day core seminar on municipal debt issuance fundamentals. This seminar series provides sessions in sequential order based upon the debt issuance and administration process. Participants were given the option of attending one day or any combination of days based upon their educational needs.

CURRENT TOPIC SEMINARS. *Municipal Market Disclosure: The Development and Administration of Debt Disclosure Policies*. This program, held in April and then repeated in September, was created in response to the SEC’s increased emphasis on written disclosure policies and procedures. The seminar provided participants with an understanding of the purpose, structure, and content of disclosure policies, as well as the practices that help issuers implement and maintain them. Although this program is considered a current topic seminar due to the timeliness of the subject matter, sessions on the development and implementation of disclosure policies will be woven into CDIAC’s core Municipal Market Disclosure seminar to support the need for issuers to embrace written disclosure policies and procedures as a best practice.

CO-SPONSORED SEMINARS. *CDIAC and the California Municipal Treasurers' Association (CMTA) - Advanced Public Funds Investing: The Analytics of Investment Selection and Portfolio Decision-Making*. In the summer of 2015, CDIAC produced a series of webinars called *The Public Fund Investment Portfolio*. The series provided a thorough examination of the permitted types of instruments under California Government Code section 53601. As a follow-up to the webinar series, this two-day seminar, held in January 2016, provided a more advanced analysis of each instrument's features and risks in the context of a portfolio structure. The seminar also covered the more advanced concepts underlying sound public portfolio decision-making and included a practicum allowing seminar participants to put concepts into practice through an investment portfolio case-study simulation.

The Bond Buyer Pre-Conference. In September 2016, CDIAC held a three-quarter day event, *The Relationship Between Issuers and Their Consultants in the Post-Dodd-Frank Era*, at The Bond Buyer's 26th Annual California Public Finance Conference. The seminar marked the 15th con-

secutive year that CDIAC has partnered with The Bond Buyer for the pre-conference. The program examined the changing obligations of market participants as a result of regulatory reform and how these have affected public agencies. Specific attention was paid to the roles and obligations of financing team members, the impact of enforcement actions against issuers and public officials, and new and developing rules and regulations.

CDIAC and California Society of Municipal Analysts (CSMA)—California Lease Financing: A New Look at an Old Tool. This program, held in November 2016, considered the structure of tax-exempt lease and asset transfer financing, uses and benefits, and the nature of the security. It then considered the implications of Stockton's bankruptcy and the uncertainty that may remain with respect to the nature of a lease in Chapter 9.

Attendance at CDIAC Educational Programs

Six hundred eighty-nine (689) public finance professionals, public and private, attended CDIAC's educational programs in 2016 (Figure 25).

Figure 25
PARTICIPATION AT CDIAC EVENTS, 2016

EVENT TITLE	DATE	LOCATION	TOTAL PARTICIPANTS
CDIAC SEMINARS			
Municipal Market Disclosure	4/7/2016	San Mateo, CA	75
Fundamentals of Land-Secured Financing	4/28/2016	Sacramento, CA	70
Municipal Market Disclosure	9/8/2016	Irvine, CA	49
Municipal Debt Essentials-Day 1	10/26/2016	Sacramento, CA	106
Municipal Debt Essentials-Day 2	10/26/2016	Sacramento, CA	102
Municipal Debt Essentials-Day 3	10/26/2016	Sacramento, CA	93
OTHER CDIAC ENGAGEMENTS			
CDIAC and CMTA: Advanced Public Funds Investing	1/27-28/2016	Riverside, CA	79
<i>The Bond Buyer</i> Pre-conference	9/20/2016	Los Angeles, CA	50
CDIAC and CSMA: California Lease Financing	11/4/2016	Napa, CA	65
TOTAL			689

CDIAC tracks the attendees' organizational affiliation by public or private sectors (Figure 26). This year, 82 percent of the participants were from the public sector, a five percent decrease from last year. If registration from events held in partnership with CSMA and The Bond Buyer were excluded, 92 percent of the attendees were from the public sector, a two percent increase over 2015.

Of the public and private sectors, approximately 44 percent of attendees were from cities and counties; 36 percent were from state agencies, special districts, school districts, and joint powers authorities; and 18 percent were from the private sector. Figure 27 reflects attendees by organization type at all CDIAC educational programs for the year.

Historical Comparison of Seminar Attendance.

Over the past five years CDIAC has attracted approximately 6,544 attendees to its programs, including educational offerings held in partnership with other organizations. Figure 28 reflects en-

rollment activity in CDIAC programs from 2012 through 2016. Although CDIAC's programs in 2015 attracted a substantially higher number of attendees overall, the majority of these were participants in CDIAC's nine-part webinar series on investment instruments. Each individual webinar in that series attracted between 113 and 226 participants, higher numbers per webinar than any single in-person seminar. In 2016, attendance at in-person seminars rose to 689, up from 488 in 2015 and more than in any other year since 2012.

Based on this five year time span, CDIAC continues to serve its primary audience, public agencies, as reflected in Figures 29 and 30. Since 2012, cities, counties, and special districts represent 55 percent of all attendees at CDIAC programs.

2017 Outlook

Curriculum and Program Development. CDIAC foresees two areas that will affect the educational needs of California's public agencies: a) educating new staff in public agencies and newly elected officials, and b) changes to the method and manner in which debt is issued in the municipal market.

Figure 26

ATTENDANCE AT CDIAC PROGRAMS BY ORGANIZATIONAL AFFILIATION PUBLIC OR PRIVATE, 2016

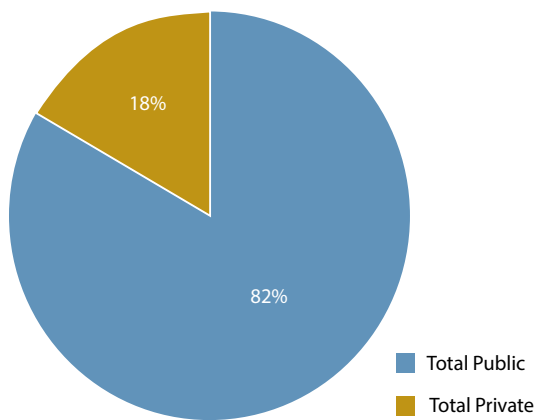


Figure 27

ATTENDANCE AT CDIAC PROGRAMS BY ORGANIZATIONAL TYPE, 2016

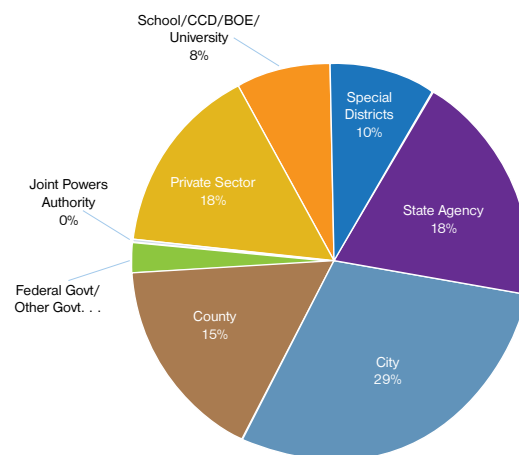


Figure 28

ATTENDANCE AT CDIAC PROGRAMS, 2009 TO 2015

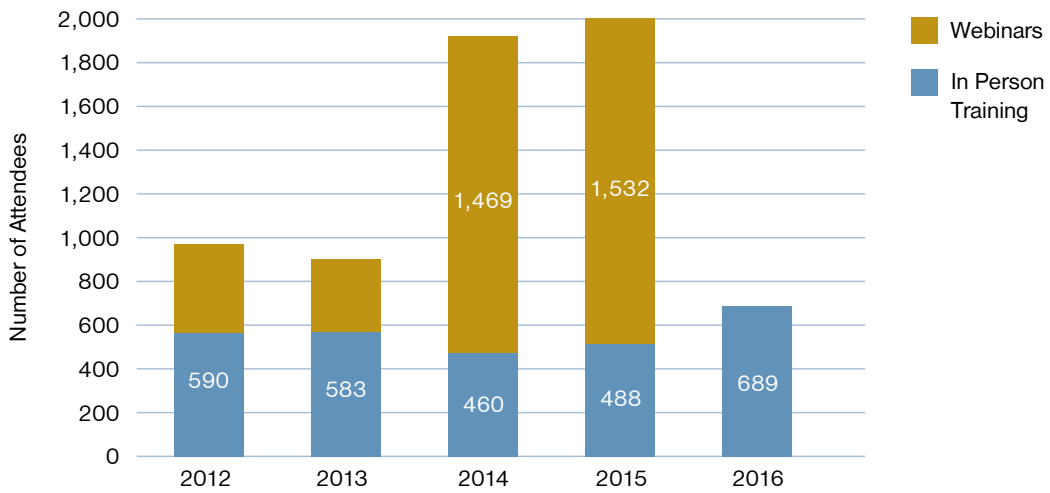


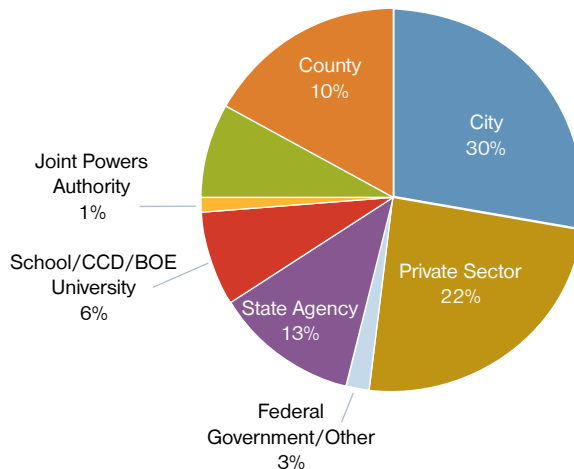
Figure 29

ATTENDANCE AT CDIAC PROGRAMS,
PUBLIC VS. PRIVATE 2012 – 2016

YEAR	% PUBLIC	% PRIVATE
2012	67	33
2013	76	24
2014	73	27
2015	87	13
2016	82	18

Figure 30

ATTENDANCE AT CDIAC PROGRAMS,
BY ORGANIZATION TYPE 2012 – 2016



In response, CDIAC must continue to develop programming that addresses these two critical environmental forces. To do so, CDIAC is tailoring education for elected officials on debt financing and examining course offerings that address changes in debt management practices that impact California issuers. This includes the mandatory requirement for all local debt issuers to create or update debt management policies that are compliant with Senate Bill 1029.

INTERNET-BASED ON DEMAND TRAINING. CDIAC will produce an online on-demand training course on debt issuance and administration that is tailored for elected officials. Through the use of an interactive learning management system, officials will receive a certificate after completing the online course and demonstrating sufficient knowledge acquisition. The system will also allow CDIAC to track registration and develop reports to monitor the effectiveness of the program in achieving the learning objectives and reaching the target audience.

TOOL-BASED TRAINING IN THE CLASSROOM. CDIAC will continue to enhance core educational curriculum to provide a more applied approach to training. In 2017, CDIAC will further its course offerings in public investments by offering Excel-based training.

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

EXISTING PARTNERSHIPS. In 2017, CDIAC will continue its partnerships with the California Society of Municipal Analysts (CSMA) and The Bond Buyer. Building on the success of collaborative workshops held in 2015 and 2016, CDIAC will continue its partnership with the California

Municipal Treasurer's Association (CMTA) to provide public investment training workshops its for beginners and advanced practitioners.

DIRECT PROMOTION OF PROGRAMS. CDIAC will continue to promote its programs through subscribed email list and newsletter emails with association groups, postings on association webpages and when necessary, through direct promotion of seminars through targeted mailing of printed brochures to local public agency officials. Social media, such as Twitter and LinkedIn, will continue to be used for focused promotion to followers of CDIAC and the Treasurer's Office.

STATE FINANCING BOARDS, COMMISSIONS, AND AUTHORITIES. CDIAC will continue to offer webinar services to meet the educational and outreach needs of the state financing boards, commissions, and authorities.

POLICY RESEARCH UNIT

California Government Code section 8855(h)(5) authorizes CDIAC to undertake research projects that improve practices or reduce the borrowing costs of public issuers in California. For calendar year 2016, CDIAC staff either initiated or completed a number of research projects.

CDIAC Projects Completed

AN OVERVIEW OF LOCAL GOVERNMENT GENERAL OBLIGATION BOND ISSUANCE TRENDS - 2016 UPDATE. In 2008, CDIAC published *An Overview of Local Government General Obligation Bond Issuance Trends (1985-2005)*, which focused on the changes in the volume of general obligation (GO) bonds. This issue brief updates the 2008 report by including GO bond issuance activity from 2006 to 2015 and discusses changes in issuance patterns.

ISSUE BRIEF: SECURITIZED INVESTMENTS. This issue brief provides an overview of asset-backed and mortgage-backed securities, identifies the risk associated with these investment products in a public portfolio, and describes the current

status of proposed federal initiatives that may affect these securities.

ISSUER APPLICATION OF THE MUNICIPAL ADVISOR RULE'S IRMA EXEMPTION. This issue brief reviews the Independent Registered Municipal Advisor (IRMA) exemption contained in the Municipal Advisor (MA) Rule and addresses how issuers utilize this exemption. The brief examines the steps municipal issuers have taken to address the IRMA exemption and incorporate it into their debt issuance process. The brief highlights municipal issuers that have publicly posted IRMA exemption letters and compares the text of the existing IRMA letters.

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

LOCAL AGENCY INVESTMENT GUIDELINES: UPDATE FOR 2016. CDIAC, working collaboratively with investment professionals, reviewed and updated the CDIAC Local Agency Investment Guidelines. This document provides references and recommendations (developed with public and private sector professionals) for interpreting and applying California statute to public fund investment topics and questions common among local agencies. The 2016 Update reflects statutory changes effective January 1, 2016.

RESULTS OF THE 2016 PRIMARY ELECTION: BOND AND TAX MEASURES APPEARING ON THE 2016 PRIMARY BALLOTS, JUNE 7, 2016. This bi-annual report provides an analysis of the certified results of the bond and tax elections held in the June 2016 Primary Election as well as a detailed listing of each bond and tax measure by county, region, type of tax or debt, and purpose.

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

2017 Outlook: Proposed or Initiated Projects and Activities

DISCLOSURE PRIMER. CDIAC will develop a concept to create a primer on municipal market disclosure. As envisioned, this primer will be a companion to the California Debt Issuance Primer and provide a detailed desk-reference for public finance officials on disclosure requirements and best practices.

ELECTRONIC DISCLOSURE: 2017 UPDATE. CDIAC will update earlier research on electronic disclosure and address recent trends in electronic disclosure.

K-14 VOTER APPROVED GENERAL OBLIGATION BONDS: AUTHORIZED, BUT UNISSUED - 2017 UPDATE. CDIAC will update earlier research that cross-referenced K-14 general obligation bond issuance with the underlying voter approved authority to determine the amount of general obligation bonds that were authorized, but unissued since 2002. This update will election and issuance activity for calendar year 2016 to the original data.

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

RESEARCH RESOURCE DATABASE. CDIAC will develop a proposal to create a research resource database that will bring together municipal finance information from a variety of sources in a searchable central repository to facilitate the development and enhancement of CDIAC's research, data analysis, and educational programming.

RESULTS OF THE 2016 GENERAL ELECTION: BOND AND TAX MEASURES APPEARING ON THE 2016 GENERAL ELECTION BALLOTS, NOVEMBER 8, 2016. This bi-annual report provides an analysis of the certified results of the bond and tax elections held in the November 2016 General Election as well as a detailed listing of each bond and tax measure by county, region, type of tax or debt, and purpose.

TAX RATES. Using information from CDIAC's debt issuance database and county tax assessors, CDIAC will review tax rates for general obligation bonds issued by K-14 school districts under Proposition 39 and perform a detailed review to explain why some school districts have tax rates that exceed the tax rate limit established in statute.

UPDATE TO THE CALIFORNIA DEBT ISSUANCE PRIMER. CDIAC's redesigned Debt Issuance Primer is now called the California Debt Issuance Guidebook (Guidebook). CDIAC has compiled an advisory group to identify the areas of importance to the development of CDIAC's debt issuance resources. It is anticipated the Guidebook will be completed by the end of 2017.

UPDATE TO THE CALIFORNIA PUBLIC FUND INVESTMENT PRIMER. CDIAC is in the process of reviewing the California Public Fund Investment Primer, which was last updated in 2009, to determine the scope of updates needed.

DEVELOPMENT OF A DATA WAREHOUSE. CDIAC will develop a plan to procure or create parallel or complementary data sets to expand the utility of CDIAC debt issuance data and create a Data

Warehouse. The concept of the Data Warehouse is to provide internal and external researchers with a "go-to" source for data relevant to the study of public financial management by combining CDIAC's municipal debt data with a wide variety of available economic and demographic data.

OUTREACH AND COLLABORATION WITH PUBLIC FINANCE ORGANIZATIONS. CDIAC will continue to work with public finance organizations, public agencies and research organizations to identify and assess new forms of public debt and investments coming into the market. This collaboration helps to keep CDIAC informed of market trends and emerging products and practices to produce research that is timely and relevant.

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

DEBT LINE. CDIAC will continue to publish Debt Line, a monthly newsletter including issuance statistics and analysis, research articles, important dates and details arising from MSRB and SEC regulatory activities, and announcements of educational programming provided by CDIAC and allied organizations.



CDIAC

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