

AGENDA ITEM 4 (INFORMATION ITEM)

FISCAL YEAR 2017-18 REPORT OF OPERATIONS

Fiscal Year 2017-18 Report of Operations June 19, 2018

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

The Database contains reports of proposed and issued debt, annual fiscal status reports for Mello-Roos and Marks-Roos debt, and reports on draws on reserves and defaults for Mello-Roos and Marks-Roos issues.¹ It also contains reports for Annual Debt Transparency Report (ADTR), which became effective January 1st 2017.² As of April 03, 2018, the Database contained more than 59,903 issuance records, spanning a period 1984 to the present.

For fiscal year (FY) 2017-18, the Data Unit received and processed 9,525 reports including Reports of Proposed Debt Issuance (RPDI)s,³ Reports of Final Sale (RFS)s,⁴ Marks-Roos Local Bond Pooling Yearly Fiscal Status Reports (MKR YFSRs), Mello-Roos Community Facilities Districts

¹ 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.

² Per Government Code Section 8855(k) issuers required to submit an annual debt transparency report for Report of Final Sale submitted on or after January 21, 2017. Issuers that submitted a Report of Final Sale on or after January 21, 2017 are subject to this reporting requirement.

³ Per Government Code Section 8855(i) issuers of proposed new debt must give notice no later than 30 days prior to the sale date.

⁴ 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 1

REPORTS PROCESSED, FISCAL YEAR 2017-18*

TYPE OF REPORT	FY 2017-18	FY 2016-17	INCREASE/ DECREASE
Reports of Proposed Debt Issuance	2,463	3,710	-33.6%
Reports of Final Sale	2,531	3,407	-25.7%
Mello-Roos Yearly Fiscal Status Reports	1,428	1,461	-2.3%
Marks-Roos Yearly Fiscal Status Reports	2,313	2,358	-1.9%
Mello-Roos/Marks-Roos Draw on Reserve/Default/Replenishment Filings	12	12	0.0%
Annual Debt Transparency Report	960	N/A	N/A
TOTAL REPORTS RECEIVED	9,707	10,948	-11.3%

*Totals as of April 3, 2018

Yearly Fiscal Status Reports (MLR YFSRs), Mello-Roos/Marks-Roos Draw on Reserve/Default filings (DFDs), and Annual Debt Transparency Reports (ADTRs). Figure 1 contains a breakdown of the reports processed by the Data Unit during FY 2017-18.

Debt Issuance Fees

A critical function of the Data Unit is the collection of fees assessed on issuers of public debt pursuant to Government Code Section 8856. This is the single source of CDIAC's operational funding. Effective April 1, 2017 with the adoption of California Code of Regulations Title 4, Section 6030 fee amounts are calculated based on principal amount issued times 2.5 basis points (0.025%), with a maximum of \$5,000.00. No fee is assessed for issues whose length of maturity is equal to or less than 18 months. A detailed fee schedule is available on CDIAC's website.⁵

For FY 2017-18, the Data Unit sent out 1,919 invoices for a total of approximately \$3.1 million in fees. Figure 2 reflects the breakdown of fees assessed for state and local agencies.

Public Access to Debt Issuance Data

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

DEBTWATCH DATA PORTAL. DebtWatch provides citizens, the media, policy makers and others a new resource for understanding state and local government debt issuance.⁶ Containing easily accessible informa-

⁵ <http://www.treasurer.ca.gov/cdiac/reporting.asp>.

⁶ DebtWatch is located at: <http://debtwatch.treasurer.ca.gov/>.

FIGURE 2

FEES ASSESSED, STATE AND LOCAL ISSUERS JULY 1, 2017 TO APRIL 1, 2018

	FEES ASSESSED	# OF INVOICES
STATE		
Long-Term Debt	\$294,286	74
Short-Term Debt	\$450	3
LOCAL		
Long-Term Debt	\$2,842,009	1,841
Short-Term Debt	\$150	1
TOTAL FEES ASSESSED	\$3,136,896	1,919

tion 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. DebtWatch provides data on both proposed and completed financial transactions and access to financing documents submitted to CDIAC. Documents vary depending upon the type of debt issued, but can include official statements, bond specimens, indentures and resolutions of the governing body, promissory notes, leases, loan agreements, instalment sales agreements, and other issuance-related disclosures. CDIAC updates DebtWatch monthly.

DEBT LINE NEWSLETTER. CDIAC's monthly publication, *Debt Line*, includes a monthly calendar of issues that provides comprehensive information on all reports of proposed and finalized debt issuances received during the prior month.⁷

ONLINE TABLES AND GRAPHS. Data on principal amount issued, the type of debt, and the purpose of issuance is summarized year-to-date and by the month.

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 2,589 hits to its on-line resources during the first nine months of FY 2017-18, excluding DebtWatch. CDIAC recorded 9,218 hits to the DebtWatch website for the same period.

Reports

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

⁷ Debt Line is published in compliance with Government Code Section 8855(h)(9).

MARKS-ROOS LOCAL BOND POOLING ACT YEARLY FISCAL STATUS REPORT AND THE MELLO-ROOS COMMUNITY FACILITIES DISTRICT YEARLY FISCAL STATUS REPORT. The data received annually in the Marks-Roos and Mello-Roos Yearly Fiscal Status Reports (July 1 through June 30) are published in these reports.⁸ The Marks-Roos Yearly Fiscal Status Reports 2002 through 2013 are available on-line. The Mello-Roos Community Facilities District Yearly Fiscal Status Reports for 2009 through 2016 are available on-line. Some prior year reports are available for both reports as well.

CALENDAR OF PUBLIC DEBT ISSUANCE. This annual report provides details on each issuance of public debt in California, including the issuer name, county, debt type, purpose of the issue, date of sale, debt principal amount, and whether or not the issue is a refunding. Also included is the interest rate, rating, credit enhancement information, 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. The 2016 calendar was published in June 2017. CDIAC expects the 2017 calendar to be published spring 2018.

SUMMARY OF CALIFORNIA PUBLIC DEBT ISSUANCE. This annual report provides 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. Tables include 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 a refunding or not. The 2016 summary tables were published in June 2017. The 2017 report is expected to be published in Spring 2018.

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. The 2016 report was published in June 2017 and the 2017 report is expected to be published Spring 2018.

Other Data Unit Projects and Initiatives

ANNUAL DEBT TRANSPARENCY REPORT. SB 1029 (Hertzberg, Chapter 307, Statutes of 2016), added Government Code Section 8855(k) to require state and local issuers to submit an annual report on all outstanding

⁸ Pursuant to Government Code Sections 6599.1(b) and 53359.5(b) issuers of Marks-Roos (after January 1, 1996) and Mello-Roos (after January 1, 1993) bonds must submit Yearly Fiscal Status Reports to CDIAC.

debt until such debt is no longer outstanding and all proceeds have been spent. CDIAC, in conjunction with the State Treasurer's Office Information Technology Division (ITD), developed the Annual Debt Transparency Report (ADTR), a web-based report, to provide consistency and ease of input for issuers. The initial set of reports were submitted in January 2018 and Data Unit staff are reviewing the data received to ensure that it meets the criteria set forth in statute.

ELECTRONIC DOCUMENT STORAGE. The task of reducing 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 FY 2017. Staff began digitization in 2009 with calendar year 2008 documents. To date, all 2008 through 2014 documents have been scanned and electronically stored. Documents received in 2015 through 2017 are in various stages of completion and CDIAC has begun digitizing 2007 files. In June 2017, ITD staff developed a process to automatically transfer the document files received from issuers in their reports of issuance.

DEBTWATCH. CDIAC is now able to provide public access to CDIAC's rapidly expanding library of digitized issuance documents. As Data Unit staff save these documents in their digital format, ITD staff updates the library of available documents on a monthly basis. CDIAC plans to expand this project to include all mandated annual reports, including the ADTR.

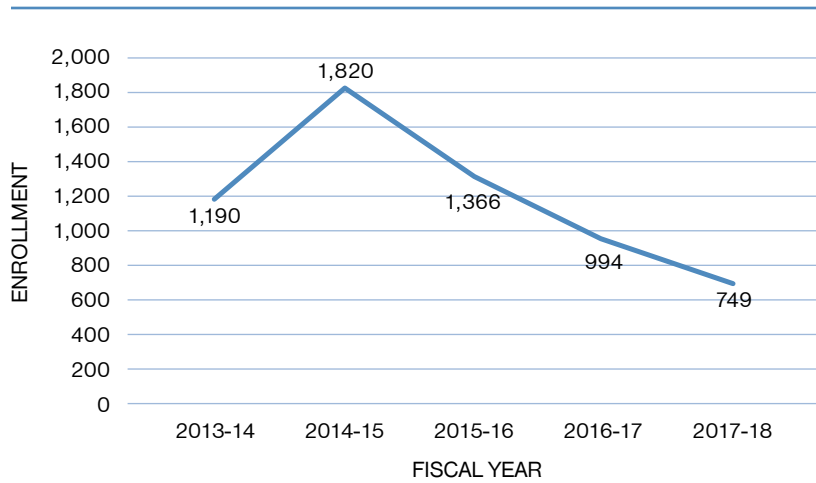
TECHNICAL ASSISTANCE. Data Unit staff responded to ten requests for technical assistance during the fiscal year – a drop of 23 percent that may be attributable to DebtWatch. Inquiries for cost of issuance data on fees paid to financing team members and information on school district debt were the two most common requests. Data on Mello-Roos bonds was the third most requested item.

EDUCATION AND OUTREACH UNIT

Government Code Section 8855(h)(7) requires CDIAC to provide a continuing education program to municipal debt and investment professionals.

SEMINAR ENROLLMENT. In FY 2017-18, 749 municipal professionals attended educational events offered by CDIAC or in partnership with other public finance organizations. This was a 25 percent decrease from FY 2016-17 (Figure 4). The decrease in overall attendance can be attributed in part to a shift in the nature of CDIAC's educational offerings. Multiple webinar offerings in FY 2014-15 and FY 2015-16 drew high numbers of attendees in those years. In FY 2016-17, CDIAC returned to more intensive, in-person trainings, which typically attract fewer participants than webinars and are comprised of five to six individual sessions offering a more detailed discussion of the topic at hand.

FIGURE 4
SEMINARS, CONFERENCES, WORKSHOPS
AND WEBINARS ATTENDANCE, FY 2017-18



Though the total number of seminars and webinars offered in FY 2017-18 remained the same as in the prior fiscal year, high attendance at four of the in-person core trainings offered in FY 2016-17 account for the difference in total attendance year over year. These four programs from FY 2016-17 – Fundamentals of Public Funds Investing and the three-day Municipal Debt Essentials – attract a broader audience but were not offered in FY 2017-18.

CDIAC continues to serve its core constituency, local public agencies, through its educational programs. In FY 2017-18, 62 percent of the attendees of CDIAC’s educational programs have been public agency representatives of cities, counties, special districts, schools and other local government entities (Figure 5).

Webinars remain an effective mode of delivering CDIAC’s educational information as 53 percent of attendance at CDIAC’s education programs was attributed to the two webinars broadcast during the fiscal year.

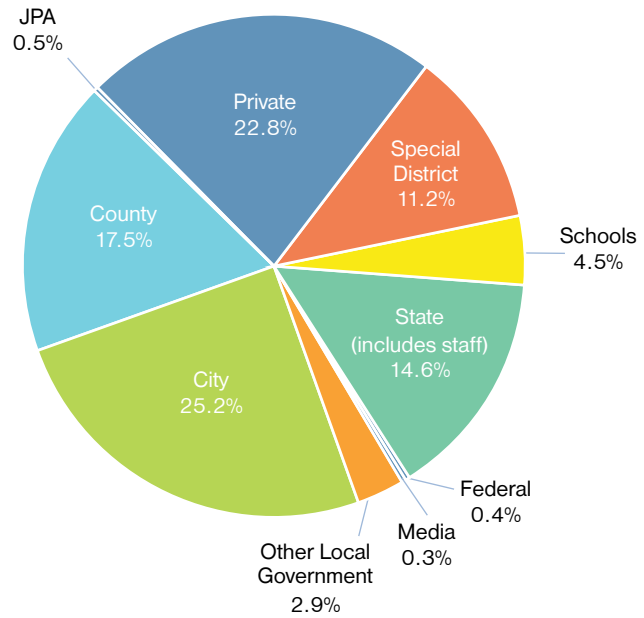
Webinars

In FY 2017-18, CDIAC offered two webinars focused on the added requirements under Senate Bill 1029 (Chapter 307, Statutes of 2016). The bill, signed by Governor Brown on September 12, 2016, amended Government Code Section 8855 to place additional reporting obligations on issuers of public debt in California.

SUBMITTING THE ANNUAL DEBT TRANSPARENCY REPORT (ADTR) REQUIRED BY SB 1029: GENERAL OBLIGATION (GO) AND REVENUE DEBT. This webinar, broadcast on November 8, 2017, walked report filers

FIGURE 5

**ENROLLMENT AT CDIAC EDUCATION PROGRAMS
BY AGENCY TYPE, FY 2017-18**



through sample reporting scenarios for typical GO and revenue debt issues. Actual ADTRs were completed and submitted during the webinar.

SUBMITTING THE ANNUAL DEBT TRANSPARENCY REPORT (ADTR) REQUIRED BY SB 1029: COMMERCIAL PAPER (CP) AND MELLO-ROOS DEBT. This webinar, broadcast on November 15, 2017, walked report filers through sample reporting scenarios for typical commercial paper and Mello-Roos debt issues.

Seminars

In FY 2017-18, CDIAC hosted four core educational programs.

PUBLIC FUNDS INVESTING WORKSHOP: USING MS EXCEL. This one-day workshop, offered twice in August 2017, focused on using Microsoft Excel to further participants' understanding of key investment concepts. Participants engaged in interactive learning to understand the relationship between yield, duration, and convexity. The workshop concluded with an exercise on benchmarking and provided participants with Excel spreadsheets to utilize with their own investment portfolios.

ONGOING DEBT ADMINISTRATION. This program, held in September 2017, was designed to provide government officers with the knowledge

needed to manage their continuing disclosure responsibilities, compliance with federal arbitrage rules, and the investment of bond proceeds.

MUNICIPAL MARKET DISCLOSURE. This seminar, held in February 2018, was designed to help local agencies improve market transparency through better disclosure. Presenters addressed the applicable federal laws governing disclosure, the current changes to those rules, and the proposed reforms for primary and secondary disclosure practices by public agencies.

Educational Partnerships

In FY 2017-18, three of CDIAC's trainings were delivered collaboratively through partnerships with *The Bond Buyer*; California Society of Municipal Analysts (CSMA); and California Municipal Treasurers Association (CMTA).

THE BOND BUYER PRE-CONFERENCE. In September 2017, CDIAC held a three-quarter day event, *Examining the Roles of Special Consultants in Debt Issuance and Administration*, at *The Bond Buyer's 27th Annual California Public Finance Conference*. The seminar marked the 16th consecutive year that CDIAC has partnered with *The Bond Buyer* for the pre-conference. The program explored the types of consultants and the expert work products (EWP) they produce as well as the selection and compensation of consultants, credentials and deliverables, conflicts of interest, and the application of securities law to the role of these consultants.

CDIAC AND CALIFORNIA SOCIETY OF MUNICIPAL ANALYSTS (CSMA): EXAMINING DATA AND TECHNOLOGY IN THE MUNICIPAL FINANCE INDUSTRY. This symposium, held in November 2017, explored the growing importance of data, analytics, and technology to investors, analysts, and municipal bond issuers.

CDIAC AND CALIFORNIA MUNICIPAL TREASURERS ASSOCIATION - ADVANCED PUBLIC FUNDS INVESTING: THE ANALYTICS OF PORTFOLIO SELECTION AND DECISION-MAKING. In January 2018, CDIAC collaborated with the California Municipal Treasurers Association on a one-and-a-half day seminar designed to provide an advanced discussion of portfolio management, including the more complex concepts underlying sound public portfolio analysis and decision-making. The seminar covered investment concepts, risk, and the permissible securities under Government Code section 53601. It also included an investment portfolio case-study simulation to allow seminar participants to place concepts into practice.

RESEARCH UNIT

California Government Code Section 8855(h)(5) authorizes CDIAC to undertake research projects that improve practices or reduce the bor-

rowing costs of public issuers in California. Since the Commission's last meeting on June 21, 2017 CDIAC staff have either initiated or completed the following research assignments.

Completed Projects

K-14 VOTER APPROVED GENERAL OBLIGATION BONDS: AUTHORIZED, BUT UNISSUED – 2018 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 added election and issuance activity for calendar year 2015 to the original data.

LOCAL AGENCY INVESTMENT GUIDELINES: UPDATE FOR 2018. CDIAC, working collaboratively with industry contacts, 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 2018 update reflected statutory changes effective January 1, 2018.

LOCAL AGENCY INVESTMENT GUIDELINES: UPDATE FOR 2018 – WEBINAR. CDIAC's Research Unit, working with industry representatives, designed and conducted a webinar that addressed the changes made to the *Local Agency Investment Guidelines in 2018*.

RESULTS OF THE 2017 LOCAL ELECTIONS: BOND AND TAX MEASURES APPEARING ON THE 2017 LOCAL BALLOTS. This report provides a detailed analysis of the certified results of local bond and tax elections held in 2017. Also included in this report are detailed listings of each bond and tax measure by county, region, type of tax or debt, and purpose.

Initiated Projects

RESULTS OF THE 2018 PRIMARY ELECTION: BOND AND TAX MEASURES APPEARING ON THE 2018 PRIMARY BALLOTS, JUNE 5, 2018. This bi-annual report provides an analysis of the certified results of the bond and tax elections to be held in the June 2018 Primary Election as well as a detailed listing of each bond and tax measure by county, region, type of tax or debt, and purpose.

SOCIALLY RESPONSIBLE INVESTING. More public agencies are considering the addition of socially responsible criteria to their investment policies. This analysis will look at the different socially responsible criteria currently considered by public agencies and if possible discuss the benefits and drawbacks of implementing socially responsible investment criteria.