

AGENDA ITEM 3 (INFORMATION ITEM) EXECUTIVE DIRECTOR'S REPORT

Executive Director's Report June 19, 2018

2018-19 BUDGET PROPOSAL

CDIAC's proposed budget for the Fiscal Year (FY) 2018-19 is \$3,804,000, a decrease of only \$8,000 from FY 2017-18. Total budget authority includes \$3,624,000 in expenditure authority and \$180,000 in reimbursement authority. CDIAC generates reimbursements from educational programming and the sale of selected publications. The proposed budget includes adjustments totaling \$115,000, including an increase for pension contributions, employee benefits, and salaries.

In FY 2018-19, CDIAC is authorized for 21 full-time staff, a retired annuitant, and a student assistant. The following chart provides a three year overview of CDIAC's authorized budget.

CDIAC BUDGET APPROPRIATION WITH ADJUSTMENTS (THOUSAND \$)

	FISCAL YEAR 2016-17 BUDGETED	FISCAL YEAR 2017-18 BUDGETED	FISCAL YEAR 2018-19 PROPOSED
Authorized Positions	20	21	21
Personal Services	\$1,788	\$1,788	\$2,131
Operating Expenses & Equipment	1,717	1,628	1,558
BUDGET ACT APPROPRIATION ¹	\$3,505	\$3,416	\$3,689
Net Adjustments ²	(113)	396	115
GRAND TOTAL	\$3,392	\$3,812	\$3,804

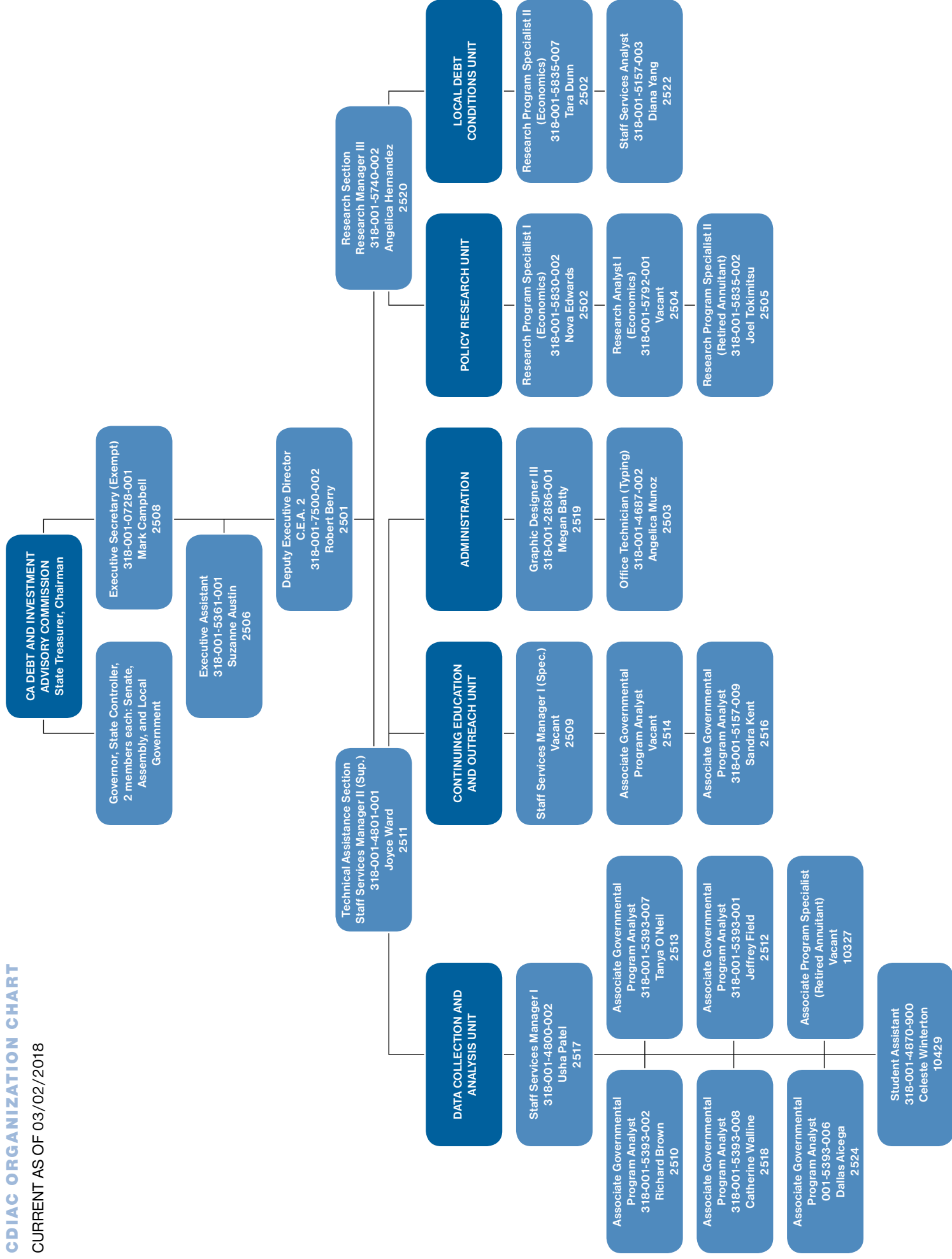
¹ Includes \$180,000 appropriation authority for reimbursements associated with education programs.

² ADJUSTMENTS (THOUSANDS \$)

	FY 2016-17	FY 2017-18	FY 2018-19
Pension Contributions	\$22	\$48	\$26
Employee Benefits	7	31	27
Salary Adjustments	48	79	62
Prorata Assessment Removal	(190)	(190)	
Personal Services BCP	-	200	
SB 1029 BCP	-	140	
IT Transparency Unit BCP	-	88	
TOTAL	(\$113)	\$396	\$115

CDIAC ORGANIZATION CHART

CURRENT AS OF 03/02/2018



CDIAC FUND CONDITION

Fee Revenue

With the adoption of California Code of Regulations Title 4, Section 6030 on April 1, 2017 CDIAC's issuance fee rate increased to that prescribed under Government Code Section 8856. Although fee revenues trended modestly upward in the fourth quarter of FY 2016-17 the full effect of the rate increase was not felt until the beginning of FY 2017-18. With three months remaining in FY 2017-18, issuance fee revenues for FY 2017-18 are estimated to increase by nearly 18 percent.

Based on the SIFMA 2018 US Municipal Issuance Survey, however, CDIAC projects its FY 2018-19 revenues will fall by as much as 20 percent.¹ The SIFMA survey attributes the impending drop-off in debt issuance to the federal tax reform, which eliminated advanced refunding, and mounting fiscal pressures associated with underfunded pension programs.²

CDIAC FUND CONDITION (THOUSAND \$)

	2016-17 ACTUAL	2017-18 ESTIMATED ²	2018-19 PROJECTED
RESERVES, ADJUSTED	\$5,238	\$5,150	\$5,591
REVENUE			
Fees ¹	\$3,186	\$3,750	\$3,000
Interest	35	50	45
Reimbursements, Misc.	64	24	60
TOTAL REVENUES	\$3,285	\$3,824	\$3,105
EXPENDITURES			
State Operations	\$3,178	\$3,160	\$3,684
Adjustments (FI\$Cal, Prorata)	195	223	298
TOTAL EXPENDITURES	\$3,373	\$3,383	\$3,982
FUND BALANCE	\$5,150	\$5,591	\$4,714

¹ The issuance fee rate increased on April 1, 2017 to the rate prescribed under California Government Code section 8895 with exceptions under CCR Title 4, Section 6030. Projections were based on a 20.7% decline in US long term municipal bond issuance forecast by the *SIFMA 2018 US Municipal Issuance Survey*.

² Nine months of actual data combined with an Apr-June estimate for revenues and expenditures.

¹ This is supported by the SIFMA 2018 US Municipal Issuance Survey, a compilation of forecasts from seven firms engaged in underwriting and/or analyzing the United States municipal bond. The survey concluded that long term municipal bond issuance in the United States will decline 20.7 percent in 2018.

² SIFMA survey respondents projected a 40 percent decline in refunding activity. Refunding represented 40 percent of California's debt issuance by dollar volume in 2017 and 57 percent in 2016.

Expenditures

Total expenditures for FY 2017-18 are expected to be \$3.1 million, nearly matching the prior year expenditures.³ Expenditures will, however, be significantly lower than the FY 2017-18 budget authorization due, primarily, to five unplanned staff vacancies. Expenditures are expected to substantially rebound in FY 2018-19 as positions are filled.

Fund Balance

With fees returning to their statutory level, CDIAC anticipates a nearly nine (9%) percent surge in its fund balance by the end of FY 2017-18. However, the trend is expected to reverse in FY 2018-19. The fall-off in total debt issued and the increase in personnel expenditures will contribute to a nearly 16 percent drop in CDIAC's fund balance.

UNIT REPORTS

Data Collection and Analysis Unit

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 twenty-four 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.

ANNUAL DEBT TRANSPARENCY REPORTS. SB 1029, Hertzberg, (Chapter 307, Statutes of 2016), added Government Code Section 8855(k) to require all public issuers in California who submitted a report of final sale to CDIAC on or after January 21, 2017 to report on the status of that debt annually until the debt is no longer outstanding and the proceeds have been fully spent. CDIAC teamed with ITD and the issuer community to develop and deploy the annual debt transparency report (ADTR). The electronic report went live on October 16, 2017 in time to receive the first wave of reports that were due by January 31, 2018. More than 1,900 issues were identified as reportable. CDIAC will determine in the future whether it needs to create regulations to clarify these new reporting requirements.

³ FY 2017-18 expenditures include nine months of actuals and an estimate based on internal budgeting for the final quarter of the fiscal year.

CDIAC is now working with ITD on Phase 2 of the project. The project will improve the reporting experience for issuers, including pre-populating the report with data already submitted by issuers on the report of final sale and prior year ADTRs and implementing a “batch” upload process so that large issuers will not have to complete and submit individual reports.

Education and Outreach Unit

CURRICULUM AND PROGRAM DEVELOPMENT. Staff turnover, training for newly elected public officials, and the different learning styles of a younger generation of public official will drive the educational needs of California’s public agencies. CDIAC must continue to develop programming that addresses these critical 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.

INTERNET-BASED ON DEMAND TRAINING. Since June 2017 CDIAC has been working on the initial module of an online, on-demand training course on debt issuance and administration, tailored for elected officials. This module, expected to be the first of ten offerings, will be completed in Summer 2018. The use of an interactive learning management system will 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 with applied class-based training. As more of the work of public officials relies upon specific skills this approach is essential to achieving CDIAC’s educational objectives.

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. CDIAC will continue its partnerships with the California Society of Municipal Analysts (CSMA), *The Bond Buyer*, and the California Municipal Treasurer’s Association (CMTA) to provide public investment training workshops for beginners and advanced practitioners.

DIRECT PROMOTION OF PROGRAMS. CDIAC will continue to promote its programs through its subscribed email list and those of partner groups, postings on association webpages and when necessary, 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 of state financing boards, commissions, and authorities.

Policy Research Unit

UPDATE TO THE CALIFORNIA PUBLIC FUND INVESTMENT PRIMER. CDIAC will conduct a needs assessment on the current Investment Primer to plan for future updates.

UPDATE TO THE CALIFORNIA DEBT ISSUANCE PRIMER. As a result of the market crisis of 2008 and the resulting market reform, CDIAC is working with industry professionals to update and redesign of the *California Debt Issuance Primer*, a nationally recognized resource for debt issuance information last updated in 2006.

IMPROVED DATA SOURCING. Working with ITD, CDIAC staff will explore opportunities to tap internal and external data sources to create issuer profiles and that improve issuer-driven analysis and inter-governmental comparisons.

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

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

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

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.

LEGISLATIVE UPDATE

AB 1770 (STEINORTH) would make technical changes to the criteria public agencies must use to invest in certain securitized investments.

ACA 6 (HARPER) would amend Section 1 of Article XIII A of the State Constitution to require a $2/3$ voter approval on all general obligation bonds issued by school and community college districts and county offices of education.