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CS NEWSFLASH: OVERSIGHT INTENSIFIES FOR MUNICIPAL DEBT ISSUERS

As the State of California ("State") continues to push for increased oversight in the management of municipal debt, Local Educational Agencies ("LEAs") across the State can expect to see heightened scrutiny in the coming months. This alert intends to summarize many of the recent happenings regarding debt issuances and oversight.

- 1** **Treasurer's Task Force:** Last year, California Treasurer John Chiang created a [Task Force on Bond Accountability](#) ("Task Force") in an attempt to increase transparency in the management of voter approved debt. The Task Force was responsible for [creating guidelines for best practices](#) across all forms of State and local bond debt issuances.
- 2** **Senate Bill ("SB") 1029:** With the Task Force's final report in mind, [SB 1029](#) was recently outlined in the Treasurer's [legislative agenda](#). SB 1029 would require any issuers of municipal debt to annually submit an accountability report to the California Debt and Investment Advisory Commission ("CDIAC"). The goal of the bill is to create a single, transparent online database where any member of the public can view how municipal debt is used. SB 1029 is a "must-pass" bill according to Treasurer Chiang, so LEAs who issue debt in any form should be prepared to implement new policies and procedures in their auditing and reporting practices to ensure they are prepared for the new requirements.
- 3** **Securities and Exchange Commission ("SEC") Settlements:** Any LEAs who self-reported under the Municipalities Continuing Disclosure Cooperation Initiative ("MCDC Initiative") in 2014 should be prepared to be contacted by the SEC. As the SEC has recently completed its final wave of settlements with underwriters, the [Government Finance Officers Association has stated](#) that the SEC is beginning to propose settlement offers to issuers starting in the first quarter of 2016.
- 4** **Misleading Statements in Bond Documents:** Beyond an increased scrutiny in continuing disclosure documents, the SEC is also looking closely at statements made in offering documents of bond issuances. Recently, a [California water district and two \(2\) of its officials settled with the SEC](#) because misleading financial information was included in the official statement of a 2012 bond issuance. The total settlement was \$195,000 between the water district and two (2) officials for violating Section 17(a)(2) of the Securities Act of 1933.

If your LEA self-reported under the MCDC Initiative, you've already taken the first step toward improving your commitment to continuing disclosure compliance. We are always looking for innovative ways to aid LEAs with their various needs, which is why we created *DisclosureCompliance*[™]. This is a customizable software to aid LEAs in navigating their continuing disclosure reporting requirements. [Click here for more information.](#)



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If you have any questions regarding debt transparency and disclosure, please contact us at 949.250.8320 or info@coopstrategies.com.

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