

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
May 17, 2017

2017 Compliance Status Report
(Agenda Item No. 6)

In 2015, CDLAC established the On-line Compliance System. This online system replaced hardcopy annual compliance certifications submitted to CDLAC.

The On-line Compliance System is directly tied to the CDLAC database of projects and supporting data. Historically, the data within the database was not updated after the issuance of bonds. Given the compliance reporting system now relies upon the data in the database to generate compliance records, it has become necessary to transition the database into a real-time reflection of the status of each project. As a result and since the 2015 on-line compliance implementation, the database has required ongoing maintenance related to missing project data, outdated project data and other technical issues.

In February of 2017, it was discovered in a system-generated report that CDLAC's project portfolio as captured in the CDLAC database was significantly incomplete. In certain instances, it did not capture projects that should be reporting and in other instances, captured projects that had never come to fruition. As a result, Applicants in some instances were unable to access all projects in their portfolio, in other instances too many projects were reflected in their portfolio, and some issuers faced a combination of these issues. In response to these circumstances, CDLAC engaged the assistance of the State Treasurer's Office (STO) Information Technology (IT) Department and the STO Public Finance Division, and dedicated a full time CDLAC staff member to addressing the shortfalls. While CDLAC and IT staff worked to resolve the issues that were reported, Applicants were provided with a 30-day extension to the CDLAC March 1 compliance deadline. Since that time, CDLAC has made significant progress in addressing Applicant concerns related to both missing projects and projects that were present in the compliance system but no longer required reporting. CDLAC is now ready to continue its annual compliance reporting process and proceed with notifying non-compliant Applicants of their failure to submit annual compliance information for the 2016 year ending December 30, 2016.

CDLAC staff acknowledges that there is still significant work to be done to ensure the quality of the data in the CDLAC database. CDLAC has established the following plan of action to improve database integrity and resolve the balance of the On-line Compliance System issues:

1. Staff will work with the STO Public Finance Division staff to align its Qualified Residential Rental Program (QRRP) project portfolio with that of the CA Tax Credit Allocation Committee (TCAC). Because most CDLAC QRRP projects also seek 4% tax credits, CDLAC staff believes that using TCAC data is both an accurate and reliable way to determine if any CDLAC projects are missing from the CDLAC database. This will ensure that all projects that receive TCAC financing are included in the CDLAC database as well.
2. Staff will work with data from California Debt & Investment Advisory Commission (CDIAC) to ensure all Non-QRRP transactions that issued bonds are accurately reflected in the CDLAC database.
3. As noted in the earlier agenda action item, staff will remove all projects from compliance reporting status where CDLAC has no legal ability to enforce the reporting requirement.

4. Staff will continue to work with STO IT to create the appropriate system rules in the On-line Compliance System that will automatically remove projects from the On-line Compliance System when the project's applicable reporting period has lapsed.
5. To maintain the integrity of the CDLAC data in the database and On-line Compliance System, staff will run data quality reports on a regular basis to ensure that data entering the CDLAC database is both accurate and complete.

Prepared by Misti Armstrong