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CALIFORNIA DEBT AND INVESTMENT ADVISORY COMMISSION
STEPS FOR REPORTING DEBT ISSUANCE TO CDIAC: REPORT OF PROPOSED DEBT
ISSUANCE AND REPORT OF FINAL SALE
PART 1
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DECEMBER 10, 2014

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>> Good morning, everyone, and welcome to the California Debt and Investment Advisory Commission's webinar Steps for Reporting Debt Issuance to CDIAC: Report of Proposed Debt Issuance and Report of Final Sale. My name is Robert Berry, the deputy director here at CDIAC. Before we get started, if you are experiencing technical problems, please contact GoToMeetings at 1800-263-6317, or you can try the website by clicking on the link on the screen or pasting that link into your browser. The website includes information that can help you troubleshoot your problems. Also, the slide deck from today's webinar is available for download at the CDIAC website at the link provided on the screen. And lastly if you have the need for live captioning, it is available for the duration of the webinar at the streamtext.net address on the screen. The collection and distribution of data on the authorization and issuance of all types of California municipal debt is really the primary reason for the creation of CDIAC in 1981, and it is really at the core of its mission today. To fulfill its obligation, CDIAC is dependent on California issuers and their agents to file debt authorization and issuance -- -- I believe we are back on. I apologize for that. We had some technical problems with our audio. So we will pick up where we left off there. Again, the collection and distribution of data on the authorization issuance of California municipal debt was the primary reason for CDIAC in 1981 and remains the core of its mission today. To fulfill our obligations, CDIAC is really dependent upon California issuers and their agents to file the debt authorization and issuance data with CDIAC. At the same time, we have adapted the filing system and process to update the technology to statutory alterations and changes in the debt market. The purpose of this webinar is discuss some of the more recent changes to the process and walk you through the filing of the report of proposed debt issuance and the report of final sale. As participants, you will have the ability to ask questions throughout the presentation by using the box marked "questions" near the bottom of the GoToWebinar control panel and we will answer your questions during the presentation if we can or we may need to hold the questions until a Q and A session at the end of the webinar. Rest assured that we will follow up with answers to all of your questions even if we don't get to them

during the webinar broadcast. Our presenter today is Joyce Ward. Joyce is my colleague here at CDIAC and the manager of the Technical Assistance Section. This gives her oversight of the Education and Data Unit, the latter being the group that manages the debt issuance database. Prior to her current role in CDIAC, Joyce was the day-to-day direct manager for the data unit for over four years and has been the point person through guiding CDIAC through various modifications that have been made and implemented in the system. Joyce also brings the experience and perspective of an issuer to her job, having worked several years in bond issuance and administration in the state treasurer's office public finance division. With that, I will turn it over to Joyce. >> Thank you, Robert. And thanks to all the webinar participants for joining us today. As Robert stated, the goal of today's program is to inform the customers of why CDIAC collects certain data elements, who uses the data that we collect, and what types of data submitters should be entering on the proposed debt issuance and report of final sale. If you have any questions, feel free to submit them and we will address them as time permits. Joining me today are Berma Williams, a longtime staff member of the data collection and analysis unit, and Marina S from the information technology division, which provides IT support to CDIAC. First, CDIAC collects municipal financing information because we are mandated to do it by California law. As Robert stated, it was one of the primary reasons for the creation of CDIAC. Our statute also mandates that CDIAC establish an education program and provide assistance to state and local issuers. Our research unit prepares data for analysis in research papers and our education unit uses it to identify training needs throughout the state. As this slide states, CDIAC's data is used by a wide range of public officials and private entities for many reasons. This is why we are very committed to the accuracy and viability of the data. None of the data that CDIAC collects is considered confidential and all is available to anyone who requests it. Although we try not to constantly update the reporting forms, there are times we must make changes. This slide illustrates many of the reasons why we make updates to the data that we collect. Although we must make updates when new legislation is enacted that requires CDIAC to collect additional data, ensuring that we are collecting data that is relevant to what is occurring in the market is also very important to us and it is also a main driver in the updating of our reports. As you can see from this slide and

the next, there are many statutes which govern the submittal of issuance data to CDIAC. Statutes which govern the submittal of data prior to the issuance or sale is collected on the report of proposed debt issuance and are highlighted in green. Those that govern the submittal of data to CDIAC after the issuance or sale are highlighted in blue and are collected on our report of final sale. There are a couple of statutes on this slide that I would like to bring your attention to. Education Code 15146D2, which was amended by AB 1482 in 2007, requires school district governing boards to submit detailed cost of issuance to CDIAC. This data is collected on our report of final sale. Government Code 6588.7E2, an amendment to the Mark Roos Local Bond Pooling Act which went into effect of January 1st of this year requires JPA to report the intended issuance of rate reduction bonds. CDIAC will be collecting this data on our report of proposed. CDIAC's governing statutes are listed on the slide and highlighted in purple. Government Code 6588.7-2, as I mentioned before, requires JPA to report on the savings realized by the rate reduction bonds they have issued. We have added a field on the report of final sale to collect this data. Government Code 58583C2E requires local issuers to report the cost on bonds secured by ad valorem taxes. Two government codes require the issuers to report the reason for refunding bonds which are sold on an negotiating basis. An interesting point about the water code section 20560.2, the one that is at the bottom of your screen, reporting required by irrigation districts is that non-submittal of the report of proposed renders the sale invalid. That statute gives CDIAC the right to waive the notice period upon application by the district. It is the only current proposal where non-submittal of the report of proposed invalidates the sale. In order to facilitate and standardize reporting, CDIAC developed a report of proposed debt issuance and the report of final sale. We will begin with the report of proposed. CDIAC's current code section 8855I requires issuers to report proposed debt issuance no later than 30 days prior to the sale. AB 2274, which goes into effect on January 1, 2015, removes the reference to a public or private sale and replaces the requirement for issuers to report on any debt issued. Current statutes state the notice had to be on mail or any method approved by the commission. The bill removes the reference to mailing in the report and simply says "any method approved by the commission." AB 2274 added that CDIAC may require any information that it considers to be appropriate to be submitted on the report.

Continuing with the report of proposed, I'm going to tell you about some recent updates. As a result of the increase of private placements and direct loans as a means of financing, we have added the role of borrower counsel loan to our contact field. This role represents the counsel that is providing the legal opinion to the validity of this issue. In a typical bond transaction, this would be the role performed by a bond counsel. This is not the counsel representing a borrower in a conduit financing. The increase of direct loans in private placement was also the impetus for addition of loan as a debt type. The addition of the rate reduction bond as -- I'm sorry. The loan is a debt instrument type. The addition of the rate reduction bond as a debt type -- and you look at utility project charges as a source of repayment -- are also the result of section 6588.7E2 to the Marks Roos Local Bond Pooling Act which went into effect of January 1st of this year. Some more updates to the report of proposed. We also added the ability to select several no purposes on the report. These were added as a result of staff in the unit noticing multiple filings over a period of time listing them as a purpose of the financing or feedback from our customers who asked they be added. We also track legislation which approves new purposes for which public agencies may issue debt. The property assessed clean energy program, or PACE program, which allows local agencies to issue taxable bonds to finance energy savings improvements to residential and commercial properties is a good example. Now to our report of final sale. Submittal is required by section 8855J of the Government Code. Currently the statute requires issuers to submit a report of final sale within 45 days after the signing of a bond purchase agreement in a negotiated financing, or the acceptance of a bid in competitive financing. As of 2015, the reporting period will be reduced to 21 days and the language referring to the bond purchase contract or acceptance of a bid has been removed and replaced with "after the sale of the debt." The submittal methods which currently says "by mail" will be amended to "any method approved by the commission." 8855J also states that an official statement must be submitted with the report of final sale if one was prepared. As a result of SB 144, which went into effect in 2008, if no official statement is prepared, then all of the alternate documents listed below must be submitted if they exist. CDIAC may require any information to be submitted on the report of final sale that it considers appropriate. As you can see from the note at the bottom

of the slide, submitters may redact information that they considered confidential if that information is not otherwise required to be reported by CDIAC. Prior editions of the report of final sale required the issuer to approve the authorization only if the issuer was a pooled financing. We have recently updated the report to require the filer file authorization for all issues. We have also added the role of borrower counsel loan as a financing participant on this report. Availability to select "other" as an interest type was also added when the interest rate may be tied to an index or maybe a fixed rate but not calculated as net or true interest cost. Interest savings was added as a result of the Mark Roos Local Bond Pooling Act that we mentioned before. CDIAC's preferred submission is online report. You must have a number, which is a unique number that is assigned to each financing and a password to enter the final sale online. CDIAC provides this information after we receive the proposed debt issuance. The link to the reporting form is found on this slide. Now we will walk you through the actual submittal of both reports. >> Joyce, before we go online with the submittal process, we have a few questions from participants that we should field here. A question, 6588.7E2 only mandates JPAs, but this rate reduction question is required on the form for all issuance. Why is that? >> It is not a required field. It had to be added to the report so JPA could report it, but it is not a required field for other issuers. >> Is the report of proposed debt issuance that is due 30 days prior to the debt issue applicable to private refundings through private placements? >> Yes. >> One of the new categories being added is human resources. Can you elaborate what human resources uses are being funded by bond issuance? >> I think I may forward that to Berma. >> Thank you. >> You're welcome. >> Typically it is for community services where the self-help resources like urban leagues or community facilities, they are receiving help towards working, finding work, or job training. >> And as I said, when we receive reports and they list "other" and as we read through the documents and it says human resources, we tended to see a lot of those that we decided to add that as a purpose of financing. >> We have another question. The CDIAC posts submitted information to an EMA analog, and we don't post any of our information to EMA. I'm confused about the report of final sale requirement. One slide says 45 days after debt issuance but another slide that showed a chart showing the

debt funding shows two weeks after issuance. Are these two different reports? Is an extra report required for debt refunding? >> I think you are referring to if it is a refunding on a negotiated basis it does state two weeks, but CDIAC decided to make it easier for issuers to report to, we added it to the report of final sale so you are getting additional time to make the report to CDIAC. >> One more. If the report of final sale will need to be submitted within 21 days of the sale and there's a long price to close schedule that takes the closing out beyond 21 days, what will happen? >> We don't require them to report after the closing; correct, Berma? >> Correct. >> So if you extend the closing, you will get a letter that will ask you to update the sale date if we don't receive it. And I would update that debt to your expected closing date, and that way we won't be expecting your report of final sale until that date. >> And then last one here. Are Word versions of the forms available? >> We do have Word versions of the form, and if you send a request to the CDIAC issuance mailbox, we can send you the Word version. >> Why don't we go into the online presentation. We have quite a few additional questions that maybe we can handle towards the end. We don't want to time out of our session. And like we said earlier in the presentation, we will follow up with any questions and post them to our website. >> As we go to our website, I would like to make you aware of a couple things. Because of the functioning of the go to webinar software, the movement of the mouse may cause to it look "herky-jerky," to use a technical term. So as the data is being entered, the screen may flash. Also, as she puts data into certain fields on the reports, it may look like your screen is going on and off. There's an interface between our application and the online reports. When data is entered into certain fields, it is validating the data, so it is refreshing the screen, and that is what is causing that appearance of the screen to flash. There is nothing wrong with your computer and everything's fine. It is expected. We are having a technical issue, so we are going to pause for a moment. >> Maybe we can handle one more question here. It is actually a clarification on the EMA question. Do you post anywhere that a lender could review other private placements? Our data is reported on a monthly basis in the deadline newsletter. All of the reports are proposed and reports of final sale. And all the information that CDIAC collects is available online through reports or upon request. The documents are not posted immediately accessible but they

could be requested. We have a direct purchase program going to the city council on 12/16/14 with the bank closing on 1/15/15, does the deadline start on 1/15/15? >> No. The new deadline, the 21 days for the reporting of the final, starts on January 1st. So if you are closing on 1/15/15, we are requesting to receive your report of final sale 21 days after that date. We are having some technical difficulties this morning with getting the view of the website to show up. Bear with us for a few minutes while we try to figure it out and get everything back online. Thanks. We apologize. We are still working on try to get the website to show. Hold on a couple more minutes. Bear with us. Thanks. >> We have to apologize this morning. Despite numerous dry runs at this, technology interface with our webinar interface with our database, we are having technical difficulties that we do not think we can overcome this morning. So we will notify all the participants of some options that we are thinking about. One would be to reestablish the interface and rebroadcast, but I think probably more likely we will do a presentation with screenshots that can walk people through the presentation that we would have done online this morning and host that for everyone to view. So I believe this really concludes our session for today, unfortunately. The good thing is that you can get back to your day. But rather than us keep everyone online trying to figure out this technical problem, I think it is best that we go ahead and conclude. So thank you for coming, joining us this morning. Again, we apologize. Thank you to Joyce and our team here for the abbreviated presentation we had this morning and we look forward to your participation again in the future. >> Thank you, everyone.