California Debt and Investment Advisory Commission

2007 Annual Report

- ***Overview of State and Local Government Debt Issuance Activity***
- ***The Commission's Report on Activities***

CDIAC #08-06

CALIFORNIA DEBT AND INVESTMENT ADVISORY COMMISSION

2007 ANNUAL REPORT

CALIFORNIA DEBT AND INVESTMENT ADVISORY COMMISSION

COMMISSION MEMBERS

Bill Lockyer
State Treasurer and Chair

Arnold Schwarzenegger
Governor

John Chiang
State Controller

Dave Cox
State Senator

Mike Machado
State Senator

Ted Lieu
Assemblymember

José Cisneros
Treasurer and Tax Collector
City and County of San Francisco

Jay Goldstone
Chief Operating Officer
City of San Diego

Additional information concerning this report or the programs of the California Debt and Investment Advisory Commission may be obtained by contacting:

John Decker
Executive Director
California Debt and Investment Advisory Commission
915 Capitol Mall, Room 400
Sacramento, CA 95814

Phone: (916) 653-3269
Fax: (916) 654-7440
E-mail: cdiac@treasurer.ca.gov
Internet Site: www.treasurer.ca.gov/cdiac

TABLE OF CONTENTS

Figures

SECTION I.

OVERVIEW OF STATE AND LOCAL AGENCY ISSUANCE IN 2007

The *2007 Annual Report*, published by the California Debt and Investment Advisory Commission (CDIAC), contains summary information on state and local agency debt issued in 2007. This report, the latest in an annual series, details the types of funded projects, the volume of debt issued, the types of instruments used to issue the debt.

The last chapter provides information related to the commission's general operations.

A. State and Local Agency Bond Issuance

Public debt issued by California's state and local agencies totaled $84.9 billion in 2007, a 45.3 percent increase from the prior year. Bonds accounted or the vast majority of this debt: As displayed in Figure 6 (page 9), public agencies issued $65.7 billion (77.3 percent) of all debt through bond instruments. Notes accounted for $13.1 billion (15.5 percent), while certificates of participation and commercial paper accounted for $5.2 billion and $939.0 million (6.1 percent and 1.1 percent), respectively.

By purpose, capital improvements[1] (28.4 percent), education (27.4 percent), and interim financing (15.6 percent), accounted for nearly three0quarters of all debt issued.

B. State Issuance

The State issued debt totaling $30.4 billion in 2007. Of this amount, long-term bonds accounted for $23.4 billion, including:

- $10.3 billion (44.0 percent) for education
- $4.6 billion (19.6 percent) for other purposes[2]
- $4.2 billion (17.9 percent) for capital improvements
- $2.2 billion (9.4 percent) for housing
- $1.8 billion (7.7 percent) for hospital and health care facilities
- $338.0 million (1.4 percent) for commercial/industrial development

The largest individual issues were:

- $7.0 billion of revenue anticipation notes for cash flow/interim financing.
- $4.4 billion in tobacco securitization bonds.

State issues increased from $12.3 billion in 2006, representing a 110.6 percent increase.

[1] Capital improvements include improvements and/or construction for airports, bridges/highways/streets, flood control/storm drainage, equipment, parks/open space, ports and marinas, power generation/transmission, seismic safety, public buildings, public transit, and facilities for solid waste recovery, recreation and sports, prisons/jails/corrections, convention centers, parking, wastewater collection/treatment, and water supply/storage/ distribution.

[2] There was one bond issue with a purpose classified as "other." It was a tobacco securitization issued by the Golden State Tobacco Securitization Corporation.

C. Local Agency Issuance

Total issuance for California local agencies, which include cities, counties, and special districts increased from $45.8 billion in 2006 to $53.8 billion in 2007, for 17.4 percent increase. The types of local agency financings that had the largest issuance were:

- Public enterprise revenue bonds, $10.9 billion (20.2 percent)
- General obligation bonds, $10.4 billion (19.4 percent)
- Conduit revenue bonds, $8.7 billion (16.2 percent)
- Tax and revenue anticipation notes, $5.2 billion (9.7 percent)
- Certificates of participation/leases, $5.2 billion (9.6 percent)
- Tax allocation bonds, $3.0 billion (5.7 percent)
- Public lease revenue bonds, $2.1 billion (3.9 percent)
- Revenue bond (Pool), $2.1 billion (3.9 percent)

D. Student Loan Corporations Issuance

For the first time since 2003, California student loan corporation issuance experienced an increase. Issuance increased from $290.0 million in 2006 to $693.0 million (138.9 percent increase) in 2007. The corporations had no refundings.

SECTION II.

STATE AND LOCAL AGENCY BOND ISSUANCE

California public entities reported 1662 issues in 2007, representing a 7.9 percent year-over-year increase. Of these, the State issued 223 bonds, (13.4 percent), and local agencies issued 1,435 (86.4 percent). Student loan corporation issued four bonds (0.2 percent).

Public agencies reported total volume of $84.9 billion, representing a 45.3 percent increase (see Figures 1 and 2 on page 5).

The volume of State issuance increased to $30.4 billion (an increase of 146.6 percent). General obligation bonds accounted for the largest volume of State issuance in 2007 were general obligation bonds (40.1 percent), as shown in Figure 13 on page 17.

The volume of local issuance reported in 2007 was $59.5 billion, up from $46.1 billion the previous year. The largest volume of local agency bonds in 2007 were public enterprise revenue bonds (20.2 percent), general obligation bonds (19.4 percent), and conduit revenue bonds (16.2 percent), as shown in Figure 15 on page 21.

"Other issuers" increased their volume of bond financings from $16.4 billion in 2006 to $21.5 billion in 2007 (a 31.0 percent increase in volume). Issuers in this category with the largest volume of bond issuance included:

- Non-profit corporations ($5.3 billion)
- Community college districts ($3.8 billion)
- Redevelopment agencies ($3.0 billion)
- Community facilities districts ($1.8 billion)
- Transportation agencies ($1.7 billion)

Figure 1
California Public Issuance
Total Par Amount, By Calendar Year
1997 through 2007

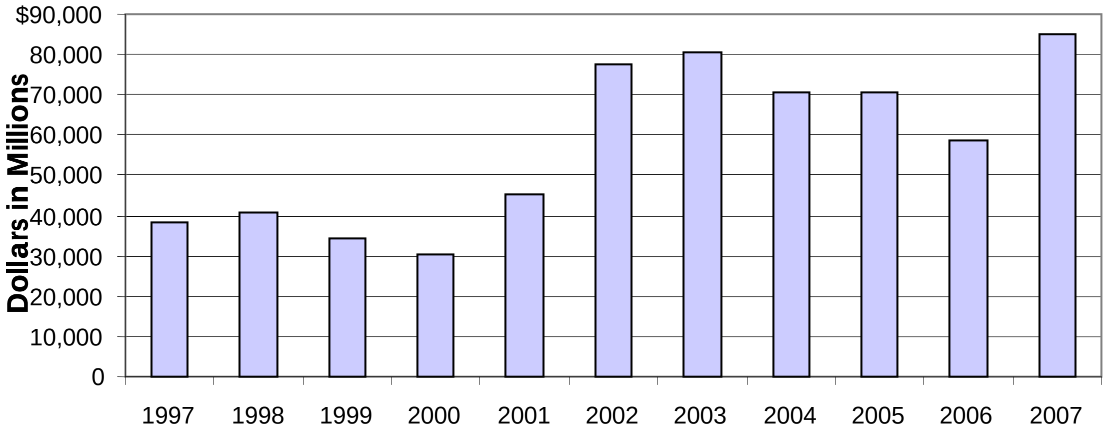


Figure 2
Dollar Volume of California Public Issuance[1]
By Type of Issuer
2007 and 2006
(Dollars in Millions)

Issuer Type	2007 Volume	2007 Percent of Total	2006 Volume	2006 Percent of Total	Percent Change 2006 to 2007
State Issuers[2]	$25,996	30.6%	$12,345	21.1%	110.6%
County Government	3,917	4.6	2,841	4.9	37.9
City Government	6,340	7.5	4,249	7.3	49.2
City and County Government	381	0.4	1,775	3.0	-78.5
Joint Powers Agencies	17,624	20.8	12,424	21.3	41.9
K-12 School Districts	9,125	10.7	8,362	14.3	9.1
Other Issuers	21,524	25.3	16,432	28.1	31.0
Total[3]	**$84,908**	**100.0%**	**$58,429**	**100.0%**	**45.3%**

[1] Totals may not add due to rounding.
[2] Includes state joint power authorities.
[3] Total includes state and local government entities and student loan corporations.

Long-Term Issuance: Figure 3 on page 7 shows total long-term issuance of approximately $71.7 billion. As in previous years, general obligation, conduit revenue, and public enterprise revenue bonds accounted for over 50 percent of long-term issuances. In 2007, the State issued $22.6 billion, $13.6 billion, and $12.1 billion, respectively, using these debt instruments.

Total long-term issues increased from $51.5 billion in the prior year, representing a 39.2 percent increase. Most of this increase can be accounted for by the increases in the volume of general obligation, and conduit and public enterprise revenue bond issues. Bond anticipation notes had the most significant increase, up 403.3 percent from $55.0 million in 2006 to $276.8 million in 2007.

Short-Term Issuance: Short-term issuance for state and local issuers increased from $6.9 billion in 2006 to $13.2 billion in 2007 (91.2 percent). This increase is attributable to a $7.0 billion revenue anticipation note issued by the State in October 2007 for cash flow purposes.

B. Refunding Bond Issuance in 2007

As shown in Figure 4 (page 8), state and local agency refunding increased 43.6 percent, from $16.2 billion in 2006 to $23.2 billion in 2007. The majority of refundings for statewide issuance in 2007 were concentrated in education ($8.1 billion, 34.8 percent) and capital improvements ($7.0 billion, 30.2 percent).

- **State Refunding:** State issuance in 2007 was $30.4 billion (35.9 percent of the total volume of bonds issued); $10.6 billion was used to refund prior financings (see Figure 5 on page 8). State refunding as a percent of total issuance was higher in 2007 (12.5 percent) compared to 2006 (7.3 percent).

- **Local Refunding:** Figure 5 (page 8) shows an increase in the volume of local agency issuance from $45.8 billion in 2006 to $53.8 billion in 2007 (17.5 percent). In 2007, local refunding was 14.9 percent of total statewide issuance. The volume of refunding increased from $11.9 billion in 2006 to $12.6 billion in 2007 (5.9 percent).

- **Student Loan Corporation Refunding:** Figure 5 shows student loan corporations issued $693.0 million in bonds in 2007 compared to $290.0 million issued in 2006 (139.0 percent increase). As in previous years, there were no refundings in 2007 for student loan corporations.

Figure 3
Volume of California Public Issuance
Comparison of Long-Term and Short-Term*
2007 and 2006
(Dollars in Millions)

	2007		2006		
	Volume	Percent of Total Issuance	Volume	Percent of Total Issuance	Percent Change 2006 to 2007
Long-Term Issuance					
Bond Anticipation Note	$277	0.3%	$55	0.1%	403.3%
Certificates of Participation/Leases	5,174	6.1	3,591	6.1	44.1
Conduit Revenue Bond	13,605	16.0	9,744	16.7	39.6
Grant Anticipation Note	29	0.0	0	0.0	100.0
General Obligation Bond	22,620	26.6	14,936	25.6	51.4
Limited Tax Obligation Bond	1,617	1.9	2,204	3.8	-26.6
Other Bond	5,837	6.9	2,140	3.7	172.7
Other Note	426	0.5	1,262	2.2	-66.3
Pension Obligation Bond	556	0.7	0	0.0	100.0
Public Enterprise Revenue Bond	12,130	14.3	8,261	14.1	46.8
Public Lease Revenue Bond	2,728	3.2	2,676	4.6	1.9
Revenue Anticipation Note	57	0.1	0	0.0	100.0
Revenue Bond	2,598	3.1	1,749	3.0	48.5
Special Assessment Bond	594	0.7	441	0.8	34.6
Sales Tax Revenue Bond	290	0.3	739	1.3	-60.8
Tax Allocation Bond	3,079	3.6	3,657	6.3	-15.8
Tax Allocation Note	67	0.1	58	0.1	15.2
Subtotal, Long-Term Issuance	**$71,684**	**84.4%**	**$51,513**	**88.2%**	**39.2%**
Short-Term Issuance					
Bond Anticipation Note	$3	0.0%	$34	0.1%	-91.8%
Commercial Paper	939	1.1	525	0.9	78.9
Other Note	60	0.1	110	0.2	-45.0
Revenue Anticipation Note	7,020	8.3	1,523	2.6	361.0
Tax Revenue and Anticipation Note	5,202	6.1	4,725	8.1	10.1
Subtotal, Short-Term Issuance	**$13,224**	**15.6%**	**$6,917**	**11.8%**	**91.2**
Total, Issuance	**$84,908**	**100.0%**	**$58,430**	**100.0%**	**45.3%**

*Certain notes (bond anticipation note, revenue anticipation note, and "other" note) appear in both long- and short-term issuance. Those notes that appear in short-term issuance were for interim financing.

Figure 4
California Public Issuance
Comparison of New and Refunding Issuances*
2007 and 2006
(Dollars in Millions)

Type of Issuance	2007 Volume	2007 Percent of Total Issuance	2006 Volume	2006 Percent of Total Issuance	Percent Change 2006 to 2007
New Issuance	$61,681	72.6%	$42,257	72.3%	46.0%
Refunding Issuance	23,227	27.4	16,172	27.7	43.6
Total	**$84,908**	**100.0%**	**$58,429**	**100.0**%	**45.3**%

*Totals may not add and percentages may not be exact due to rounding.

Figure 5
Total and Refunding Issuances
By Type of Issuer*
2007 and 2006
(Dollars in Millions)

Type of Issuance	2007 Volume	2007 Amount of Refunding	2007 Refunding Percent of Total Issuance	2006 Volume	2006 Amount of Refunding	2006 Refunding Percent of Total Issuance
State Issuance	$30,443	$10,615	12.5%	$12,345	$4,272	7.3%
Local Issuance	53,772	12,612	14.9	45,794	11,900	20.4
Student Loan Corporations	693	0	0.0	290	0	0.0
Total	**$84,908**	**$23,227**	**27.4%**	**$58,429**	**$16,172**	**27.7%**

*Totals may not add and percentages may not be exact due to rounding.

C. California Public Issuance by Type and Purpose

As shown in Figure 6 (page 9), state and local governments issued a variety of debt types in 2007, but mostly bonds. They issued bonds with a volume of $65.7 billion which constituted about 77.3 percent of the total public issuance in 2007. State bond volume totaled $23.4 billion (about 27.6 percent of the total volume), while local bond volume was $41.6 billion (49.0 percent). Student loan corporations issued $580.0 million in conduit revenue bonds.

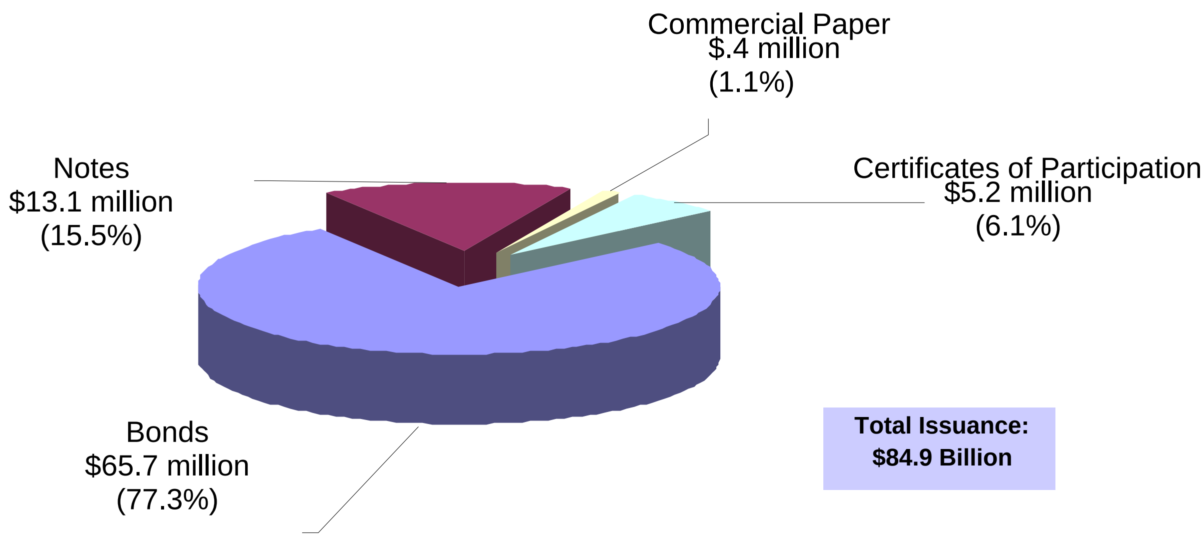
For individual state issues, the size of the bonds varied from $4.4 billion, as issued by the Golden State Securitization Corporation to a $25,000 general obligation bond issued for the Safe Drinking Water Act of 1988. Local issues ranged from a high $1.3 billion general obligation refunding bond issued for a K-12 school facility to $72,020 special assessment bond for street construction and improvements.

Notes were the next largest category of public financings ($13.1 billion or 15.5 percent). State issuance ranged from $7.0 billion in revenue anticipation notes, which were for interim cash flow financing, to $2.7 million in other notes for the California Pollution Control Financing Authority. Local agency issuances ranged in size from $500.0 million to $75,000 in tax and revenue anticipation notes for interim cash flow financing.

Smaller categories of issuance include certificates of participation ($5.2 billion or 6.1 percent) and commercial paper ($939.0 million or 1.1 percent). All funds for commercial paper were issued by local agencies for project interim financing.

Figure 6

Volume of 2007 State and Local Agency Issuance by Type



Figures 7 and 8 (page 10) display state, local, and student loan issuance by purpose. Capital improvements,[3] education, and interim financing ($24.1 billion, $23.3 billion, and $13.2 billion, respectively) are the three largest of total issuance by purpose. Each of these purpose types increased in issuance from 2006: capital improvements increased 3.0 percent, education increased 3.0 percent, and interim financing increased 91.3 percent.

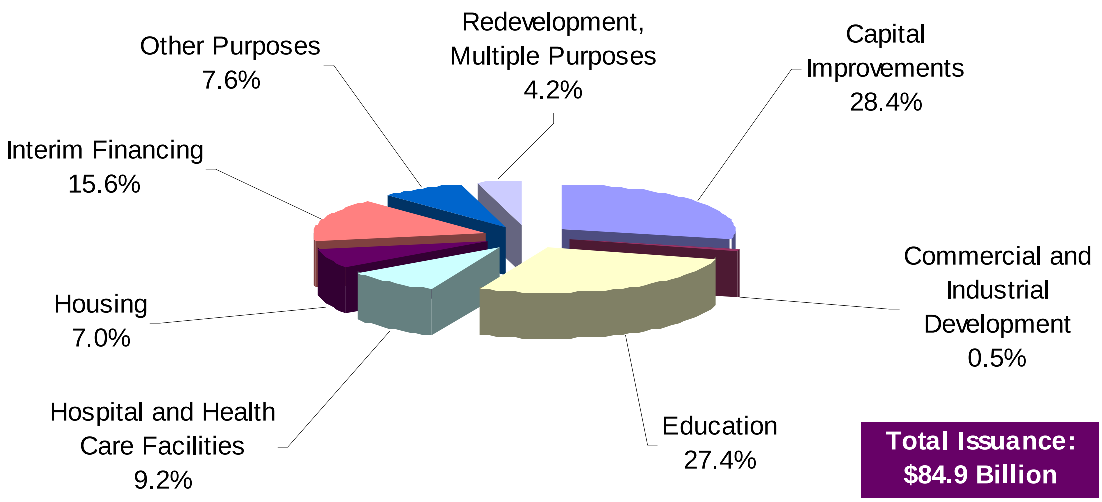
[3] See footnote 2, page 1 of this report for a definition of "capital improvements."

Figure 7
2007 California Public Issuance
by Purpose and Issuer*
(Dollars in Millions)

	Volume				
Purpose of Financing	**State**	**Local**	**Student Loan Corporations**	**Total**	**Percentage of Total Issuance**
Capital Improvements	$4,181	$19,918	$0	$24,099	28.4%
Commercial and Industrial Development	338	121	0	459	0.5
Education	10,295	12,304	693	23,292	27.4
Hospital and Health Care Facilities	1,788	6,066	0	7,854	9.2
Housing	2,269	3,668	0	5,936	7.0
Interim Financing	7,000	6,224	0	13,224	15.6
Redevelopment, Multiple Purposes	0	3,597	0	3,597	4.2
Other Purposes	4,573	1,873	0	6,445	7.6
Total	**$30,443**	**$53,772**	**$693**	**$84,908**	**100.0%**

*Totals may not add and percentages may not be exact due to rounding.

Figure 8
2007 State and Local Agency Issuance
by Purpose



D. Competitive and Negotiated Financings

Figure 9 on the following page lists all of the 2007 competitive and negotiated sales.

- **Competitive Financings:** In a competitive financing, the bidder (underwriter) who offers the lowest sealed bid is awarded the sale of bonds. In 2007, the number of competitive financings was 216 (13.0 percent) of the 1,662 bond financings. Of the 38 types of government issuers, only county sanitation district and fire protection district issuers used competitive bidding for 50 percent or more for their bond sales. The volume sold using competitive bidding was $9.2 billion (10.8 percent).

- **Negotiated Financings:** A negotiated financing involves the sale of bonds in which the terms and price are negotiated through an exclusive contract with a previously selected underwriter(s). The State and Marks-Roos issuers had the greatest volume of issuances sold through negotiated sales with $17.3 billion and $12.3 billion, respectively. Twenty-one types of government issuers sold their bonds exclusively via the negotiated process; they account for $13.5 billion (15.9 percent) of the total volume of bonds issued.

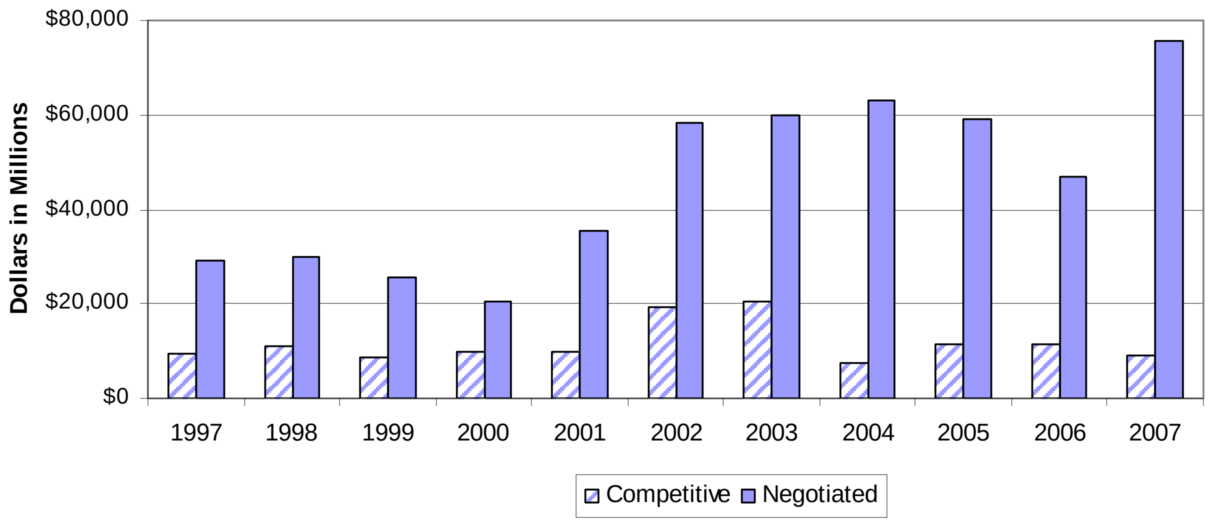
  On page 13, Figure 10 provides a comparison of competitive and negotiated financings from 1996 through 2007. Between 2006 and 2007, volume of competitive sales declined from $11.4 billion to $9.2 billion, the third consecutive year of decline. In contrast, the volume of negotiated financings increased substantially from $47.0 billion to $75.8 billion. This is the highest volume of negotiated sales in the ten year period displayed in Figure 10.

Figure 9
Comparison of 2007 Competitive and Negotiated Financings, By Type and Issuer
(Dollars in Millions)

Type of Issuer	Competitive Sales		Negotiated Sales		Total Volume	Percent of Total Issues
	Volume	Percent of Issuers' Sales	Volume	Percent of Issuers' Sales		
City	$1,523	24.0%	$4,817	76.0%	$6,340	7.5%
City/County Government	154	40.3	228	59.7	381	0.4
Community College District	225	8.0	2,601	92.0	2,826	3.3
Community Facilities District	71	3.9	1,741	96.1	1,812	2.1
Community Services District	0	0	15	100.0	15	0.0
County	1,060	27.1	2,857	72.9	3,917	4.6
County Board of Education	13	19.3	56	80.7	69	0.1
County Sanitation District	395	100.0	0	0	395	0.5
County Water District	0	0	80	100.0	80	0.1
Fire Protection District	65	92.4	5	7.6	70	0.1
Flood Control, Water Conservation District	0	0	128	100.0	128	0.2
Harbor Port District	0	0	533	100.0	533	0.6
Hospital District	64	10.1	567	89.9	631	0.7
Housing Authority	0	0	332	100.0	332	0.4
Housing Finance Agency	0	0	59	100.0	59	0.1
Industrial Development Authority	0	0	14	100.0	14	0.0
Irrigation District	0	0	270	100.0	270	0.3
Joint Powers Agency	340	7.3	4,328	92.7	4,668	5.5
K-12 School District	2,183	23.9	6,943	76.1	9,125	10.7
Marks Roos	628	4.8	12,339	95.2	12,967	15.3
Metropolitan Water District	0	0	800	100.0	800	0.9
Municipal Utility District	0	0	1,224	100.0	1,224	1.4
Municipal Water District	0	0	190	100.0	190	0.2
Non-Profit Corporation	54	1.0	5,244	99.0	5,299	6.2
Park & Recreation District	7	5.7	123	94.3	130	0.2
Public Utility District	0	0	16	100.0	16	0.0
Redevelopment Agency	419	13.8	2,609	86.2	3,028	3.6
Sanitary District	0	0	7	100.0	7	0.0
Sanitation, Flood Control District	0	0	3	100.0	3	0.0
State	1,848	9.6	17,345	90.4	19,193	22.6
State Instrumentalities	0	0	2,912	100.0	2,912	3.4
State Programs & Departments	0	0	3,891	100.0	3,891	4.6
Student Loan Corporation	0	0	693	100.0	693	0.8
Transit Authority	0	0	1,671	100.0	1,671	2.0
Transit District	0	0	450	100.0	450	0.5
Water Agency/Authority	0	0	220	100.0	220	0.3
Water District	110	22.1	387	77.9	497	0.6
Water Storage District	0	0	5	100.0	5	0.0
Total	**$9,160**	**10.8%**	**$75,748**	**89.2%**	**$84,908**	**100.0%**

*Totals may not add and percentages may not be exact due to rounding.

Figure 10
California Public Issuance
Competitive and Negotiated Financings
1997 through 2007



E. Taxable Financings

Interest on most municipal bonds is tax-exempt. Of the bonds sold in 2007, the interest earned on $79.9 (94.0 percent) of all volume was tax exempt. Whether or not bond interest is taxable depends on whether[4]:

- Treatment of the bonds as obligations of a state or political subdivision of a state (e.g., private activity bonds);
- The bonds are arbitrage bonds;
- The bonds are hedge bonds;
- The bonds violate various other prohibitions contained in the federal tax code.

As shown in Figure 11, 177 issues were subject to tax. Of these, three types of projects accounted for over 2/3rds of all taxable issues: 53 (29.9 percent) were issued for redevelopment purposes, 41 (23.2 percent) were issued for capital improvements, and 31 (17.5 percent) were issued for housing purposes.

The par amount for these taxable issues was $5.2 billion (6.0 percent). Of these, housing and education bonds had the greatest amount of taxable volume..

Figure 11
Dollar Volume of 2007 Taxable Financings
By Purpose
(Dollars in Millions)

Purpose	Volume of All Issues	Number of Taxable Issues	Volume of Taxable	Taxable Volume as Percent of All Volume
Capital Improvements	$24,099	41	$518	10.2%
Commercial and Industrial Development	459	3	10	0.2
Education	23,292	18	1,168	5.0
Hospital and Health Care Facilities	7,854	5	60	1.2
Housing	5,936	31	1,274	21.5
Interim Financing	13,224	7	181	1.4
Redevelopment	3,597	53	862	17.0
Other	6,445	19	987	15.3
Total	**$84,908**	**177**	**$5,059**	**6.0%**

*Totals may not add and percentages may not be exact due to rounding.

[4] California Debt and Investment Advisory Commission, "Chapter 3: General Federal Tax Requirements," *California Debt Issuance Primer* (2006): page 53.

F. Credit Enhancement

Credit enhancements provide protection to the bond purchaser while providing the issuer with a better credit position. In order for an issuer to receive a credit enhancement for a bond, the issuer needs to pay a guarantor for a letter of credit, bond insurance, or some other type of enhancement[5]. Approximately 57.0 percent of bonds issued in 2007 were credit enhanced.

The volume of credit enhanced bonds increased to $48.4 billion from $39.1 billion in 2006, respresenting a 23.8 percent increase. Of the credit enhanced bonds, 94.9 percent were insured, 4.4 percent received a letter of credit, and 0.8 percent received some other form of a credit enhancement. As in 2006, the smallest category by volume was commercial and industrial development bonds, with $340.0 million (0.7 percent) of credit enhanced issuance (see Figure 12).

Figure 12
2007 California Public Issuance
Volume of Bonds Issued
With Credit Enhancements
By Purpose
(Dollars in Millions)

Purpose	Insured	Letter of Credit	Other	Total
Capital Improvements	$16,631	$153	$0	$16,784
Commercial and Industrial Development	14	327	0	340
Education	19,630	366	24	20,020
Hospital and Health Care Facilities	4,381	713	20	5,114
Housing	1,132	519	330	1,982
Redevelopment	2,837	0	0	2,837
Other	1,256	34	0	1,290
Total	**$45,882**	**$2,111**	**$374**	**$48,367**
Percent of Total	**94.9%**	**4.4%**	**.8%**	

*Totals may not add due to rounding.

[5] California Debt and Investment Advisory Commission, "Chapter 1: Overview of a Debt Financing," *California Debt Issuance Primer* (2006): pages 22-23.

SECTION III.

STATE OF CALIFORNIA BOND ISSUANCE

A. State Issuance by Type

In 2007, general obligation bonds had the largest volume of issuance, $12.2 billion (40.1 percent). Bonds issued in this category were for education ($8.2 billion), capital improvements ($3.7 billion, housing ($726 million), and hospital/health care ($107 million).

Total volume of bond issuance increased from $12.3 billion in 2006 to $30.4 billion in 2007 (see Figure 13). State issuance increased in all bond types except conduit revenue bonds, certificates of participation/leases and bond anticipation notes. The volume of conduit revenue bonds fell from $5.3 billion to $4.3 billion in 2007, making a decrease of 17.9. Certificates of participation/leases and bond anticipation notes issuance also decreased as there was no issuance in 2007.

Revenue anticipation note issuance had the greatest increase due to a $7.0 billion interim financing in October 2007 for cash flow purposes. Revenue bonds (pool), other bonds, and other notes all increased 100.0 percent because no bonds of these types were issued in 2006.

Figure 13
Volume of State Bond Issuance
By Type*
2007 and 2006
(Dollars in Millions)

	2007		2006		
Type	**Volume**	**Percent of Total Issuance**	**Volume**	**Percent of Total Issuance**	**Percent Change 2006 to 2007**
Bonds					
Conduit revenue bond	$4,325	14.2%	$5,266	42.7%	-17.9%
General obligation bond	12,193	40.1	4,584	37.1	166.0
Public enterprise revenue bond	1,274	4.2	315	2.6	304.4
Public lease revenue bond	653	2.1	615	5.0	6.3
Revenue bond (pool)	537	1.8	0	0.0	100.0
Other bond	4,447	14.6	0	0.0	100.0
Subtotal, Bonds	**$23,430**	**77.0%**	**$10,779**	**87.3%**	**117.4%**
Certificates of Participation/Leases	**$0**	**0.0%**	**$21**	**0.2%**	**-99.8%**
Notes					
Bond anticipation note	$0	0.0%	$45	0.4%	-100.0%
Revenue anticipation note	7,000	23.0	1,500	12.2	353.9
Other note	13	0.0	0	0.0	100.0
Subtotal, Notes	**$7,013**	**23.0%**	**$1,545**	**12.5%**	**353.9%**
Total	**$30,443**	**100.0%**	**$12,345**	**100.0%**	**146.6%**

* Does not include student loan corporations. Totals may not add and percentages may not be exact due to rounding.

B. State Issuance by Purpose

Commission staff characterize bond issuance by purpose, including capital improvements, education and interim financing. Of the major purpose categories shown in Figure 14, state issuance for all purpose types increased from 2006 to 2007, with the most significant increases in "other purpose" (1351.6 percent) and interim financing (366.6 percent). The reason for the increase in these categories is "other purpose" included a large tobacco securitization bond issuance of $4.4 billion, and an interim financing included a $7.0 billion revenue anticipation note in October 2007 issued for cash flow purposes. Issuance for education purposes also contributed a significant volume increase of nearly $5 billion from the volume issued in 2006.

Figure 14
Volume of State Bond Issuance
By Purpose[1]
2007 and 2006
(Dollars in Millions)

	2007		2006		
Purpose	**Volume**	**Percent of Total Issuance**	**Volume**	**Percent of Total Issuance**	**Percent Change 2006 to 2007**
Capital Improvements	$4,181	13.7%	$1,302	10.5%	221.1%
Commercial and Industrial Development	338	1.1	226	1.8	49.6
Education	10,295	33.8	5,639	45.7	82.5
Hospital and Health Care Facilities	1,788	5.9	1,305	10.6	37.0
Housing	2,269	7.5	2,059	16.7	10.2
Interim Financing	7,000	23.0	1,500	12.2	366.6
Other Purpose	4,573	15.0	315	2.6	1,351.6
Total	**$30,443**	**100.0%**	**$12,345**	**100.0%**	**146.6%**

[1] Does not include student loan corporations. Totals may not add and percentages may not be exact due to rounding.

SECTION IV.

LOCAL AGENCY BOND ISSUANCE

A. Local Agency Issuance by Type

The total volume of issuance for local agencies increased from $45.8 billion in 2006 to $53.8 billion in 2007 (17.4 percent) (see Figure 15). The largest increases in local issuance were for the following:

- **Conduit Revenue Bonds:** Issuance in this category increased from $4.3 billion in 2006 to $8.7 billion in 2007 (102.9 percent).

- **Bond Anticipation Notes:** The 541.4 percent increase in bond anticipation note issuance can be credited to a variety of issuances primarily for education purposes.

- **Public Enterprise Revenue Bond:** The $2.9 billion increase in this category was mostly due to increased issuance for power generation and transmission.

Figure 15
Volume of Local Agency Issuance
By Type[1]
2007 and 2006
(Dollars in Millions)

	2007		2006		
Type	Volume	Percent of Total Issuance	Volume	Percent of Total Issuance	Percent Change 2006 to 2007
Bonds					
Conduit revenue bond	$8,700	16.2%	$4,288	9.4%	102.9%
General obligation bond	10,427	19.4	10,352	22.6	0.7
Limited tax obligation bond	1,617	3.0	2,204	4.8	-26.6
Pension obligation bond	556	0.0	0	0.0	100.0
Public enterprise revenue bond	10,856	20.2	7,946	17.4	36.6
Public lease revenue bond	2,074	3.9	2,061	4.5	0.6
Revenue bond (Pool)	2,060	3.8	1,749	3.8	17.8
Sales tax revenue bond	290	0.5	739	1.6	-60.8
Special assessment bond	594	1.1	441	1.0	34.6
Tax allocation bond	3,079	5.7	3,657	8.0	-15.8
Other bond	1,390	2.6	2,140	4.7	-35.0
Subtotal Bonds	**$41,643**	**77.4%**	**$35,578**	**77.7%**	**17.1%**
Certificates of Participation/Leases	**$5,174**	**9.6%**	**$3,570**	**7.8%**	**45.0%**
Commercial Paper	**$939**	**1.7%**	**$525**	**1.1%**	**78.9%**
Notes					
Bond anticipation note	$280	0.1%	$44	0.1%	541.4%
Grant anticipation note	29	0.1	0	0.0	100.0
Revenue anticipation note	77	0.1	23	0.1	239.8
Tax allocation note	67	0.1	58	0.1	15.2
Tax and revenue anticipation note	5,202	9.7	4,725	10.3	10.0
Other note	360	0.7	1,272	2.8	-71.7
Subtotal Notes	**$6,015**	**11.2%**	**$6,121**	**13.4%**	**-1.7%**
Total	**$53,772**	**100.0%**	**$45,794**	**100.0%**	**17.4%**

[1] Does not include student loan corporations. Totals may not add and percentages may not be exact due to rounding.

B. Local Agency Issuance by Purpose

As shown in Figure 16, the majority of the bond issuance in 2007 was used for capital improvements ($19.9 billion) and education ($12.3 billion). Most of these capital improvements were financed with public enterprise revenue bonds ($10.6 billion); of this, $3.1 billion was issued for water projects and $3.6 billion for power generation and transmission. A significant portion of the bonds for education were issued as general obligation bonds ($9.3 billion), which were issued for K-12 school facilities and college/university facilities. Hospital and health care facilities had the largest increase from 2006 to 2007 (158.3 percent). Of the $6.1 billion issued for this purpose, $3.9 billion were issued as conduit revenue bonds under the Marks-Roos program.

Figure 16
Volume of Local Agency Issuance
By Purpose*
2007and 2006
(Dollars in Millions)

	2007		2006		
Purpose	**Volume**	**Percent of Total Issuance**	**Volume**	**Percent of Total Issuance**	**Percent Change 2006 to 2007**
Capital Improvements	$19,918	37.0%	$17,243	37.7%	15.5%
Commercial and Industrial Development	121	0.2	375	0.8	-67.6
Education	12,304	22.9	12,010	26.2	2.5
Hospital and Health Care Facilities	6,066	11.3	2,348	5.1	158.3
Housing	3,668	6.8	2,495	5.4	47.0
Interim Financing	6,224	11.6	5,416	11.8	14.9
Redevelopment	3,597	6.7	4,233	9.2	11.9
Other	1,873	3.5	1,673	3.7	-15.0
Total	**$53,772**	**100.0%**	**$45,794**	**100.0%**	**17.4%**

* Does not include student loan corporations. Totals may not add and percentages may not be exact due to rounding.

C. Local Agency Issuance by County of Origin

Figure 17 shows the total amount of issuance as well as refunding amounts by county. Of the 58 counties, issuers in Los Angeles County issued $12.1 billion (22.6 percent) of all local bonds issued in 2007. Of LA's total, 21.8 percent was for refunding. The "multiple" category, which includes issuances that overlap at least two county boundaries, was the second largest issuer ($11.9 billion). About a quarter of this amount was for refundings.

Sixteen of the 55 counties that issued bonds in 2007 did not have any refundings. Of these counties, Kern County had the largest bond issuance volume ($570.3 million).

Only Alpine, Amador, and Modoc Counties did not have any public issuance.

Figure 17
Volume and Number of Issues for 2007 Local Agency Issuance by County of Origin and Refunding
(Dollars in Millions)

County	Number of Issues	Volume	Percent of Total	Refunded Amount	Percent of Issues Refunded
Alameda	48	$2,898	5.4%	$916	31.6%
Butte	5	66	0.1	23	35.0
Calaveras	2	19	0.0	0	0.0
Colusa	1	5	0.0	0	0.0
Contra Costa	45	1,295	2.4	408	31.5
Del Norte	2	18	0.0	6	32.8
El Dorado	8	77	0.1	43	55.4
Fresno	24	398	0.7	25	6.2
Glenn	2	12	0.0	0	0.0
Humboldt	4	22	0.0	3	13.0
Imperial	18	369	0.7	28	7.7
Inyo	3	7	0.0	6	88.0
Kern	25	570	1.1	0	0.0
Kings	3	21	0.0	9	42.9
Lake	2	9	0.0	0	0.0
Lassen	1	9	0.0	8	82.8
Los Angeles	189	12,142	22.6	2,649	21.8
Madera	4	70	0.1	8	10.8
Marin	13	59	0.1	11	17.9
Mariposa	1	1	0.0	0	0.0
Mendocino	9	90	0.2	7	7.3
Merced	15	86	0.2	13	15.5
Mono	1	1	0.0	0	0.0
Monterey	22	280	0.5	120	43.0
Napa	7	171	0.3	12	7.1
Nevada	2	26	0.0	0	0.0
Orange	62	3,012	5.6	1,082	35.9
Placer	26	772	1.4	214	27.8
Plumas	1	1	0.0	0	0.0
Riverside	139	3,445	6.4	561	16.3
Sacramento	54	3,266	6.1	664	20.3
San Benito	1	7	0.0	7	98.7
San Bernardino	58	1,615	3.0	206	12.7
San Diego	85	3,068	5.7	723	23.6
San Francisco	20	1,005	1.9	88	8.7
San Joaquin	28	681	1.3	209	30.7
San Luis Obispo	12	288	0.5	45	15.7
San Mateo	23	436	0.8	180	41.4
Santa Barbara	15	174	0.3	38	21.6
Santa Clara	49	2,767	5.1	381	13.8
Santa Cruz	12	177	0.3	22	12.3
Shasta	4	34	0.1	0	0.0
Sierra	1	2	0.0	0	0.0
Siskiyou	3	22	0.0	17	74.0
Solano	11	287	0.5	120	41.8
Sonoma	25	534	1.0	191	35.8
Stanislaus	15	364	0.7	174	47.8
Sutter	5	30	0.1	0	0.0
Tehama	1	1	0.0	0	0.0
Trinity*	1	0	0.0	0	0.0
Tulare	22	211	0.4	20	9.4
Tuolumne	2	3	0.0	0	0.0
Ventura	22	707	1.3	117	16.5
Yolo	20	248	0.5	58	23.2
Yuba	6	39	0.1	0	0.0
Multiple	256	11,856	22.0	3,201	27.0
Total	**1,435**	**$53,772**	**100.0%**	**$12,612**	**23.5%**

*Actual amount issued is $487,998.

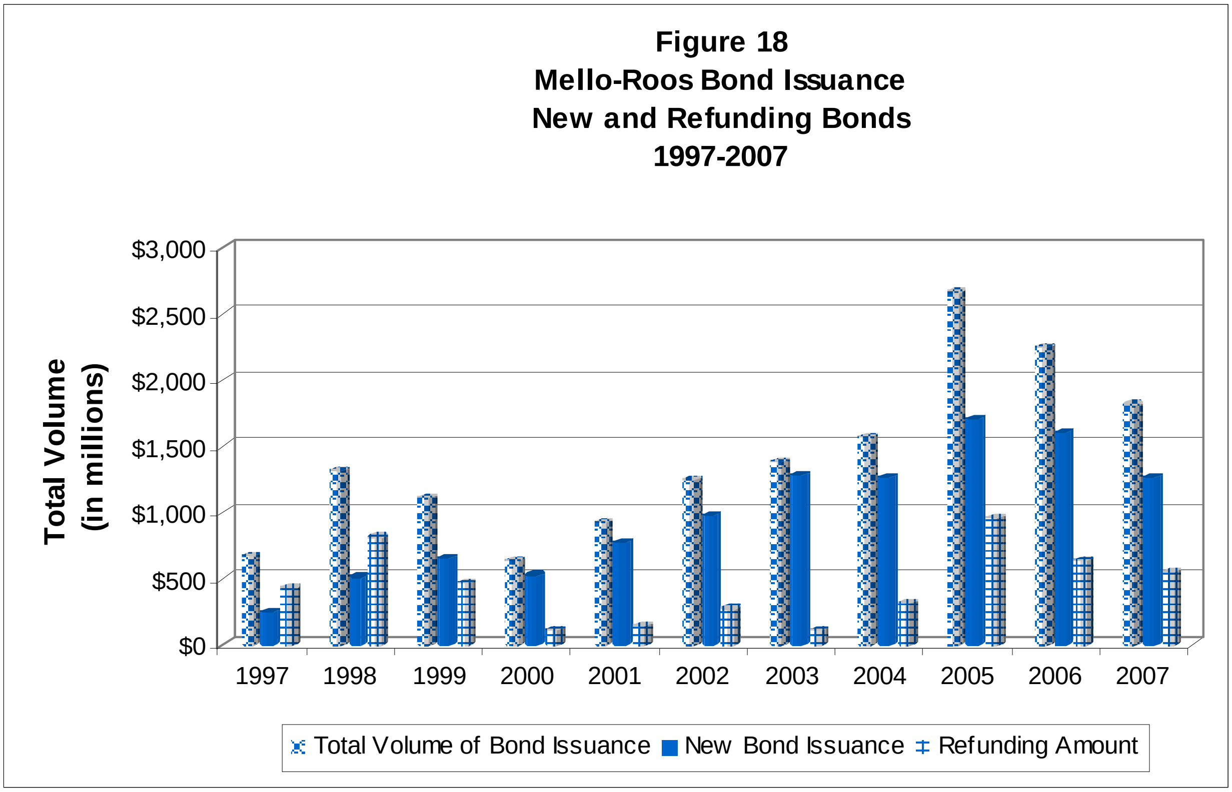
SECTION V.

MELLO-ROOS COMMUNITY FACILITIES DISTRICTS BOND ISSUANCE

A. Overview

The Mello-Roos Community Facilities Act of 1982 established a means for public agencies to structure a separate communities facility district (CFD) to finance school facilities and capital improvements, such as libraries, parks, public utilities, etc.

Figure 18 shows the change in Mello-Roos bond issuance (new and refunding bonds) from 1996 through 2007. In 2007, Mello-Roos CFDs sold 144 issues, a decrease of 21.7 percent from the 184 issues sold in 2006. The volume of 2007 Mello-Roos issues also decreased from $2.2 billion in 2006 to $1.8 billion in 2007 (-19.1 percent). New issuance decreased from $1.6 billion in 2006 to $1.3 billion in 2007 (-23.1 percent), and refunding bonds decreased from $632.0 million in 2006 to $553.0 million in 2007 (-12.5 percent).

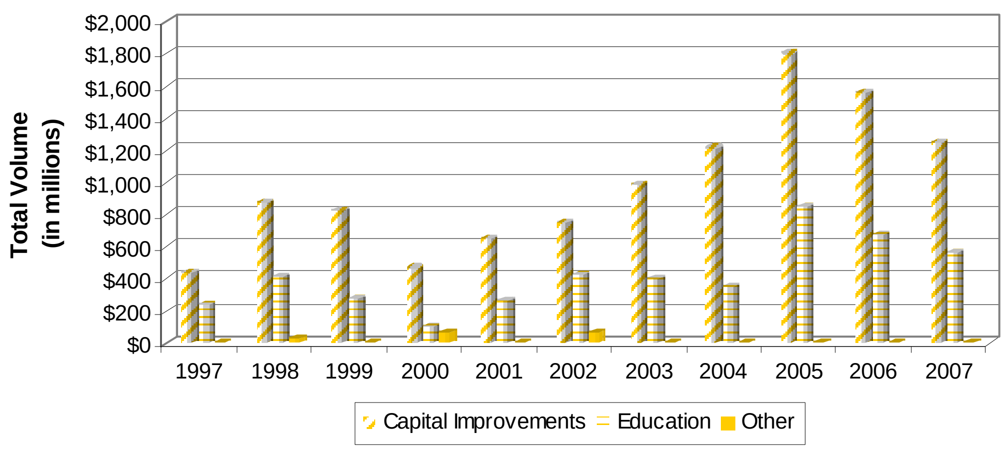


B. Mello-Roos Bond Issuance by Purpose

Figure 19 shows the dollar amount of Mello-Roos bonds issued by purpose from 1996 through 2007. The predominant purpose for the past ten years has been capital improvements.

Mello-Roos bonds for capital improvements decreased 19.9 percent, from $1.6 billion in 2006 to $1.3 billion in 2007. Mello-Roos bond issuance for education purposes also decreased from $677.3 million in 2006 to $559.4 million in 2007 (-17.4 percent). There was no issuance in the "other" category in 2007.

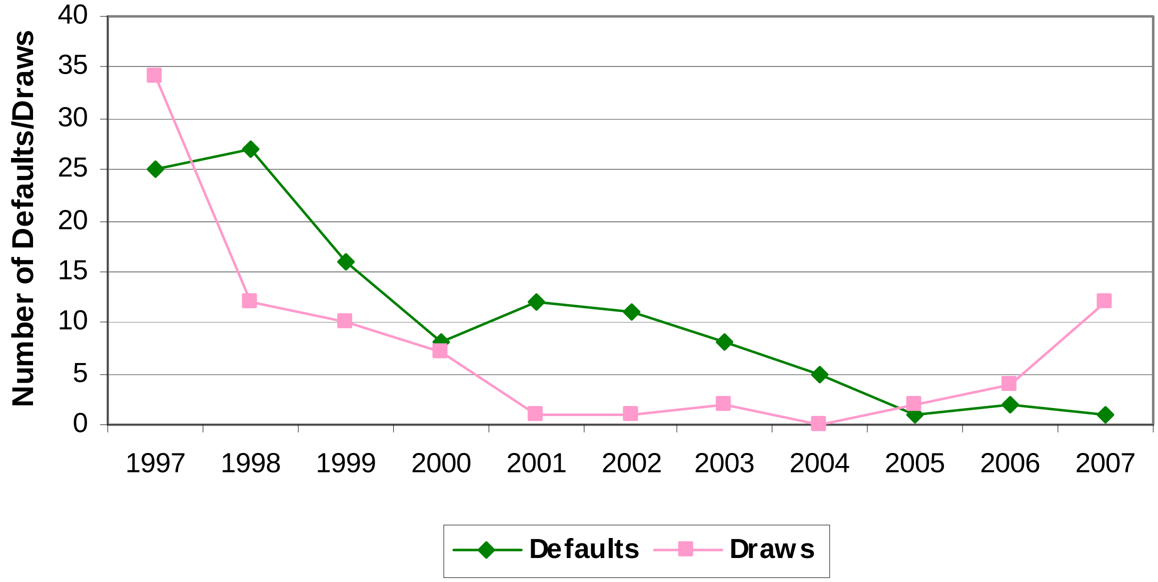
Figure 19
Mello-Roos Bond Issuance
by Purpose
1997 through 2007



C. Defaults and Draws on Reserves

As required by California Government Code Section 53359.5, issuers of defaulted (i.e., non-payment of principal and interest on any scheduled payment date) Mello-Roos bonds or Mello-Roos bonds that have a draw on reserve funds to pay principal and interest on bonds must report this information to CDIAC on a yearly basis. Figure 20 shows Mello-Roos bonds that have defaulted or have had draws on reserves from 1996 through 2007. Mello-Roos bond defaults peaked at 27 in 1998. Defaults have declined steadily since 2002 and remained low in 2007. The number of draws on reserves spiked from four in 2006 to 12 in 2007 was four, a 300.0 percent increase.

Figure 20
Mello-Roos Bonds
Defaults and Draws on Reserves
1997 through 2007



CDIAC periodically reports on defaults and draws on reserves on its website at www.treasurer.ca.gov/cdiac.[6] Information also may be obtained through contacting CDIAC directly.

[6] Additional information on Mello-Roos CFDs and their defaults/draws on reserves is available in CDIAC's *California Mello-Roos Community Facilities Districts, Review of Yearly Fiscal Status Reports and Reports on Draws on Reserves and Defaults*, August 2008. This report is a review of Mello-Roos activity with an emphasis on the time period between 2001-02 and 2007-08.

SECTION VI.

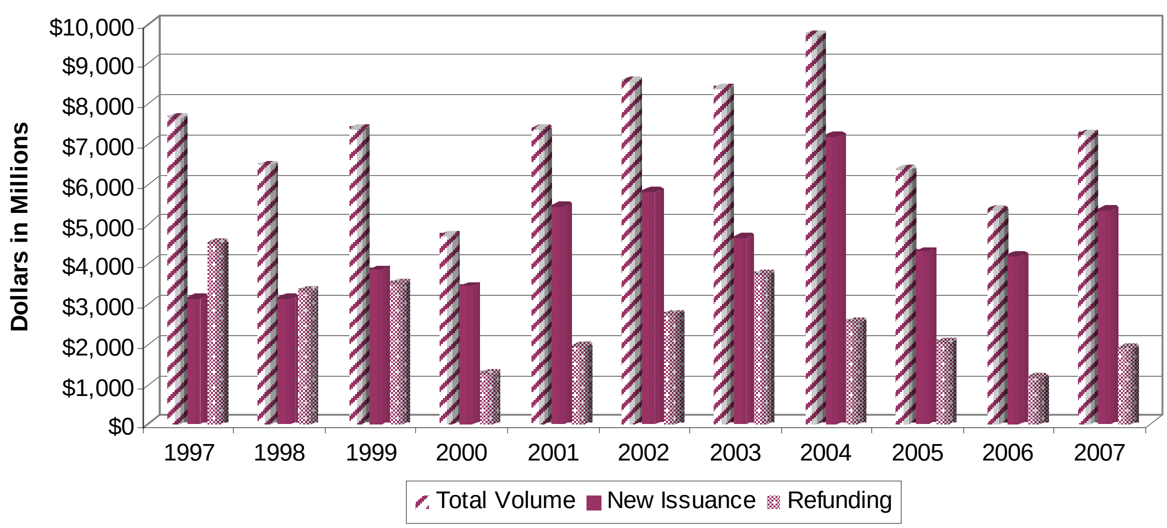
MARKS-ROOS BOND ISSUANCE

A. Overview

The Marks-Roos Local Bond Pooling Act of 1985 allows Joint Powers Authorities (JPAs) to issue bonds for a variety of purposes. Chapter 723, Statutes of 2001, required certain JPAs issuing Marks-Roos bonds to file copies of any public hearing notice and resolutions of intent to issue debt with CDIAC and the Office of the Attorney General. Exemptions to this requirement are granted to JPAs issuing Marks-Roos bonds for certain purposes under Government Code Section 6586.5 (et seq.) and Article 1 of the Marks-Roos Act. These exemptions include issuance for transportation, under grounding of utility and communication lines, public school facilities, and public highways.

Figure 21 compares total, new, and refunding bond issuance from 1997 through 2007. New bond issuance increased 27.6 percent, from almost $5.3 billion in 2006 to $4.2 billion in 2007. Refundings also increased, 65.3 percent from $1.1 billion in 2006 to $1.9 billion in 2007.

Figure 21
Marks-Roos Bond Issuance
New and Refunding Bonds
1997 through 2007



B. Marks-Roos Bond Issuance by Purpose

Figure 22 compares Marks-Roos bond issuance by purpose for 2006 and 2007. As in recent years, the largest volume of Marks-Roos bond issuance was for capital improvements purposes. The volume of capital improvement bonds issued increased from $3.5 billion in 2006 to $5.1 billion in 2007 (47.2 percent). Although the volume of bonds issued for capital improvement purposes was the largest, bond issuance for housing purposes had the largest year over year increase (115.6 percent).

The only category with a year-over-year decline in issuance was for "other" purposes (-11.1 percent).

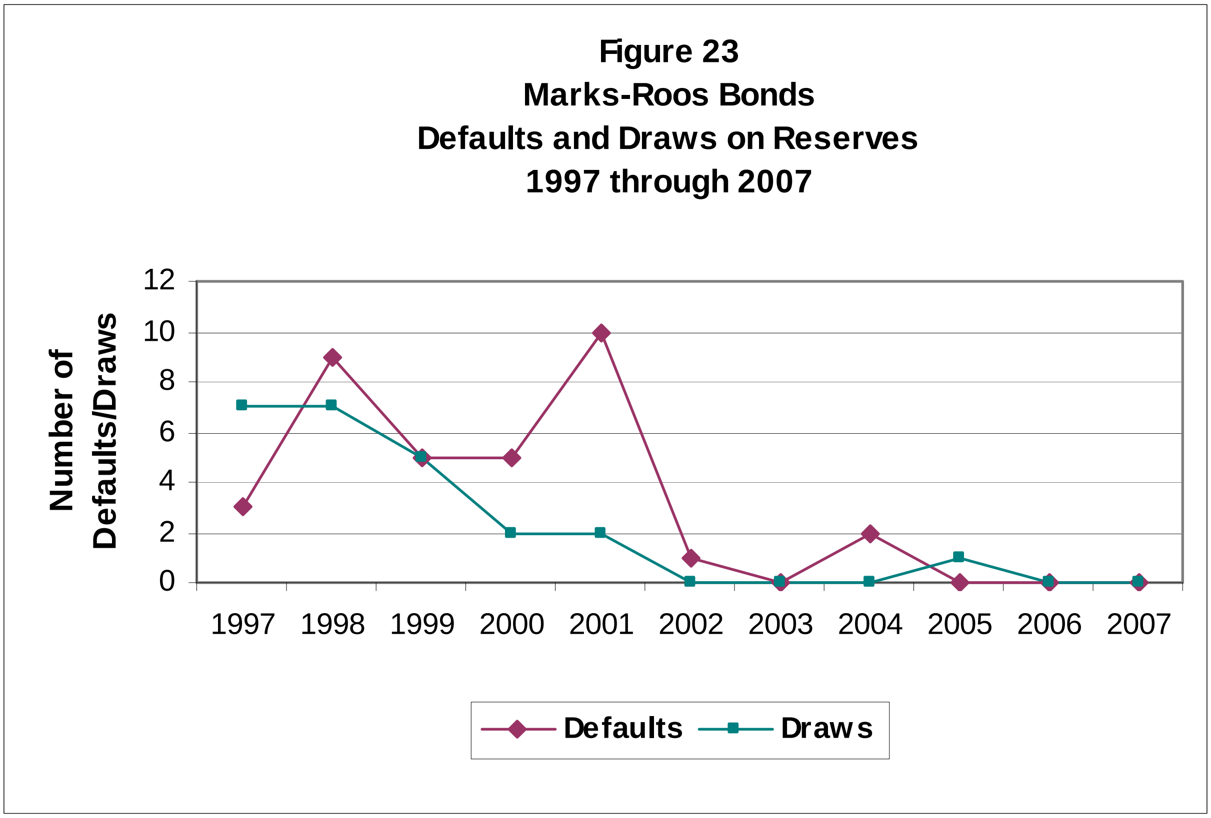
Figure 22
Marks-Roos Bond Issuance by Purpose*
2007 and 2006
(Dollars in Millions)

	2007		2006		
Purpose	**Volume**	**Percent of Total**	**Volume**	**Percent of Total**	**Percent Change 2006 to 2007**
Capital Improvements	$5,112	70.7%	$3,472	65.1%	47.2%
Commercial and Industrial Development	0	0.0	5	0.1	N/A
Education	542	7.5	491	9.2	10.3
Hospital and Health Care Facilities	138	1.9	0	0.0	N/A
Housing	99	1.4	46	0.9	115.6
Interim Financing	14	0.2	14	0.3	0.0
Other	87	1.2	98	1.8	-11.1
Redevelopment	1,242	17.2	1,206	22.6	3.0
Total	**$7,235**	**100.0%**	**$5,332**	**100.0%**	**35.7%**

*Totals may not add and percentages may not be exact due to rounding.

C. Defaults and Draws on Reserves

From 1996 through 2007, Marks-Roos bond defaults and draws on reserves have varied significantly (see Figure 23). As in 2006, there were neither defaults nor draws reported for 2007.



CDIAC periodically reports on defaults and draws on reserves on its website at www.treasurer.ca.gov/cdiac. Additional information may be obtained by contacting CDIAC directly.[7]

[7] Additional information on Marks-Roos issuances and their defaults/draws on reserves up to November 2003 is available in CDIAC's *Marks-Roos Yearly Fiscal Status Report.* This report contains information on Marks-Roos defaults and draws on reserves reported through November 2003.

SECTION VII.

THE CALIFORNIA DEBT AND INVESTMENT ADVISORY COMMISSION

The California Debt and Investment Advisory Commission (CDIAC) collects municipal finance data, conducts research, administers educational seminars, and provides information and technical assistance on behalf of public finance professionals.

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-elected officials—the State Treasurer, the State Controller, and Governor or the Director of Finance—serve *ex officio*. Statute names the Treasurer to be chair. Local government associations, such as the League of 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.

Figure 24
Statutory Provisions
Government Code Sections
As of July 1, 2008

	Section	Description of Provision
Authorizing Statute	8855	Establishes Commission's duties
Mello-Roos Reports	53359.5(a)	Reporting requirements: debt issuance, annual debt service default, reserve draw
Marks-Roos Reports	6599.1(a) 53359.5 (a)	Reporting requirements: debt issuance, annual debt service default, reserve draw

Initially, the legislature created the commission to serve as the state's clearinghouse for public debt information and named it the California Debt Advisory Commission (CDAC). CDAC's authorizing legislation—Chapter 1088, Statutes of 1981 (AB 1192 (Costa))—required staff to assist state and local agencies with monitoring, issuing, and managing public financing. The legislature expanded the commission's responsibilities to cover public investment issues in response to changes in the municipal finance market and changed the commission's name. Figure 24 summarizes the commission's statutory provisions. See also Chapter 833, Statutes of 1996 (AB 1197 (Takasugi)). Appendix A reproduces the commission's authorizing statute. To help it meet its responsibilities, the commission divides its management into four units.

A. Data Unit

CDIAC maintains a database on public debt issued in California since January 1, 1982. All state and local government issuers must submit information twice to CDIAC: Thirty days prior to the proposed sale date, and no later than 45 days from the actual sale date. Information reported to CDIAC includes the sale date, the name of the issuer, the type of sale, the principal amount, the type of instrument, the source(s) of repayment, the purpose of the financing, the rating of the issue, and the members of the financing team. Mello-Roos and Marks-Roos bond issuers must also 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.

These submissions are published in a calendar of debt issuance in the *DEBT LINE* monthly newsletter and in the Commission's annual reports of public issuance.

Figure 25
Number of Issuances Reported to CDIAC
By Month
2005-06 through 2007-08

	2005-06	2006-07	2007-08
July	315	183	166
August	122	115	150
September	151	154	102
October	103	84	101
November	110	90	103
December	90	97	92
January	110	101	86
February	112	105	70
March	55	73	42
April	68	94	55
May	90	109	91
June	89	83	98
Total	***1,415***	***1,288***	***1,156***

Figure 26
Dollar Volume of Issuances Reported to CDIAC
By Month
(Dollars in Millions)
2005-06 through 2007-08

	2005-06	2006-07	2007-08
July	$ 6,493.9	$ 7,251.9	$ 7,555.2
August	7,465.3	4,466.9	6,165.9
September	7,804.7	4,764.6	4,282.5
October	2,733.1	2,722.0	4,113.6
November	7,506.0	4,337.1	8,486.6
December	4,581.0	5,797.3	11,397.1
January	6,083.8	4,136.9	2,313.1
February	4,134.5	5,158.8	1,838.3
March	3,494.0	6,135.6	4,375.5
April	1,945.9	8,150.5	5,321.1
May	3,918.0	5,522.8	5,439.5
June	3,051.9	4,701.5	6,516.5
Total	***$ 59,212.1***	***$ 63,145.9***	***$ 67,804.9***

In recent years, the number of reported issues fell significantly. California governments reported 1,415 issues in 2005-06, and 1,288 the following year, for a 9 percent drop. The next year, the number dropped to 1,156. Between 2005-06 and 2007-08, therefore, issuers reported nearly 20 percent fewer issues. Figure 25 details the reported number of monthly issues over the three year period.

Though the number of issues declined in each year, the dollar volume increased. The annual dollar volume rose from $59.2 billion in 2005-06 to $63.1 billion in 2006-07, a 6.6 percent increase. The following year, volume rose to $567.8 billion, signifying a 14.5 percent increase since 2005-06. This trend implies that the average value of debt instruments has increased even as governments are issuing fewer instruments. Part of the reason for the increased average size is the rising volume of state issues in the period. Figure 26 displays the monthly dollar volume for the three years starting in 2005-06.

B. Policy Research Unit

Some CDIAC duties are intended to improve the market for, and the marketability of, public issuance in California. Commission members and industry professionals advise the commission staff on areas of interest for potential research, analysis and practical relevance. The commission's researchers also draw on information from CDIAC's public issuance database, public and private experts throughout the municipal finance industry, periodicals and journals.

They publish on topics of current interest and practical relevance to public finance practitioners. Publications are intended to apprise issuers and investors of emerging trends in public finance and to preserve the integrity and viability of the public finance market.

Staff prepare their findings and recommendations in the form of issue briefs, technical reports, and articles for the *DEBT LINE* monthly newsletter. (Back issues of *DEBT LINE* are available on the commission's website.)

The commission publishes several occasional reports, including three annual summary reports, the *Annual Report*, *Calendar of Debt Issuance,* and *Summary of Debt Issuance*. It updates its statutory reference guide, the *Local Agency Investment Guidelines*, at the end of each legislative session if relevant statutes have been amended. After each statewide election, it publishes a compendium of state and local fiscal measures on the ballot in a series entitled, *State and Local Tax and Bond Ballot Measures*. On a more intermittent basis, it publishes a summary of Mello-Roos bond transactions. Each year, the research staff also publish several topical studies. Figure 27 lists the annual, periodic and topical reports by publication number, as issued by fiscal year since 2005-06.

Figure 27
CDIAC Publications by Fiscal Year
Number of the Publication
2005-06 through 2007-08

	2005-06	2006-07	2007-08
Annual			
Annual Report	05-07	06-06	07-05
Summary of Debt Issuance	05-08	06-07	07-06
Calendar of Debt Issuance	05-09	06-08	07-07
Periodic			
California Debt Issuance Primer Handbook	05-06		
State and Local Tax and Bond Ballot Measures	06-01	06-05, 07-01	08-05
Investment Policy Reporting Practices		06-03	
California Debt Issuance Primer		06-04	
Local Agency Investment Guidelines			08-01
Topical			
20 Questions for Municipal Interest Rate Swaps Issuers	05-04		
Tools to Revitalize California Communities	05-10		
OPEBS and GASB 45		06-09	
Duration Basics		06-10	
Understanding Interest Rate Swap Math and Pricing		06-11	
Qualified Zone Academy Bonds		06-12	
Public Private Partnerships: A Comparative Analysis			07-04
State and Local Government Debt Data Resources			07-08
Investing w/ Certificate of Deposit Placement Service			07-09
Public Private Partnerships: Guide to Selecting a Partner			08-02
Local Government General Obligation Trends			08-03

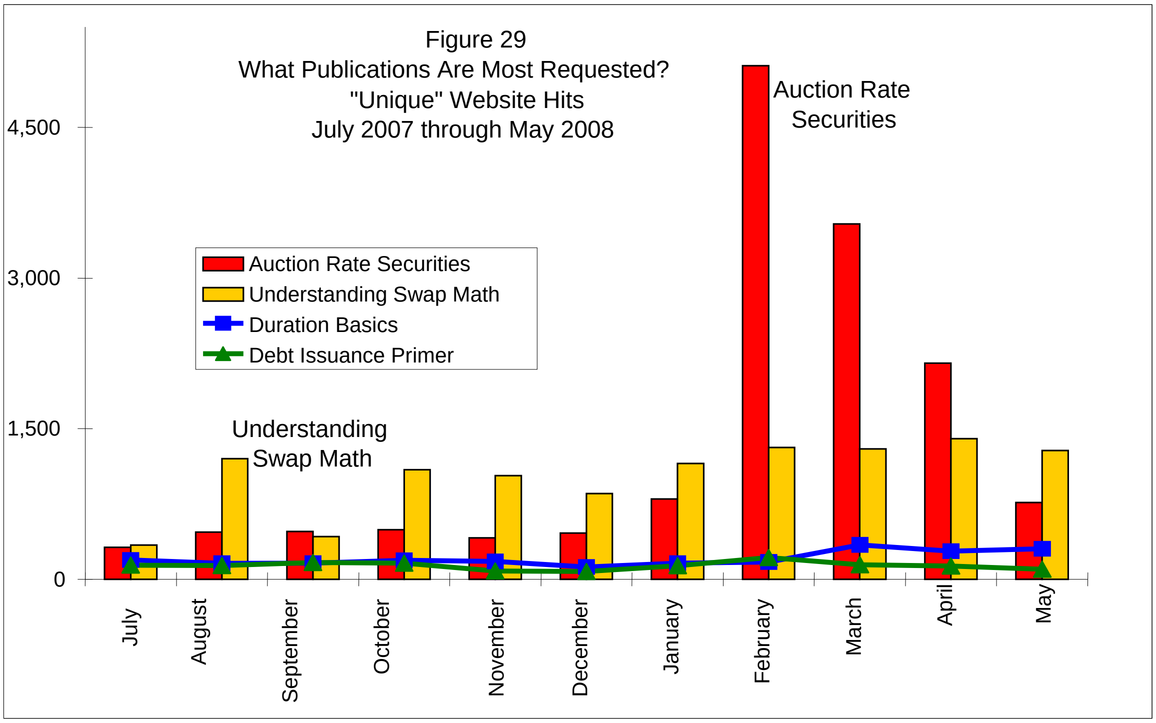
CDIAC disseminates its data and expertise in many formats, including oral responses to *ad hoc* questions. Staff may receive telephone requests from public and private sector professionals regarding requests for data on public issuance and information on the nature and application of public finance. These requests may be for lists of financings over a specified period of time and for specific types of issuers, such as joint powers authorities and community facility districts, that have issued bonds covering specific years. Many of these requests can be answered directly and within the day.

Figure 28
Phone Requests, By Requestor and Year Completed
2005-06 through 2007-08

	2005-06	2006-07	2007-08	Total Amount	Total Percent
State Entities					
State Legislature	3	4	2	9	2%
State Agency	14	13	8	35	9%
Subtotal, State Agencies	**17**	**17**	**10**	***44***	***11%***
Local Governments					
City	29	36	25	90	23%
County	22	23	10	55	14%
School	0	3	3	6	2%
Other Local Government	8	8	10	26	7%
Subtotal, Local Governments	**59**	**70**	**48**	***177***	***46%***
Private Municipal Entities					
Underwriter	0	1	5	6	2%
Bond Counsel	3	4	15	22	6%
Financial Advisor	7	17	11	35	9%
Subtotal, Private Municipal	**10**	**22**	**31**	***63***	***16%***
Other					
Media	5	2	2	9	2%
Other Private Interest	31	18	5	54	14%
Other US State	1	2	1	4	1%
Individual	5	10	17	32	8%
Nonprofit	1	0	1	2	1%
Subtotal, Other	**43**	**32**	**26**	***101***	***26%***
Totals	**129**	**141**	**115**	**385**	

Others take more time to answer, as they require additional research or compilation of data. Of these types of requests, the commission completed about 10 of these complex requests each month over the last three years. These more complex or time consuming requests are summarized in Figure 28 for three year period starting in 2005-06. Of the requests listed in the figure, nearly half come from local governments. Private municipal finance entities account for nearly one-fifth of the requests.

Currently, commission staff are unable to identify completely the number of times documents on its website are accessed. This is because those internet searches ("hits") that come from users who have bookmarked the commission's site, or enter the website through a link in an e-mail, are not captured.



The commission can track all "unique hits" which are made directly upon entering the website. This tracking, though incomplete, can be useful in identifying the types of publications which are popular. The commission began tracking website hits in 2007-08. For the first eleven months of the year, the most popular publications were the staff reports on auction rate securities, understanding swap math, duration basics, and the Debt Issuance Primer. See Figure 29 by a monthly count of these "unique hits." The volume of hits for these publications reflect the evolving nature of the municipal finance market in 2007-08.

C. Education Unit

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 public 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

Figure 30
Location of CDIAC Seminars and Workshops
2005-06 through 2007-08

	2005-06	2006-07	2007-08
Annual Seminars			
Bond Buyer*	Carlsbad	San Francisco	Carlsbad
Land Secured Finance	Pomona	Sacramento	Ontario
Fundamentals of Debt Financing	Concord	San Diego	Concord
On-Going Debt Administration	San Jose	Long Beach	Burlingame
Mechanics of a Bond Sale	Foster City	San Diego	Oakland
ABCs of School Finance	Sacramento & San Diego	Sacramento & Orange	Ontario
Other Seminars and Workshops			
Workshop at Municipal Finance Officers Conference	Palm Springs	Modesto	
Workshop at CA Budget Project Conference	Sacramento		
Assessing and Using Developer Impact Fees	Riverside & Sacramento		
Marketing and Pricing Bonds	San Francisco		
Advanced Portfolio Management	San Francisco	Long Beach	
Fundamentals of Cash Flow		San Mateo	
STO Brown Bags*			Sacramento
Investing Public Funds		Long Beach	Burlingame
Understanding Municipal Securities Regulation			San Mateo
Understanding Swaps			Monterey

public issuance and the investment of public funds. The majority of the public officials who attend CDIAC seminars are from local agencies, while as many as 25 percent are employed by state and federal agencies. CDIAC offered the following seminars between 2005-06 through 2007-08. Each year, the commission provides six "core" seminars and conducts about four other topical seminars and workshops. Over a two-year cycle, staff rotate the core seminars between Southern and Northern California. Figure 30 identifies by fiscal year these classes and where they were held.

Below is a brief description of the recurring and more popular classes.

CDIAC Pre-Conference at the Bond Buyer's Annual California Public Finance Conference. Every year, CDIAC provides a half-day seminar at the Bond Buyer's annual conference. Typically, the seminar covers topical issues, such as disclosure, regulatory reform and changes in the municipal finance market.

Land Secured Finance. This one-day seminar describes the local considerations for forming and administering a Mello-Roos Community Finance District.

Fundamentals of Debt Financing, This one and one-half day seminar is an introduction to terms, concepts and processes relating to debt issuance. Topics covered in this course include: roles and responsibilities of the issuer as well as other members of the financing team; types of long-term financing; an overview of initial and continuing disclosure; how credit ratings and investor needs can be incorporated into an issuer's bond structure; and the fundamentals of a bond sale.

Figure 31
Registered Seminar Enrollment
2005-06 through 2007-08

	2005-06	2006-07	2007-08
Annual Seminars			
Bond Buyer*	80	80	154
Land Secured Finance	146	78	106
Fundamentals of Debt Financing	122	132	134
On-Going Debt Administration	48	106	82
Mechanics of a Bond Sale	132	131	87
ABCs of School Finance	85	70	25
Subtotal, Annual Seminars	***613***	***597***	***588***
Other Seminars			
Workshop at Municipal Finance Officers Conference*	45	30	
Workshop at CA Budget Project Conference*	10		
Assessing and Using Developer Impact Fees	133		
Marketing and Pricing Bonds	49		
Advanced Concepts	32		
Investing Public Funds		68	53
Fundamentals of Cash Flow		67	
STO Brown Bags			123
Understanding Municipal Securities Regulation			50
Understanding Swap Math*			10
Subtotal, Other Seminars	***269***	***165***	***236***
Total	**882**	**762**	**824**

** Estimate*

On-Going Debt Administration. This one-day debt management seminar, the third course in a series of CDIAC's debt administration seminars, describes the steps necessary to develop a systematic on-going debt management system. The main illustration is the administration of fixed general obligation bonds. In addition, other important matters related to post bond issuance were covered, such as arbitrage rebate, refundings, and continuing disclosure. The program was intended to provide issuers with the concepts and tools necessary to take ownership of their debt through the life of a bond.

Mechanics of a Bond Sale. The one and one-half day seminar details the debt issuance process, including developing a debt policy/plan of finance and considerations essential to structuring a financing. The program also focused on the various legal documents required in a bond transaction, the importance of credit enhancement, and information on marketing and pricing the bond. In addition, topics included understanding arbitrage rebate and the investment of bond proceeds.

ABCs of School Debt Financing. This is a one-day seminar for school administrators describes the debt issuance process and administration including the fine-tuning of debt policies, working with oversight committees, the mechanics of school debt financing, and the types of instruments used.

Marketing and Pricing Bonds. This one-day workshop details industry practices for marketing and pricing bonds. Speakers lead participants through the negotiated and competitive bond sale process and the factors that go into pricing bonds. In addition, participants had the opportunity to view the pricing desk of an underwriting firm.

Advanced Portfolio Management*.* This one and one-half day seminar focuses on investment products, cash flow analysis, investment objectives, and performance measurements.

Fundamentals of Cashflow Forecasting, This one-day intermediate workshop assists local officials in determining appropriate portfolio structures for their agency's investments. An in-depth discussion and hands-on curriculum were used to assist attendees in further developing their cash flow forecasting skills and managing their investment portfolios.

Enrollment for CDIAC seminars and workshops varied between a low of 762 in 2006-07 to a high of 882 in 2005-06. For 2007-08, registered enrollment was 588 with a total enrollment of 824.

D. Administration and Budget Unit

This unit provides administrative and budget support within the commission. For 2008-09, the commission requested additional spending and reimbursement authority for the education unit, to accommodate higher costs. It also requested two additional positions for the Data Unit. It requested authority to hire a graphic artist to assist in developing publications. Two of the three additional positions were financed within existing resources.

E. Commission Funding and Expenditures

Special fund revenues support commission activities, with appropriations made from the CDIAC Fund. The fund has three revenue sources:

- Fee revenue from its seminars and primer sales. Typically, the commission generates about $100,000 from these sources.
- Interest earnings from its reserve. The fund earns about $200,000 in interest annually.
- Proceeds from issuer fees. The commission may charge a fee to the lead underwriter or purchaser of a debt issue equal to 2.5 basis points but not more than $5,000 for each issue. Through July 1, 2010, the commission has administratively reduced the maximum fee to $3,000. Appendix B reproduces the fee schedule.

The commission began 2006-07 with a balance of $7.8 million and added to that fees and interest earnings, reimbursements and other revenues to total $10.5 million in resources. Expenses for 2006-07 totaled nearly $1.9 million, resulting in an ending fund balance of $8.6 million. See Figure 32.

Figure 32
California Debt and Investment Advisory Commission
Operating Revenues and Expenditures
2005-06 and 2006-07

	2005-06	2006-07
Revenues		
Beginning Balance	$1,338,200	$ 7,751,565
Fees and interest earnings	2,474,047	2,655,849
Reimbursements	116,825	100,465
General Fund loan repayment	5,500,000	0
Other	3,000	50
Total Revenues	***$9,432,072***	***$10,507,929***
Expenditures		
Staff salaries	$ 796,480	$853,616
Staff benefits	250,790	271,664
General expenses	41,228	104,942
Printing	92,786	114,689
Communications	13,126	14,088
Postage	8,007	30,143
In-state travel	12,242	28,649
Out-of-state travel	2,126	1,995
Training	10,262	10,279
Facilities	93,646	94,615
Contracts	317,318	332,913
Data processing	3,860	19,107
Central administrative "services"	38,636	71,584
Major equipment	-	0
Total Expenditures	***$1,680,507***	***$1,948,284***
Ending balance	**$7,751,565**	**$8,559,645**

SECTION VIII.

APPENDICES

APPENDIX A

AUTHORIZING LEGISLATION

STATE OF CALIFORNIA GOVERNMENT CODE

DIVISION 1 OF TITLE 2

Chapter 11.5 CALIFORNIA DEBT AND INVESTMENT ADVISORY COMMISSION

§ 8855. Creation; composition; term; officers; compensation; powers and duties

(a) There is created the California Debt and Investment Advisory Commission, consisting of nine members, selected as follows:

(1) The Treasurer, or his or her designee.

(2) The Governor or the Director of Finance.

(3) The Controller, or his or her designee.

(4) Two local government finance officers appointed by the Treasurer, one each from among persons employed by a county and by a city or a city and county of this state, experienced in the issuance and sale of municipal bonds and nominated by associations affiliated with these agencies.

(5) Two Members of the Assembly appointed by the Speaker of the Assembly.

(6) Two Members of the Senate appointed by the Senate Committee on Rules.

(b) (1) The term of office of an appointed member is four years, but appointed members serve at the pleasure of the appointing power. In case of a vacancy for any cause, the appointing power shall make an appointment to become effective immediately for the unexpired term.

(2) Any legislators appointed to the commission shall meet with and participate in the activities of the commission to the extent that the participation is not incompatible with their respective positions as Members of the Legislature. For purposes of this chapter, the Members of the Legislature shall constitute a joint interim legislative committee on the subject of this chapter.

(c) The Treasurer shall serve as chairperson of the commission and shall preside at meetings of the commission.

(d) Appointed members of the commission shall not receive a salary, but shall be entitled to a per diem allowance of fifty dollars ($50) for each day's attendance at a meeting of the commission not to exceed three hundred dollars ($300) in any month, and reimbursement for expenses incurred in the performance of their duties under this chapter, including travel and other necessary expenses.

(e) The commission may adopt bylaws for the regulation of its affairs and the conduct of its business.

(f) The commission shall meet on the call of the chairperson, at the request of a majority of the members, or at the request of the Governor. A majority of all nonlegislative members of the commission constitutes a quorum for the transaction of business.

(g) The office of the Treasurer shall furnish all administrative and clerical assistance required by the commission.

(h) The commission shall do all of the following:

(1) Assist all state financing authorities and commissions in carrying out their responsibilities as prescribed by law, including assistance with respect to federal legislation pending in Congress.

(2) Upon request of any state or local government units, to assist them in the planning, preparation, marketing, and sale of new debt issues to reduce cost and to assist in protecting the issuer's credit.

(3) Collect, maintain, and provide comprehensive information on all state and all local debt authorization and issuance, and serve as a statistical clearinghouse for all state and local debt issues. This information shall be readily available upon request by any public official or any member of the public.

(4) Maintain contact with state and municipal bond issuers, underwriters, credit rating agencies, investors, and others to improve the market for state and local government debt issues.

(5) Undertake or commission studies on methods to reduce the costs and improve credit ratings of state and local issues.

(6) Recommend changes in state laws and local practices to improve the sale and servicing of state and local debts.

(7) Establish a continuing education program for local officials having direct or supervisory responsibility over municipal investments, and debt issuance. The commission shall undertake these and any other activities necessary to disclose investment and debt issuance practices and strategies that may be conducive for oversight purposes.

(8) Collect, maintain, and provide information on local agency investments of public funds for local agency investment.

(9) Publish a monthly newsletter describing and evaluating the operations of the commission during the preceding month.

(i) The city, county, or city and county investor of any public funds, no later than 60 days after the close of the second and fourth quarters of each calendar year, shall provide the quarterly reports required pursuant to Section 53646 and, no later than 60 days after the close of the second quarter of each calendar year and 60 days after the subsequent amendment thereto, provide the statement of investment policy required pursuant to Section 53646, to the commission by mail, postage prepaid, or by any other method approved by the commission. The commission shall collect these reports to further its educational responsibilities as described under subdivision (e). Nothing in this section shall be construed to create additional oversight responsibility for the commission or any of its members. Sole responsibility for control, oversight, and accountability of local investment decisions shall remain with local officials. The commission shall not be considered to have any fiduciary duty with respect to any local agency income report received under this subdivision. In addition, the commission shall not have any legal liability with respect to these investments.

(j) The commission, no later than May 1, 2006, shall report to the Legislature describing its activities since the inception of the local agency investment reporting program regarding the collection and maintenance of information on local agency investment practices and how the commission uses that information to fulfill its statutory goals.

(k) The issuer of any proposed new debt issue of state or local government shall, no later than 30 days prior to the sale of any debt issue at public or private sale, give written notice of the proposed sale to the commission, by mail, postage prepaid. This subdivision shall also apply to any nonprofit public benefit corporation incorporated for the purpose of acquiring student loans. The notice shall include the proposed sale date, the name of the issuer, the type of debt issue, and the estimated principal amount of the debt. Failure to give this notice shall not affect the validity of the sale.

(l) The issuer of any new debt issue of state or local government, not later than 45 days after the signing of the bond purchase contract in a negotiated or private financing, or after the acceptance of a bid in a competitive offering, shall submit a report of final sale to the commission by mail, postage prepaid, or by any other method approved by the commission. A copy of the final official statement for the issue shall accompany the report of final sale. The commission may require information to be submitted in the report of final sale that it considers appropriate.

§ 8856. Fees

(a) In carrying out the purposes of this chapter, the commission may charge fees to the lead underwriter or the purchaser in an amount equal to one-fortieth of 1 percent of the principal amount of the issue, but not to exceed five thousand dollars ($5,000) for any one issue. Amounts received under this section shall be deposited in the California Debt and Investment Advisory Commission Fund, which is hereby created in the State Treasury. All money in the fund shall be available, when appropriated, for expenses of the commission and the Treasurer.

(b) Until fees are received by the advisory commission and appropriated pursuant to this chapter for the expenses of the commission and the Treasurer, the commission may borrow the moneys required for the purpose of meeting necessary expenses of initial organization and operation of the commission.

§ 8857. Employees

The chairperson of the commission, on its behalf, may employ an executive director and other persons necessary to perform the duties imposed upon it by this chapter. The executive director shall serve at the pleasure of the commission and shall receive compensation as fixed by the commission. The commission may delegate to the executive director the authority to enter contracts on behalf of the commission.

§ 8859. Advice regarding local bond pooling authorities

The commission may, upon request, advise local agencies regarding the formation of local bond pooling authorities pursuant to Article 4 (commencing with Section 6584) of Chapter 5 of Division 7 of Title 1, and may advise the authorities regarding the planning, preparing, insuring, marketing, and selling of bonds as authorized by that article.

APPENDIX B

CALIFORNIA DEBT AND INVESTMENT ADVISORY COMMISSION

REPORTING FEE SCHEDULE
Date of Adoption: June 10, 2008
EFFECTIVE JULY 1, 2008

Pursuant to Section 8856 of the California Government Code, the California Debt and Investment Advisory Commission (CDIAC) adopted the following two-phased fee schedule effective upon adoption.

1. **Issues Purchased by Agencies of the Federal Government:** No fee shall be charged on any issue purchased by an agency of the Federal Government.

2. **Issues of Less Than $1,000,000:** No fee shall be charged to the lead underwriter or purchaser of any public debt issue which has a par value amount less than one million dollars ($1,000,000), regardless of the term of the issue.

3. **Issues with Short-Term Maturities:** Notwithstanding Sections 1 and 2 above, the lead underwriter or purchaser of any public debt issue which has a maturity of eighteen (18) months or less, including those issues sold in a pooled financing (e.g., a TRANs pool), shall be required to pay a fee to the California Debt and Investment Advisory Commission in accordance with the following schedule:

   A. For such issues sold on July 1, 2006 through June 30, 2008, the fee will be equal to one hundred and fifty dollars ($150).

   B. For such issues sold on or after July 1, 2008, the fee will be equal to two hundred dollars ($200).

4. **Issues with Long-Term Maturities:** Notwithstanding Sections 1, 2, and 3 above, the lead underwriter or purchaser of any public debt issue which has a final maturity greater than eighteen (18) months shall be required to pay a fee to the California Debt and Investment Advisory Commission in accordance with the following fee schedule:

   A. For such issues sold on July 1, 2006 through June 30, 2008, the fee will be equal to 1.5 basis points (0.00015) not to exceed three thousand dollars ($3,000).

   B. For such issues sold on or after July 1, 2008, the fee will be equal to 2.0 basis points (.0002) not to exceed four thousand dollars ($4,000).

5. **Marks-Roos Financing Authority Issues:** One fee will be assessed for Marks-Roos Financing Authority bond issues where the bond sales occur simultaneously (i.e., reports filed with the Commission are received on the same date, financings are sold on the same date, and with the same financing team).

6. **All Proposed and Final Sales to be Reported to the California Debt and Investment Advisory Commission**: Nothing in this fee schedule shall relieve an issuer from giving written notice of a proposed debt issue no later than 30 days prior to the proposed sale, or to give final sale information within 45 days of the sale, to the California Debt and Investment Advisory Commission as required by Sections 8855(g) and (i) of the California Government Code.

California Debt and Investment Advisory Commission
915 Capitol Mall, Room 400
Sacramento, CA 95814
(916) 653-3269
www.treasurer.ca.gov/cdiac