

Municipal Debt Issuers Required to Adopt Local Debt Policy and Submit Annual Reports to CDIAC Regarding Debt

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Senate Bill No. 1029 (SB 1029), effective January 1, 2017, amends the California Government Code to augment the information that municipal issuers of debt must provide to the California Debt and Investment Advisory Commission (CDIAC).

Prior to SB 1029, the Government Code has required municipal issuers of debt to file a Report of Proposed Debt Issuance at least 30 days prior to the sale of any debt issue, as well as a Report of Final Sale within 21 days after the sale of the debt. Typically, these filings are handled by bond counsel or issuer's counsel on behalf of the municipal issuer.

SB 1029 amends the requirements of the Report of Proposed Debt Issuance to require that this report include a certification by the municipal issuer that it has adopted local debt policies concerning the use of debt and that the contemplated debt issuance is consistent with those local debt policies. The law further requires that the local debt policy include all of five elements: (1) the purposes for which the debt proceeds may be used; (2) the types of debt that may be issued; (3) the relationship of the debt to, and integration with, the issuer's capital improvement program or budget, if applicable; (4) policy goals related to the issuer's planning goals and objectives; and (5) the internal control procedures that the issuer has implemented, or will implement, to ensure that the proceeds of the proposed debt issuance will be directed to the intended use. If your public agency will be issuing debt for which a Report of Proposed Debt Issuance is required to be filed on or after January 1, 2017, the agency will need to have a debt policy in place that includes these five elements.

SB 1029 also amends the Government Code to add a new, annual report requirement for municipal issuers, to provide data to CDIAC regarding any issue of debt for which the issuer has filed a Report of Final Sale on or after January 21, 2017. Each annual report will cover a reporting period of July 1 through June 30, and must be submitted no later than seven months after the end of the reporting period (*i.e.*, by January 31). The first annual report required under these provisions will cover the reporting period starting July 1, 2016 and ending June 30, 2017, may be filed with CDIAC as early as July 2017, and must be filed no later than January 31, 2018.

The annual report will require certain data to be provided to CDIAC concerning three main categories of information: (1) debt authorized during the applicable reporting period (whether issued or not), (2) debt outstanding during the reporting period, and (3) the use during the reporting period of proceeds of issued debt. This past year, CDIAC eliminated the ability to make paper filings for the other types of reports mandated to be filed

with it. Similarly, CDIAC has advised that the new, annual reports will be required to be filed through interactive forms on CDIAC's website.

For assistance with the preparation of a local debt policy or any questions regarding the new CDIAC requirements, please contact Diana Chuang or any member of the Firm's Public Law Department.