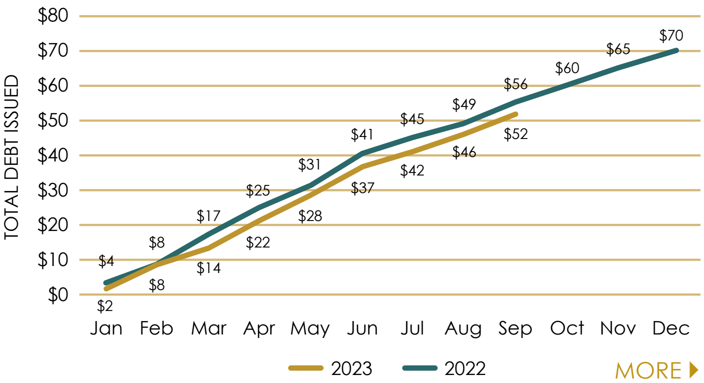
DEBT LINE

Vol. 42, No. 11, NOVEMBER 2023

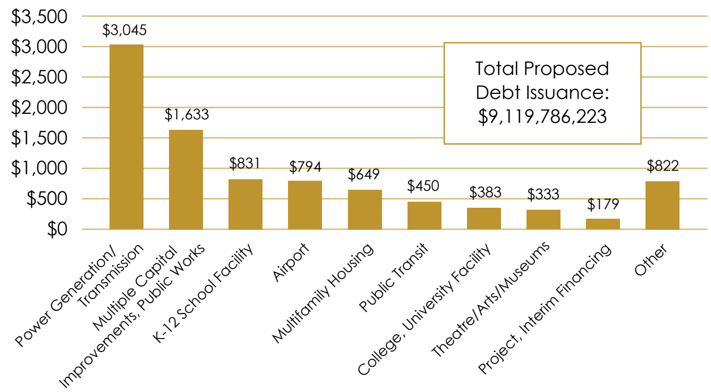
California Public Debt Issuance Monthly Data

CUMULATIVE CALIFORNIA PUBLIC DEBT ISSUANCE (IN BILLIONS)[1]



MORE

REPORTS OF PROPOSED DEBT ISSUANCE RECEIVED 10-1-2023 THROUGH 10-31-2023, BY PURPOSE (IN MILLIONS)



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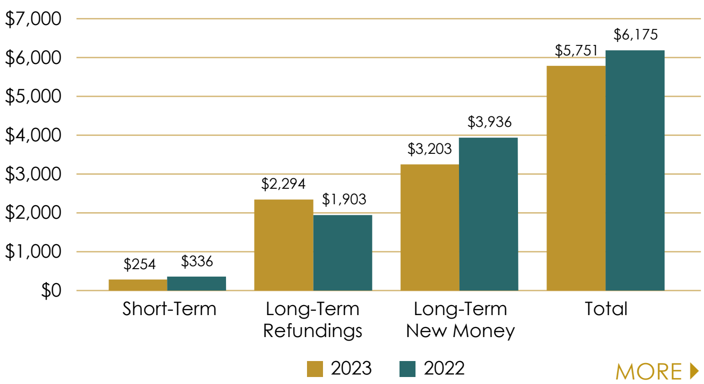
CALIFORNIA PUBLIC DEBT ISSUANCE, SEPTEMBER (IN MILLIONS)[1]



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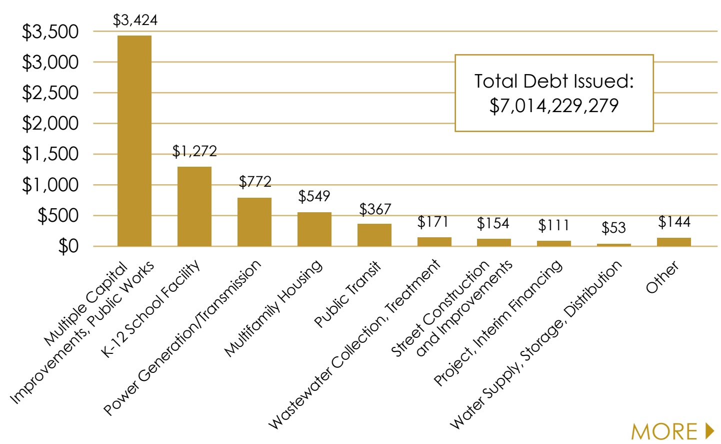
TOTAL REPORTS OF FINAL SALE RECEIVED 10-1-2023 THROUGH 10-31-2023, BY PURPOSE (IN MILLIONS)



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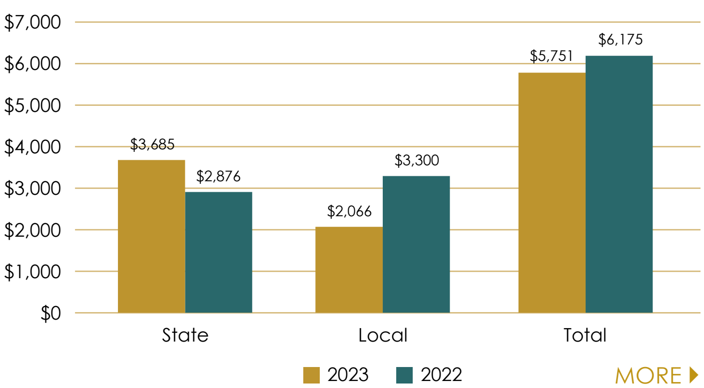
STATE* VERSUS LOCAL DEBT ISSUANCE, SEPTEMBER (IN MILLIONS)[1]



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*.

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INSIDE THIS ISSUE

CDIAC

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

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DATA–CORNER

A Monthly Update From CDIAC's Data Collection and Analysis Unit

Recent Trends in WIFIA and TIFIA Credit Assistance Programs for Infrastructure Financing

State and local agencies are required by California Government Code sections 8855(i) and 8855(j) to report all issues of debt[1] to the California Debt and Investment Advisory Commission. The reporting requirement encompasses all loans received by public agencies, regardless of whether the funding source is a bank or other private-sector entity, or an agency of state or federal government.

The frequency of reports to CDIAC for federal loans obtained from the Transportation Infrastructure Finance and Innovation Act (TIFIA), administered by the United States Department of Transportation and the Water Infrastructure Finance and Innovation Act (WIFIA), administered by the United States Environmental Protection Agency has begun to tick up in 2023. While loan recipients have tended to be large agencies such as transit and water districts in the San Francisco Bay Area, Los Angeles County, and Riverside County; smaller agencies and special districts throughout the state have also reported participation in the WIFIA and TIFIA programs. This article discusses trends in the number, volume, and purpose of WIFIA and TIFIA loans since 2020 as well as provides additional guidance for reporting these types of loans to CDIAC.

WIFIA AND TIFIA ISSUANCE ACTIVITY. Based on debt issuance reports filed by California public agencies to CDIAC,[2] public agency issuers have reported $3.4 billion in TIFIA and WIFIA loans from January 1, 2020, through October 13, 2023.[3] After a significant drop-off in WIFIA and TIFIA loans reported to CDIAC in 2022, the frequency of loan issuance has rebounded in 2023 (Figure 1). In terms of dollar volume, 2020 and 2021 both saw approximately $1.2 billion in loans, accounting for 9.7% and 8.7% of all reported water and transportation infrastructure issuance, respectively. WIFIA and TIFIA loan volume dropped by 87% in 2022 (Figure 2) and accounted for only 1.9% of total water and transportation issuance. Thus far in 2023, $767 million in WIFIA and TIFIA loan volume has been reported, with just over 10% of total water and transportation issuance reported to CDIAC.

WIFIA AND TIFIA ISSUANCE BY AGENCY TYPE. Agencies often structure the debt incurred from a WIFIA or TIFIA loan similarly to a conduit bond

1 As defined in California Code of Regulations §6000(k)

2 Pursuant to California Government Code §8855(j)

3 Total of 38 transactions, 33 WIFIA and 5 TIFIA.

Figure 1

NUMBER OF WIFIA AND TIFIA LOANS REPORTED BY YEAR
AS REPORTED TO CDIAC, 2020 THROUGH 2023

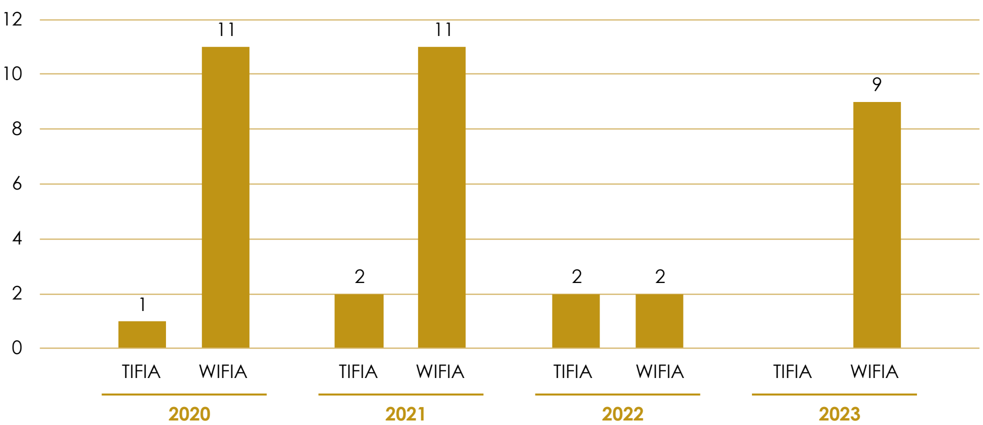
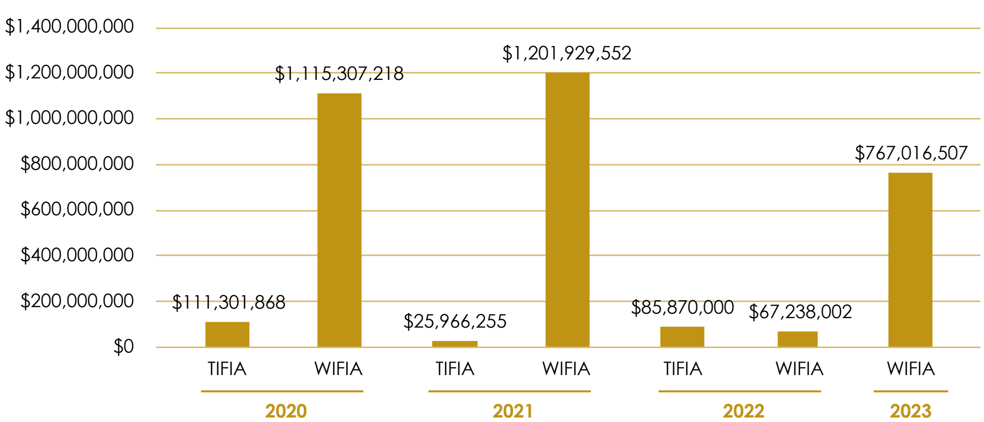


Figure 2

TOTAL WIFIA AND TIFIA VOLUME, AS REPORTED TO CDIAC, 2020 THROUGH 2023



financing, in which an affiliated agency (such as a joint powers authority), acts as an agent between the federal lender and the city, county, or special district in charge of the project being financed. Of the 38 WIFIA/TIFIA loans reported to CDIAC, 16 reported a JPA or other financing authority as a loan recipient, while 22 reported a city, county, or special district (Figure 3).

WIFIA AND TIFIA ISSUANCE BY DEBT PURPOSE. Debt purposes reported for WIFIA loans between 2020 and 2023 were related to water and wastewater, sewage treatment plants, water purification systems, seismic retrofit of dams, and pipeline construction or replacement. Debt purposes for TIFIA projects included bridge and highway projects such as freeway expansions and upgrades (Figure 4).

GUIDANCE FOR WIFIA/TIFIA REPORTING. Loan recipients often structure the debt incurred via a joint powers authority or public financing corporation, which acts as a conduit between the federal funding agency and the city, county, or special district charged with the project. In some cases, the conduit agency will issue a secondary instrument such as a subordinate bond to evidence the obligation to repay the loan.

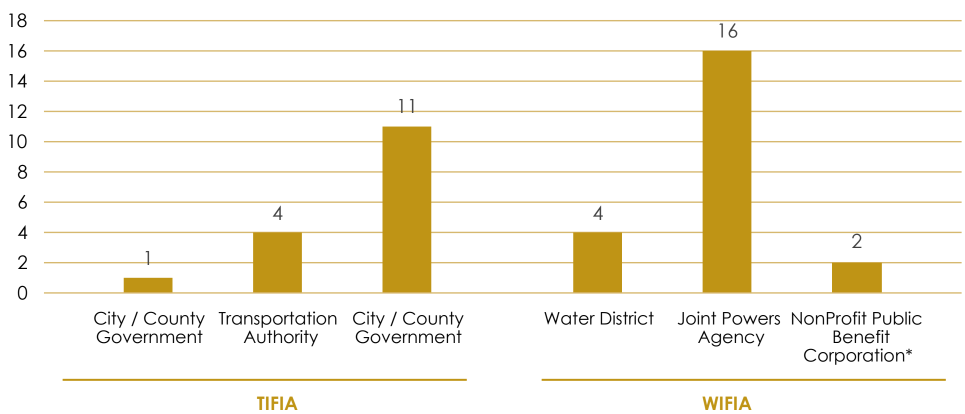
California issuers are required to report annually to CDIAC on the status of all of their debt issuance, including WIFIA and TIFIA loans.[4] While this type of structure resembles what CDIAC has historically classified as a "conduit revenue bond," CDIAC will record the financing as a loan. Filers should report a WIFIA or TIFIA financing indicating the city, county, or special district which applied for the loan (the agency considered to be the "borrower" for the loan) as the "issuer" on the CDIAC issuance report.

The next Annual Debt Transparency Report filing deadline is upcoming on January 31, 2024. The data collected in these reports will yield additional insight as to the specific use of proceeds from TIFIA and WIFIA loans as well as their current repayment status.

If you have any questions related to this article or submitting required reports to CDIAC, please contact CDIAC by e-mail at CDIAC@treasurer.ca.gov or CDIAC_Issuance@treasurer.ca.gov. DL

Figure 3

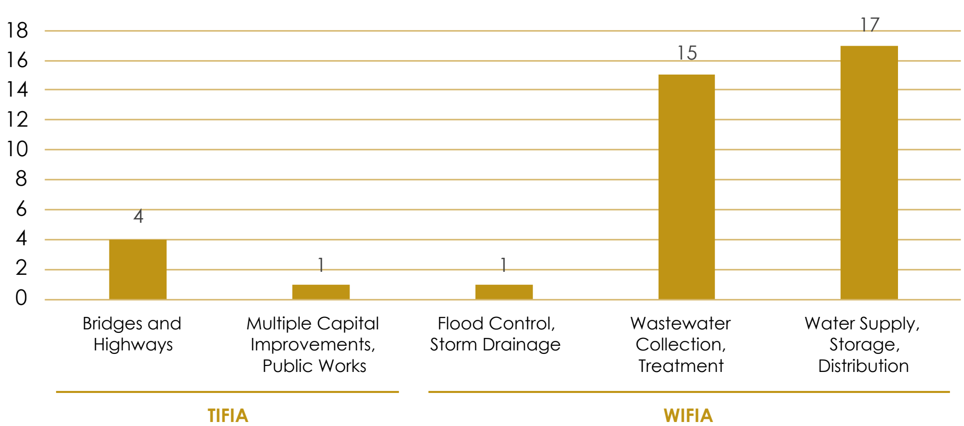
WIFIA / TIFIA LOAN RECIPIENTS BY AGENCY TYPE
AS REPORTED TO CDIAC, 2020 THROUGH 2023



* Nonprofit public benefit corporations are formed pursuant to §5110-5111 of the California Corporations Code

Figure 4

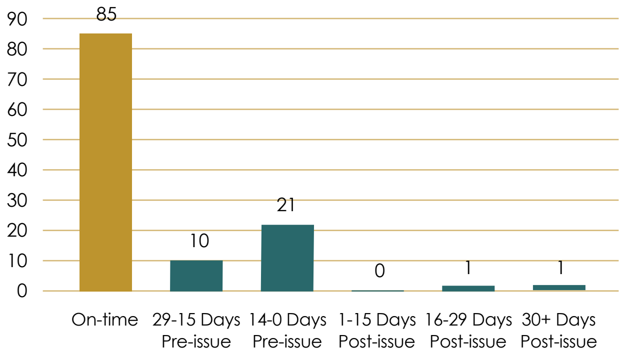
WIFIA / TIFIA LOANS BY DEBT PURPOSE TYPE, AS REPORTED TO CDIAC, 2020 THROUGH 2023



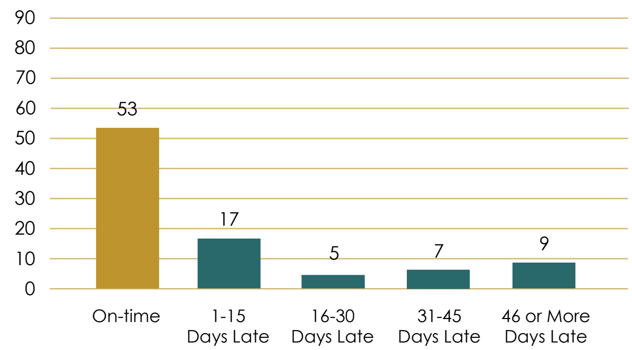
[4] California Government Code §8855(k)

TIMELINESS OF SUBMITTAL OF REPORTS

REPORTS OF PROPOSED DEBT ISSUANCE (RPDI)[1]
RECEIVED SEPTEMBER 2023



REPORTS OF FINAL SALE (RFS)[2]
RECEIVED SEPTEMBER 2023



DATA UNIT ACTIVITY SEPTEMBER 2023

- ✓ RECEIVED AND PROCESSED **118** RPDI
- ✓ RECEIVED AND PROCESSED **91** RFS
- ✓ RECEIVED **206** MARKS-ROOS YEARLY FISCAL STATUS REPORTS FOR FY 2021-22
- ✓ RECEIVED **115** MELLO-ROOS YEARLY FISCAL STATUS REPORTS FOR FY 2022-23
- ✓ RECEIVED **178** ANNUAL DEBT TRANSPARENCY REPORTS FOR FY 2022-23*

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[1] California Government Code Section 8855(i) states that the issuer of any proposed debt issue of state and local government shall, no later than 30 days prior to the sale of any debt issue, submit a report of proposed issuance to the commission by any method approved by the commission.

[2] California Government Code Section 8855(j) states that 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.

* As of 11/2/2023, a total of 1,470 Annual Debt Transparency Reports had been filed for the FY 2022-23 reporting period.

Chat Data Portal Tips INSIDER GUIDANCE ON SUBMITTING DATA TO CDIAC

REVIEW AND EDIT A REPORT OF FINAL SALE: Registered users of the Data Portal may view and edit recently reviewed Reports of Final Sale ***before*** any first year Ongoing/Annual Reports have been created. To view previously filed Reports of Final Sale:

1. Select an approved **Issuer**.
2. Under the Dashboard Filters section - select **Issuance**.
3. Select **Report of Final Sale** from the Type of Report drop-down menu.
4. Select **View Previous Reports** and click **Go**.
5. In the **Search Criteria** box, enter either the **Issue Name**, if known, or a **Sale Date Range**.
6. Make sure the **Ongoing Reportable** box is selected, then click **Search**.

The reports that populate the dashboard will display a status of ***Reviewed***. Recent Reports of Final Sale can be viewed and edited ***only*** if a subsequent Ongoing/Annual report has not been created yet. To view/edit the report, choose **Edit** from the **Action** down-drop menu for the debt issue.

Specific areas that users may wish to review on the Report of Sale include the premium and discount amounts, issuance authority, and cost of issuance data to ensure the information prepopulating any Ongoing/Annual Reports is accurate. For more information about populating the Data Portal dashboard review the guide, Navigating the Data Portal Dashboard.

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Annual Debt Transparency Report Reminder: SB 1029 Reporting Requirements

After the provisions of SB 1029 (Chapter 307, Statutes of 2016) became effective on January 1, 2017, state and local agencies were required to report annually to CDIAC on all debt sold on or after January 21, 2017.[1] This annual filing is referred to as the Annual Debt Transparency Report (ADTR) and must be submitted to CDIAC on or before January 31 of each year for each issue of debt. This requirement applies until the debt is no longer outstanding or the proceeds of the debt have been fully spent, whichever is later. As part of the ADTR, issuers are to report on the balance of the issuer's authorization to issue the debt, the amount of principal paid, the amount of debt outstanding, and provide information on how debt proceeds are spent.

FILING DUE DATE

Debt issues reported to CDIAC on a Report of Final Sale filed on or after January 21, 2017, are "ADTR reportable." An ADTR must be submitted to CDIAC by January 31st of each year following the end of the July 1 to June 30 reporting period during which the debt was outstanding. For the purpose of classifying issues as outstanding in any given reporting period, CDIAC uses the reported settlement date as the date the debt is initially outstanding.[2] The next ADTR filing deadline is **January 31, 2024**.

LIST OF ADTR REPORTABLE ISSUES

The CDIAC Data Collection and Analysis Unit (Data Unit) has posted a list on CDIAC's reporting page of all ADTR-reportable debt identified in the CDIAC database for the reporting period beginning July 1, 2022, and ending June 30, 2023. The list contains the following information:

- CDIAC Number
- Issuer
- Project
- Debt Type
- Principal
- Issue Date
- Purpose of Issuance
- Year of Issue (Fiscal Year Ending 6/30)
- Most Recent Prior Year ADTR Received (Fiscal Year End)

ACCESSING THE ADTR IN THE DATA PORTAL

On June 20, 2022, CDIAC debuted the Data Portal, a cloud-based database with a redesigned online filing interface. The interface allows registered filers to submit reports and upload documents to meet the statutory and regulatory requirements for debt issuance and annual reporting. Authorized users can file ADTRs from their Data Portal Dashboard beginning July 1st. To confirm your access to CDIAC's Data Portal, or to view or file reports, please follow the instructions in the Data Portal Sign-In Guide and other tutorials available on CDIAC's Reporting webpage: www.treasurer.ca.gov/cdiac/reporting.asp.

Since the onset of ADTR reporting in 2017, the volume of reports due on each annual filing deadline has become burdensome for some issuers. To address this, CDIAC has recently debuted the High-volume Batch Reporting (HVBR) system, which was designed to save filers with large numbers of reports from having to navigate the standard filing form for each individual report. This "batch filing" feature is now being made available to pre-approved issuing agencies and their designated agents. Issuers interested in being approved to use the HVBR feature may contact CDIAC for further information.

Registered state and local governmental issuers users that wish to use an external financial service provider to handle the filing of their ADTR may approve an authorized filer's request for access through the Data Portal Dashboard. Issuers are encouraged to regularly review and monitor the authorized filer organizations on their Data Portal Dashboard to confirm their list of authorized filers is up to date, as these service providers may change over time. DL

1 "Debt" as defined in California Code of Regulations (CCR) Title 4, Division 9.6, §6000 (Effective 4/1/2017).

2 "Settlement" means the transfer of the assets or rights-to-use from Creditor to Issuer in exchange for delivery of the instruments or evidence of indebtedness from the Issuer to Creditor (CCR Title 4, Division 9.6, §6000). The date of settlement as such generally coincides with the delivery date of bonds, or the closing date of a lease, loan, or similar debt transaction.

Summary of the 2023 CDIAC Bond Buyer Pre-conference

Tara Dunn, Policy Research Unit and Anna Ramirez, Continuing Education and Outreach Unit

On October 18th, the California Debt and Investment Advisory Commission (CDIAC) hosted its 22nd annual pre-conference to *The Bond Buyer*'s California Public Finance Conference. CDIAC held two educational sessions and a keynote presentation at this year's pre-conference entitled "**Managing Your Borrowing Costs Through Market Turbulence**."

The first panel, "Exploration of Potential Cost-Saving Tools and Strategies," concentrated on cost-saving strategies and provided detailed descriptions such as the utilization of state or federal borrowing programs, tender refunding, short-term borrowing, and positive arbitrage. The panel featured five speakers including David Brodsly, Managing Director for KNN Public Finance; Bryant Jenkins, Managing Principal for Sperry Capital; Nikolai Sklaroff, Capital Finance Director for San Francisco Public Utilities Commission; Galen Wilson, Vice President for Goldman Sachs; and Simon Wirecki, Head of the Western Region for Public Finance and Managing Director for Jefferies. The first panel also covered current market conditions, managing administrative costs, transportation and water infrastructure financing alternatives, and debt structuring strategies.

The panel opened with a discussion of how interest rates are currently higher by approximately 400 basis points (bp) when compared to early 2022. In addition to the higher rates, the yield curve is inverted (i.e. shorter-term bonds have a higher yield than longer-term ones). This market characteristic has increased investor demand for shorter-term debt in the 1-, 5-, and 7-year maturities and less demand for longer-term debt. With the Federal Reserve Bank in no hurry to lower rates, issuers should keep in mind that going short on the yield curve may not be the most cost-effective strategy.

The presentation continued with how issuers engage with the marketplace and their service providers. Panelists advised that the work required after a deal is done may be the most time-consuming aspect of issuing debt that an issuer will face. Issuers were encouraged to be discerning in how consultants are engaged and fees are structured while carefully evaluating qualifications to determine whether a consultant truly understands the cadence of the issuer's organization and can help lower costs overall.

The Transportation Infrastructure Finance and Innovation Act (TIFIA) program under the U.S. Department of Transportation and the Water Infrastructure Finance and Innovation Act of 2014 (WIFIA) program managed by U.S. Environmental Protection Agency were discussed next. Each provides loans for various transportation or water, wastewater and storm water projects. While the application processes for each are similar, the WIFIA loan application process takes less time closing in approximately 12 months as opposed to up to 20 months for TIFIA loans. The presentation also provided issuers with an overview of the key differences between TIFIA, WIFIA, and capital debt markets.

As an alternative to locking in fixed rates today, the panel provided a description of a variety of variable rate and direct purchase debt products available to issuers should they feel that interest rates may be lower in a year. Among the options discussed were variable rate demand bonds (VRDBs) that generally reset the interest rate either weekly or daily. Also discussed were floating rate notes (FRNs) and term-rate put bonds (Put Bonds), which are both long-term bonds with a mandatory tender date (remarketing date) typically 5-7 years after issuance. FRNs are tied to a floating interest rate index such as the Securities Industry and Financial Markets Association Municipal Swap Index (SIFMA) or the Federal Reserve Bank's Secured Overnight Financing Rate (SOFR). Put Bonds, on the other hands, are fixed-rate bonds. Finally, panelists addressed direct placements where debt is privately placed with a bank or other purchaser at either a fixed or variable interest rate.

Following the elimination of tax-exempt advanced refundings, issuers generally had two available options: exercise a call option to current refund their bonds; or, when interest rates were historically low, issue taxable debt to advance refund their bonds. Since interest rates have risen, some issuers may be considering structuring a shorter call option that is less than the standard 10 years. While a shorter call option could allow an issuer to refund their bonds at lower interest rates than those that may prevail at the 10-year mark, the key takeaway of the discussion centered on the additional cost to the issuer of an early call option and the uncertainty around the market conditions under which the benefit of the strategy could be realized. The panelist's view was that a conventional 10-year call is still a preferred option.

The first session concluded with tools to refinance debt including municipal tenders and exchanges. A tender offer involves a formal offer from an issuer to buy its own bonds from investors for cash. An exchange involves an offer to replace an issuer's existing bond held by an investor with a newly issued bond. Tender offers and exchanges have increased as interest rates have risen. Given the widened spread between tax-exempt and taxable rates, issuers have been successful in generating present value savings by replacing their taxable debt with tax-exempt issues. Panelist also discussed strategies based on the current yield curve shape that can be used to achieve savings through tender transactions for tax-exempt debt, as well. Issuers with Build America Bonds (BABs), a taxable form of direct pay subsidy bond without standard call provisions, may be redeemed using an embedded extraordinary call provision under certain circumstances. Redeeming BABs could be a strategy to reduce an issuer's exposure to subsidy reduction risk from federal sequestration.

The second panel discussion, "Application and Execution of Cost-Saving Strategies," focused on how experienced municipal issuers have employed different strategies to lower financing costs for their recent projects. The case studies presented an overview of specific strategic elements as well as how multiple strategies were integrated to demonstrate the spectrum of decisions that each issuer can consider for their own unique circumstances. The featured panelists included Colin Bettis, County Debt Officer at the County of Sacramento, Natalie Perkins, Director of Treasury for the Metropolitan Transportation Commission, Nikolai Sklaroff, Capital Finance Director at the San Francisco Public Utilities Commission, and Daniel Wiles, Assistant Treasurer and Tax Collector for Los Angeles County. Each panelist shared their expertise and experience using one or more of the cost saving tools and strategies described in the first panel.

The County of Sacramento utilized the WIFIA program loan for a water project and issued variable-rate debt to change the interest rate index for two floating term pension obligation bonds that were still using the London Interbank Offered Rate (LIBOR).[1]

The Bay Area Toll Authority (BATA) described their experience using short-term variable rate debt, tender refundings, and BABs refundings to eliminate subsidy risk, and earn positive arbitrage during the longer escrow. Although the tender refunding process was labor intensive, BATA was able to minimize staff time and lower costs of issuance in the long term.

Los Angeles County discussed challenges with financing Assembly Bill (AB) 218 Settlements[2] for childhood sexual assault cases. Similar to pension obligation debt, AB 218 settlements are considered obligations imposed by law requiring judicial validations and rely on refunding provisions in the California Government Code for the long-term financing of the obligation. Potential financing structures that may be used include a revolving loan facility to draw down amounts as needed, the issuance of short-term tax and revenue anticipation notes, and the issuance of long-term debt to refinance short-term debt, as needed.

The cost saving strategies highlighted by the San Francisco Public Utilities Commission (SFPUC) for its water, wastewater and power enterprise programs include tender refunding, WIFIA assistance, BABs refunding, and the investment of bond proceeds. The SFPUC found the quality of ideas they received for tender refunding solicitations were much less uniform than those received for a traditional bond refunding. Emphasis focused on taking advantage of their advisor's insights about the variety of tender option responses that vary across the spectrum of firms. Recommendations for tender refunding included developing a good plan to educate senior management and elected officials that may be unfamiliar with bond pricing dynamics; emphasizing the importance of good advice from municipal advisors, pricing consultants and dealers; and maintaining investor relations with communication of transaction decisions. SFPUC used WIFIA to lock-in a low interest rate for long-term financing in the increasing rate environment, as well as, obtain flexibility to reset the interest rate if market rates drop and they have not drawn on the loan.

Both panels discussed the challenges public agencies face due to the on-going high interest rate environment. The topics of tender refunding, variable-rate debt, investment of proceeds, arbitrage calculations and utilizing municipal consultants effectively were the recommended areas for issuers to pay attention to. The cost-saving strategies considered and implemented by the panelists focused on the need for public agencies to reevaluate not only their debt and investment positions for cost saving opportunities, but, their ongoing debt-related administrative workload, as well.

As bond proceeds invested in the current market are benefitting from the inverted yield curve, issuers are presented with an opportunity to structure debt and invest proceeds differently than in the past. Issuers can start by examining how existing bond proceeds are invested and assess current options, which may have not been viable prior to the more recent market conditions. Given a whole generation of public finance officials have only worked in a low interest rate normal yield curve environment, many may not be familiar with arbitrage compliance. Those unfamiliar with the opportunities and the responsibilities of arbitrage should seek advice from their municipal advisors and take advantage of educational opportunities provided by CDIAC and others.

The keynote speaker for this year's Pre-conference was California State Treasurer Fiona Ma who expanded on the importance of CDIAC and the functions it carries out. In addition, the Treasurer highlighted several of the divisions and programs within her office including the **Distressed Hospital Loan Program**, **CalCAP**, **ScholarShare 529**, and **CalSavers**.

WHAT'S NEXT?

CDIAC in partnership with the California Municipal Treasurers Association will host *Fundamentals of Public Funds Investing*, February 28 and 29, 2024, in Livermore, California. In addition, the 8th and final module of CDIAC's Elected Officials Education series on public debt financing for locally elected officials and members of governing bodies will be released in early 2024. CDIAC also has virtual, on-demand trainings about pension fundamentals and management strategies as well as other resources for elected officials and public agency staff available in its **Education Portal**.

A full list of upcoming seminars and trainings is available on the **CDIAC Education webpage**. Updates to CDIAC programming are also shared online through the **CDIAC listserv**. We hope you will consider joining us for our upcoming events in the future. DL

[1] LIBOR ceased to be published in June 2023. Prior to that time, LIBOR served as the interest rate benchmark for various financing instruments.

[2] Assembly Bill (AB) 218 (Chapter 861, Statutes of 2019).

Summary of Chaptered Bills: First Year of the 2023-2024 Legislative Session

Jean Shih, Policy Research Unit

Each year, the California Debt and Investment Advisory Commission (CDIAC) tracks legislation pertinent to public finance, including bills relating to public fund investments, public debt issuance, housing, and other municipal finance matters. The California State Legislature began its current two-year session on January 4, 2023. The deadline for Governor Gavin Newsom to approve or veto bills presented for his consideration during the year was October 14, 2023.

For the first year of the 2023-2024 legislative session, Governor Newsom signed nine (9) bills that CDIAC tracked throughout the year, including the Validation Acts of 2023. The enacted legislation covered a variety of public finance related matters including local agency investments, tax rate statements and two constitutional amendments to be placed on the 2024 statewide general election ballot related to voter approval thresholds. In this *Summary of Chaptered Bills*, CDIAC provides an overview of the bills it tracked which were signed by the Governor.[1] With the exception of two urgency measures (two validation acts), the provisions of the signed legislation will take effect on January 1, 2024.

PUBLIC DEBT: CONSTITUTIONAL AMENDMENTS

ACA-1 (Aguiar-Curry). Local government financing: affordable housing and public infrastructure: voter approval Chapter 173, Statutes of 2023

ACA-1 is a proposed constitutional amendment, subject to voter approval, that would allow a city, county, or special district, with 55% voter approval, to incur bonded indebtedness or impose specified special taxes to fund projects for affordable housing, permanent supportive housing, or public infrastructure, as specified. If approved by voters at the November 5, 2024 General Election, ACA-1 would amend and add provisions to the California Constitution to: (1) create an additional exception to the 1% limit on the ad valorem tax rate on real property that would authorize a local jurisdiction to levy an ad valorem tax to service bonded indebtedness approved by 55% of the voters in that local jurisdiction; and (2) authorize a local agency to impose, extend, or increase a special sales and use tax, if the proposition proposing that tax is approved by 55% of the voters in that local jurisdiction.[2] Similar to the constitutional amendment to lower K-12 school general obligation voter threshold to 55% (Proposition 39, November 2000), the local agency would be required to establish a citizen's oversight committee to ensure that bond proceeds are properly used.

ACA-13 (Ward). Voting Thresholds Chapter 176, Statutes of 2023

Under the provisions of ACA 13, a ballot initiative that would amend the State Constitution to increase the voter approval requirement for any state or local measure would need to be approved by the voter threshold that would be imposed by the ballot initiative. The proposed amendment would specify that this voter approval requirement would apply to statewide initiative measures that appear on the ballot on or after January 1, 2024.

ACA 13 also authorizes a local governing body to hold an advisory vote concerning any issue of governance with voters within the jurisdiction to express their opinions on the issue. An advisory question is approved by majority vote.

PUBLIC INVESTMENTS: LOCAL FUNDS

SB 882 (Governance and Finance). Local Government Omnibus Act of 2023 Chapter 187, Statutes of 2023

A provision of SB 882, the *Local Government Omnibus Act*, applies to the investment of surplus funds by county treasurers. This bill amended Government Code section 53601 to clarify limitations imposed on public investment in a mortgage passthrough security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable passthrough certificate, or consumer receivable-backed bond ("mortgage pass–through and asset-backed securities") that are not issued or guaranteed by an agency or issuer identified in 53601 (b) or (f). These types of securities issued by private companies can be permissible under subdivision (o) so long as they meet the following limitations: 1. rated in a rating category of "AA" or its equivalent or better; 2. have a maximum remaining maturity of five years or less; and, 3. do not exceed the 20% local agency portfolio limitation for mortgage pass–through and asset-backed securities.

A provision of this bill also amended Government Code section 27000.7 to eliminate one of the options for a person to demonstrate eligibility to be elected or appointed to the office of county treasurer, county tax collector, and county treasurer-tax collector. The option to possess a valid certificate issued by the Treasury Management Association showing the person to be designated a Certified Cash Manager, with a minimum of 15 college semester units, or their equivalent, in accounting, auditing, or finance, was eliminated.

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1 Information for the summarized bills was obtained from the California Legislative Information website: http://leginfo.legislature.ca.gov/faces/home.xhtml.

2 ACA 1 was originally scheduled to appear on the March 5, 2024, Presidential Primary Election ballot until SB 789 (Chapter 787, Statutes of 2023) changed it to appear on the November 5, 2024, General Election ballot.

This bill makes additional changes to various Government Code sections not related to public debt issuance or public fund investments.

BOND ACT: STATEWIDE BALLOT

AB 531 (Irwin). The Behavioral Health Infrastructure Bond Act of 2023 Chapter 789, Statutes of 2023

AB 531 places the Behavioral Health Infrastructure Bond Act of 2024, that would authorize the issuance of $6.38 billion in general obligation bonds on the March 5, 2024, General Election ballot. If approved by voters, the bond act would provide financing for permanent supportive housing for veterans and others who are homeless with behavioral health challenges, and for grants for behavioral health treatment and residential settings authorized under the Behavioral Health Continuum Infrastructure Program.

OTHER LEGISLATION

SB 798 (Glazer). Elections: local bond measures: tax rate statement Chapter 720, Statutes of 2023

SB 798 changes the estimated tax rate that is to be included in the statement to voters when a bond measure secured by an ad valorem tax is on the ballot. The tax rate will now be expressed as the rate per $100,000 of assessed valuation, instead of the rate per $100 of assessed valuation for all property subject to the voter approved ad valorem tax.

AB 346 (Quirk-Silva). Income tax credits: low-income housing: California Debt Limit Allocation Committee rulemaking Chapter 739, Statutes of 2023

This bill authorizes the California Tax Credit Allocation Committee (CTCAC) to allocate expanded state Low-Income Housing Tax Credits (LIHTCs) to 9% projects under specified circumstances and authorizes taxpayers purchasing state LIHTCs to claim them in the taxable year the project is placed in service, without a CTCAC certification. This bill also authorizes the California Debt Limit Advisory Committee (CDLAC) to adopt, amend, or repeal rules and regulations without complying with the Administrative Procedures Act (APA) until January 1, 2029.

VALIDATION ACTS OF 2023

The Validating Acts cure public officials' mistakes that might otherwise invalidate boundary changes or bond issues. While the Validating Acts correct errors or omissions by local agencies and state departments, they do not protect against fraud, corruption, or unconstitutional actions.[3] The three Validating Acts of 2023 cure typographical, grammatical, and procedural errors.

Validating Acts are passed in a series of three bills. Starting in the mid-1920s, the Legislature passed separate validating acts for different types of bonds, several classes of special districts, and various local boundary changes. The current practice is to pass three Validating Acts that retroactively cure public officials' mistakes. The first two Validating Acts are urgency bills that go into effect when they are chaptered. The First Validating Act (SB 878) validates errors made before the date on which the bill is chaptered and became effective on June 29, 2023. The Second Validating Act (SB 879) became operative on September 1, 2023, validating mistakes made after SB 878 was chaptered. The Third Validating Act (SB 880) takes effect on January 1, 2024, covering the period between SB 879's operative date and the end of 2023.

SB 878 (Governance and Finance). Validations Chapter 30, Statutes of 2023

This bill enacts the First Validating Act of 2023, which validates the organization, boundaries, acts, proceedings, and bonds of the state and counties, cities, and specified districts, agencies, and entities. This act is an urgency statute that became effective on June 29, 2023.

SB 879 (Governance and Finance). Validations Chapter 31, Statutes of 2023

This bill enacts the Second Validating Act of 2023, which validates the organization, boundaries, acts, proceedings, and bonds of the state and counties, cities, and specified districts, agencies, and entities. This act is an urgency statute that became effective on September 1, 2023.

SB 880 (Governance and Finance). Validations Chapter 32, Statutes of 2023

This bill enacts the Third Validating Act of 2023, which validates the organization, boundaries, acts, proceedings, and bonds of the state and counties, cities, and specified districts, agencies, and entities. This act will take effect on January 1, 2024. DL

[3] Senate Committee on Governance and Finance, SB 878, Consent date March 29, 2023.

Regulatory Activity Calendar

OCTOBER 2023

12 is the compliance date for the amended Municipal Securities Rulemaking Board (MSRB) Rule G-3 and the related amendments to Rule G-8. The MSRB anticipates publishing a compliance resource highlighting the regulatory obligations for municipal advisors and dealers with respect to professional qualification standards, continuing education requirements, and related registration matters in close proximity to the compliance date of the rule. MSRB Notice.

13 The U. S. Securities and Exchange Commission (SEC) adopts a new rule under the Securities Exchange Act of 1934 to increase the transparency and efficiency of the securities lending market by requiring certain persons to report information about securities loans to a registered national securities association (RNSA). The new rule also requires certain confidential information to be reported to a RNSA to enhance oversight and enforcement functions. Further, the new rule requires that an RNSA make certain information it receives, along with daily information pertaining to the aggregate transaction activity and distribution of loan rates for each reportable security, available to the public. Final Rule.

17 The Internal Revenue Service announced electronic filing of form 8038-CP is available and that electronic filing of form 8038-CP in 2024 is mandatory for certain filers. Announcement.

NOVEMBER 2023

16 Due date for comments on the Financial Accounting Standards Board (FASB) for proposed improvements for references in the 2024 U.S. Generally Accepted Accounting Principles (GAAP) Financial Reporting Taxonomy to include eXtensible Business Reporting Language (XBRL) specifications. The SEC staff encourages interested parties to participate in this public review to continue to improve the process of creating and using XBRL-structured financial statements. Proposed Improvements.

TIMELINE OF ACTIVITY RELATED TO THE FINANCIAL DATA TRANSPARENCY ACT OF 2022 (FDTA) S.4295

JUNE 2023

30 The U. S. Securities and Exchange Commission (SEC) filed its first Semi-Annual Report to Congress Regarding Public and Internal Use of Machine-Readable Data for Corporate Disclosures required under the Financial Data Transparency Act (FDTA). 2023 FTDA Report.

SEPTEMBER 2023

7 The SEC's Office of Structured Data released a draft 2024 update to SEC taxonomies for public review and comment. The 2024 draft updates all SEC-maintained eXtensible Business Reporting Language (XBRL) taxonomies for current and future acceptance in Electronic Data Gathering, Analysis, and Retrieval (EDGAR) system. Comments were due by November 10, 2023. Draft 2024 Release Notes.

NOVEMBER 2023

16 Due date for comments on the Financial Accounting Standards Board (FASB) for proposed improvements for references in the 2024 U.S. Generally Accepted Accounting Principles (GAAP) Financial Reporting Taxonomy to include XBRL specifications. The SEC staff encourages interested parties to participate in this public review to continue to improve the process of creating and using XBRL-structured financial statements. Proposed Improvements.

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SAVE THE DATE

CDIAC Webinars, Seminars, and Conferences

FEBRUARY 2024

FEBRUARY 28-29, 2024

In partnership with the California Municipal Treasurer's Association (CMTA)
Fundamentals of Public Fund Investing
Livermore, CA
www.treasurer.ca.gov/cdiac/seminars/index.asp

Other Webinars, Seminars, and Conferences

NOVEMBER

NOVEMBER 28-30, 2023

Association of California Water Agencies
Fall Conference
Indian Wells, CA
www.acwa.com/events/2023-fall-conference-expo/

NOVEMBER 30-DECEMBER 2, 2023

California School Boards Association
Annual Education Conference and Trade Show
San Francisco, CA
http://aec.csba.org/

DECEMBER

DECEMBER 14-15, 2023

League of California Cities
Municipal Finance Institute
San Diego, CA
www.calcities.org/education-and-events/event/2023/12/14/default-calendar/municipal-finance-institute

JANUARY 2024

JANUARY 24-JANUARY 26, 2024

California Association of Sanitation Agencies
Winter Conference
Palm Springs, CA
https://casaweb.org/events/2024-winter-conference/

JANUARY 30-FEBRUARY 2, 2024

California Society of Municipal Finance Officers
Annual Conference
Anaheim, CA
https://conference.csmfo.org/

FEBRUARY 2024

FEBRUARY 28-MARCH 1, 2024

California Coalition for Adequate School Housing
Annual Conference
Sacramento, CA
https://cashnet.org/page/AC_Annual-Conference

MARCH 2024

MARCH 13-MARCH 15, 2024

Government Investment Officers Association
Annual Conference
Las Vegas, NV
www.gioa.us/

APRIL 2024

APRIL 4-APRIL 5, 2024

National Association of Bond Lawyers
NABL U Presents The Institute 2024
Chicago, IL
www.nabl.org/engage/events/the-institute/

APRIL 10-APRIL 12, 2024

National Association of Bond Lawyers
NABL U Presents The Essentials 2024
Atlanta, GA
www.nabl.org/engage/events/the-essentials/

APRIL 7-APRIL 10, 2024

California Association of School Business Officials
Annual Conference
Palm Springs, CA
www.casbo.org/learn-grow/events/2024-ac/

APRIL 30-MAY 3, 2024

California Municipal Treasurers Association
Annual Conference
Costa Mesa, CA
www.cmta.org/events/EventDetails.aspx?id=1755012&group=

MAY 2024

MAY 19-23, 2024

National Association of State Treasurers
Treasury Management Symposium
Pittsburgh, PA
https://nast.org/conference-overview/ DL

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