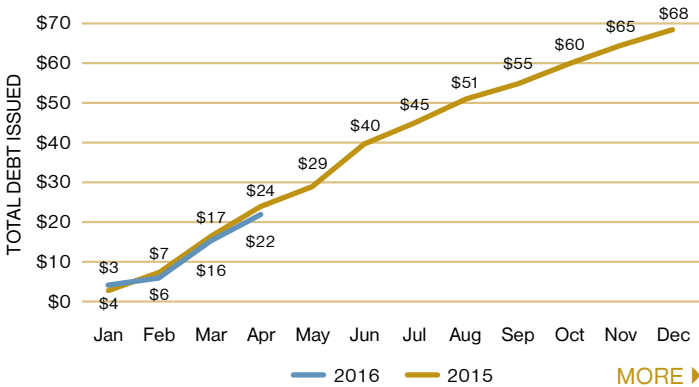


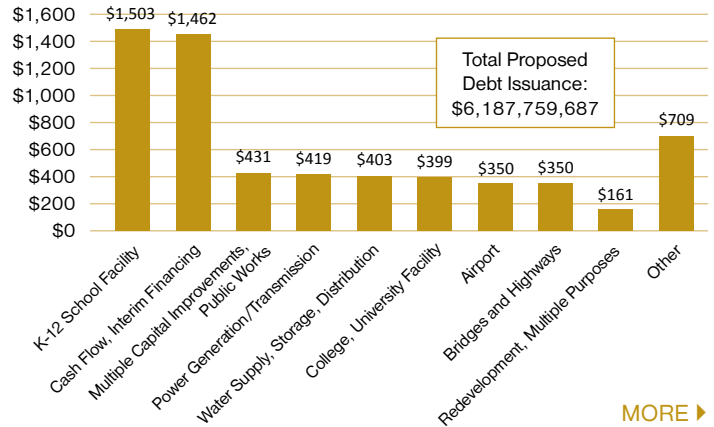
California Public Debt Issuance Monthly Data

CUMULATIVE CALIFORNIA PUBLIC DEBT ISSUANCE (IN BILLIONS)¹



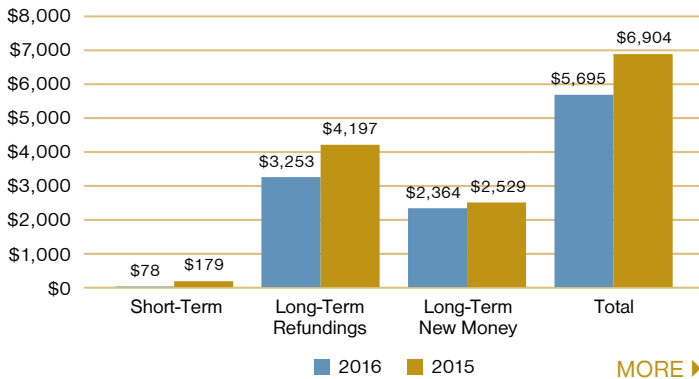
[MORE ▶](#)

REPORTS OF PROPOSED DEBT ISSUANCE RECEIVED 04-16-2016 THROUGH 05-15-2016, BY PURPOSE (IN MILLIONS)



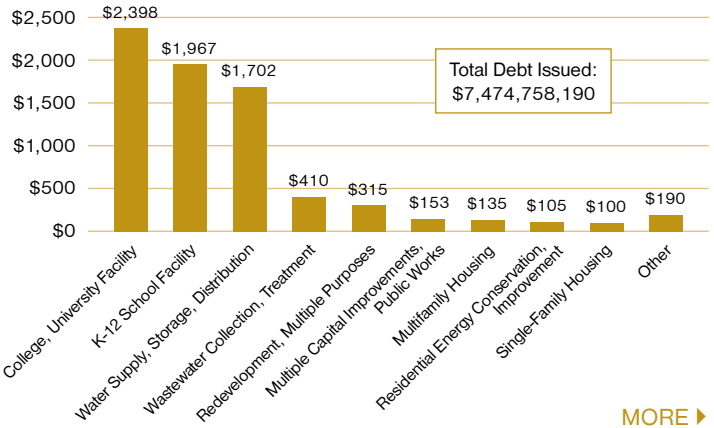
[MORE ▶](#)

CALIFORNIA PUBLIC DEBT ISSUANCE, APRIL (IN MILLIONS)¹



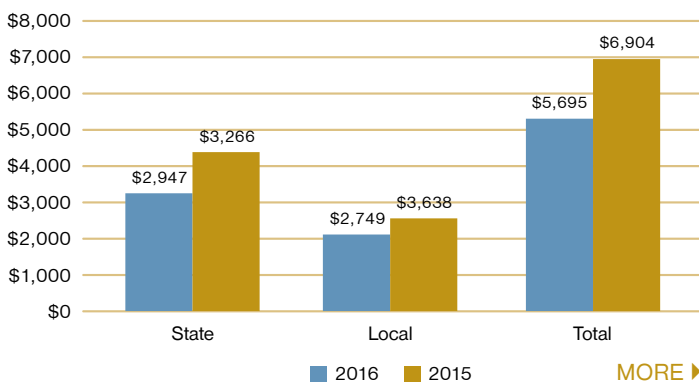
[MORE ▶](#)

TOTAL REPORTS OF FINAL SALE RECEIVED 04-16-2016 THROUGH 05-15-2016, BY PURPOSE (IN MILLIONS)



[MORE ▶](#)

STATE* VERSUS LOCAL DEBT ISSUANCE, APRIL (IN MILLIONS)¹



[MORE ▶](#)

* State issuers include the State of California, its agencies, commissions, authorities, departments and The Student Loan Corporation.

¹ Data may not include issuances reported after the 22nd day of the following month.

More detailed debt issuance information is available in the monthly [Debt Line Calendar](#).



INSIDE THIS ISSUE

Data Corner	2
Save the Date	4
Municipal Market Regulatory Activity	6



**CALIFORNIA
DEBT AND
INVESTMENT
ADVISORY
COMMISSION**

Chairman:

JOHN CHIANG
California State Treasurer

Members:

EDMUND G. BROWN JR.
Governor

BETTY T. YEE
State Controller

CAROL LIU
State Senator

MATTHEW M. DABABNEH
Assemblymember

DAVID BAUM
Finance Director
City of San Leandro

JOSÉ CISNEROS
Treasurer and Tax Collector
City and County of San Francisco

Executive Director:

MARK B. CAMPBELL

Debt Line is published monthly by the California Debt and Investment Advisory Commission (CDIAC).

915 Capitol Mall, Room 400
Sacramento, CA 95814
P (916) 653-3269
F (916) 654-7440
cdiac@treasurer.ca.gov
www.treasurer.ca.gov/cdiac

Debt Line publishes articles on debt financing and public fund investment that may be of interest to our readers; however, these articles do not necessarily reflect the views of the Commission.

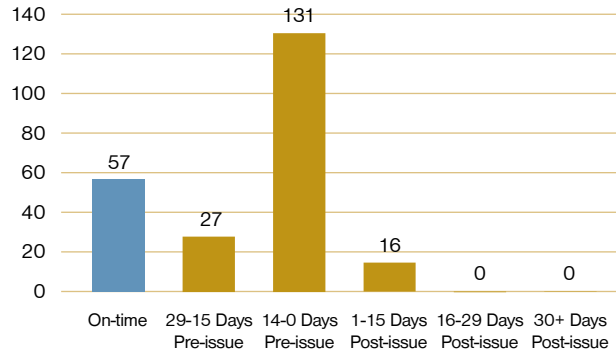
Business correspondence and editorial comments are welcome.

All rights reserved. No part of this document may be reproduced without written credit given to CDIAC. Permission to reprint with written credit given to CDIAC is hereby granted.

DATA-CORNER

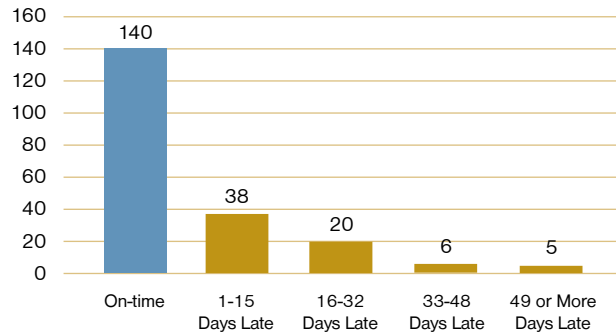
TIMELINESS OF SUBMITTAL OF REPORTS

REPORTS OF PROPOSED DEBT ISSUANCE (RPDIs)¹ RECEIVED APRIL 2016



¹ California Government Code Section 8855(i) stated that RPDIs must be submitted no later than 30 days prior to issuance.

REPORTS OF FINAL SALE (RFSs)² RECEIVED APRIL 2016



² Under California Government Code Section 8855(j), "The issuer of any debt issue of state or local government, not later than 21 days after the sale of the debt, shall submit a report of final sale to the commission by any method approved by the commission. A copy of the final official statement for the issue shall accompany the report of final sale. The Commission may require information to be submitted in the report of final sale that is considered appropriate."

DATA UNIT ACTIVITY APRIL 2016

- ✓ Received and processed 231 Reports of Proposed Debt Issuance (RPDIs)
- ✓ Received and processed 209 Reports of Final Sale (RFSs)
- ✓ Received 0 Marks-Roos Yearly Fiscal Status Reports (YFSRs) for FY 2015-16
- ✓ Received 0 Mello-Roos Yearly Fiscal Status Reports (YFSRs) for FY 2015-16



Capital Appreciation Bond Issuance - After the Passage of AB 182

Similar to US savings bonds, capital appreciation bonds (CABs) allow an issuer to borrow funds from investors and defer the payment of interest and principal into the future – sometimes as long as 40 years into the future. This type of bond is also commonly referred to as a “zero-coupon bond”. Although CABs have long been used as a tool to allow many types of issuers of public debt to achieve various financing objectives, school and community college districts (“K-14 districts” or “districts”) are the most frequent issuers of these bonds in California. In 2011, concern arose surrounding the disproportionate amount of debt service issuers were committing to repay to borrow funds using a CAB structure. In some cases, districts were on the hook to pay as much as ten times the amount of principal originally borrowed. The majority of these financings did not contain an optional redemption feature that would have allowed the issuers to call or redeem all or a portion of the debt prior to maturity.

As a result of the heightened awareness and concern surrounding the use of CABs by K-14 districts, the California Legislature passed and the Governor signed AB 182 (Chapter 477, Statutes of 2013) which went into effect on January 1, 2014. AB 182 added new requirements to the California Educa-

tion Code and the California Government Code. This legislation included three main provisions: 1) CAB issuance must be accomplished through the authority in Education Code, which created a defacto cap on maturity to 25 years; 2) the debt service to principal ratio could not exceed four-to-one; and, 3) bonds maturing more than 10 years after the date of issuance must be subject to redemption prior to its fixed maturity date, beginning no later than the 10th anniversary of the date the bond was issued.

CAB issuance comprised 3.92 percent of all local debt issued in 2011.¹ The principal amount of CAB issuance continually decreased from 2011

through 2014 for all local issuers, before a significant increase in 2015. (Figure 1)

Between 2011 and 2015, K-14 districts issued 89.9 percent of the local CABs issued. CABs accounted for almost nine percent (9%) of all debt issued by the districts. (Figure 2)

One of the main provisions of AB 182 was that K-14 districts must ensure that the ratio of principal issued to the total debt service (principal and interest) could not exceed four-to-one. A review of the data submitted to CDIAC shows that issuance by districts since AB 182 took effect in 2014 are well below this limit.²

FIGURE 1
TOTAL ISSUANCE VERSUS CAB ISSUANCE
ALL LOCAL ISSUERS, 2011-2015 (IN MILLIONS)

	TOTAL ISSUANCE	CAB ISSUANCE	PERCENT
2011	\$26,427	\$1,035	3.92%
2012	33,106	915	2.76
2013	32,530	593	1.82
2014	40,897	423	1.03
2015	44,533	1,046	2.35
TOTALS	\$177,493	\$4,012	2.26%

FIGURE 2
TOTAL ISSUANCE VERSUS CAB ISSUANCE
K-14 DISTRICTS, 2011 THROUGH 2015 (IN MILLIONS)

	TOTAL ISSUANCE	CAB ISSUANCE	PERCENT
2011	\$6,932	\$968	13.96%
2012	8,741	867	9.92
2013	10,044	517	5.15
2014	1,669	292	17.50
2015	14,218	957	6.73
TOTALS	\$41,604	\$3,601	8.66%

¹ Does not include tax and revenue anticipation notes, commercial paper or tax anticipation notes, or any CABs that convert to current interest bonds on a fixed date (convertible CABS).

² Government Code 8855(j) requires all issuers to submit a report of final sale and the relevant financing documents to CDIAC.

FIGURE 3
PRINCIPAL ISSUED VERSUS DEBT SERVICE, K-14 DISTRICTS (IN MILLIONS)

	CAB PRINCIPAL	TOTAL DEBT SERVICE	DEBT TO PRINCIPAL RATIO
2011	\$968	\$6,334	6.5:1
2012	867	2,989	3.4:1
2013	517	1,806	3.5:1
2014	292	762	2.6:1
2015	\$957	\$2,402	2.5:1

FIGURE 4
OPTIONAL CALL PROVISION FOR CABS, K-14 DISTRICTS

	NUMBER OF ISSUES	NUMBER WITH CALL FEATURE	PERCENTAGE
2011	106	5	4.7%
2012	71	12	16.9
2013	62	48	77.4
2014	31	27	87.1
2015	53	53	100.0%

Of the 106 K-14 district financings containing CABS in 2011, only 5 included an optional call provision for the CABS. As shown in Figure 4 below, all CABS issued in 2015 included this provision.

In conclusion, although K-14 districts continue to use CABS as a means of financing, adherence to the statutory provisions has resulted in a reduction of debt service payments for tax payers. Any questions concerning the data presented in this article may be addressed to the Data Unit by email at CDIAC_Issuance@treasurer.ca.gov or by calling 916-653-3269. **DL**

SAVE THE DATE

CDIAC Webinars, Seminars, and Conferences

SEPTEMBER

SEPTEMBER 8, 2016

Municipal Market Disclosure:
The Development and Administration
of Debt Disclosure Policies
Irvine, CA

www.treasurer.ca.gov/cdiac/seminars.asp

SEPTEMBER 20, 2016

CDIAC 15th Annual Pre-Conference at
The Bond Buyer's 26th Annual California
Public Finance Conference
The Relationship Between Issuers and Their
Consultants in the Post-Dodd-Frank Era
Los Angeles, CA

www.treasurer.ca.gov/cdiac/seminars.asp

OCTOBER

OCTOBER 26, 2016

Municipal Debt Essentials: Debt Basics
Sacramento, CA

www.treasurer.ca.gov/cdiac/seminars.asp

Registration Opens Soon

OCTOBER 27, 2016

Municipal Debt Essentials:
Accessing the Market
Sacramento, CA

www.treasurer.ca.gov/cdiac/seminars.asp

Registration Opens Soon

OCTOBER 28, 2016

Municipal Debt Essentials:
Debt Administration
Sacramento, CA

www.treasurer.ca.gov/cdiac/seminars.asp

Registration Opens Soon

Other Seminars and Conferences

JUNE

JUNE 12-14, 2016

California Special Districts Association
General Manager Leadership Summit
Lake Tahoe, CA

www.csda.net

JUNE 14-17, 2016

California Association of County
Treasurers and Tax Collectors
Annual Conference
Lake Tahoe, CA

www.cacttc.org

JULY

JULY 10-13, 2016

California Special Districts Association
Special District Leadership Academy
Conference
Napa, CA

www.csda.net

JULY 17-20, 2016

Association of Government Accountants
Professional Development Training
Anaheim, CA

www.agacqfm.org

AUGUST

AUGUST 10-12, 2016

California Association of Sanitation Agencies
Annual Conference
Monterey, CA

www.casaweb.org

AUGUST 13-17, 2016

National Association of State Auditors,
Comptrollers and Treasurers
Annual Conference
Indianapolis, IN

www.nasact.org

AUGUST 14-16, 2016

Association of Public Treasurers of
the United States and Canada
Annual Conference
Grand Rapids, MI

www.aptusc.org

AUGUST 31-SEPTEMBER 1, 2016

Government Finance Officers Association
Advanced Treasury Management
Sacramento, CA

www.gfoa.org

SEPTEMBER

SEPTEMBER 10-14, 2016

National Association of State Treasurers
Annual Conference
Seattle, WA

www.nast.org

SEPTEMBER 14-16, 2016

County Counsels Association of California
Annual Meeting
Olympic Valley, CA

www.coconet.org/conferences

SEPTEMBER 20-22, 2016

The Bond Buyer
California Public Finance Conference
Los Angeles, CA

www.bondbuyer.com

SEPTEMBER 25-28, 2016

International City/County
Management Association
102nd ICMA Annual Conference
Kansas City, MO

www.icma.org

SEPTEMBER 27, 2016

Securities Industry and Financial
Markets Association
Annual Meeting
Washington, D.C.

www.sifma.org

OCTOBER

OCTOBER 5-7, 2016

League of California Cities
Annual Conference
Long Beach, CA

www.cacities.org

OCTOBER 5-7, 2016

National Association of Municipal Advisors
Annual Conference
New Orleans, LA

www.municipaladvisors.org

OCTOBER 10-12, 2016

Municipal Management Association of
Northern California
Annual Conference
Monterey, CA

www.mmanc.org

OCTOBER 10-13, 2016

California Special Districts Association
Annual Conference
San Diego, CA

www.csda.net

OCTOBER 11-14, 2016

California Association of County
Treasurers and Tax Collectors
Education Conference
Burlingame, CA

www.cacttc.org

OCTOBER 19-21, 2016

National Association of Bond Lawyers
Bond Attorneys' Workshop
Chicago, IL

www.nabl.org

OCTOBER 25, 2016

State Treasurer's Office
Local Agency Investment Fund
Annual Conference
Sacramento, CA
www.treasurer.ca.gov

OCTOBER 31 - NOVEMBER 5, 2016

California State Association
of County Auditors
State Controller's Office Fall Conference
Monterey, CA
www.calsaca.org

NOVEMBER

NOVEMBER 1-4, 2016

Council of Development Finance Agencies
National Development Finance Summit
New Orleans, LA
www.cdfa.net

NOVEMBER 29 - DECEMBER 2, 2016

Association of California Water Agencies
Fall Conference and Exhibition
Anaheim, CA
www.acwa.com

NOVEMBER 29 - DECEMBER 2, 2016

California State Association of Counties
122nd Annual Meeting
Palm Springs, CA
www.counties.org

Organizations may submit information on future educational seminars, meetings, or conferences by emailing cdiaceducation@treasurer.ca.gov. Publication of announcements is subject to space limitations. **DL**

Municipal Market Regulatory Activity Calendar of Events

MAY

- 2** MSRB received approval from the SEC to amend Rules G-12 and G-15 to define a two-day settlement cycle.
- 25** Comments are due to the MSRB on proposed amendments to Rule G-15(f) on minimum denomination requirements.
- 31** Comments are due to GASB on its Exposure Draft of Leases.

JUNE

- 15** Provisions of GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, become effective for fiscal years beginning after this date.

- 15** GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, becomes effective for fiscal years beginning after this date.

- 15** Provisions of GASB Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*, become effective for fiscal years beginning after this date.

- 15** Provisions of GASB Statement No. 82, *Pension Issues – an Amendment of GASB Statements No. 67, No. 68, and No. 73*, become effective for fiscal years beginning after this date.

- 15** Implementation Guide 2016-1, *Implementation Guidance Update—2016*, becomes effective for reporting periods beginning after this date.

- 23** MSRB Rule G-42, regarding core standards of conduct for municipal advisors, and related amendments to Rule G-8 become effective.

JULY

- 1** The Federal Reserve's final rule amending the liquidity coverage ratio rule and modified liquidity coverage ratio rule (LCR) to include certain municipal securities as level 2B high-quality liquid assets (HQLA) becomes effective.

- 18** Amendments to MSRB Rule G-14, requiring dealers to report post-trade data to the MSRB's Real-Time Transaction Reporting System (RTRS), becomes effective.

AUGUST

- 17** Amendments to MSRB Rule G-37, on political contributions and prohibitions on municipal securities business, become effective as well as related amendments to Rules G-8 and G-9 and Forms G-37 and G-37x.

DECEMBER

- 15** Requirements of GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, become effective for periods beginning after this date. **DL**