

CALIFORNIA
DEBT AND
INVESTMENT
ADVISORY
COMMISSION

June 11, 2019

To Our Constituents:

I am pleased to present the California Debt and Investment Advisory Commission (CDIAC) 2018 Annual Report.

This year represents a significant step forward in CDIAC's data collections and reporting. Issuers that submitted Reports of Final Sale to CDIAC after 2017 were required to submit their second updates on the principal balances, outstanding authority, and uses of proceeds under Government Code Section 8855(k). In anticipation of receiving these reports CDIAC, along with the State Treasurer's Office Information Technology Division made tremendous advancements in CDIAC's database technology. The principle task was to link debt obligations within the database at the authority level. This was no small achievement. But additional work remains with the goal of lowering the burden on reporting entities, increasing compliance with reporting requirements, maintaining validity and usefulness of the data, and providing real transparency to taxpayers and policymakers on how California public agencies use debt financing.

The concern going forward is that as reporting obligations increase, compliance will decline. As of February 27, 2019, the Securities and Exchange Commission's approved amendments to the rules that now require issuers to disclose certain events that might affect the value or repayment of their debt. These new amendments demand a level of administrative and financial oversight that surpass the effort issuers have had to make to monitor and report on other events. Are issuers aware of the work they must do to meet their disclosure obligations? Do they have procedures in place to ensure that they do comply? This will be a focus of CDIAC's education and research activities in 2019. To meet its statutory role to "[R]ecommend changes in state laws and local practices to improve the sale and servicing of state and local debts" CDIAC will promote a statewide assessment of the sources and uses of data on debt financing. The challenges facing issuers are discussed beginning on Page 7. These must be overcome to 1) reduce the burden and duplication of reporting on debt; 2) ensure the comparability and validity of debt data; 3) and enhance the analytic power of the data compiled.

Along with its commitments to data collection and reporting, CDIAC has been heavily invested in two other projects in 2018. Both have been released to the public as of the date of this report. In April CDIAC published the *California Debt Financing Guide*, the product of several years of development. The Guide replaces the *California Debt Issuance Primer*. It offers a new conceptual approach that makes the material more accessible and actionable for financial professionals. The second project is the Elected Officials Training program. Treasurer Fiona Ma has thrown her support behind CDIAC's work to produce a series of on-demand training videos for elected officials in California starting with the pilot released in March 2019. A centerpiece of the project is the Steering Committee composed of representatives of all the public finance organizations in the state. It is through this collaboration that CDIAC hopes to deliver practicable insights to elected officials as they consider the use of debt to finance improvements and services in their agencies.

In the meantime, thank you for taking the time to review this report to learn about what CDIAC has accomplished in 2018.

Respectfully,



Mark B. Campbell
Executive Director

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ABOUT CDIAC

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

- Serve as the State's clearinghouse for public debt issuance and outstanding debt information.¹
- Publish a monthly newsletter.

- Maintain contact with participants in the municipal finance industry to improve the market for public debt issuance.
- Provide technical assistance to state and local governments to reduce issuance costs and protect issuers' credit.
- Undertake or commission studies on methods to reduce issuance costs and improve credit ratings.
- Recommend legislative changes to improve the sale and servicing of debt issuances.
- Assist state financing authorities and commissions in carrying out their responsibilities.
- Collect specific financing information on public issuance through Mello-Roos Community Facilities Districts after January 1, 1993 or as a member of a Marks-Roos Bond Pool beginning January 1, 1996; collect reports of draws on reserves and defaults from Mello-Roos Community Facilities Districts and Marks-Roos Bond Pools filed by public financing agencies within 10 days of each occurrence.

¹ The requirement to track outstanding debt of state and local agencies was added as a result of implementation of SB 1029, Chapter 307, Statutes of 2016.

- In conjunction with statewide associations representing local agency financial managers and elected officials, develop a continuing education program aimed at state and local officials who have direct or supervisory responsibility for the issuance of public debt or the investment of public funds.
- Receive notice of public hearings and copies of resolutions adopted by a joint powers authority for certain bonds authorized pursuant to Marks-Roos Local Bond Pooling Act of 1985.

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

Pursuant to statute, all state and local government issuers must now submit information to CDIAC at three points during the debt issuance process: thirty days prior to the proposed sale date, no later than 21 days after the actual sale date, and an annual report within seven months of the close of the reporting period ending June 30th.² Included in these reports to CDIAC are the sale date, name of the issuer, type of sale, principal amount issued, type of financing instrument, source(s) of repayment, purpose of the financing, rating of the issue, and members of the financing team. In addition, Mello-Roos and Marks-Roos bond issuers, for as long as their bonds are outstanding, must submit a yearly fiscal status report on or before October 30th. Data compiled from these reports are the basis for public issuance statistics and analyses released by CDIAC. Since 1984, CDIAC has maintained this information in the California Debt Issuance Database and makes it accessible to the public through its DebtWatch website.³

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

CDIAC COMMISSION MEMBERS

Pursuant to statute, the Commission may consist of between three and nine members, depending on the number of appointments made by the Treasurer and the Legislature. Three statewide elected officials — the State Treasurer, State Controller, and Governor or Director of Finance — serve *ex officio*. Statute names the Treasurer to be chair. Local government associations, such as the League of California Cities, may nominate two local finance officers for appointment by the Treasurer. The Senate Rules Committee and the Speaker of the Assembly may each appoint two members. Appointed members serve at the pleasure of their appointing power and otherwise hold four-year terms.

The 2018 Commission members serving as of June 30, 2018 included:

JOHN CHIANG, CHAIR
California State Treasurer
Residence: Torrance, California

Background: As State Treasurer, Mr. Chiang oversees a bank that processes trillions of dollars in transactions every year. He sells California's bonds, invests the State's money and manages its

² AB 2274, Gordon (Chapter 181, Statutes of 2014) reduced the time period for submission of final reports of debt issuance from 45 days to 21 days. SB 1029, Hertzberg (Chapter 307, Statutes of 2016) requires an annual report on the status of any debt for which a report of final sale was submitted to CDIAC on or after January 21, 2017.

³ While CDIAC has collected information since January 1, 1982, the Debt Issuance Database contains information from 1984 to present day.

Figure 1

CDIAC STATUTORY PROVISIONS

FUNCTION	CALIFORNIA CODE SECTION	DESCRIPTION OF PROVISIONS
CDIAC Authorizing Statute	Government Code Section 8855 - 8859	Establishes CDIAC's duties
Report of Proposed Sale of Public Debt	Government Code Section 8855(i)	Requires the issuer of any proposed debt issue of state or local government to, no later than 30 days prior to the sale, give written notice of the proposed sale to CDIAC. On the report, local issuers must certify they have adopted debt policies that meet certain requirements.
Report of Final Sale of Public Debt	Government Code Section 8855(j)	Requires the issuer of any debt issue of state or local government to submit, not later than 21 days after sale, a report of final sale to CDIAC including specific information about the transaction.
Annual Debt Transparency Report	Government Code Section 8855(k)	Requires the issuer of any debt for which a report of final sale has been submitted to CDIAC on or after January 21, 2017 to submit an annual report on the status of that debt until the debt is retired and the proceeds fully spent.
Mello-Roos Districts	Government Code Section 53359.5(a) thru (c) and 53356.05	Reporting requirements: debt issuance, annual debt service, default, reserve draw, specific events affecting the value of outstanding bonds, and annual status.
Marks-Roos Districts	Government Code Section 6586.5, 6586.7, 6599.1(a), 6588.7 (e)(2), 6599.1(c)	Reporting requirements: notice of hearing authorizing bond sale, copy of resolution authorizing bonds, written notice of proposed sale, debt issuance, annual debt service, default, reserve draw, rate reduction bond savings, and annual status.
General Obligation Bond Cost of Issuance	Government Code Section 53509.5(b)	Reporting requirements: cost of issuance of bonds issued by city, county, city and county, school district, community college district or special district.
Refunding Bonds Sold at Private Sale or on a Negotiated Basis	Government Code Section 53583(c)(2)(B)	Reporting requirement: written statement from public district, public corporation, authority, agency, board, commission, county, city and county, city, school district, or other public entity or any improvement district or zone explaining the reasons why the local agency made the decision to sell the bonds at a private sale or on a negotiated basis instead of at public sale.
School and Community College Districts	Education Code Section 15146(d)(2), and (e)	Reporting requirements: cost of issuance of bonds issued by a school district and report of sale or planned sale by a school district.
School and Community College Districts	Education Code Section 15303(b)	Reporting requirements: copy of the resolution adopted by the board of supervisors approving the use of Education Code allowing for the creation of school improvement districts within a school and community college district in the county.
Joint Powers Authority	Government Code Section 6548.5	Reporting requirements: level of fees or charges imposed by a Joint Powers Authority for the issuance of bonds pursuant to the Joint Exercise of Powers Act.
Joint Powers Authority	Government Code Section 6586.7	Reporting requirements: a copy of the resolution adopted by an authority authorizing bonds or the issuance of bonds or accepting the proceeds of bonds issued pursuant to Joint Exercise of Powers Act with exemptions given to certain types of issuers and projects.
Joint Powers Authority	Government Code 6586.5(a)(3)	Reporting requirements: public notice at least 5 days prior to hearing where the authority makes certain findings and takes actions with respect to financing certain improvements.
Joint Powers Authority	Government Code Section 6588.7(e)(2)	Reporting requirements: a statement from the authority that it is issuing rate reduction bonds, the source of repayment, and the saving realized from the sale of the bonds.
City, County and Other Agencies	Government Code Section 54418	Reporting requirements: written notice from the agency explaining the reasons the legislative body has decided to sell public enterprise revenue bonds at a private sale rather than public (Revenue Bond Law of 1941).
Harbor Agency—Joint Powers Authority	Harbor and Navigation Code Section 1706(b)	Reporting requirements: annual report regarding receipts and expenditures from the infrastructure fund established pursuant to a harbor agency Joint Powers Agency.
Redevelopment Agency	Health and Safety Code Section 33664(d)	Reporting requirements: copy of the agency's resolution specifying the financial advantage of the agency purchasing its own bonds and a covering letter with other information specific to the bonds.

cash. Prior to being elected Treasurer, he served from 2007 through 2014 as State Controller. In that office, he took steps during the Great Recession to preserve cash to meet obligations to education and bond holders, worked to ensure the fiscal solvency of the State's pension plans, and ensured that \$3.1 billion in unclaimed property was returned to the rightful owners. Prior to serving as Controller, he was elected to the Board of Equalization in 1998, where he led with innovative taxpayer-friendly services such as the State's free income tax return preparation service, ReadyReturn.

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

EDMUND G. BROWN

Governor of California

Residence: Sacramento, California

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

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

BETTY YEE

California State Controller

Residence: Alameda, California

Background: Betty T. Yee was elected Controller in November 2014, following two terms of service on the Board of Equalization (BOE). As Controller, she continues to serve the BOE as its fifth voting member. As the State's chief financial officer, Yee also chairs the Franchise Tax Board and serves as a member of the California Public Employees Retirement System (CalPERS) and the California State Teacher's

Retirement System (CalSTRS) boards. The two boards have a combined portfolio of nearly \$500 billion. She has more than 30 years of experience in public service, specializing in state and local finance and tax policy. Yee previously served as Chief Deputy Director for Budget with the California Department of Finance, where she led the development of the Governor's Budget, negotiations with the Legislature and key budget stakeholders, and fiscal analyses of legislation on behalf of the Administration. Prior to this, she served in senior staff positions for several fiscal and policy committees in both house of the California State Legislature. Yee currently serves on the board of directors for the Cal Alumni Association at the University of California, Berkeley; California Women Lead; and the Equality California Institute. She was a co-founder of the Asian Pacific Youth Leadership Project, which exposes California high school youth to the public service, public policy, and political arenas.

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

SABRINA CERVANTES

Assembly Member, 60th District

Residence: Riverside, California

Background: Sabrina Cervantes was elected in November 2016 to represent California's 60th Assembly District, which includes the communities of Corona, Eastvale, Jurupa Valley, Norco, and Riverside. A committed public servant, Sabrina Cervantes has demonstrated a history of civic engagement to enhance the communities and lives of all Riverside residents. As a lifelong Riverside County resident herself, she has been a strong advocate for families in the Inland Empire.

As a former District Director for the Assembly she worked alongside community organizations

to enhance the local economy, broaden access to higher education, and improve the access to governmental services for the residents of Riverside. Her extensive knowledge in the Riverside community has aided her in understanding the critical elements that residents need to be successful. By working alongside members in the community and elected officials Sabrina is able to bring this insight in order to bring change to the residents of 60th Assembly District.

Sabrina was able to work alongside officials who helped fund the start of University of California, Riverside School of Medicine. She understands what this institution means for local residents and hopes to continue to expand access to affordable education while in the Assembly.

Prior to her public service, she worked as a Director for the California Voter Registration Project where she led and implemented strategic planning that would increase civic responsibility among new and eligible voters across California. In addition to her experience with civic engagement, she has demonstrated her commitment to fighting for the best interests of local residents through her multiple partnerships with non-profit organizations. Cervantes is a proud member of the Human Rights Campaign (HRC), and The PICK Group of young professionals. She recently served on the Board of Directors for the University of California, Riverside Chicano Latino Alumni Association (CLA) and non-profit organizations, TruEvolution and Women Wonder Writers.

Cervantes earned her Bachelor of Arts Degree in Political Science with a minor in public policy from the University of California, Riverside, and completed an executive education program at the John F. Kennedy School of Government at Harvard University.

JOSE CISNEROS

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

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

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

DAVID BAUM

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

Background: David Baum is the Director of Finance for the City of San Leandro. In this capacity, he is responsible for budget, treasury, debt administration, revenue management, general accounting, payroll, and purchasing. He has more than 20 years of local government experience including serving as the Chief Financial Officer of the San Jose Re-development Agency and manager of the financial rehabilitation of the City of Hercules. In addition, he served over 10 years as a board member of an elementary and middle school in Saratoga.

Mr. Baum holds a Bachelor of Arts degree in economics from Stanford University.

REPORTING AND DISCLOSURE REQUIREMENTS—THE CHALLENGE MUNICIPAL DEBT ISSUERS FACE IN MEETING THEIR OBLIGATIONS

In the next few pages we consider the sources of information and data employed in the required disclosures issuers of public debt must provide in compliance with federal and California state laws. The purpose of doing so is to recognize the technological, administrative, and procedural challenges issuers face if making valid and timely reports to investors and taxpayers alike. The level of complexity increases whenever the issuance involves an obligated party other than the issuer.

THE SCOPE OF REQUIRED REPORTING AND DISCLOSURES

Federal Requirements

The *Securities Act of 1933* (1933 Act) requires most issuers to register securities with the Securities and Exchange Commission (SEC) and to submit to a pre-issuance review of their offering document.⁴ Public agencies are generally exempt from the registration and reporting requirements to which corporate securities must adhere; however, they are subject to the anti-

fraud provisions contained in securities laws. Specifically, municipal issuers and officials (as well as other market participants) are subject to the federal antifraud provisions contained in SEC Rule 10b-5 as adopted by the SEC under Section 10(b) of the *Securities Exchange Act of 1934* (1934 Act) and Section 17(a)(1) of the 1933 Act.⁵ In addition, they are subject to the antifraud and anti-negligence provisions of Section 17(a)(2) and (3). Furthermore, the *Securities Acts Amendments of 1975* (1975 Amendment) defines “person” as used in the 1934 Act to include government entities, thereby giving the SEC the affirmative authority to pursue state and local governments and their officials.

Public agencies subject to the antifraud provisions must protect against making untrue statements of material facts or omissions of material facts in both primary offering materials and when providing additional information after the debt has been issued. Rule 10b-5 applies to issuers when they are “speaking to the market,” which includes publication of offering documents (Offi-

⁴ www.sec.gov/answers/about-lawsshtml.html.

⁵ Ibid.

cial Statements [OSs]), annual reports and material events notices required under Rule 15c2-12, and any voluntary disclosures, including financial information posted to the agency's website or to an investor relations website. The SEC, however, provides no definition of "materiality" in any rule or statute. As a result, issuers must determine whether there is a "substantial likelihood that a reasonable investor or prospective investor would consider the information important in deciding whether or not to invest."⁶

Rule 15c2-12 applies directly to underwriters who act as "market makers" to purchase the municipal securities issued by the agency and resell them to other investors. However, through an agreement between the underwriter and the issuers, Rule 15c2-12 indirectly imposes requirements on issuers. Specifically, Rule 15c2-12 requires that underwriters of municipal securities, before bidding, purchasing, or selling a municipal security in the primary market, must obtain and review the issuer's preliminary and final OSs (initial disclosures) and reasonably determine that the issuer has committed to provide continuing disclosures to investors, including annual financial statements and notices of specified material events after the debt has been sold. This commitment usually takes the form of a continuing disclosure undertaking or agreement (CDA). When a public agency issues debt as a conduit issuer on behalf of another public entity or a conduit borrower, the requirement to provide this information may be shared. The specific responsibilities of each must be clearly stated in the CDA.

Initial disclosures contain statements made by the issuer about itself that it expects the investor to rely upon in making a decision whether to purchase the debt. This includes a description of the project to be financed, the security and source of repayment of the debt, and a discussion of risks and other factors essential to the issuer's ability to

meet its financial obligation under the terms of the obligation. Continuing disclosures represent important events and data about public debt that may be released after the sale of the debt.

Continuing disclosures fall into four general categories of information depending upon the type of debt or issuer: annual financial information, audited financial statements, issuer-specific financial reports, and reports of non-filings. This information must be posted to the Municipal Securities Rulemaking Board's (MSRB) Electronic Municipal Market Access (EMMA) system.

Annual Financial Information—The information provided by the issuer in their OS establishes a baseline for future reporting. Each year, this information, typically in the form of charts and tables, must be updated in the same form as presented in the OS.

Audited Financial Statements—Even if the audited financial statements were not included in the OS the issuer is expected to provide this report each year. If the annual financial information is inclusive of the audited financial statement reporting the annual financial information may meet both reporting requirements.

Issuer-Specific Financial Reports—Issuers with less than \$10 million in outstanding debt may provide custom reports that reflect the issuer's financial position and its ability to repay its debt. This information is understood to provide a portrait of the issuer's normal operations.

Failure to File Notices—Issuers who fail to meet the terms of their CDA must provide notice of each failure on EMMA. In addition, the issuer must acknowledge these failing in future OSs for five (5) years.

In the CDA, the issuer commits to inform the market of specific events. On February 27, 2019,

⁶ As quoted in Supreme Court decision in *Basic Inc. v. Levinson* (1988), 485 U.S. 224, 108 S. Ct. 978, 99 L. Ed. 2d 194 - Supreme Court (1988).

the list of events was expanded to 16, each identifying changes in the underlying security or financial condition of the issuer. These events include:

- Principal and interest payment delinquencies
- Non-payment related defaults
- Unscheduled draws on debt service reserves reflecting financial difficulties
- Unscheduled draws on credit enhancements reflecting financial difficulties
- Substitution of credit or liquidity providers, or their failure to perform
- Adverse tax opinions or events affecting the tax-exempt status of the security
- Modifications to rights of security holders
- Bond calls and tender offers
- Defeasances
- Release, substitution or sale of property securing repayment of the securities
- Rating changes
- Bankruptcy, insolvency or receivership
- Merger, acquisition or sale of all issuer assets
- Appointment of successor trustee
- Financial obligation incurrence or agreement, if material
- Default, event of acceleration, termination event, modification of terms or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties

Certain types of issuers and issues are exempt from making continuing disclosures. These include issues with a principal amount less than \$1 million; issues sold in denominations greater than \$100,000 or to no more than 35 sophisticated investors; issues sold in denominations greater than

\$100,000 and maturing in nine months or less; and, issues sold prior to July 1995 (or December 1, 2010 for certain puttable securities.)

State Requirements

California public agencies are also obligated to provide financial information on debt they have issued to organizations other than the MSRB. These include the California Debt and Investment Advisory Commission (CDIAC) and the State Controller's Office (SCO).

CALIFORNIA DEBT AND INVESTMENT ADVISORY COMMISSION. California public agencies that issue debt must submit an annual report to CDIAC on any debt for which a report of final sale was submitted on or after January 21, 2017.⁷ Among other things, the annual report provides an accounting of the amount of principal outstanding, the amount of issuance authority remaining, and the purposes for which the proceeds have been spent.⁸ Each of these must provide beginning and end of period figures. Issuers report on the use of proceeds at the fund level. Issuers are also required to report expenditures in more detail, including expenditures for specific purposes.

Subject to Government Code Section 53359.5(b) and (c) issuers of Mello-Roos special tax bonds (Community Facilities Districts or CFDs) after January 1, 1993 are required to submit information to CDIAC by bond issue including the following:

- Principal Outstanding—The principal amount of the bonds outstanding and the fund balances for the bond reserve fund, capitalized interest fund and construction funds as of June 30th.
- Assessed Values—The *total* assessed value of parcels (land and improvements), which are subject to or may be subject to the special tax, shown on the most recent tax roll at the county

⁷ Chapter 307, Statutes of 2016 (SB 1029, Hertzberg) added Section 8855(k) to the California Government Code.

⁸ In guidance provided by CDIAC, authority represents the amount of debt approved by voters or the agency's governing board. See "Guidance on Complying with SB 1029" available at www.treasurer.ca.gov/cdiac/sb1029/guidance.pdf

assessor's office. Include the date of the tax roll used on the report. Indicate either the Equalized Tax Roll or Appraisal of Property. The appraisal value of the property should only be used in the first year of the bond issue or before annual tax billing commences. For issuers selling prior to June 30th of the year or those issuers that have 12 months of capitalized interest available and for which no annual tax roll billing will be required, the most recent appraisal value of the property may be reported as the assessed value.

- Tax Collections Information—The total amount of special taxes due and unpaid for the district in the fiscal year.
- Teeter Plan—Note if the district is covered under its county's Teeter Plan.
- Tax Delinquencies—Delinquencies as of the latest equalized tax roll within the Reporting Period if the issuing CFD has delinquent parcels. Report the total number of delinquent parcels and the total dollar amount of delinquent taxes by reporting the number of parcels which are delinquent with respect to their special tax payments, the amount that each parcel is delinquent parcel number, and the length of time that each parcel has been delinquent. Submitters may redact a property owner's confidential information before uploading the Delinquent Parcel Detail Report.
- Foreclosure Information—Foreclosure commences on the date the CFD agency notifies the property owner of the foreclosure. Issuers should report the date foreclosure commenced on any parcel(s), the number of foreclosed parcels and the total dollar amount of taxes due for foreclosures for that date. Report all foreclosures by date for the fiscal year.
- Funds drawn from a reserve fund to pay principal and interest that reduce the reserve fund to less than the requirement and a failure to pay principal and interest on any scheduled payment date.

Government Code Sections 6599.1(b) requires joint powers authorities (JPA or Authority) issuing debt under the Marks-Roos Local Pooling Act and using the proceeds of that issue to acquire a local obligation to report to CDIAC for each issue annual amounts for:

- Reserve Minimum Balance—If the Authority funded a reserve using the proceeds of its debt issue, report the minimum balance of the reserve fund (if any) required according to the financing documents.
- Total Issuance Costs—The total cost of issuance for the debt issue (including underwriter's discount, bond counsel and financial advisor fees, printing, insurance and ratings) were paid from the bond proceeds. These costs are only to be reported on the initial report.
- Principal Amount of the Debt Outstanding, Total Bond Reserve Fund required and on hand, and the balance in the Capitalized Interest Fund--all balances as of June 30th of each reporting year.
- Fees for Professional Services—Report annual fees paid for ongoing professional services in connection with the bond issue. This may include financial advisory fees, consulting fees and administration fees. Investment contract fees are covered in a separate item below.
- Local Obligation (LOB)—List each LOB agency and type of obligation, i.e., purchase of bonds, loan of proceeds, or other debt type.
- Administration Fees—Report the yearly administration fees charged against LOB.
- Investment Contracts—State the terms of any guaranteed investment contract (may include the length of maturity, access to principal, collateralization requirements, downgrade provisions and credit rating); the total commission or fees paid for the contract; and, the yearly interest earnings for the contract.

- Issue Retired—Indicate how the issue was retired.

Authority issuers of Marks-Roos bonds must also submit reports to CDIAC regarding the status of a local obligation acquired with bond proceeds. Government Code Section 6599.1(b) requires issuers to provide:

- General Information—List the Local Obligor, Name/Title/Series of Debt Issue, Project Name and the Date of the Debt Issue or Loan.
- Report the Original Principal Amount of the Bonds purchased or loan made.
- Reserve Minimum Balance if the local obligor funded a reserve using the proceeds of its debt issue and the reserve is held at by the local obligor, the issuer must report the minimum balance of the reserve fund (if any) as required in the financing documents for the local bonds/loan. If, at the time of issuance, the local obligor was required to contribute to a reserve fund held by the Authority, the issuer must provide the percentage of the reserve fund contributed.
- Authority Bond—Provide the Authority issuer and Date of Debt Issue of the Authority debt that provided funds for the acquisition of the local obligation. A local obligor that receives funds from an Authority's Senior/Subordinate debt issues should note both issues, but should file only one Yearly Fiscal Status report.
- Fund Balances—The Principal Amount of Debt/Loan Outstanding, the fund balances for the Bond Reserve Fund (if any) and the Capitalized Interest Fund (if any) must be reported. If an Administrative Fee was charged by Authority, please report the amount charged.
- Delinquency Rate—Indicate the delinquency rate for taxes and assessments supporting the local obligations. This should be reported as the percentage of the total applicable tax increment, special tax, or benefit assessment in-

stallment due for the year. Indicate the tax collection date, if the district participates in the county's Teeter Plan, the amount of taxes due and the amount of taxes unpaid.

STATE CONTROLLER'S OFFICE. Government Code Section 12463 requires the Controller to compile and publish reports of the financial transactions of counties, cities, special districts, and school districts (as defined in Section 80 of the Education Code). Local agencies, defined as cities, counties, and any districts, are required by Government Code Section 53890 to provide a report to the Controller of all the financial transactions of the local agency during the preceding fiscal year. The report provides information on the costs of services provided by cities, counties, special districts, as well as the means by which they finance them. The Controller compiles the information in the report from unaudited information submitted by the local agencies. Local agency reports, in general, include the following statements: Revenues, Expenditures, Bonded Indebtedness, Assessed Valuation and Taxes Levied, and Appropriation Limits.

NATURE OF THE INFORMATION REPORTED IN FEDERAL AND STATE FINANCIAL REPORTS AND DISCLOSURES

SEC Rule 15c2-12 Reporting

QUANTITATIVE VS. QUALITATIVE. Federal and state requirements regarding the financial reports and disclosures issuers must make include both quantitative and qualitative information. The quantitative data are numeric values, such as revenues and expenditures, debt service payments, and principal outstanding. Other information required by federal and state reports and disclosure are qualitative and some of this information is based upon a determination of materiality. Among the qualitative reports made by issuers are the event notices made in compliance

with SEC Rule 15c2-12. Examples include notices of the newly added requirements to report financial obligations or agreements, if material to the repayment of outstanding obligations and defaults, events of acceleration, termination events, modifications of terms or other similar events related to a financial obligation of the obligated person that reflect financial difficulties for the issuer.

SOURCE OF THE INFORMATION. The data provided by annual financial reports are generally based upon the annual financial audit. In most cases, issuers time the submission of annual financial reports to coincide with the completion of the audit. Since the information contained in the annual financial report is to be an update of the charts and tables provided in the OS, the data may be based upon calculations of data contained in the annual financial audit. An example of this may be the amount of revenues subject to repayment of the debt if the original indenture earmarks certain revenues for this purpose. So, some of the data provided in the initial and continuing disclosure made by issuers may be calculated by the issuer rather than validated by the auditor.

MATERIAL VS. NON-MATERIAL. Several event disclosures required under SEC Rule 15c2-12 are subject to materiality standards. In other words, issuers must make a determination that a financial event would be a material factor in an investor's decision to purchase or sell the issuer's bonds. The SEC has not defined materiality either as it applies to an issuer's continuing disclosure obligations under SEC Rule 15c2-12 or any other required notices.

Issuers must make this assessment when disclosing the following financial events:

- Adverse tax opinions, Internal Revenue Service issuance of proposed or final determinations of taxability, notices of proposed issue,

or other material notices or determinations with respect to the tax status of the security, or other material events affecting the status of the security

- Modifications to rights of security holders
- Bond calls
- Release, substitution, or sale of property securing repayment of the securities

Effective February 27, 2019, the SEC amended Rule 15c2-12 to include two additional event notices, both of which have materiality provisions. They are:

- Incurrence of a financial obligation of the obligated person or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders
- Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties

CDIAC Reporting

SOURCE OF THE INFORMATION. Data reported by issuers at the time the debt is sold is generally derived from the OS, including principal amount, purpose, authority, rating, and term. Issuers are required to submit copies of the OS, indenture, loan agreement, trust agreement or other documents that offer validation of the data reported.⁹ There are other data reported on CDIAC's Report of Proposed Debt Issuance and Report of Final Sale that are not directly verifiable. Most important among them is the cost of issuance, fees for professional services. A few of the data represent calculated values. In-

⁹ These documents are stored in the CDIAC database and accessible to the public through CDIAC's website, DebtWatch.

terest rate for the issue is calculated using the interest rates of each bond. In the Marks-Roos Yearly Fiscal Status Report the delinquency rate is a calculated value.

Unlike data reported by issuers in compliance with SEC Rule 15c2-12, some of the data reported to CDIAC does not originate in another financial report. In fact some of it may not be data generated by the issuer at all. Data submitted for delinquency rates or foreclosures may be prepared by 3rd party administrators, private service providers that manage tax collections and reporting in special tax and assessment financing on behalf of the issuer. Information on the local obligor is most commonly provided by the obligor themselves.

SCO Reporting

SOURCE OF THE INFORMATION. The SCO requires that the financial information provided in the Financial Transaction Reports by cities, counties, and special districts be provided in accordance with Generally Accepted Accounting Principles (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA), and legal compliance.¹⁰ To better ensure the quality of the data, the due date of these reports was changed in Fiscal Year 2015-16 to enable agencies to use their audited financial reports as the source of data.¹¹

REPORTING PROCESSES

SEC Rule 15c2-12

Issuers are required to submit reports, including initial disclosure of the OS and continuing disclosures of financial reports, audits, and event notification on the MSRB's Electronic Municipal Market Access (EMMA) system. The EMMA system has been continuously improved since the SEC designated it as the official repository for municipal disclosures in 2009. The issuer or a designee may enter information into the EMMA system.¹² In addition, some information is pre-populated from the Depository Trust Corporation (DTC), the system of record for municipal trades.¹³

Issuers may use EMMA to provide email prompts on recurring continuing disclosure obligations, i.e. a tickler system. The system also provides issuers the ability to link to other websites using an URL.

CDIAC Reports

Issuers providing reports to CDIAC are required to use CDIAC's on-line system. Issuers or their designees enter the data directly into a web-based form. OSs or other supporting issuance documents are uploaded to CDIAC's database through the same web-based application. Some of the data is pre-populated using information submitted to CDIAC on prior reports.

SCO Reports

Cities, counties, and special districts may submit their financial transactions reports online

¹⁰ GC Section 53891 requires that the data used for the financial transactions report come from audited financial statements, if available.

¹¹ Chapter 37, Statutes of 2015 (AB 341, Achadjian).

¹² Issuers may designate a "primary market agent," typically an underwriter, to enter information into EMMA. MSRB Rule G-32 requires underwriters to submit primary market information and disclosure information, including the OS within specified time periods.

¹³ This data includes the Dated Date, Expected Closing Date, First Execution Data Time, First Award Date Time, Maturity Date, Interest Rate, Maturity Principal Amount, Initial Offering Price, Initial Offering Yield.

using the SCO website or by U.S. mail or express mail. However, a signed cover page form and the U.S. Bureau of the Census Survey must be mailed to the SCO to complete the agency's filing requirements.

MEETING REPORTING OBLIGATIONS: THE CHALLENGE FACING ISSUERS

Issuers face a variety of challenges in meeting their reporting obligations under SEC Rule 15c2-12 and to CDIAC and the SCO, including the validity of the data, the underlying determination of materiality, the assignment of responsibility, and data definitions leading to differing interpretations of data.

Validity

Quantitative data drawn from audited financial reports or from the financing documents may be verified by reference to the source documents. In the case of SCO, issuers may choose to hand enter data onto paper forms and submit them by mail. The validity of these data is therefore high and subject only to submission errors. Quantitative data submitted to CDIAC includes data derived from the OS, but it also includes data originating in other reports generated by the agency or 3rd-party administrators. Except in the case of the OS, the data is not subject to external review. As with EMMA and SCO data, CDIAC submissions are subject to submission errors.¹⁴ Calculated data is subject to both calculation errors and reporting errors.

Determinations of Materiality

In the absence of clear-cut materiality standards, issuers are required to make disclosures of events that they deem to be material for an investor. The determination of what is material

may differ between issuers based upon the facts and circumstances of a transaction or financial event. As a result, what may be deemed material by one issuer at a point in time may not be deemed material by another issuer. The additional event disclosures required by the amendments to SEC Rule 15c2-12 contain even more nuanced assessments by issuers. They must now determine if what they define as a financial obligation is material to an outstanding issue of debt and then what financial events pose a material risk to investors. In complex organizations, such as a city, these decisions require a thoughtful review of the facts and circumstances. This assumes open and consistent communications between those with information and those needing the information. Consider a city that has a lease for solar panels, providing lower cost electricity to city buildings. How does the city learn that the lessor is meeting its financial obligations in order to remain a viable partner? How does the city determine when and if any financial challenges facing the lessor merit disclosure to investors? How does the city determine which financings are associated with the lease program in order to post event notices on EMMA appropriately?

Assignment

EMMA and CDIAC both allow that the reports submitted to them may, in whole or in part, be submitted by designated parties other than the issuer. SCO reports must be submitted by the reporting entity. Assigning responsibility to the provider of information requires deliberate action on the part of the issuer, both to identify who has the data and who can be delegated this authority. In the case of information submitted to EMMA, submissions that are either late or incorrect carry potential legal and financial costs.

¹⁴ CDIAC does undertake a review of the data submitted using its forms prior to updating the data into its database. However, it does not take responsibility for any errors.

Definitional Differences

Differences in how issuers are required to report data in their different reports can lead to confusion. CDIAC's definition of debt differs from the SCO definition of long-term liabilities.¹⁵ Other differences exist as well. Values reported for tax revenues calculated on an annual year basis may be different than values calculated on a fiscal year basis if there was a change in the tax rate during the period. These differences can lead to different determinations of an agency's financial standing.

Duplication of Effort

Because the EMMA, CDIAC, and SCO reporting requirements are independent, expressing different authorities, policies, and purposes, the information issuers may be required to submit to these agencies may be duplicative. Reports of outstanding principal appearing in the annual financial audit and the annual financial report on EMMA is nearly always the same value. When Mello-Roos and Marks-Roos issuers submit their annual financial data to EMMA they often include their CDIAC Yearly Fiscal Status Reports as supporting documentation.

HIDDEN COSTS OF EXISTING DISCLOSURE AND REPORTING REQUIREMENTS

Errors and Omissions

Data disclosed by debt issuers pursuant to federal or state requirements may include errors or omit information that would make the information valid. These errors may appear because the data were based on flawed information. Issuers may

rely on 3rd party administrators to provide reports to CDIAC. These data may be drawn from proprietary data systems and not based on audited numbers. Reports that are based upon audits are using values from the prior fiscal year. These values may be six months old or older. Finally, definitional differences in the data can lead to confusion, or worse, incorrect assessments of the financial condition of the issuer.

Administration of Roles and Responsibilities

Many of the disclosure reports required by federal and state laws are filed by parties other than the issuer. These include legal counsel, financial advisors, and 3rd party administrators. While the assignment of this task to paid consultants lessens the load for issuers it raises some administrative challenges. First, the issuer must identify who, what, and when the reports are to be made. Second, the issuer must ensure that the data being reported is correct. Finally, the issuer must confirm that the reports were actually made, made on time, and made correctly. When the reports are based on interpretations or calculations the administration of roles and responsibilities takes on more complexity. For example, when providing an event notice subject to SEC Rule 15c2-12 that is based on a determination of materiality the issuer may need to participate in the assessment of materiality even though the report may be submitted by a paid consultant.

Financial Costs

It should be obvious that the requirements to provide reports to three separate agencies that use different platforms to capture different data can

¹⁵ California Code of Regulations, Title 4, Division 9.6, Section 6000(k) defines debt for all CDIAC reports to be a "contractual agreement through which a Creditor or Creditors transfers assets or moneys of an agreed value or amount, or rights to beneficial use of assets, to an Issuer in exchange for one or more non-cancelable payments, inclusive of an interest component no matter whether it is paid, accrued, or imputed, over a specified period of time, the total present value of which is approximately equal to the value of the assets or rights on or about the time the transfer occurred." This includes: bonds, notes, loans, warrants, certificates of participation, commercial paper notes, lines of credit, installment purchases, and certain types of leases.

only be met if the agency spends the money to develop and maintain systems and personnel to prepare and submit reports. It would be difficult to estimate the full cost of complying with these reporting obligations.

Risk of Failing to Comply with Reporting Requirements

Although the issuer may delegate responsibility to other parties to submit disclosure reports to EMMA, CDIAC, and the SCO, the requirement

is theirs exclusively. In the case of SEC Rule 15c2-12, failure to report or failure to report valid information can be deemed a violation of securities law, resulting in legal and civil penalties. It is easy for issuers, burdened by other mission-sensitive duties, to abdicate these responsibilities because it is easier, less expensive, and more efficient, but the cost of failure is too often hidden by these benefits. Issuers need to be aware that they are ultimately responsible for the quality, timeliness, and validity of the information of that they disclose to investors.

STATE AND LOCAL BOND ISSUANCE

Debt issuance by California public agencies decreased by 27.3 percent from 2017 to 2018 (from \$86.2 billion to \$62.7 billion). In addition, the total number of transactions decreased by 19.7 percent (from 3,613 to 2,901) (Figure 2).^{16, 17, 18}

Figure 2

PRINCIPAL AMOUNT ISSUED AND NUMBER OF ISSUES
ALL CALIFORNIA ISSUERS, 2017 AND 2018 (\$ IN MILLIONS)¹

ISSUER TYPE	2017		2018		PERCENT CHANGE IN VOLUME FROM 2017 TO 2018
	VOLUME	NUMBER	VOLUME	NUMBER	
State Issuer ²	\$24,090	452	\$16,367	328	-32.1%
Other Issuer	22,391	484	9,552	378	-57.3
K-12 School District	12,850	518	8,092	322	-37.0
Joint Powers Agency	10,121	1,415	10,686	1,234	5.6
City Government	9,232	208	10,254	189	11.1
City and County Government	4,081	42	3,824	43	-6.3
County Government	3,473	494	3,952	407	13.8
TOTAL	\$86,239	3,613	\$62,727	2,901	-27.3%

¹ Totals may not add due to rounding.

² Includes the Golden State Tobacco Securitization Corporation, a not-for-profit trust of the State of California.

Source: CDIAC database as of 3/1/2019.

¹⁶ Total includes short-term and long-term debt.

¹⁷ State and local issuers include the State of California and its financing authorities, city and county governments, joint powers authorities, school districts, and other public entities, including but not limited to special districts, successor agencies to redevelopment agencies, community facilities districts, and community college districts.

¹⁸ A “transaction” is defined as any financing or portion of a financing for which a CDIAC number was generated.

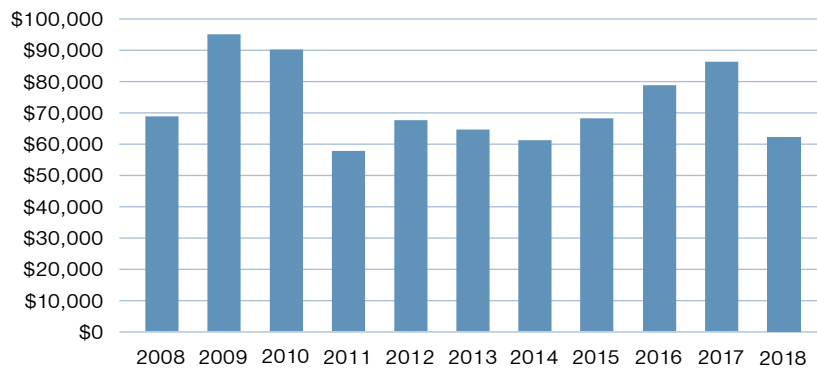
In terms of the historical average, state and local debt issuance in 2018 was 14.1 percent below the 10-year average of \$73 billion (Figure 3).

Forty-one percent of the debt issued in 2018 by state and local agencies was for capital improve-

ments and public works, approximately 25 percent was for education, and nearly 12 percent for interim financing (Figure 4). All other uses accounted for close to 22 percent of the total debt issued.¹⁹

Figure 3

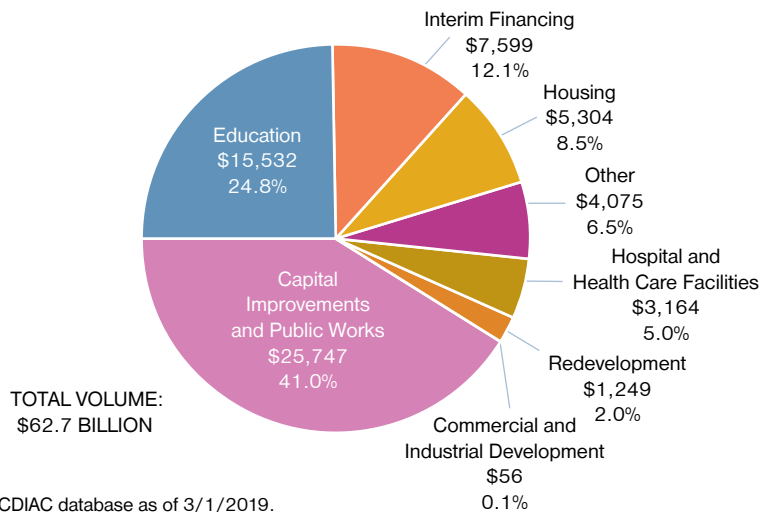
**CALIFORNIA PUBLIC DEBT, ALL CALIFORNIA ISSUERS
TOTAL PAR AMOUNT BY CALENDAR YEAR, 2008 TO 2018 (\$ IN MILLIONS)**



Source: CDIAC database as of 3/14/2018.

Figure 4

**CALIFORNIA PUBLIC DEBT BY PURPOSE
ALL CALIFORNIA ISSUERS, 2018 (\$ IN MILLIONS)**



Source: CDIAC database as of 3/1/2019.

¹⁹ “Other” projects include commercial energy conservation/improvement, insurance and pension funds, residential energy conservation/improvement, Property Assessed Clean Energy (PACE) seismic safety improvements projects, intelligent lighting system, court judgment, and guide dogs for the blind.

Debt issuance increased for “other” purposes (67.3 percent), interim financing (7 percent), and housing (4.6 percent) between 2017 and 2018 (Figure 5). Purposes for which issuance declined were commercial and industrial development (92 percent decline), redevelopment (71.4 percent decline), hospital and health care facilities (58.7 percent decline), education (42.5 percent decline), and capital improvements and public works (19.3 percent decline).

long-term debt issuance decreased by nearly 30 percent from 2017 to 2018 and short-term issuance decreased by 2.7 percent.

Long-term issuance in 2018 consisted primarily of revenue bonds (48.7 percent) and general obligation (GO) bonds (29.2 percent), and short-term issuance was comprised mostly of tax and revenue anticipation notes (45.4 percent) and commercial paper (44.5 percent).

LONG-TERM DEBT VS. SHORT-TERM DEBT ISSUANCE²⁰

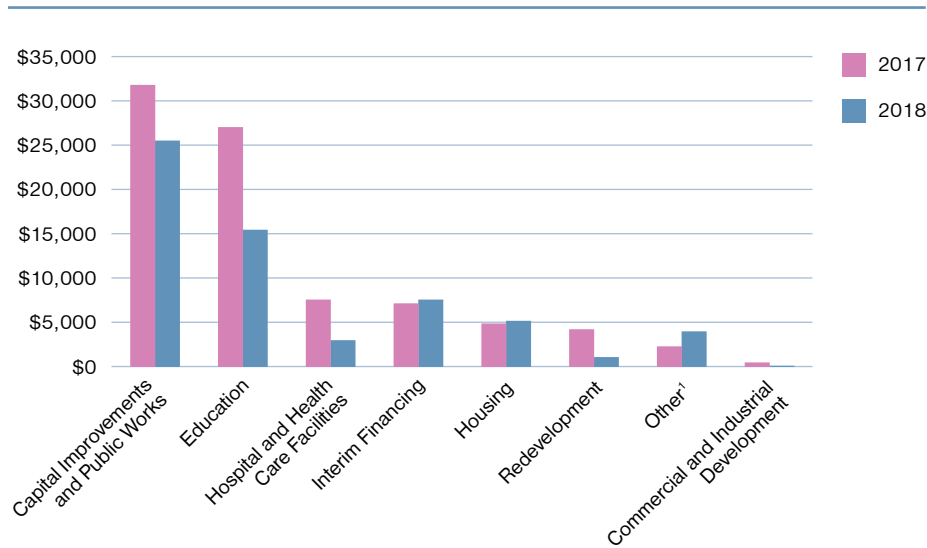
In 2018, public agencies issued approximately \$54.6 billion in long-term debt – 87 percent of total issuance for the year (Figure 6). The remaining \$8.1 billion was issued as short-term debt instruments, maturing in 18 months or less. Total

NEW MONEY ISSUES VS. REFUNDING

Between 2017 and 2018, new money issuance in California decreased by 9.1 percent. California public debt issuers refunded approximately \$15.7 billion in outstanding debt in 2018, a decrease of 54.5 percent from the nearly \$35 billion refunded in 2017 (Figure 7).

Figure 5

CALIFORNIA PUBLIC DEBT BY PURPOSE
ALL CALIFORNIA ISSUERS, 2017 AND 2018 (\$ IN MILLIONS)



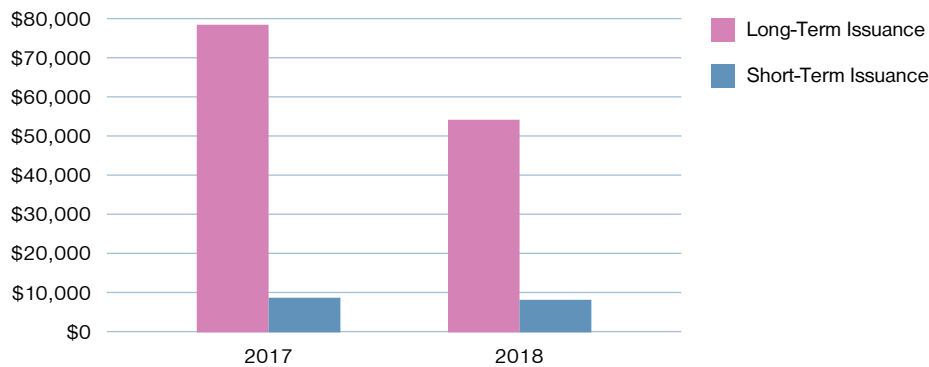
¹ Other includes: commercial energy conservation/ improvement, insurance and pension funds, residential energy conservation/ improvement, Property Assessed Clean Energy (PACE) Seismic Safety Improvements, intelligent lighting system, court judgment, and guide dogs for the blind.

Source: CDIAC database as of 3/1/2019.

²⁰ Definitions of short-term debt differ within the finance community. CDIAC considers all forms of debt with an 18 month term or less as short-term and applies this definition to all reports and analyses of public debt it issued.

Figure 6

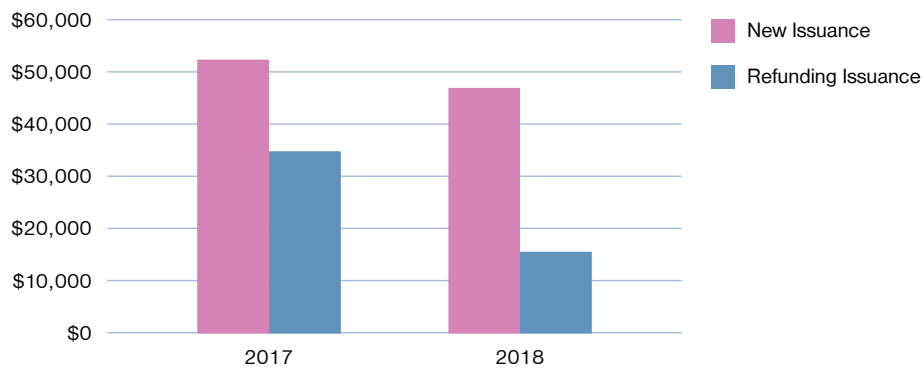
COMPARISON OF LONG-TERM AND SHORT-TERM DEBT
ALL CALIFORNIA ISSUERS, 2017 AND 2018 (\$ IN MILLIONS)



Source: CDIAC database as of 3/1/2019.

Figure 7

COMPARISON OF NEW AND REFUNDING ISSUANCE
ALL CALIFORNIA ISSUERS, 2017-2018 (\$ IN MILLIONS)



Source: CDIAC database as of 3/1/2019.

COMPETITIVE VS. NEGOTIATED TRANSACTIONS

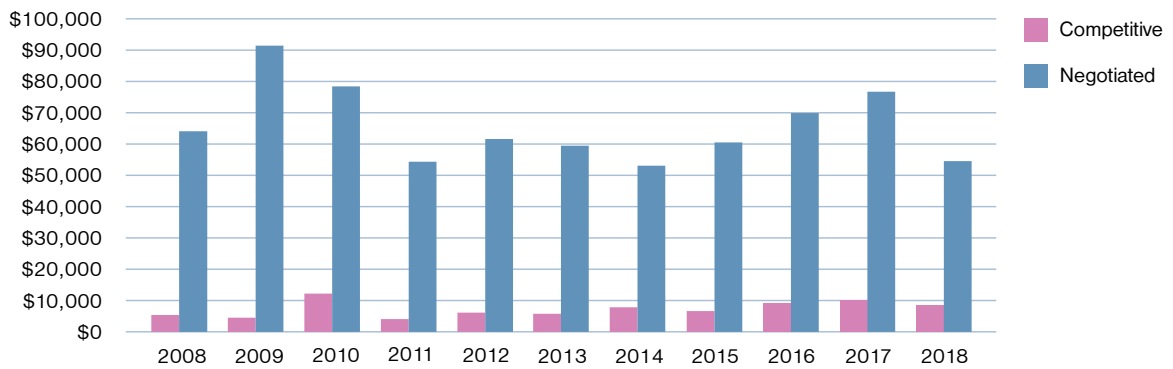
Public agencies may sell their debt through either a competitive or negotiated sale method. In a negotiated sale, the issuer selects the underwriter and negotiates the sale prior to the issuance of the bonds. In a competitive sale, underwriters submit sealed bids on a date specific and the issuer selects the best bid according to the notice of sale. In 2018, nearly 87 percent of sales by California public debt issuers were negotiated. The trend

over time has consistently favored negotiated sales by a wide margin. Since 2008, approximately 90 percent of California public debt has been issued through a negotiated sales approach (Figure 8).

Both issuer characteristics and financial conditions may contribute to the selection of one method over another. For example, the strength of the credit, size of issue, type of debt instrument, and/or complexity of the structure may warrant the use of a negotiated sale method. However, as clearly evident in the prevalence of the method in

Figure 8

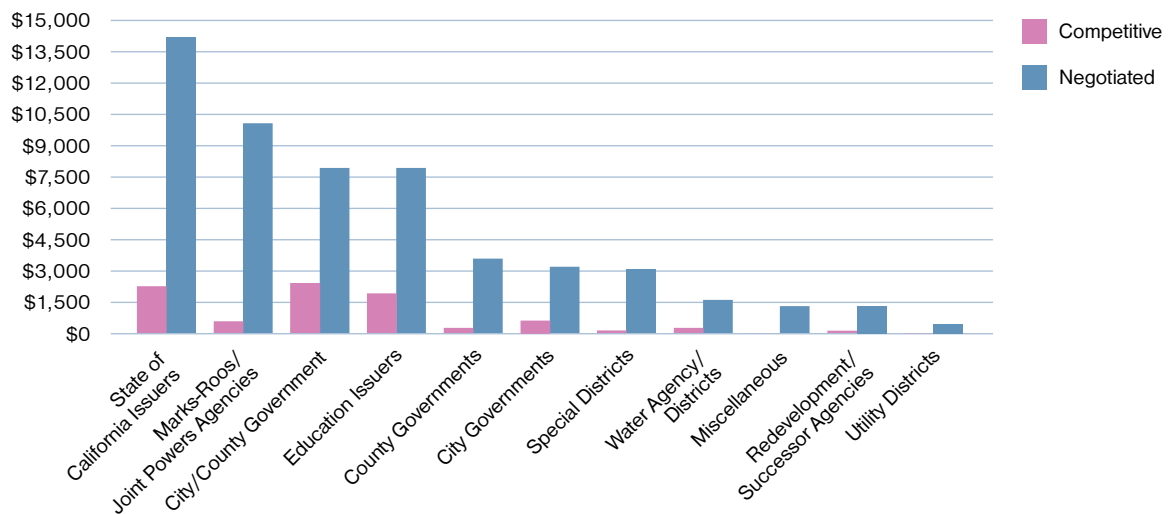
COMPETITIVE AND NEGOTIATED FINANCINGS, ALL CALIFORNIA ISSUERS, 2008-2018 (\$ IN MILLIONS)



Source: CDIA database as of 3/1/2019.

Figure 9

COMPARISON OF COMPETITIVE AND NEGOTIATED SALES BY ISSUERS TYPE, ALL CALIFORNIA ISSUERS, 2018 (\$ IN MILLIONS)



Source: CDIA database as of 3/1/2019.

the California municipal market, the negotiated sale method is commonly used in more routine “vanilla” offerings, as well. In general, all issuers, irrespective of type of entity, preferred the negotiated sale method (Figure 9).²¹

TAXABLE DEBT

Public issuers may utilize taxable bonds for certain projects or parts of a project that do not meet federal tax-exempt requirements (generally

²¹ Miscellaneous issuers include health care districts, hospital districts, housing authorities, special districts, and non-profit corporations and non-profit public benefit corporations. Utility districts are comprised of both municipal and public utility districts.

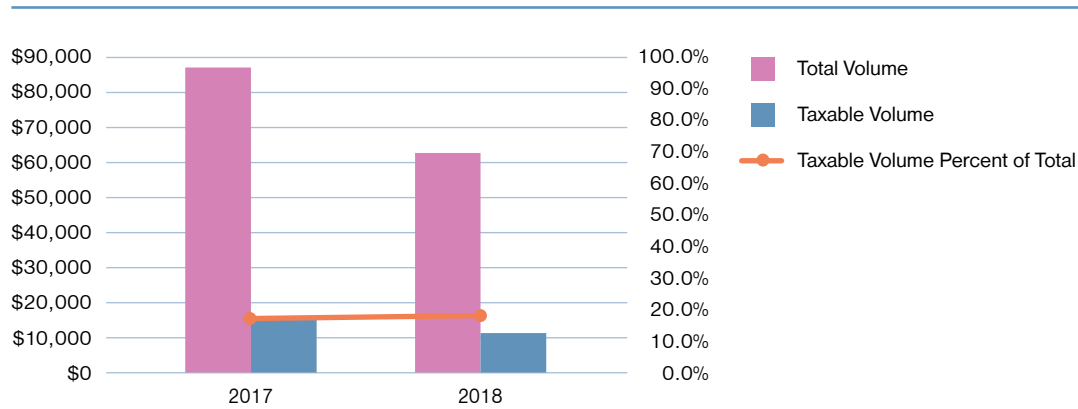
for projects that provide benefits to private entities as defined by tax code). Investor-led housing projects, local sports facilities, and borrowing to replenish an agency’s underfunded pension plan are examples of bond issues that are federally taxable. The percentage of taxable issuance in 2018 increased to 18.3 percent from 17.9 percent in 2017 (Figure 10).

CREDIT ENHANCEMENTS

In 2018, the percent of volume for credit enhanced debt increased to 14.7 percent from 12.7 percent in 2017 (Figure 11). The overall volume of credit enhanced debt, however, decreased 19.3 percent to nearly \$8.1 billion in 2018 from \$10 billion in 2017.

Figure 10

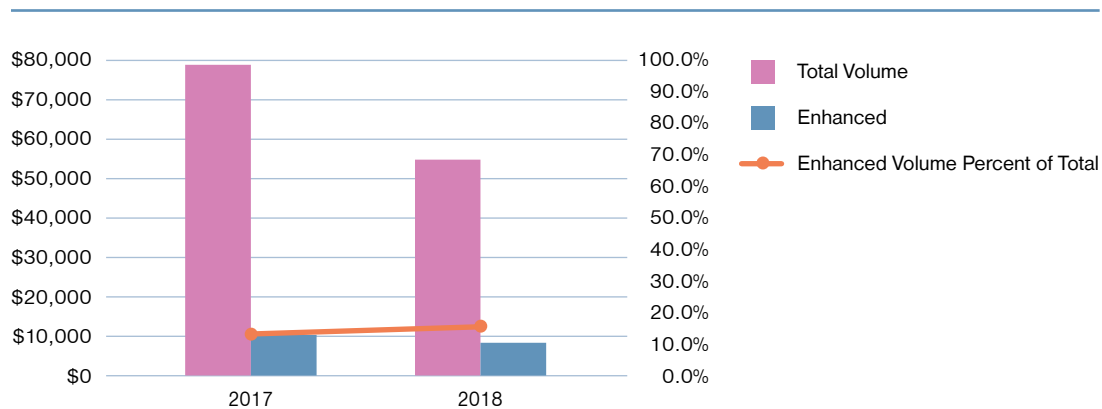
COMPARISON OF TOTAL VOLUME TO TAXABLE ISSUANCE
ALL CALIFORNIA ISSUERS, 2017 AND 2018 (\$ IN MILLIONS)



Source: CDIAAC database as of 3/1/2019.

Figure 11

COMPARISON OF TOTAL VOLUME TO ENHANCED VOLUME¹
ALL CALIFORNIA ISSUERS, 2017 AND 2018 (\$ IN MILLIONS)



¹ Does not include interim financing.

Source: CDIAAC database as of 3/1/2019.

STATE DEBT ISSUANCE IN 2018

In 2018, the State of California sold \$13.7 billion in debt, of which approximately \$12 billion was in the form of long-term debt and \$1.8 billion in short-term debt.²² State issuance accounted for 21.9 percent of all debt issued by public agencies in California.

The issuance of GO bonds, revenue bonds and commercial paper declined from 2017 to 2018 while the issuance of “other” bonds increased (Figure 12).

State issuance increased in three of the six purposes from 2017 to 2018: “other” (295.7 percent), housing (70.1 percent), and hospital and health care facilities (42.8 percent) (Figure 13). State education issuance declined from \$8.1 billion in 2017 to \$4.5 billion in 2018 (44.4 percent decline). Issuance for capital improvements

and public works also declined from \$5.6 billion in 2017 to \$4.2 billion in 2018 (25.3 percent decline), and interim financing decreased from \$2.2 billion in 2017 to \$1.8 billion in 2018 (19.3 percent decline).

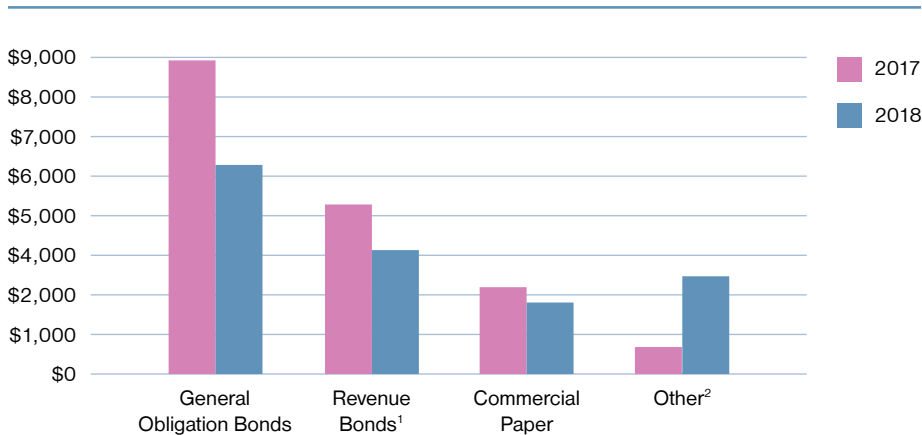
OTHER STATE ISSUERS AND CONDUIT ISSUANCE IN 2018

Issuance by state instrumentalities, including conduit bond issuers, experienced a sharp decrease of 62.5 percent in 2018. Overall, this category of issuers accounted for only 4.2 percent (\$2.7 billion) of all public agency issuance in 2018.²³

From 2017 to 2018, issuance decreased for all debt types: revenue bonds (63.4 percent decline), conduit revenue notes (44.5 percent decline) and loans from a bank or other institution (100.0 percent) (Figure 14).

Figure 12

VOLUME OF STATE DEBT ISSUANCE, 2017 AND 2018 (\$ IN MILLIONS)



¹ Revenue bonds include public lease and public enterprise revenue bonds.

² “Other” includes tobacco securitization bonds.

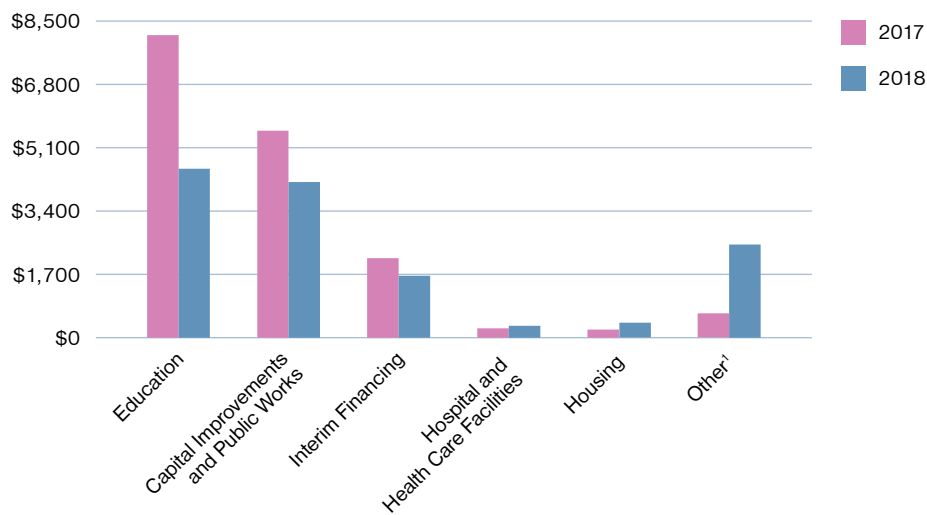
Source: CDIAAC database as of 3/1/2019.

²² In addition to the State of California, state issuers include the California Department of Water Resources, California State Public Works Board, Golden State Tobacco Securitization Corporation, The Regents of the University of California, California Department of Veterans Affairs, and the Trustees of the California State University.

²³ State instrumentalities include the California Educational Facilities Authority, California Health Facilities Financing Authority, California Housing Finance Agency, California Infrastructure & Economic Development Bank, California Pollution Control Financing Authority, and the California School Finance Authority.

Figure 13

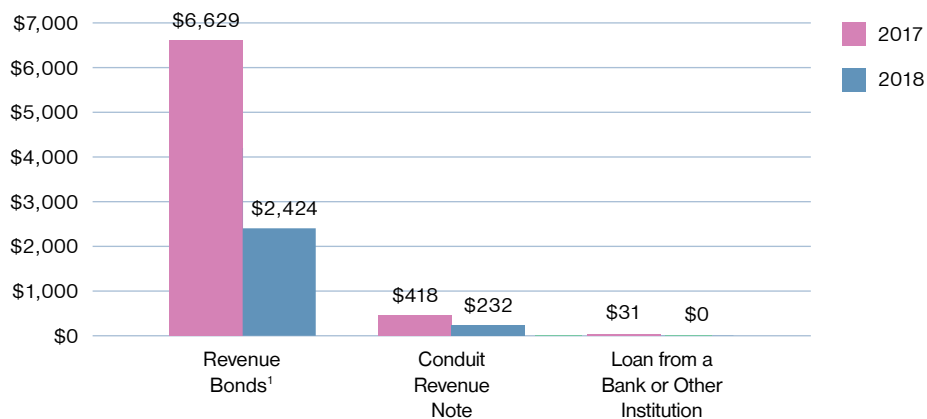
STATE DEBT ISSUANCE BY PURPOSE, 2017 AND 2018 (\$ IN MILLIONS)



¹ "Other" includes tobacco securitization bonds.
 Source: CDIAAC database as of 3/1/2019.

Figure 14

STATE CONDUIT AND DEBT ISSUANCE BY CATEGORY
 2017 AND 2018 (\$ IN MILLIONS)



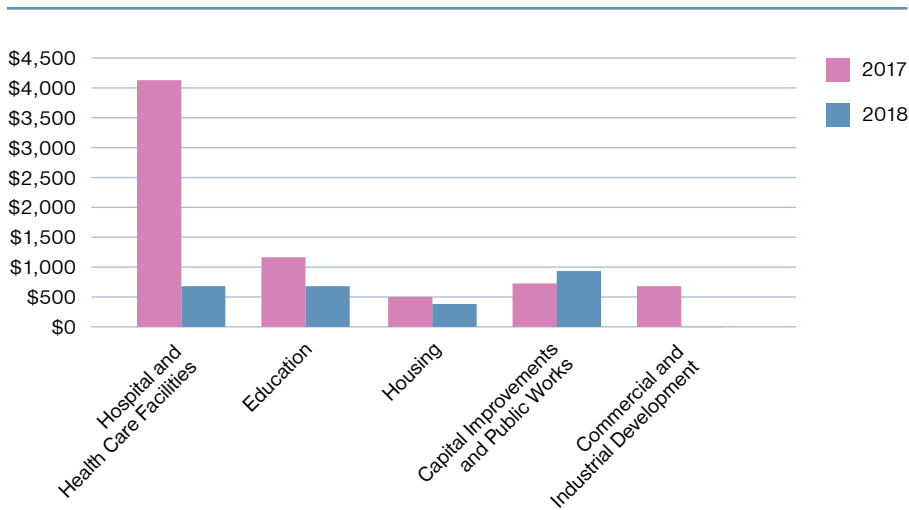
¹ Revenue bonds include conduit revenue bonds and public enterprise revenue bonds.
 Source: CDIAAC database as of 3/1/2019.

The only purpose for which state conduit issuance increased in 2018 was capital improvements and public works, from \$691 million in 2017 to \$939 million in 2018 (35.9 percent increase). Issuance decreased for commercial and industrial

development (95.5 percent decline), hospital and health care facilities (83.4 percent decline), education (42.4 percent decline) and housing (27.8 percent) (Figure 15).

Figure 15

**STATE CONDUIT DEBT ISSUANCE BY PURPOSE
2017 AND 2018 (\$ IN MILLIONS)**



Source: CDIAC database as of 3/1/2019.

**STUDENT LOAN FINANCE
CORPORATION ISSUANCE**

In past years, CDIAC typically received filings from three classifications of State level student loan entities: private corporations, non-profit corporations, and the California Education Facilities Authority (CEFA). However, CDIAC has not received any reports of debt issuance from any student loan entities since 2013.

LOCAL DEBT ISSUANCE IN 2018

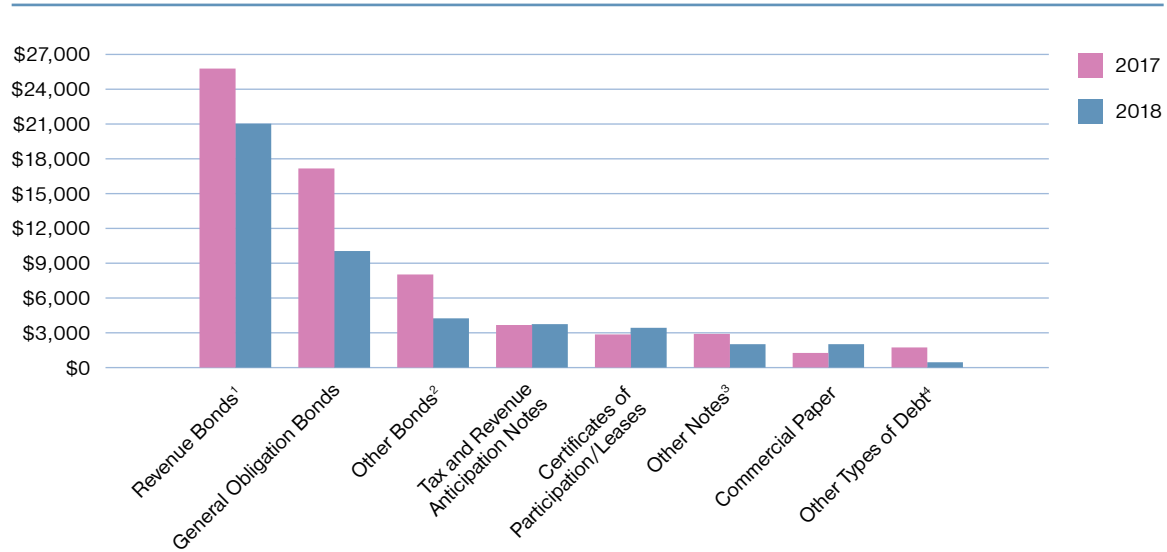
In 2018, local agencies issued nearly \$46.4 billion in short- and long-term debt, a 25.4 percent decrease from 2017. Increased issuance was recorded in commercial paper (75.5 percent), certificates of participation (23.7 percent), and

tax and revenue anticipation notes (1.9 percent) (Figure 16). Debt types that declined in issuance from 2017 to 2018 are “other types of debt” (73.3 percent decline), “other bonds” (46 percent decline). GO bonds (42 percent decline), “other notes” (31.8 percent decline), and revenue bonds (17.8 percent decline).

From 2017 to 2018, there was an increase in local issuance in interim financing (18.6 percent) and housing (4.6 percent). The following six purpose categories experienced declines in issuance: redevelopment (71.4 percent decline), commercial and industrial development (43.8 percent decline), education (41.6 percent decline), hospital and health care facilities (35.5 percent decline), capital improvements and public works (19.5 percent decline), and “other” purposes (12.5 percent decline) (Figure 17).

Figure 16

VOLUME OF LOCAL AGENCY BOND ISSUANCE BY DEBT TYPE, 2017 AND 2018 (\$ IN MILLIONS)



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

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

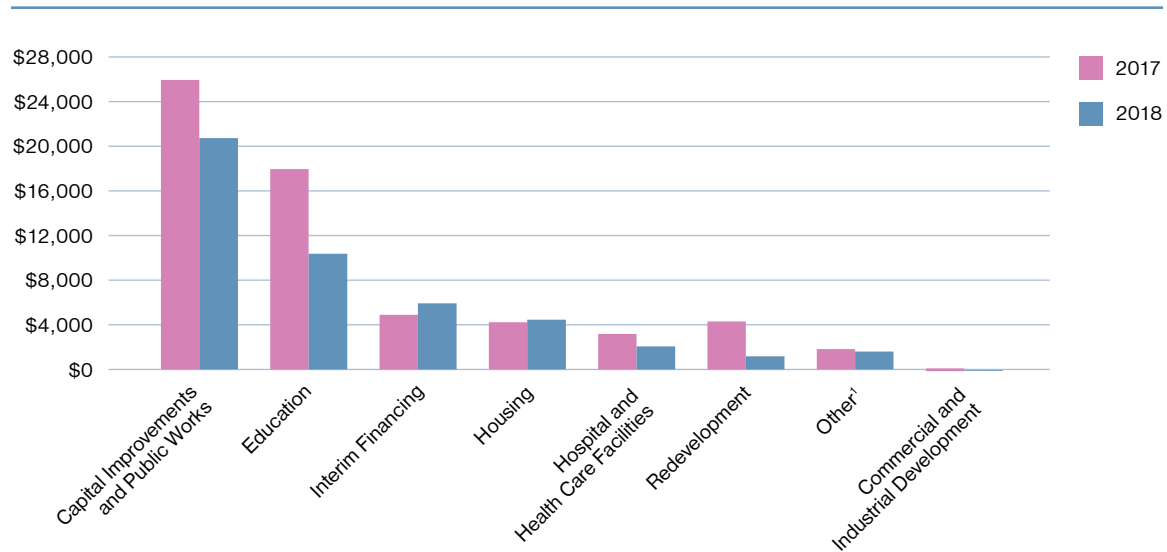
³ Other notes: conduit revenue notes, promissory notes, revenue anticipation notes, tax allocation notes, and tax anticipation notes.

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

Source: CDIAAC database as of 3/1/2019.

Figure 17

VOLUME OF LOCAL AGENCY ISSUANCE BY PURPOSE, 2017 AND 2018 (\$ IN MILLIONS)



¹ Other includes commercial energy conservation/improvement, conservation district improvements, insurance and pension funds, property assessed clean energy (PACE) seismic safety improvements, residential energy conservation/improvement, court judgment, guide dogs for the blind, and intelligent lighting system.

Source: CDIAAC database as of 3/1/2019.

2018 REPORT OF OPERATIONS

DATA COLLECTION AND ANALYSIS UNIT

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

Data Collection

The Database, a large portion of which can be accessed on CDIAC's DebtWatch website, 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.²⁴ The Database also includes the Annual Debt Transparency Report, a new report that requires issuers to provide annual updates on debt reported to CDIAC on or after January 21, 2017.²⁵ The Database contains information from 1984 to the present and is updated continuously by Data Unit staff. As of March 4, 2019 the Database contained almost 68,000 issuance records.

During calendar year 2018, the Data Unit received and processed 11,659 reports including Reports of Proposed Debt Issuance (RPDIs),²⁶ Reports of Final Sale (RFSs),²⁷ Marks-Roos Local Bond Pooling Yearly Fiscal Status Reports (MKR YFSRs), Mello-Roos Community Facilities Districts Yearly Fiscal Status Reports (MLR YFSRs), and Mello-Roos/Marks-Roos Draw on Reserve/Default filings (DFDs) and the first submittals of the Annual

²⁴ 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.

²⁵ Per Government Code Section 8855(k), added by SB 1029 (Chapter 307, Statutes of 2016) issuers required to submit an annual debt transparency report for Report of Final Sale submitted on or after January 21, 2017. The first ADTRs were due on January 31, 2018.

²⁶ Per Government Code Section 8855(i) issuers of proposed new debt must give notice no later than 30 days prior to the sale date.

²⁷ 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.

Debt Transparency Report (ADTR), a 6.9 percent increase from 2017. ADTR reports for Fiscal Year (FY) 2016-17 were received from July 2017 through January 2018. The receipt of ADTR filings for FY 2017-18 began in fall 2018. Figure 18 contains a breakdown of the reports processed by the Data Unit during calendar year 2018. In 2017, there was an increase of 7.6 percent in RPDIs and RFSs, probably the result of the large number of advance refunding issues which occurred in late 2017. Taking this into account, the number of RPDIs and RFSs received during 2018 have returned to a more normal number.

With the implementation of CDIAC's regulatory package, effective on April 1, 2017, all reports, with the exception of the ADTR, must be filed using CDIAC's online portal.²⁸ During 2018, only 11 reports were sent in hardcopy form mail or e-mail requiring staff to manually enter the data.

Recognizing that the number of ADTRs required to be filed by issuers will essentially double on an annual basis, CDIAC began working with issuers in late 2017 to establish an alternative to filing individual reports through its online portal. CDIAC identified "volume filers," issuers who are required to submit 25 or more ADTRs on an annual basis. For the initial filing period, two issuers agreed to submit their data on an Excel spreadsheet. The data was formatted by the State Treasurer's Office (STO) Information Technology Division (ITD) staff and pulled into CDIAC's debt database. ITD has since developed a "batch upload" process for volume filers that allows the data to be pulled into the database without formatting.

Figure 19 displays the number of ADTRs expected, received and the methods used during 2018.

Debt Issuance Fees

A critical function of the Data Unit is the collection of the issuance fees.²⁹ These fees are the source of CDIAC's operational funding. With the adoption of CDIAC's regulations, fee amounts are calculated based on principal amount of the issue times 2.5 basis points (0.0025%), not to exceed \$5,000.00, on all debt with a final maturity greater than 18 months. No fee is assessed for issues whose final length of maturity is 18 months or less. A detailed fee schedule is available on CDIAC's website.³⁰

In 2018, the Data Unit sent out 1,340 invoices totalling approximately \$3.4 million in fees. Figure 20 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: ACCESS TO REPORTS AND ISSUANCE DOCUMENTS. DebtWatch³¹ provides citizens, the media, policy makers and others a new resource for understanding state and local government debt issuance. Containing easily accessible information relating to debt issued during the past thirty-five 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 the ability to access the issuance documents that were submitted to CDIAC with the issuer's RFS. Documents vary depending upon the type of debt issued. Types

²⁸ Title 4, Division 9.6, Sections 6000-6062, effective April 1, 2017.

²⁹ Government Code Section 8856 authorizes CDIAC to charge the lead underwriter, the purchaser or the lender a fee not to exceed one-fortieth of one percent of the principal amount of the issue not to exceed \$5,000 for any one issue.

³⁰ www.treasurer.ca.gov/cdiac/reporting.asp.

³¹ DebtWatch is located at: <http://debtwatch.treasurer.ca.gov/>.

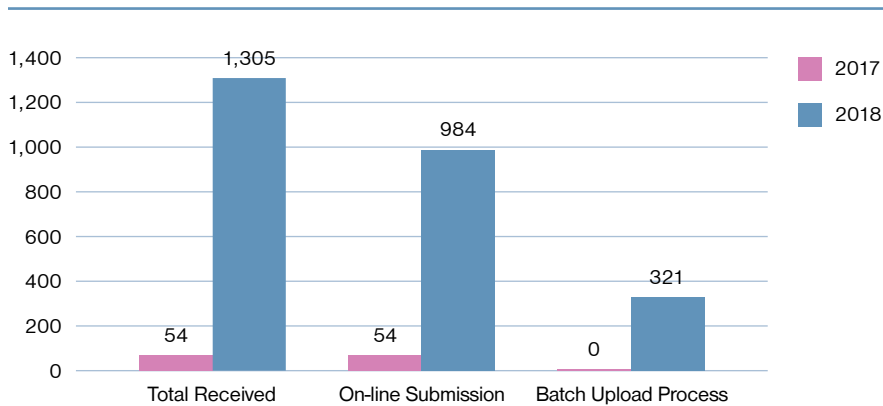
Figure 18

REPORTS PROCESSED, CALENDAR YEAR 2018 AND 2017

TYPE OF REPORT	2018	2017	INCREASE/ DECREASE
Reports of Proposed Debt Issuance	3,089	3,646	-15.3%
Reports of Final Sale	3,094	2,638	-15.0
Mello-Roos Yearly Fiscal Status Reports	1,469	1,421	3.4
Marks-Roos Yearly Fiscal Status Reports	2,706	2,139	26.5
Annual Debt Transparency Report	1,294	54	2,296.3
Mello-Roos/Marks-Roos Draw on Reserve/Default/Replenishment Filings	7	10	-30.0
TOTAL REPORTS RECEIVED	11,659	10,908	6.9%

Figure 19

ADTR, METHODS OF SUBMITTAL, JANUARY 1, 2018 TO DECEMBER 31, 2018

**Figure 20**FEES ASSESSED, STATE AND LOCAL ISSUERS
JANUARY 1, 2018 TO DECEMBER 31, 2018

		FEES ASSESSED	# OF INVOICES
STATE	Long-Term Debt	\$339,014	80
	Short-Term Debt	0	0
LOCAL	Long-Term Debt	\$3,058,159	1,260
	Short-Term Debt	0	0
TOTAL FEES ASSESSED		\$3,397,173	1,340

of documents include official statements, bond specimens, indentures and resolutions of the governing body, promissory notes, leases, loan agreements, installment sales agreements, and other issuance-related disclosures.

CDIAC added a field to the DebtWatch portal to provide access to the issuance documents submitted by issuers along with the RFS. The field has been formatted to indicate whether or not the documents have been submitted but not yet uploaded to the site (coded as “Pending”) or were not submitted with the RFS (coded as “None Submitted”). CDIAC is using a similar method to provide access to data reported on the Annual Debt Transparency Reports (ADTRs). The database will include a drop down feature to allow interested parties to view current and prior reports. Five new fields of data were added to DebtWatch pertaining to the ADTR: 1) A link to the ADTR, if a report has been submitted; 2) The filing status if an issue is ADTR reportable; 3) Whether or not the issue is required to report under the statute; 4) If the issue is reportable in the next FY; and, 5) The last period in which an ADTR was submitted.

DEBT LINE NEWSLETTER. CDIAC is required to publish a monthly newsletter describing the operations of the Commission during the prior month.³² CDIAC’s monthly publication, *Debt Line*, includes a monthly calendar of issues which provides comprehensive information on all reports of proposed and finalized debt issuances received during the prior month.

ONLINE TABLES AND GRAPHS. CDIAC posts monthly and annual California state and local debt issuance data to its website in the form of

summary tables and graphs which can be accessed through CDIAC’s website. Tables showing aggregate totals on the type, purpose and amount of debt issued and the amount refunded for the current and five prior calendar years is available on our website. Graphs showing a comparison of debt data for the current and prior calendar year by state and local agencies are also available on our website.³³ The purpose and amount of proposed and completed transactions for the prior month is also posted.³⁴

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.³⁵

CDIAC recorded 2,374 hits to its website in 2018. Each “hit” or inquiry is recorded as well as the purpose for which the individual visited the site (Figure 21a). CDIAC recorded 14,940 hits to the DebtWatch website for 2018 (Figure 21b).

Reports

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

MARKS-ROOS LOCAL BOND POOLING ACT YEARLY FISCAL STATUS REPORT AND THE MELLO-ROOS COMMUNITY FACILITIES DISTRICT YEARLY FISCAL STATUS REPORT. The Marks-Roos and Mello-Roos Yearly Fiscal Status Reports received annually by CDIAC during the fiscal year (July 1 through June 30) are the basis for these reports.³⁶

³² Government Code Section 8855(h)(9).

³³ Summary tables are available at: www.treasurer.ca.gov/cdiac/debtdata/debtdata.asp.

³⁴ Graphs are available at: www.treasurer.ca.gov/cdiac/graphs/index.asp.

³⁵ Mello-Roos/Marks-Roos Default and Draw on Reserve Reports are available at: www.treasurer.ca.gov/cdiac/default-draw/issuename.asp.

³⁶ Pursuant to Government Code Sections 6599.1(b) and 53359.5(b) issuers of Mark-Roos (after January 1, 1996) and Mello-Roos (after January 1, 1993) bonds must submit Yearly Fiscal Status Reports to CDIAC.

Figure 21a

DEBT ISSUANCE DATA WEBSITE ACTIVITY, JANUARY 1, 2018 TO DECEMBER 31, 2018

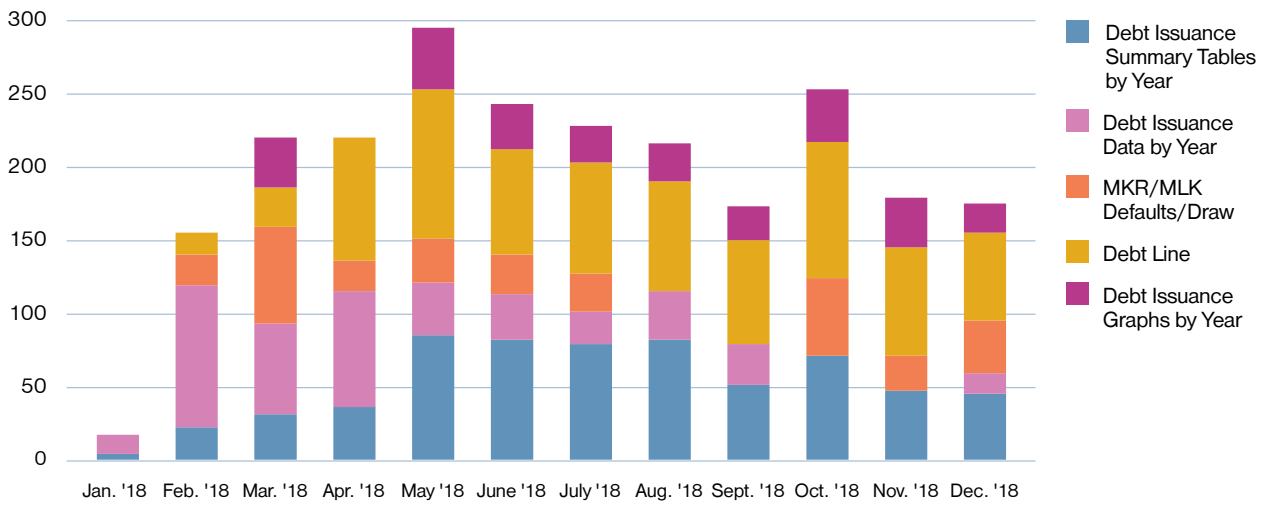
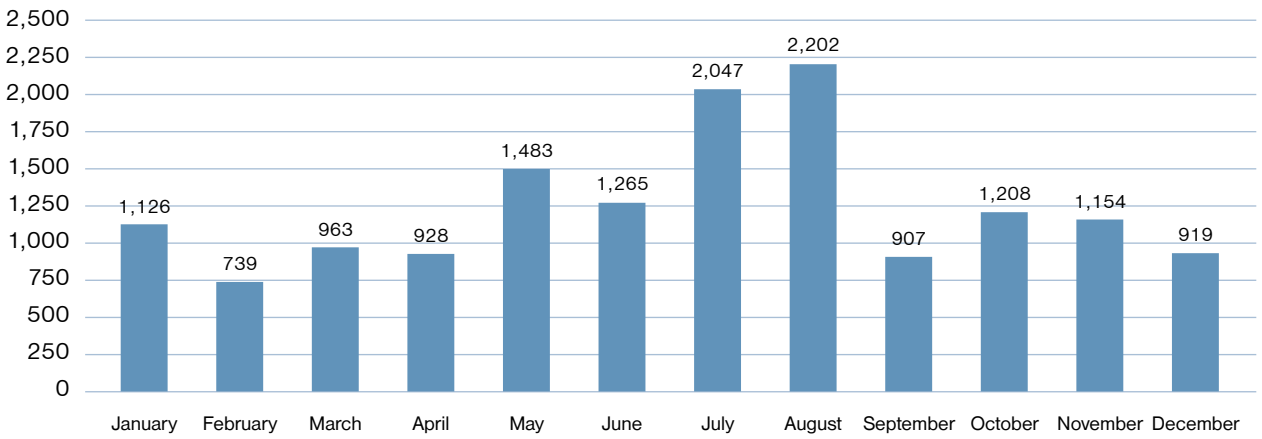


Figure 21b

DEBTWATCH WEBSITE ACTIVITY, JANUARY 1, 2018 TO DECEMBER 31, 2018



In an effort to bring The Marks-Roos Bond Pooling Act Participants Yearly Fiscal Status Report to a current status, the Data Unit has published reports for FY 2012-13 and staff is currently compiling and verifying data for the remaining intervening fiscal years and expects to post the remaining reports to the CDIAC website prior to the end of 2019.

The Mello-Roos Community Facilities District Yearly Fiscal Status Report, covering the period of July 1, 2015 through June 30, 2016 was published in February 2018. The report for the July 1, 2016 through June 30, 2017 will be published by mid-2019. All prior year reports have been published.

CALENDAR OF PUBLIC DEBT ISSUANCE. This annual report provides details on each issuance of public debt in California. Each listing includes the issuer name, county, debt type, purpose of the issue, date of sale, debt principal amount, and whether or not the issue is a refunding. Each listing also shows 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 2017 calendar was published in June 2018. CDIAC expects the 2018 calendar to be published in spring 2019.

SUMMARY OF CALIFORNIA PUBLIC DEBT ISSUANCE. This annual report provides aggregate summary information by issuer on major components of debt, such as long-term and short-term debt, tax-exempt and taxable debt, and refunding existing indebtedness. The tables included in the report contain statistics on both state and local agencies broken out by type of issuer, type of debt, purpose of financing, federal taxability, and whether the issue is a refunding or not. The 2017 summary tables were published in June 2018. CDIAC expects the 2018 calendar to be published in spring 2019.

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

Other 2018 Data Unit Projects and Initiatives

DEBT AUTHORIZED BUT UNISSUED. SB 1029 (Hertzberg, Chapter 307, Statutes of 2016), added the requirement for issuers to report annually on any debt whose issuance was reported to CDIAC on or after January 21, 2017. CDIAC developed the ADTR to assist issuers in satisfying the new reporting requirement and to provide consistency in data received. In order to ensure that the authorization was correctly tracked, ITD established an "authority" table in the database so that multiple issues could be linked to one issuance authorization and thereby calculate the amount of authorization available at the beginning of the reporting period, added during the reporting period, and remaining at the end of the reporting period. Working with ITD, Data Unit staff developed the criteria for the authority table and identified needed updates to the online reporting forms, the database, and the ADTR. These updates were completed in October 2018 and the new RPDI, RFS and ADTR were made available for use.

ADTR BATCH UPLOAD PROCESS. As mentioned earlier in this report, CDIAC realized that the number of ADTRs to be submitted in the future will double each reporting period. To assist volume issuers that submit multiple reports (25 or more ADTRs during the reporting period), CDIAC and ITD developed a single "batch upload" process. As of December 2018, none of these issuers has submitted their ADTR data via the batch upload.

ELECTRONIC DOCUMENT STORAGE. CDIAC's effort to make more issuance information avail-

able to the public and reduce the amount of archived materials stored both on site and in the State's warehouses by systematically reviewing, digitizing, and electronically storing all paper documents in an electronic document storage facility (FileNet) continued during 2018. Staff began digitization in 2009 with calendar year 2008 documents. To date, all 2005 through 2018 documents have been scanned and electronically stored. The scanning process for the 2004 files is approximately 95 percent complete. CDIAC now automatically transfers new documents received from report filers to FileNet with minimal action required by staff.

DEBTWATCH. In 2018, CDIAC added access to the ADTR data on DebtWatch. This access will provide annual reports on debt reported after January 21, 2017.

TECHNICAL ASSISTANCE. Data Unit staff responded to 5 requests for technical assistance during the year a drop of 31 percent due to the easy accessibility to DebtWatch.

2019 Outlook – Proposed or Initiated Projects and Activities

DEBT ISSUANCE DATABASE REVIEW AND DEVELOPMENT PROJECT. In 2014, CDIAC undertook 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 of CDIAC data, the capture of third-party data, and the potential to embrace new technologies to achieve expanded program and policy goals.

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). CDIAC, in conjunction with ITD, continues to work to secure external IT services 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.

EDUCATION AND OUTREACH UNIT

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

Education Programs

CDIAC's education programs include "core" seminars given on an annual or biennial basis (Figure 22), webinar trainings that allow for a timely response to current issues or technical training needs, and co-sponsored seminars with allied organizations that expand CDIAC's outreach.

In 2018, CDIAC conducted ten educational programs: three webinars, four core seminars, one current topic seminar, and two co-sponsored seminars. As in 2017, programming in 2018 included a balance of in person trainings and webinars, thereby increasing the total number of people CDIAC's educational programs were able to reach.

Seminars—Core Programs

MUNICIPAL MARKET DISCLOSURE. A one-day seminar, held on February 7, 2018, was focused on improving the practice of the initial and continuing disclosure mandated by the Securities Exchange Commission and the Municipal Securities Rulemaking Board related to the public and private sale of municipal debt. Recent changes to those rules were discussed.

Figure 22

CDIAC'S CORE SEMINARS

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

FUNDAMENTALS OF LAND-SECURED FINANCING. This program, held on September 5, 2018, detailed the land-secured financing process from district pre-formation through project implementation and ongoing administration. Both Mello-Roos community facilities district and assessment district financings were covered in depth.

PUBLIC FUNDS INVESTING WORKSHOP: USING MS EXCEL. This one-day workshop, offered twice in October 2018, focused on using Microsoft Excel to further participants' understanding of key investment concepts. In order to allow participants to more fully engage in interactive learning, attendance was limited to no more than twenty each day. Attendees used their own laptops or tablets and spreadsheets to familiarize themselves with the relationship between yield, duration and

convexity. The workshop concluded with an exercise on benchmarking and provided participants with Excel spreadsheets to utilize in managing their own investment portfolios.

Webinars

LOCAL AGENCY INVESTMENTS GUIDELINES 2018 UPDATE. Each year the Commission publishes the Local Agency Investment Guidelines (LAIG), which provides references and recommendations, developed by public and private sector professionals, for interpreting and applying California statute to common public fund investments topics related to local agencies. This webinar, presented on May 16, 2018, gave a brief overview of the LAIG and the new legislation related to public funds investment which went into effect as of January 1, 2018.

SB 1029-PHASE II - MODIFICATIONS TO THE REPORT OF PROPOSED DEBT ISSUANCE (RPDI) AND THE REPORT OF FINAL SALE (RFS). This webinar, broadcast on October 26, 2018, described the modifications made to the RPDI and RFS to make the annual debt reporting required by SB 1029 more flexible and efficient.

SB 1029-PHASE II - MODIFICATIONS TO THE ANNUAL DEBT TRANSPARENCY REPORT (ADTR). Broadcast on November 1, 2018, this webinar described enhancements made to the ADTR that were designed to make the required annual reporting more efficient, consistent and user-friendly for submitter.

Seminar—Current Topics

CURRENT TOPICS AND PRACTICES IN LAND-SECURED FINANCING. Held on September 6, 2018, CDIAC offered this program in conjunction with our core *Fundamentals in Land-Secured Financing* seminar for the first time. The goal was to reduce travel time and expenses for state and local agencies. The topics included a more advanced discussion of land-secured financing structures and an update on current topics and practices related to their use and administration.

Co-Sponsored Seminars

CDIAC AND THE CALIFORNIA MUNICIPAL TREASURERS' ASSOCIATION (CMTA) - ADVANCED PUBLIC FUNDS INVESTING. This one-and-a-half-day seminar, held in January 2018, provided advanced discussion of portfolio management, including the more complex concepts underlying sound public portfolio analysis and decision-making. Investment concepts, risk, and permissible securities under California Government Code 53601 were provided in addition to a case study simulation to allow participants to place the concepts into practice.

THE BOND BUYER PRE-CONFERENCE. On October 1, 2018, CDIAC conducted a seminar, *A Different Perspective: Issuer Insights on the California*

Municipal Bond Market, at *The Bond Buyer's* 28th Annual California Public Finance Conference. The event marked the 17th consecutive year that CDIAC has partnered with *The Bond Buyer* for the pre-conference. In sharp contrast to prior offerings, this program provided representatives from a variety of local agencies to take the lead in identifying valuable topics and provide their perspective on the California bond market. Panels explored strategies to improve industry practices and discussed the obstacles they encounter while issuing debt and how they manage to work around them.

Attendance at CDIAC Educational Programs

Seven hundred and four (704) public finance professionals, public and private, attended CDIAC's educational programs in 2018. Of the professionals who participated in CDIAC's 2018 educational offerings, the majority, 411 (or 58 percent) did so through our in-person trainings. (Figure 23).

CDIAC tracks the attendees' organizational affiliation by public or private sectors (Figure 24). A comparison of these sectors, shows that 80 percent of attendees were from the public sector, a slight decrease from the 82 percent total in 2017. If registration from events held in partnership with *The Bond Buyer* were excluded, 86 percent of the attendees were from the public sector, a one percent decrease over 2017.

Of the public and private sectors, approximately 51 percent of attendees were from cities and counties; 29 percent were from state agencies, special districts, school districts, and joint powers authorities; and 20 percent were from the private sector. Figure 25 reflects attendees by organization type at all CDIAC educational programs for the year.

Historical Comparison of Seminar Attendance

Over the past five years CDIAC has attracted approximately 6,515 attendees to its programs, including educational offerings held in partnership

Figure 23

PARTICIPATION AT CDIAC EVENTS, 2018

EVENT TITLE	DATE	LOCATION	TOTAL PARTICIPANTS
CDIAC SEMINARS			
Municipal Market Disclosure	2/5/2018	Fresno, CA	47
Fundamentals of Land-Secured Financing	9/5/2018	Riverside, CA	97
Current Topics and Practices in Land-Secured Financing	9/6/2018	Riverside, CA	84
Public Funds Investing Workshop: Using MS Excel	10/24/2018	Aliso Viejo, CA	17
Public Funds Investing Workshop: Using MS Excel	10/25/2018	Aliso Viejo, CA	14
CDIAC WEBINARS			
Local Agency Investments Guidelines 2018 Update	5/16/2018	Online	65
SB 1029 - Phase II - Modifications to the Report of Proposed Debt issuance (RPDI) and the Report of Final Sale (RFS)	10/26/2018	Online	93
SB 1029 - Phase II - Modifications to the Annual Debt Transparency Report (ADTR)	11/1/2018	Online	135
OTHER CDIAC ENGAGEMENTS			
CDIAC and CMTA: Advanced Public Funds Investing	1/24-1/25/2018	Riverside, CA	52
<i>The Bond Buyer</i> Pre-Conference	10/1/2018	Los Angeles, CA	100
		TOTAL	704

Figure 24

ATTENDANCE AT CDIAC PROGRAMS BY ORGANIZATIONAL AFFILIATION PUBLIC OR PRIVATE, 2018

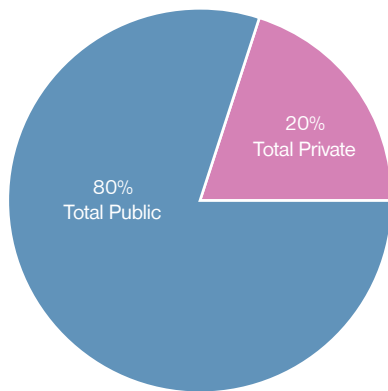


Figure 25

ATTENDANCE AT CDIAC PROGRAMS BY ORGANIZATION TYPE, 2018

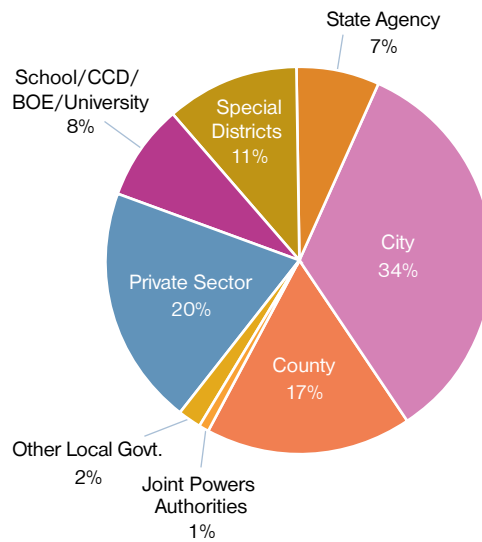
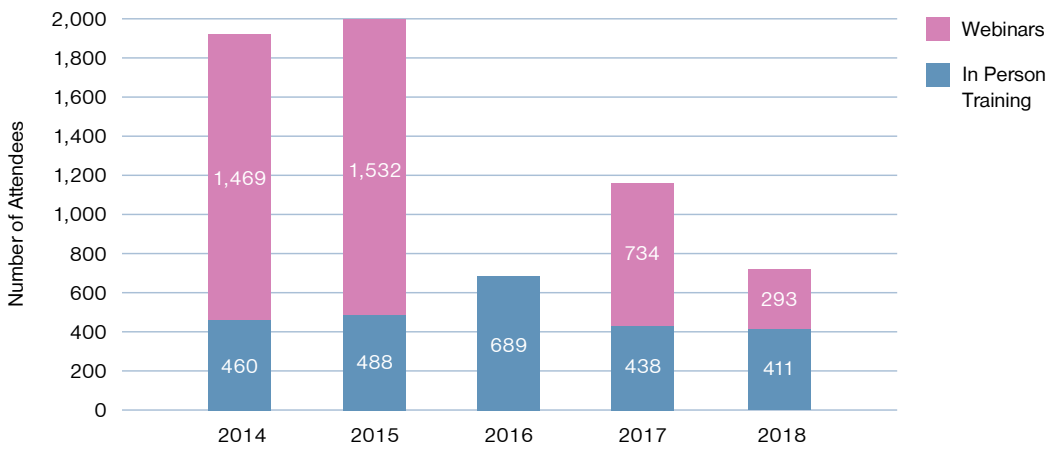


Figure 26

ATTENDANCE AT CDIAC PROGRAMS, 2014 TO 2018



with other organizations. Figure 26 reflects enrollment activity in CDIAC programs from 2014 through 2018. In 2016, CDIAC’s programs in 2016 focused on in-person training and returned to webinar hosting in 2017, resulting in a substantial increase overall attendance numbers. In 2018, staff shortages contributed to an overall decrease in offerings.

Based on this five-year time span, CDIAC continues to serve its primary audience, public agencies, as reflected in Figures 27 and 28. Since 2014, local agencies represent 66 percent of all attendees at CDIAC programs.

Support of the State Treasurer’s Office (STO) Divisions, Boards, Authorities and Commissions (BCAs)

During 2018, staff in the Education Unit provided assistance to several of the divisions and BCAs within the STO. Using CDIAC’s webinar portal and staff expertise, more than 1,008 stakeholders were trained or informed through the broadcasting of 12 webinars. The agencies assisted, the number of webinars and the number of stakeholders who participated are shown in Figure 29.

2019 Outlook – Proposed or Initiated Projects and Activities

CURRICULUM AND PROGRAM DEVELOPMENT. The two areas that will continue to affect the educational needs of California’s public agencies are: 1) educating new staff in public agencies and newly elected officials, and 2) changes to the method and manner in which debt is issued in the municipal market. In response, CDIAC will continue to develop programming that addresses these two critical environmental forces. To do so, CDIAC is tailoring education for elected officials on debt financing and examining course offerings that address changes in debt management practices that impact California issuers.

Figure 27

ATTENDANCE AT CDIAC PROGRAMS PUBLIC VS. PRIVATE, 2014 TO 2018

YEAR	% PUBLIC	% PRIVATE
2014	73%	27%
2015	87	13
2016	82	18
2017	82	18
2018	80	20

Figure 28

ATTENDANCE AT CDIAC PROGRAMS BY ORGANIZATION TYPE, 2014 TO 2018

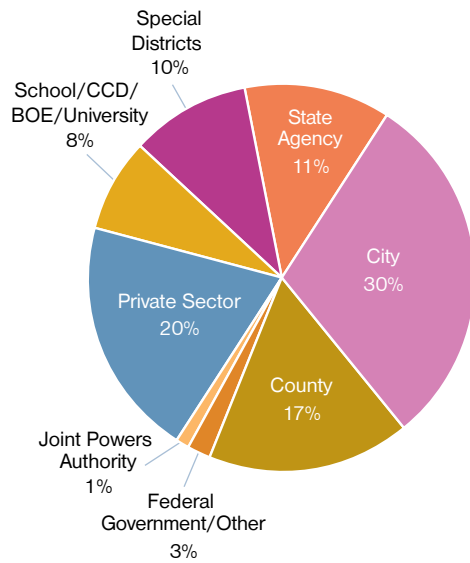


Figure 29

STO SUPPORT

AGENCY	# OF WEBINARS	TOTAL PARTICIPANTS
California School Finance Authority (CSFA)	4	317
California Health Facilities Financing Authority (CHFFA)	6	351
Local Agency Investment Fund LAIF)	1	154
California Tax Credit Allocation Committee	1	186
TOTALS	12	1,008

INTERNET-BASED ON-DEMAND TRAINING. CDIAC has begun to develop a web-based, on-demand training course on debt issuance and administration that is tailored for elected and appointed officials. Through the use of an interactive learning management system, officials will receive a certificate after completing a series of online courses and demonstrating sufficient knowledge acquisition. The system will also allow CDIAC to track registration and develop reports to monitor the effectiveness of the program in achieving the learning objectives and reaching the target audience. The first in the series of modules will be available early 2019.

TOOL-BASED TRAINING IN THE CLASSROOM. CDIAC introduced an applied learning approach into our core educational curriculum in 2016 and continued this method into 2018. Participants' feedback has shown that this approach has been a very effective training method. In 2019, CDIAC will further its course offerings in public investments by offering Excel-based training in smaller, more interactive settings.

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

EXISTING PARTNERSHIPS. In 2019, CDIAC will continue its partnership with *The Bond Buyer*. Building on the success of collaborative workshops held in prior years, CDIAC will continue to partner with the California Municipal Treasurer's Association (CMTA) to provide public investment training workshops for beginners and advanced practitioners and plans to renew its collaboration with the California Society of Municipal Analysts. We are also networking with other allied organizations with the hope of furthering our efforts to present co-sponsored programs.

DIRECT PROMOTION OF PROGRAMS. As in prior years, CDIAC will continue to promote its programs through its subscribed email list and newsletter, postings on association web-pages and their newsletters and, when necessary, through direct promotion of seminars through targeted mailing of printed brochures to local public agency officials. Social media, such as Twitter and LinkedIn, will continue to be used for focused promotion to followers of CDIAC and the State 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.

RESEARCH UNIT

California Government Code Section 8855(h)(5) authorizes CDIAC to undertake research projects that improve practices or reduce the borrowing costs of public issuers in California. For calendar year 2018, CDIAC staff have either completed or initiated the following research projects:

CDIAC Projects Completed

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 included election and issuance activity for calendar year 2017 to the original data.

LOCAL AGENCY INVESTMENT GUIDELINES: UPDATE FOR 2018. CDIAC, working collaboratively with investment professionals, reviewed and updated the CDIAC Local Agency Investment Guidelines. This document provides references and recommendations (developed by public and private sector professionals) for interpreting and

applying California statute to common public fund investment topics related to local agencies. The 2018 Update reflected statutory changes effective January 1, 2018.

PREPARING FOR THE END OF LIBOR: A LOOK AT LIBOR AND THE USD LIBOR ALTERNATIVE. This report provided a discussion of LIBOR, the market issues leading to its approaching termination, and identified alternative reference rates including the newly established Securities Overnight Financing Rate (SOFR).

RESULTS OF THE 2017 LOCAL ELECTIONS: BOND AND TAX MEASURES APPEARING ON THE 2017 LOCAL BALLOTS. This report provided an analysis of the certified results of the bond and tax elections held by local agencies during 2017 as well as a detailed listing of each bond and tax measure by county, region, type of tax or debt, and purpose.

RESULTS OF THE 2018 PRIMARY ELECTION: BOND AND TAX MEASURES APPEARING ON THE 2018 PRIMARY BALLOTS, JUNE 5, 2018. This bi-annual report provided an analysis of the certified results of the bond and tax elections 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.

2019 Outlook: Proposed or Initiated Projects and Activities

PART 3 OF THE CALIFORNIA DEBT FINANCING GUIDE. CDIAC will develop a handbook for public finance professional focusing providing best practices for public agencies in the issuance and administration of debt. The handbook will be organized in the same way as CDIAC's Local Agency Investment Guide, employing a Q&A format with responses offered by public finance experts.

BLOCKCHAIN AND PUBLIC FINANCE. CDIAC will attempt to explain the underlying blockchain mechanics of cryptocurrencies and address how public agencies are using or planning to use this technology to support public purposes.

DISCLOSURE PRIMER. CDIAC will develop a concept to create a primer on municipal market disclosure. It is envisioned this primer would be a companion to the *California Debt Financing Guide* and provide a detailed desk-reference for public finance officials on disclosure requirements and best practices.

LOCAL AGENCY INVESTMENT GUIDELINES: 2019 UPDATE. CDIAC, working collaboratively with investment professionals, reviewed and updated the CDIAC Local Agency Investment Guidelines. This document provides references and recommendations (developed by public and private sector professionals) for interpreting and applying California statute to common public fund investment topics related to local agencies. The 2019 Update will reflect statutory changes effective January 1, 2019.

MARKS-ROOS REPORTING: 20-YEAR REVIEW OF MARKS-ROOS ANNUAL REPORTING TO CDIAC. CDIAC will review twenty years of Yearly Fiscal Status Reports filed by issuers and obligors of Marks-Roos financings with CDIAC covering Fiscal Years 1996-97 through 2016-17. This review will identify trends in Marks-Roos issuance, highlighting market or legislative changes in Marks-Roos issuance practices.

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

RESULTS OF THE 2018 GENERAL ELECTION: BOND AND TAX MEASURES APPEARING ON THE 2018 GENERAL BALLOTS, NOVEMBER 6, 2018. This bi-annual report provided an analysis of the certified results of the bond and tax elections held in the June 2016 Primary Election as well as a detailed listing of each bond and tax measure by county, region, type of tax or debt, and purpose.

SB 1029: REVIEW OF DEBT POLICY CERTIFICATION REQUIREMENT. CDIAC will review the debt policy certifications required from the passage of SB 1029 (Hertzberg, 2016). As part of the filing of the Report of Proposed Debt Issuance, issuers certify whether or not they have debt policy that meets the criteria established by SB 1029. The report will review reporting requirements and address reporting issues found in the review of the certifications.

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.

CALIFORNIA DEBT FINANCING GUIDE—VIDEO SERIES. CDIAC plans to develop a video series to increase the educational value of the California Debt Financing Guide.

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

DEVELOPMENT OF A DATA WAREHOUSE. CDIAC will develop a plan to procure or create parallel or complementary data sets to expand the utility of CDIAC debt issuance data and create a Data Warehouse. The concept of the Data Warehouse is to provide internal and external researchers with a “go-to” source for data relevant to the study of public financial management by combining CDIAC's municipal debt data with a wide variety of available economic and demographic data.

OUTREACH AND COLLABORATION WITH PUBLIC FINANCE ORGANIZATIONS. CDIAC will continue to work with public finance organizations, public agencies and research organizations to identify and assess new forms of public debt and investments coming into the market. This collab-

oration helps to keep CDIAC informed of market trends and emerging products and practices to produce research that is timely and relevant.

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

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



CDIAC

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