



# COOPERATIVE STRATEGIES

COMPLETE FINANCIAL & DEMOGRAPHIC PLANNING FOR EDUCATION

March 22, 2016

## CS NEWSFLASH:

### DON'T GET CAUGHT IN A POLITICAL PICKLE

Do you have an independent financial advisor ("FA") to act in your school district's best interests? Does your municipal finance team conduct pre-election activities? If your FA or underwriter handles campaign activities prior to a bond election, you may find yourself in the middle of a conflict of interest scandal. Many of Colorado's Local Educational Agencies ("LEAs") utilize underwriters to play a dual role of both FA and underwriter; however, many LEAs are unaware that underwriters are not subject to the same fiduciary responsibility to bond issuers, as stated in Municipal Securities Rulemaking Board ("MSRB") [Rule G-17](#).

In addition, recently approved MSRB [Rule G-42](#) outlines rules of conduct for FAs when providing services to municipal entities. An independent FA solely represents your LEA and serves as your representative during all aspects of a bond transaction. In order to serve in the best interest of their clients, FAs should not participate in pre-election campaign activities. There has been recent scrutiny of financial consultants who promote ballot initiatives; such is the case in a Colorado school district being [overcharged for a bond issuance](#) to cover the underwriter's pre-election activities. This becomes a conflict of interest because it violates Rule G-17, by giving the consultant a financial incentive to issue the bonds, rather than act in the client's best interest.

Other states are now pushing to separate the roles of issuing bonds from those of promoting bonds. In January 2016, the California Attorney General issued [an opinion](#) that restricts how municipal professionals can aid in pre-election activities. Colorado's LEAs may want to consider evaluating their current municipal finance teams and the roles they play to ensure they won't be caught in a "political pickle".

If you have any questions regarding the duties of FAs, please do not hesitate to contact us at 844.654.2421 or [info@coopstrategies.com](mailto:info@coopstrategies.com).

**Cooperative Strategies, LLC**

©2016 COOPERATIVE STRATEGIES, LLC

IRVINE, CA | LITTLETON, CO

844.654.2421 | [INFO@COOPSTRATEGIES.COM](mailto:INFO@COOPSTRATEGIES.COM)