



MUNICIPAL MARKET DISCLOSURE

APRIL 8-9, 2025 | COSTA MESA, CALIFORNIA

SESSION ONE

Why is Disclosure Important?



BRIAN GARZIONE
Partner
Hawkins Delafield
& Wood LLP

SEAN TIERNEY
Partner
Hawkins Delafield
& Wood LLP



- An issuer has a large capital project and decides to issue and sell bonds to investors as a way to borrow money
- Bonds are securities that evidence a loan from individual investors to the issuer
- The money raised from selling bonds to investors is paid back to investors over time with interest
- The issuer describes its proposed bond issuance to investors in a document called an Official Statement (OS)
- The OS has all material information regarding the bonds and the issuer needed to invest in the bonds
- Bond investors are supposed to base their investment decision in the bonds on the OS
- Information regarding the issuer in the OS is provided by issuer employees with guidance from its counsel
- About one month before bonds are issued and sold in a bond closing, a Preliminary Official Statement (POS) is circulated to potential investors (investment decision really based POS)
- This one-month period is known as the offering or sale period

Securities Act of 1933

GENERAL

- The Securities Act requires that investors receive financial and other information about securities being offered for sale to the public
- The Securities Act prohibits deceit, misrepresentations, and fraud in the sale of securities to the public
- Securities Act Amendments of 1975 created the Municipal Securities Rulemaking Board (MSRB)

REGISTRATION EXEMPTION FOR “EXEMPT SECURITIES”

- Section 5 of the Securities Act imposes a registration requirement for securities – except for exempt securities or exempt transactions
- Section 3(a)(2) of the Securities Act exempts from this registration requirement securities issued by any State or any political subdivision of a State, including the City

ANTIFRAUD

- Notwithstanding this registration exemption, municipal securities are subject to the antifraud provisions of the Securities Act

Securities Act of 1933

ANTIFRAUD PROVISIONS

SECTION 17(A) UNDER THE 1933 ACT

Section 17(a) (most commonly cited provision)

- It shall be unlawful for any person in the offer or sale of any securities...by the use of any means or instruments of transportation or communication in interstate commerce or by use of the mails, directly or indirectly —
 - (2) to obtain money or property by means of any untrue statement of a material fact or any omission to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading
 - (3) engage in transactions with fraud/deceit on buyer
- Legal Standard: Scierter (a mental state embracing intent to deceive, manipulate or defraud) or negligence
 - Recklessness - an extreme departure from the standards of ordinary care - may establish scierter
- Similar language to Rule 10b-5 (to be covered in slide 6)

Securities Exchange Act of 1934

GENERAL

- Created the Securities and Exchange Commission (SEC)
- Established a system of broker-dealer registration and regulation

REPORTING REQUIREMENTS FOR REPORTING COMPANIES

- Section 13(a) requires annual and quarterly reports
- Section 13(b) gives the SEC authority to prescribe accounting standards, recordkeeping rules and rules regarding maintenance of internal controls

MUNICIPAL EXEMPTION; ANTIFRAUD

- Under Section 12(g)(1) of the 1934 Act, municipal securities are exempt from the (i) registration requirements, (ii) reporting requirements, and (iii) accounting standards, books and records and internal control requirements
- Municipal securities are subject to the antifraud provisions of the 1934 Act

Securities Exchange Act of 1934

ANTIFRAUD PROVISIONS

SECTION 10(B) & RULE 10B-5 UNDER THE 1934 ACT

Rule 10b-5 (most commonly cited provision)

➤ It shall be unlawful:

- ❖ To make any untrue statement of a **material** fact or to omit to state a **material** fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading.

Scienter (e.g., fraudulent intent or recklessness) required

Materiality

- Case law has established that information is material if there is a “substantial likelihood that, under all the circumstances, the omitted factor would have assumed actual significance in the deliberations of a reasonable [investor]”
- The “reasonable” investor is an objective standard
- For future events, materiality depends upon a balancing of both the indicated probability that the event will occur and the anticipated magnitude of the event
- A misstatement or omission may be material if it affects rating, yield, risk of early redemption, etc., even if it does not present a risk of default
- Confidentiality, business concerns, and political sensitivity are not exceptions to application of disclosure rules

Disclosure Contexts

PRIMARY DISCLOSURE

- Preliminary and final Official Statements

SECONDARY MARKET DISCLOSURE

- Rule 15c2-12
 - Annual Report
 - Event Disclosure
- Voluntary filings
 - Examples: notices to investors pursuant to bond documents, litigation or enforcement actions, and other disclosures not required by Rule 15c2-12 [*e.g.*, COVID-related disclosures]

OTHER DISCLOSURES “REASONABLY EXPECTED TO REACH INVESTORS”

- Investor webpages
- Public statements by officials of the issuer
- Budget materials
- Press releases

Rule 15c2-12

- SEC Rule that applies to broker-dealers acting as municipal securities underwriters; does not apply directly to issuers
 - 1989 – Primary Disclosure
 - 1995 – Continuing Disclosure

Rule 15c2-12 Requirements

TWO PRINCIPAL RULE REQUIREMENTS ARE:

- Receipt and review by the underwriter of a “deemed final” official statement (generally a *preliminary official statement*) before commencing the offering of the municipal securities [Rule 15c2-12(b)(1)]
- An underwriter must reasonably determine that there is a contractual undertaking of the issuer (*or an obligated person*) to provide (i) annual financial information and (ii) in a timely manner, notice of specified material events [Rule 15c2-12(b)(5)]

SEC Enforcement Powers

INVESTIGATIONS

- The SEC is authorized to conduct investigations and issue reports under Section 21(a) of the Exchange Act

ADMINISTRATIVE PROCEEDINGS

- The SEC may initiate administrative proceedings, which usually involve negligence-based charges

CRIMINAL PROCEEDINGS

- The securities laws allow for criminal prosecutions for “willful” violations through a referral to the Department of Justice

THE SEC MAY SEEK ENFORCEMENT ACTIONS AGAINST:

- Governmental issuer (e.g., a city, a school district, a county)
- Governmental officials and employees (senior city officials; CFO, treasurer, other financial staff)
- Individual members of issuer’s legislative body
- Third parties (e.g., underwriters, financial advisors, bond counsel, conduit issuers)

Enforcement Lessons:

No Debt Service Default Necessary for Securities Law Violation

- Misstatements and omissions concerning an issuer's financial condition can be the basis for an enforcement action, regardless of whether such condition would affect negatively the ability of an issuer to pay principal and interest in a timely fashion (*Maricopa County, 1996*)
 - General obligation bond issue
 - Secured by unlimited ad valorem tax
 - County was current in the payment of debt service on all outstanding general obligation bonds
- Failure to disclose a trend, not a particular amount, can be the basis of an enforcement action - "the City materially misrepresented its financial condition and results of operations" in that the official statements showed a surplus for FY 1995 of \$0.4 million when there was a deficit of \$9.4 million (*City of Syracuse, 1997*)

Enforcement Lessons:

Documents That May Create Liability

- Misstatements in Annual Comprehensive Financial Report and transmittal letter that were voluntarily filed (*City of Miami, 2001*)
- An issuer's misleading information that is incorporated into or restated in a second issuer's offering document can create liability for the issuer that is the source of the information (*Massachusetts Turnpike Authority, 2003*)
- Misleading statements were made in budget report, annual and mid-year financial statements and a State of the City address that were published on the City's website (*City of Harrisburg, 2013*)
 - First time that the SEC charged a public agency of misleading statements made outside of its disclosure documents
- Materially misleading omissions in tax certificate and loan agreement not provided to investors nor reasonably expected to reach investors (*City of South Miami, 2013*)

Enforcement Lessons:

Disclosure of Projections

- An issuer's delay in disclosing cost increases, on argument that increases were speculative and not quantified, can create liability. (*Massachusetts Turnpike Authority, 2003*)
 - Two choices – (1) delay the bond offering, (2) disclose and place estimates of cost increases in proper context
- Where no other projections exist, the failure to provide informal estimates can create liability. Rating agency analysts had asked whether any projections existed. Staff had asked financial advisors (not actuaries) to reverse engineer an estimate of future funded ratios and annual required contributions. Staff did not provide such informal estimates to the rating agencies. (*San Diego, 2006*)

Limited Offering Exemption Enforcement Actions

- September 2022 – First time SEC brought charges against underwriters who failed to meet legal requirements of limited offering exemption as provided for in Rule 15c2-12.
 - The Rule does not apply to primary offerings of municipal securities in authorized denominations of \$100,000 or more, if such securities:
 - (i) Are sold to no more than thirty-five persons each of whom the Participating Underwriter reasonably believes:
 - (A) Has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of the prospective investment; and
 - (B) Is not purchasing for more than one account or with a view to distributing the securities.
- According to the settlements, underwriters failed to do sufficient diligence to support reasonable belief that securities that were purchased for sophisticated investors.
- The SEC has announced additional settlements in these limited offering exemption cases (enforcement priorities could be shifting but more of these cases could be in the pipeline).

Some Recent Enforcement Actions

SEC v. City of Rochester, NY

- Official statement used outdated financial statements and did not disclose unusual financial distress and deficits for School District (withheld from working group too)

Town of Sterlington, Louisiana

- False financial projections used in gaining approval for bond issuance from local bond commission

Sweetwater Union High School District

- Positive trends consistently shown; deficit hidden in interim reports; came out in audit

Crosby Independent School District

- Fraud in audited financials; financial emergency ultimately declared

Some Recent Enforcement Actions (cont.)

- Other recent actions (the vast majority of them):
 - Municipal advisor enforcement cases
 - General investment adviser and broker-dealer cases

Other Considerations/Takeaways

- Good disclosure is stressed by the SEC and expected by market participants
- In fact, disclosure policies and procedures are consistently recommended by SEC and imposed as a condition of settling SEC enforcement actions
 - Minimize risk of misleading disclosure
 - Defend against charge of negligence or recklessness
 - Best practice; better reception in the marketplace

Other Considerations/Takeaways (cont.)

- Recognize the importance of good disclosure
- Do I have knowledge of a potentially material fact that the working group may not be aware of?
- Consider disclosure as a whole and don't narrowly focus on simply updating dates and numbers
- Maintain a record of the sources of the material being included in the disclosure documents
- Read and draft from the perspective of an investor (i.e., what would you like to receive if you were the prospective investor?)
- Bring any underwriter or investor inquiries to the attention of the financing team; revisions to the disclosure might be appropriate

QUESTIONS?



BRIAN GARZIONE
Partner
Hawkins Delafield
& Wood LLP

SEAN TIERNEY
Partner
Hawkins Delafield
& Wood LLP





15-MINUTE --- BREAK

SESSION TWO

Steps and Considerations in Crafting the Initial Disclosure Documents



JACQUELYNNE JENNINGS

Partner

ArentFox Schiff LLP

SAMUEL SMALLS

Treasury & Debt Manager
Metropolitan Water District of
Southern California





Overview of ArentFox Schiff

- ArentFox Schiff LLP is internationally recognized in core industries where business and the law intersect.
- With offices in Boston, Chicago, Los Angeles, New York, San Francisco, and Washington, DC, and more than 650 lawyers and policy professionals, ArentFox Schiff provides strategic legal counsel to clients that range from Fortune 500 corporations and start-ups, to state, local, and foreign governments, trade associations, and private individuals.
- Our attorneys know that being Smart in Your World isn't just about having great legal skills. It means knowing your business, your industry, and your goals — and using that insight to solve challenges creatively and efficiently. Through decades of service, our attorneys have understood that hard work and talent are just a starting point for being considered a premier law firm, a distinction that ArentFox Schiff has earned from The American Lawyer, Chambers USA, and Legal 500.
- As one of the most diverse general practice law firms in the country, ArentFox Schiff has roots in government service, a focus on legal excellence, and a commitment to the administration of justice. Our lawyers have consistently distinguished themselves as leaders in pro bono representation, while many continue to play prominent roles in public service.
- ArentFox Schiff is proud of its reputation for understanding our clients' business, their industry, and their world.

Overview of Metropolitan Water District of Southern California

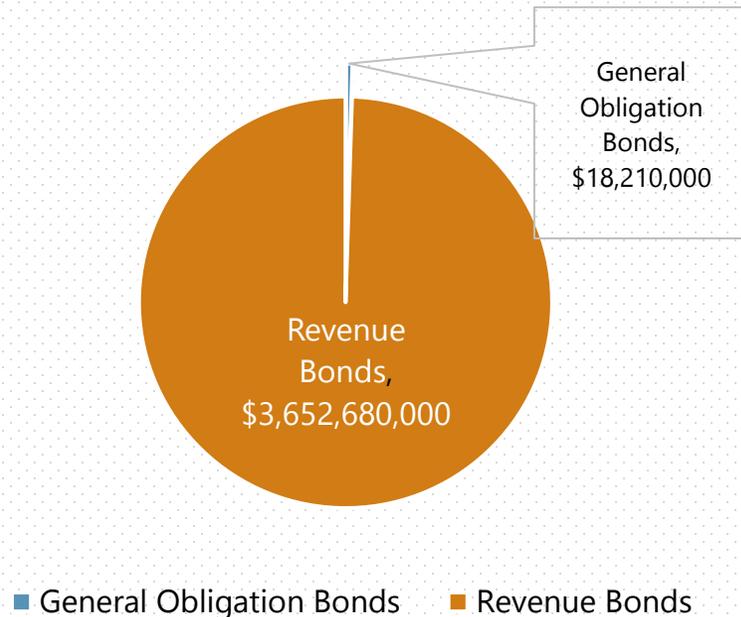
- Metropolitan (or MWD) was formed in 1928 pursuant to a state act to provide regional water supply to Southern California
- MWD is a California regional planner, owner, operator and wholesale distributor of water
- Serves 19 million people across six Southern California counties
- We are a voluntary cooperative of 26 member agencies
- We are governed by a 38-member board of directors, comprised of representatives of our Member Agencies
- MWD is the largest distributor of treated drinking water in the U.S.



Overview of Metropolitan's Debt Program



MWD Debt by Type (as of July 1, 2024)



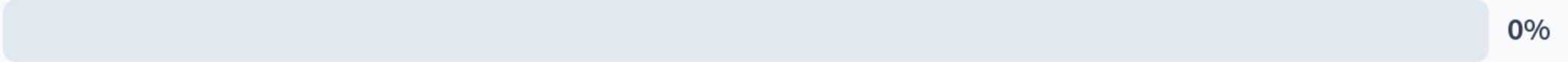
- As of July 1, 2024, Metropolitan had a total of \$3.7 billion of total debt outstanding.
- Metropolitan issues debt to fund a portion of its capital infrastructure investments.
- Metropolitan manages the amount of debt leveraged on its balance sheet through PAYGO targets at roughly 45% of total CIP expenditures.
- Of the revenue bond debt outstanding, approximately 75% is on the senior lien, 25% on the subordinate lien.
- While almost 80% of our debt is traditional fixed-rate, the remaining portion is comprised of variable-rate, synthetically-fixed debt (hedged by our swap portfolio), and put bonds (3yr to 7yr terms)

When did your agency last issue debt?

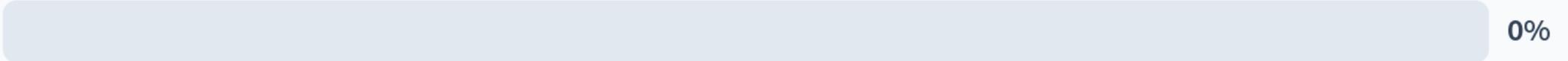
Within the last six months



Within the last year



More than one year ago



Why Provide Disclosure?

- Investors in municipal securities have rights under federal securities laws
- To disclose all information **material** to investors in making an informed decision to purchase, sell, or hold the District's debt
- To protect the issuer
 - ❖ Include material risks that may arise related to the revenues, project, industry, demographics, etc.

Disclosure Laws

- Securities Act of 1933 - “Truth in Securities Law”
 - ❖ Requires that investors receive financial and other significant information for securities prior to sale
 - ❖ Section 17(a) – Antifraud Rule – Prohibits deceit, misrepresentations, and fraud in sale of securities
- Exchange Act of 1934 – Created the SEC; conferred broad authority to the SEC to register, regulate, and oversee securities transactions and participants; and require periodic filings
 - ❖ Section 10(b) – prohibits use of manipulative or deceptive acts in connection with purchase or sale of securities
 - Rule 10b-5 – prohibits the making of untrue statements of material facts or omitting to state material facts that are necessary to make the statements in the offering document not misleading
- Rule 15c2-12

When do Disclosure Laws Apply?

- Whenever the issuer “speaks to the market”
- Examples:
 - Primary disclosure in Official Statements and Offering Memoranda
 - Annual Reports
 - Event Notices and Voluntary filings pursuant to Rule 15c2-12
 - Investor Communications
 - Other public statements made by the Issuer and its officials, including press releases, public statements, interviews, website, social media, and speeches
 - Reports delivered to governmental agencies
 - Issuer statements made that are reasonably expected to reach investors are also subject to antifraud provisions

Disclosure Policies and Procedures

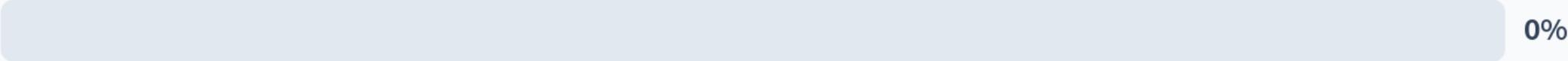
- Provides general guidelines for the preparation of initial and continuing disclosure, including:
 - ❖ Identifying members of the Disclosure Working Group
 - ❖ Roles and responsibilities of Disclosure Working Group members for preparing disclosure
 - ❖ Defining a process for drafting, reviewing, and finalizing all disclosure documents
 - ❖ Identifying person(s) responsible for providing final sign-off for prepared disclosure
 - ❖ Empowering staff at all levels to provide input
 - ❖ Providing legislative body sufficient time for review and comment
 - ❖ Providing for periodic review and update of disclosure policies and procedures

Disclosure Policies and Procedures (cont.)

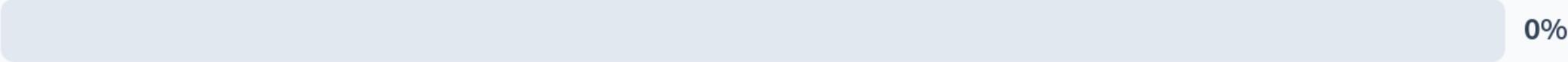
- Incorporates best practices
- Focuses on the “big picture”
- Encourages disclosure of the good **and** the bad
- Retains knowledgeable counsel and professionals
- Provides appropriate and regular training to officials and staff
- Is reviewed and revised periodically by the disclosure working group

Has your agency formed a disclosure working group?

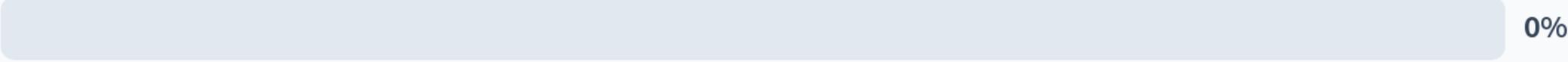
Yes



No



Not quite yet, but we expect to do so this fiscal year



Are you a member of your Disclosure Working Group?

Yes



No



Who is Responsible for Preparing Disclosure?

You*

* With assistance from the Financing Team

Financing Team

Issuer Team + Other Professionals = Financing Team

Issuer Team

- Issuer
- Department Representatives
- Issuer's Counsel
- Bond Counsel
- Disclosure Counsel
- Municipal Advisor
- Feasibility Consultant
- Appraiser

Other Professionals

- Trustee / Paying Agent / Fiscal Agent
- Trustee's Counsel
- Underwriter
- Underwriter's Counsel
- Securities Repository (DTC)
- Credit Enhancer
- Rebate Consultant
- Dissemination Agent
- Borrower and Borrower's Counsel (Conduit Transaction)
- Verification Agent (Refundings)
- Remarketing Agent (Variable Rate Transaction)
- Letter of Credit Bank (Variable Rate Transaction)

Preliminary Considerations

- ❖ **What** is being financed?
- ❖ **What** law authorizes the financing?
- ❖ **How** will the financing be structured?
- ❖ **What** is the source of funds to repay the borrowing?
- ❖ **Who** at the issuer will be responsible for ongoing continuing disclosure compliance?

Getting Started

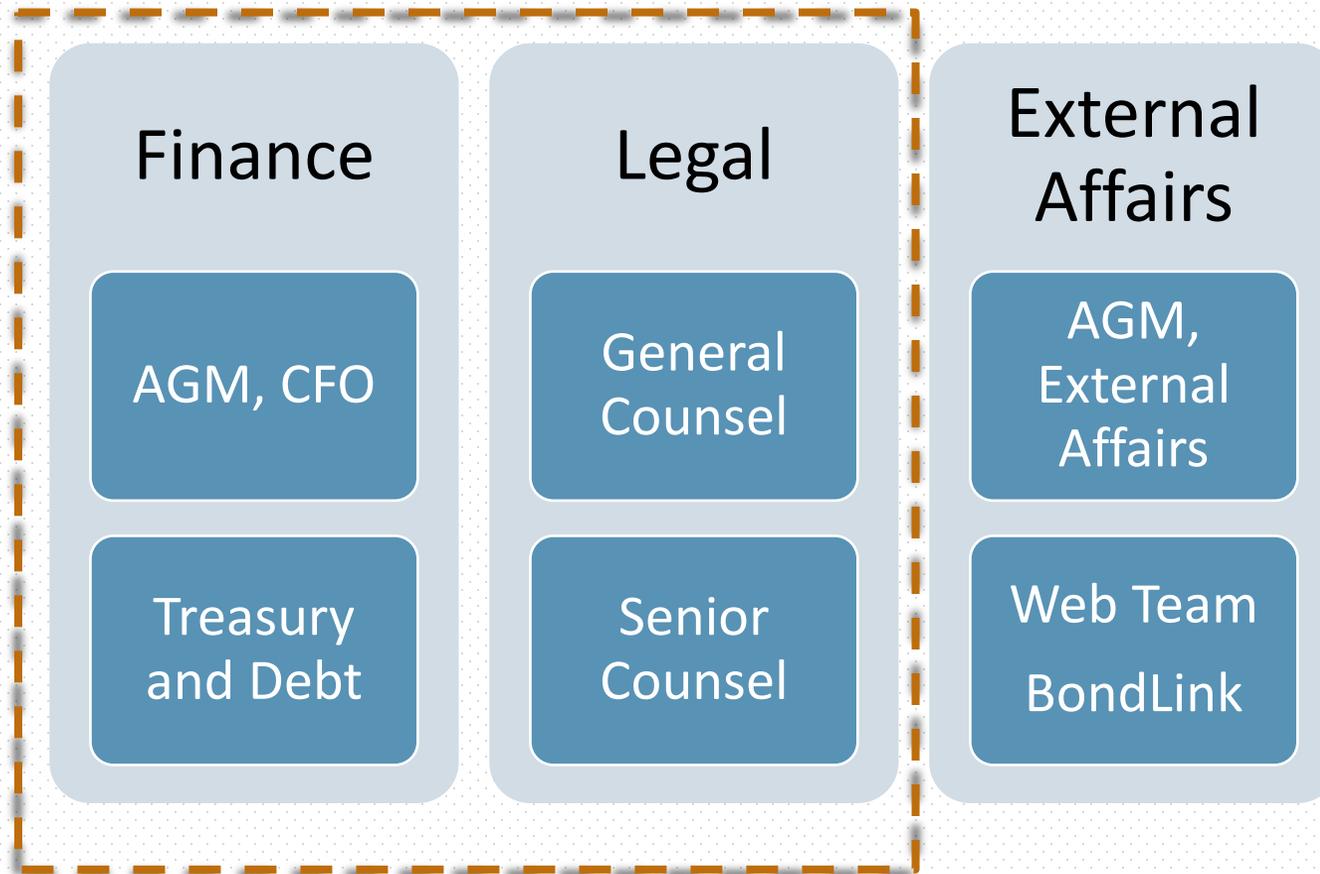
- Follow your adopted written disclosure policies and procedures, which:
 - ❖ Define a process for drafting and reviewing all disclosure documents
 - ❖ Empower staff at **all** levels to provide input
 - ❖ Provide legislative body sufficient time for review and comment
 - ❖ Review and update disclosure policies and procedures regularly
- Incorporate best practices for disclosure
- Focus on the “big picture”
- Disclose the good **and** the bad
- Retain knowledgeable counsel and professionals
- Provide appropriate and regular training to officials and staff

Met Water Debt Issuance Approach

- Biennial Budget Document describes our CIP
- Work with our Municipal Advisor to Refine our Plan of Finance
- Assemble our Financing Teams for the Calendar Year Agenda
- Manage the Cycle of Bond Issuances around two Main Disclosure Updates (Spring/Summer and Fall/Winter)

Metropolitan's Disclosure Working Group

- Metropolitan's Finance team partners with its Legal team (internal and external) through an official Disclosure Working Group to ensure we provide accurate and timely responses related to our public disclosure requirements.



In addition, Finance and Legal coordinate with our External Affairs team to make relevant information available on our website as well as our customized Investor Relations portal.

What is an Official Statement?

- A document prepared by or on behalf of a state or local government in connection with the issuance of municipal securities
- An official statement is similar to a prospectus that is used in corporate securities offerings
- Provides material information to investors about the transaction

NEW ISSUE – (FULL BOOK-ENTRY)

See "RATINGS" herein.

In the opinion of Norton Rose Fulbright US LLP, Los Angeles, and Amira Jackson, Attorney at Law, Berkeley, California, Co-Bond Counsel to Metropolitan, under existing statutes, regulations, rulings and judicial decisions, and assuming compliance with certain covenants in the documents pertaining to the 2024A Bonds and requirements of the Internal Revenue Code of 1986, as described herein, interest on the 2024A Bonds is not included in the gross income of the owners thereof for federal income tax purposes. In the further opinion of Co-Bond Counsel, interest on the 2024A Bonds is not treated as an item of tax preference for purposes of the federal alternative minimum tax on individuals. Co-Bond Counsel is also of the opinion that, under existing laws, interest on the 2024A Bonds is exempt from personal income taxes of the State of California. See "TAX MATTERS."



\$367,005,000 THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA Water Revenue Refunding Bonds, 2024 Series A

Dated: Date of Delivery

Due: April 1, as shown on the inside cover page

The Metropolitan Water District of Southern California ("Metropolitan") is issuing its \$367,005,000 Water Revenue Refunding Bonds, 2024 Series A (the "2024A Bonds") to provide moneys, (i) together with other available funds, to refund certain outstanding Parity Bonds and Parity Obligations, and (ii) to pay the costs of issuance of the 2024A Bonds. See "PLAN OF REFUNDING." Capitalized terms used on this cover page not otherwise defined will have the meaning set forth herein.

The 2024A Bonds will mature in the principal amounts on the dates and in the years, and will bear interest at the respective per annum rates of interest, as set forth on the inside cover page hereof. The 2024A Bonds are being issued as fully registered bonds, in book-entry only form, in denominations of \$5,000 principal amount or any integral multiple thereof. Interest on the 2024A Bonds is payable on April 1 and October 1 of each year, commencing October 1, 2024. See "DESCRIPTION OF THE 2024A BONDS."

The 2024A Bonds, when issued, will be registered in the name of Code & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Principal of and interest on the 2024A Bonds will be payable directly to DTC. Upon receipt of payments of such principal and interest, DTC is obligated to remit such payments to its DTC participants for subsequent disbursements to the beneficial owners of the 2024A Bonds. See APPENDIX D- "BOOK-ENTRY ONLY SYSTEM."

The 2024A Bonds are subject to redemption prior to maturity as described herein. See "DESCRIPTION OF THE 2024A BONDS - Redemption."

The 2024A Bonds are special limited obligations of Metropolitan payable as to principal and interest solely from and secured solely by a pledge of and a lien and charge upon Net Operating Revenues on parity with Metropolitan's outstanding Parity Bonds and other Parity Obligations and any Parity Bonds and Parity Obligations Metropolitan may hereafter issue or incur as described herein. As of April 1, 2024, Metropolitan had outstanding \$2.63 billion aggregate principal amount of Parity Bonds payable from Net Operating Revenues, and \$176.4 million of senior lien short-term notes constituting Parity Obligations payable from Net Operating Revenues on a parity therewith, as well as certain other Parity Obligations. Metropolitan has also issued or incurred, and may in the future issue or incur, bonds and other obligations payable from and secured by a lien upon Net Operating Revenues subordinate to the lien thereon of the 2024A Bonds and all Parity Bonds and Parity Obligations. As of April 1, 2024, Metropolitan had outstanding \$1.09 billion aggregate principal amount of Subordinate Bonds, as well as certain other Subordinate Obligations. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2024A BONDS." See also "PLAN OF REFUNDING."

The 2024A Bonds do not constitute general obligation indebtedness of Metropolitan. Neither the general credit nor the taxing power of Metropolitan is pledged for the payment of the 2024A Bonds or the interest thereon. The obligation to pay the principal of and interest on the 2024A Bonds does not constitute a pledge, charge, lien or encumbrance upon any of Metropolitan's property or its income, receipts or revenues except Net Operating Revenues as described in this Official Statement. Metropolitan will not fund a reserve fund for the 2024A Bonds.

The 2024A Bonds are offered when, as and if issued and received by the Underwriters, subject to the approval of validity by Norton Rose Fulbright US LLP and Amira Jackson, Attorney at Law, Co Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for Metropolitan by its General Counsel, and for the Underwriters by their counsel, ArentFox Schiff LLP. Stradling Yocca Carlson & Rauth LLP is acting as Disclosure Counsel to Metropolitan in connection with the issuance of the 2024A Bonds. PFM Financial Advisors LLC is serving as Municipal Advisor to Metropolitan in connection with the issuance of the 2024A Bonds. Metropolitan anticipates that the 2024A Bonds will be available in book-entry form only for delivery through the facilities of The Depository Trust Company by Fast Automated Securities Transfer (FAST) on or about May 8, 2024.

Siebert Williams Shank & Co., LLC

BofA Securities

Blaylock Van, LLC

Dated: April 22, 2024

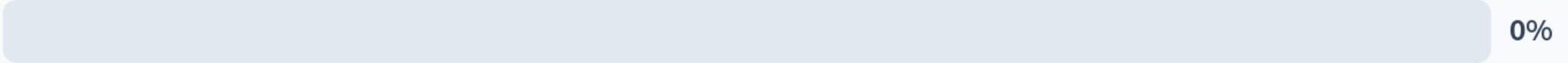
Anatomy of an Official Statement

- Introduction
- Plan of Finance
- Sources and Uses of Funds
- Project Description
- Security for the Bonds and Sources of Payment
- Capital Improvement Plan
- Issuer Financial and Relevant Operating Information
- Risk Factors
- Absence of Material Litigation
- Continuing Disclosure Compliance
- Appendices
 - ❖ Audited Financial Statements
 - ❖ Economic, Demographic, and Statistical Data
 - ❖ Form of Bond Opinion
 - ❖ Form of Continuing Disclosure Undertaking
 - ❖ DTC Disclosure
 - ❖ Third Party Documents and Certifications



What is your biggest concern regarding Disclosure?

Panic of missing a key item



Our document is too verbose



Getting the attention of relevant parties



Issuer Protections

- Disclosures in OS are important to protect the issuing agency
 - ❖ Include any risk that may arise (related to industry, demographics, etc.)
- Development of OS
 - ❖ Work with Issuer Team and Disclosure Counsel to prepare document
 - ❖ Review all sections prepared by Disclosure Counsel from publicly available documents closely (read **everything** to ensure authenticity and accuracy)
 - ❖ Discuss industry risk and what should be included in OS
 - ❖ **Slow down** a transaction when necessary or let Disclosure Counsel know if information is not yet available and when it is expected to be available (e.g. audited financial statements, pledged revenues, etc.)

Consequences of Inadequate Disclosure

➤ Possible Consequences of Inadequate Disclosure

- ❖ SEC Investigations; Enforcement actions
- ❖ Adverse publicity
- ❖ Personal liability and fines
- ❖ Lifetime bars from involvement in future municipal finance transactions; criminal charges against issuer officials
- ❖ Injunctions; Requirement to retain professionals
- ❖ Reduced Market access
- ❖ Imposition of new procedures and outside oversight to settle SEC actions
- ❖ Ratings downgrades

Best Practices

- Disclosure evolves to reflect current circumstances and concerns
- Approach each financing with “fresh eyes”
- Frequent issuers should review Official Statement for “disclosure bloat”
- Raise concerning issues with your Issuer Team
- Make sure that all the right people are in the room
- Don’t ignore obligations under securities laws
- **Tell the full story**

Need More Information?

- California Debt and Investment Advisory Commission
www.treasurer.ca.gov/cdiac
- Government Finance Officers Association www.gfoa.org
- Municipal Securities Rulemaking Board www.msrb.org
- National Association of State Auditors, Comptrollers and Treasurers
www.nasact.org
- National Federation of Municipal Analysts www.nfma.org
- Securities Industry and Financial Markets Association
www.sifma.org

QUESTIONS?



JACQUELYNNE JENNINGS

Partner

ArentFox Schiff LLP

SAMUEL SMALLS

Treasury & Debt Manager
Metropolitan Water District of
Southern California



SESSION THREE

Federal Continuing Disclosure Requirements



MARC BAUER

Partner
Orrick, Herrington
& Sutcliffe, LLP



DAVID SONG

*Associate, Project Finance
and Public Finance*
Nixon Peabody LLP



DANIEL WILES

*Board Member, Municipal
Securities Rulemaking Board &
Former Assistant Treasurer and Tax
Collector, County of Los Angeles*

Why Is Disclosure Necessary?

- Investors in municipal securities have rights under federal securities laws
- All “material” information must be disclosed
 - What is material?
- Policy: Parties buying and selling municipal securities should have access to information necessary to make an informed investment decision

The “Materiality” Standard

SEC RULE 405

“The term material, when used to qualify a requirement for the furnishing of information as to any subject, limits the information required to those matters to which there is a substantial likelihood that a reasonable investor would attach importance in determining whether to [invest].”

- Guidance comes primarily from court decisions and SEC enforcement cases.
- Materiality is determined in context of all the facts and circumstances, but usually on a retroactive basis
- What is material is an evolving concept - materiality threshold

Federal Securities Laws

- **SECURITIES ACT OF 1933** — registration requirement for most securities, but does not include municipal bonds
- **SECURITIES EXCHANGE ACT OF 1934** — creates ongoing disclosure requirements for public companies and regulates brokers and dealers
- Both the 1933 Act and the 1934 Act contain antifraud provisions, which do apply to municipal securities

When Do Disclosure Rules Apply?

- Rule 10b-5 applies whenever an issuer is “speaking to the market”
 - New offerings
 - **Reporting under Continuing Disclosure Undertakings (“CDUs”)**
 - **Voluntary filings on EMMA website**
 - Other circumstances
 - Public statements by officials—“speaking to the market” will depend on who is making the statement and the audience (“Political speech” has in the past been viewed as OK, but certain SEC actions suggest using greater caution)
 - Investor websites

Continuing Disclosure and Rule 15c2-12

Originally enacted in 1989

- ... to prevent dealers from underwriting an issue of municipal bonds unless the underwriter has been able to “obtain and review a preliminary official statement that the issuer of such securities or an obligated person deems final as of its date.”

Amended in 1994

- ...to add continuing disclosure requirements. Underwriters must reasonably determine that the issuer or an obligor has entered into a binding commitment to provide continuing disclosure.
- This includes Annual Reports, Listed Events, and notices of failure to file Annual Reports on time.

Amended in 2010

- ...to add additional Listed Events, more specific timing requirements for reporting Listed Events, and reporting requirements for new variable rate debt.

Amended in 2018

- ...to add additional two (2) Listed Events; must be included in new CDUs but do not apply retroactively to CDUs in existence prior to *February 27, 2019* (the “Compliance Date”).
- According to *SEC News Release*, the adopted amendments “focus on material financial obligations that could impact an issuer’s liquidity, overall creditworthiness, or an existing security holder’s rights.”
- Better inform investors and market participants about the financial condition of issuers of municipal securities and obligated persons.
- Provides more timely information about “financial obligations” that previously were not reported on EMMA, particularly private placements and bank loans.

Timing Of Annual Reports & Listed Events

ANNUAL REPORTS

- Audited financial statements
- Financial information and operating data as specified in the continuing disclosure agreement; essentially updates key financial and operating data contained in the original offering document that is available from the issuer or the obligor's records
- Filing required annually by a fixed date specified in the continuing disclosure agreement up to one (1) year after the end of the fiscal year

LISTED EVENTS

- Listed events notices must be filed “not in excess of 10 business days after the occurrence of the event”
- Note that some of the events have a materiality qualifier, others do not (they are deemed automatically material)
- In addition, the issuer or obligor must file a notice of failure to provide an annual report on or before the time required by the CDU

Continuing Disclosure Undertakings

CONSIDERATIONS

- Dissemination Agent?
- Deadline to file Annual Reports (within 1 year after the end of the fiscal year)
- Who will be responsible to ensure filing?
- Have staff been trained on responsibilities under the federal securities laws, including SEC Rule 15c2-12?
- Internal procedures related to reporting of Financial Obligations notice events.

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this "Disclosure Agreement") is executed and delivered by the [REDACTED] (the "Issuer") and [REDACTED] as trustee (the "Trustee") and as dissemination agent (the "Dissemination Agent") in connection with the issuance of \$ [REDACTED] (the "Bonds"). The Bonds are being issued pursuant to an Indenture of Trust, dated as of [REDACTED] (as supplemented and amended from time to time pursuant to its terms, including as supplemented and amended by the [REDACTED] hereinafter collectively referred to as the "Indenture"), between the Issuer and the Trustee. The Issuer, the Dissemination Agent and the Trustee covenant and agree as follows:

SECTION 1. Purpose of this Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Issuer, the Trustee and the Dissemination Agent for the benefit of the Holders and Beneficial Owners (as such term is defined herein) of the Bonds and in order to assist the Participating Underwriter (as such term is defined herein) in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

Annual Report shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

Beneficial Owner shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

Disclosure Representative shall mean the Chief Financial Officer of the Issuer or her or his designee, or such other officer or employee as an Authorized Representative of the Issuer shall designate in writing to the Trustee and Dissemination Agent from time to time.

Dissemination Agent shall mean [REDACTED] acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by an Authorized Representative of the Issuer and which has filed with the Trustee and Dissemination Agent a written acceptance of such designation.

Listed Events shall mean any of the events listed in Section 5(a) or Section 5(b) of this Disclosure Agreement.

Participating Underwriter shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

Repository shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the SEC to receive reports pursuant to the Rule.

LISTED EVENTS THAT REQUIRE NOTIFICATION WITHIN TEN (10) BUSINESS DAYS (EMPHASIS ADDED):

1. Principal and interest payment delinquencies;
2. Nonpayment-related defaults, ***if material***;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other ***material*** notices or determinations with respect to the tax status of the security or other ***material*** events affecting the tax status of the security;
7. Modification to rights of security holders, ***if material***;
8. Bond calls, ***if material***, and tender offers;
9. Defeasances;
10. Release, substitution, or sale of property securing payments of the security, ***if material***;

LISTED EVENTS THAT REQUIRE NOTIFICATION WITHIN TEN (10) BUSINESS DAYS (EMPHASIS ADDED):

11. Rating changes;
12. Bankruptcy, insolvency, receivership, or similar event of an obligated person;
13. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, *if material*;
14. Appointment of a successor trustee or additional trustee or the change of name of a trustee, *if material*;
15. Incurrence of a financial obligation of the obligated person, *if material*, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, *if material*;
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which *reflect financial difficulties*.

Incurrence of a Financial Obligation: Listed Event (15)

KEY TAKEAWAYS:

- Disclosure will provide investors with important information about current financial conditions and potential liabilities, including potential impacts on the liquidity and overall creditworthiness of the issuer or obligated person or which may otherwise affect security holders of the debt to which the CDU relates
- A financial obligation generally should be considered to be incurred when it is enforceable against an issuer or obligated person
- Applies to CDUs entered on or after the Compliance Date; and new, material financial obligations incurred on and after the date the CDU was entered.
- The second part of event (15) can be retroactive, and requires reporting of material changes to any financial obligation whether incurred before or after the date of a new CDU
- Does not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board (“MSRB”) consistent with Rule (e.g., posted on EMMA and having an effective CDU) this exception is designed to avoid duplication of regulations

Incurrence of a Financial Obligation: Listed Event (15) (cont.)

KEY TAKEAWAYS:

- A “financial obligation” is defined as a: (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) a guarantee of either (i) or (ii)
- A debt obligation is any short-term or long-term debt obligation under the terms of an indenture, loan agreement, lease, or similar contract that represents a borrowing of money to be repaid at a later date; the term is broader than the state law definition of debt and focuses on impacts to liquidity or creditworthiness of the issuer
- Not every incurrence of a financial obligation or agreement to terms is material; materiality determinations under (15) should be based on whether the information would be important to the total mix of information made available to the reasonable investor consider potential impacts on the issuer’s liquidity or creditworthiness or the rights of security holders to which the CDU relates
- Lines of credit, draw-down bonds, or commercial paper only needs to be reported once, when the debt is legally enforceable (whether or not any funds are immediately drawn or borrowed) and not on each draw or CP issuance, as long as the initial reporting contains all the material terms of the borrowing program

...Reflect Financial Difficulties: Listed Event (16)

KEY TAKEAWAYS:

- An event that occurs under the terms of a financial obligation pursuant to (16) that occurs on or after the Compliance Date must be disclosed regardless of whether such financial obligation was incurred before or after the Compliance Date
- “Reflect Financial Difficulties” concept used since adoption of the Rule; existing disclosure events, including unscheduled draws on debt service reserves (3) and unscheduled draws on credit enhancements (4)
- Consider whether the event may have potential adverse impact on the liquidity and overall creditworthiness of the issuer/obligated person or affect security holders
- “Default” can be monetary default (failure to pay principal/interest or other funds due) or failure to comply with specific covenants; does not have to be an “event of default” as defined in bond documents
- “Other Similar Events” broad concept to capture circumstances that reflect financial difficulties even if they do not qualify under any of the prior types of events

Underwriter Considerations

Understand the approach of underwriters to verifying that issuers have complied with the new rules once deals are offered after February 27, 2019:

- Rule 15c2-12 requires underwriters to independently investigate an issuer's compliance with its CDU reporting over the past five (5) years
- For an issuer's first deal after the Compliance Date, underwriters may want to see new policies and procedures to confirm appropriate internal controls will be in place
- For subsequent deals, they will need to determine if event (15) or (16) have occurred and were reported within the requisite ten (10) business days

Consequences of Failure to Comply

- Non-compliance is not an event of default under bond documents or continuing disclosure agreements, but bondholders have the right to sue for compliance with continuing disclosure obligations
- Must disclose a material failure to comply in future official statements for five (5) years following the failure
- Can give rise to a securities law fraud case if there is a misstatement about past compliance in a later offering document
- No clear guidance on what is a “material” failure to comply, especially as to late filings (Underwriters now insist on listing any non-compliance, even if seemingly trivial)

Types of SEC Enforcement Actions

Since the mid-2000's, the SEC has ramped up enforcement focused on the municipal market.

- Inadequate pension disclosures
- Misleading or incomplete financial disclosures
- Failure to disclose the use of unusual accounting actions
- Failure to disclose shortcomings in economic development projects
- Failure to disclose financial or legal risks
- Failures of continuing disclosure

Results of SEC Enforcement Actions

- Governmental agencies were levied civil fines, up to hundreds of thousands of dollars
- Required to retain outside consultants and/or legal counsel to review disclosure practices
- Individuals working for agencies were fined and, in some cases, barred from participating in municipal securities offerings
- In one instance, an individual sentenced to jail for 2 1/2 years
- Cost of defending cases brought by the SEC can be significant
- Bad publicity, political damage, and possible rating reductions
- SEC doesn't need to prove that allegations resulted in any bond default, loss of value, or harm to investors

Enforcement Actions Relating to Continuing Disclosures

Pre-Municipalities Continuing Disclosure Cooperation Initiative (“MCDC”) Case #1

CITY OF HARRISBURG (2013)

- May of 2013, the SEC charged the City of Harrisburg, Pa. (“City”) with securities fraud for its misleading public statements when its financial condition was deteriorating and financial information available to municipal bond investors was either incomplete or outdated
- SEC investigation found that the City made misleading statements in the City’s budget report, annual and mid-year financial statements and a State of the City address and also failed to comply with continuing disclosure requirements to provide certain ongoing financial information and audited financial statements for the benefit of investors from 2009 to 2011
- The City was nearly bankrupt, under state receivership, and as of March 2013, had missed approximately \$13.9 million in general obligation debt service payments, and was the obligated person for approximately \$455 million of outstanding debt for several of its component units
- Significant because this was the first time the SEC charged a municipality for misleading statements made outside of its securities disclosure documents
- The City settled with the SEC and was ordered to cease and desist from committing or causing violations of Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5.

Enforcement Actions Relating to Continuing Disclosures

Pre-Municipalities Continuing Disclosure Cooperation Initiative (“MCDC”) Case #2

WEST CLARK COMMUNITY SCHOOLS, INDIANA AND CITY SECURITIES CORPORATION (2013)

- In the summer of 2013, the SEC settled an antifraud case against a small school district in Indiana which stated in its Official Statement (2007) that it had not failed to comply in all material respects with any prior continuing disclosure undertakings but had, in fact, failed to file any annual reports—SEC alleged this misstatement in the Official Statement was a violation of Section 17(a)(2) of 1933 Act
- The underwriter paid a \$580,000 settlement (\$280k disgorgement and \$300k penalty) for failing to investigate the issuer’s statements, and the individual at the underwriter paid approximately \$38,475 (\$20k disgorgement and \$18k penalty) with a one-year collateral bar and a permanent supervisory bar
- Significant because this was the first time the SEC charged (i) a municipal issuer with falsely claiming in an Official Statement that it was fully compliant with annual disclosure obligations and (ii) an underwriter and its principal for not doing the necessary research to attest to the truthfulness of the issuer’s claims

Enforcement Actions Relating to Continuing Disclosures

Post-Municipalities Continuing Disclosure Cooperation Initiative (“MCDC”) Case #1

CITY OF BEAUMONT, CA (2017)

- Beaumont Financing Authority (“BFA”) issued approximately \$260 million in municipal bonds in 24 separate offerings from 2003 to 2013, each underwritten by O’Connor & Company Securities, Inc. (“O’Connor”).
- From 2004 to 2013, BFA regularly failed to provide investors with the promised information (in a complete and timely manner) and failed to disclose this fact when it issued bonds in 2012 and 2013 totaling more than \$32 million.
- BFA and O’Connor did not voluntarily report to the SEC under MCDC. O’Connor was found to have failed to conduct reasonable due diligence on CDU compliance.
- The BFA and O’Connor would have been eligible for more lenient remedies had they self-reported during the MCDC Initiative. The SEC went beyond the MCDC settlements by including individual issuer officers and requiring that BFA engage an independent consultant.

Enforcement Actions Relating to Continuing Disclosures

Post-Municipalities Continuing Disclosure Cooperation Initiative (“MCDC”) Case #1, cont.

CITY OF BEAUMONT, CA (2017)

- Significant because (i) BFA was required to hire an independent consultant on securities procedures and (ii) an individual official (city manager) was fined \$37,500 and agreed to be permanently barred from participating in any future municipal bond offerings.
- O’Connor was fined \$150,000 and was ordered to retain a consultant to review its policies and procedures. It’s investment banker was ordered to pay a \$15,000 penalty and serve a six month suspension from the securities industry.

Enforcement Actions Relating to Continuing Disclosures

Post-Municipalities Continuing Disclosure Cooperation Initiative (“MCDC”) Case #2

LAWSON FINANCIAL CORP (2017)

- Lawson Financial Corporation (“Lawson Financial”) was the underwriter for multiple issues for entities controlled by Richard Brogdon (“Brogdon”), the proceeds of which were to be used for projects for nursing homes, assisted living facilities, and retirement housing.
- The offering documents represented that the borrowers had not failed to comply with any prior CDUs, when, in fact, they had consistently failed to provide the required information.
- The SEC found that Lawson Financial conducted inadequate due diligence, did not review EMMA, and solely relied on Brogdon’s representations. Lawson Financial and Robert Lawson paid disgorgement of approximately \$198,000, Lawson Financial paid a penalty of approximately \$198,000, and Robert Lawson paid a penalty of \$80,000 and was barred from the securities industry for three years. Penalties were approximately double what the firm would have paid under the MCDC Initiative.
- Lawson Financial’s counsel was also charged and paid nearly \$45,000 and agreed to the entry of an order permanently suspending him from appearing and practicing before the SEC as an attorney.
- The SEC separately charged Brogdon with fraud and is seeking an order for Brogdon to repay \$85 million to investors.

Case for Establishing Policies & Procedures

- Shows the organization cares about compliance and is actively managing its compliance
- Might be a mitigating factor when SEC calls
- May lessen the risk of personal liability for staff
- Greater attention to disclosure made for continuing disclosure compliance and for new offerings

Establishing Policies & Procedures

- Establish internal written procedures to comply with CDUs
- Identify key personnel and their responsibilities for CDU compliance
- Review annual reports and event notices
- Review historical compliance with CDU undertakings
- Assign a coordinator
- Monitor compliance
- Information gathering/Internal ticker system/create a template or chart for annual reports and event filings
- Training

Avoiding Pitfalls

- ✓ Double check all CUSIPs to ensure all outstanding Bonds are covered
- ✓ Remember that there are also CDIAC Annual Debt Transparency Reports (ADTR) due
- ✓ For special financings, like CFDs or redevelopment refinancings, you may need input from other entities (e.g., merchant builders for CFDs)
 - ✓ Confirm that you have Continuing Disclosure requirements for those other entities

Future Plans for EMMA

Modernization of EMMA

- **New Look and Feel**
- **Addition of Obligor Information**
 - When available, users can search for obligors by name to view and access obligor information
- **New Disclosure Search capability**
 - Search the content within hundreds of thousands of official statements and continuing disclosures using key terms and contextual phrases
- **Advanced Search Navigation**
 - New layout and search capabilities implemented to improve the user experience in searching for market data and information
- **Customization**
 - Issuers can upload images and/or brief descriptions to their homepage(s)
 - All new customizable dashboard

Addition of Obligor Information

- Most requested piece of new information
- New Obligor Search gives users ability to search for obligors by name
- Easily navigate between issuers and obligors to find issues related to an obligor
- EMMA account holders will have the ability to set up EMMA Alerts for obligors

The screenshot displays the EMMA interface for Delta Air Lines, Inc. At the top, there is a header with the company name and a "Create Alert" button. Below this, the "Obligor's Contact Information" section states that no contact information has been provided. A "View:" section contains several tabs: "Issues" (selected), "Trade Activity", "Pre-Sale Documents", "Official Statements", "Refunded Issues", and "Disclosure Documents". Below the tabs, there is a search bar with a dropdown menu set to "View All Issues" and a "Search within list" input field. The main content is a table with the following columns: "Issue Description", "Associated Issuer(s)", "Dated Date", and "Maturity Dates". The table lists five issues related to Delta Air Lines, Inc. and the LAGUARDIA AIRPORT TERMINALS C&D REDEVELOPMENT PROJECT. At the bottom of the table, there is a "Rows per page: 10" dropdown and a "1-5 of 5" indicator. A "Feedback" button and an upward arrow are also visible in the bottom right corner.

Issue Description	Associated Issuer(s)	Dated Date	Maturity Dates
SPECIAL FACILITIES REVENUE BONDS, SERIES 2023 (DELTA AIR LINES, INC. - LAGUARDIA AIRPORT TERMINALS C&D REDEVELOPMENT PROJECT)	View Issuer(s)	11/02/2023	2035 to 2040
SPECIAL FACILITIES REVENUE BONDS, SERIES 2020 (DELTA AIR LINES, INC. - LAGUARDIA AIRPORT TERMINALS C&D REDEVELOPMENT PROJECT)	View Issuer(s)	09/04/2020	2030 to 2045
AIRPORT REVENUE BONDS, SERIES 2018A (AMT)	View Issuer(s)	10/31/2018	2023 to 2048
AIRPORT REVENUE BONDS, SERIES 2018B (NON-AMT)	View Issuer(s)	10/31/2018	2025 to 2048
SPECIAL FACILITIES REVENUE BONDS, SERIES 2018 (DELTA AIR LINES, INC. - LAGUARDIA AIRPORT TERMINALS C&D REDEVELOPMENT PROJECT)	View Issuer(s)	05/03/2018	2022 to 2036

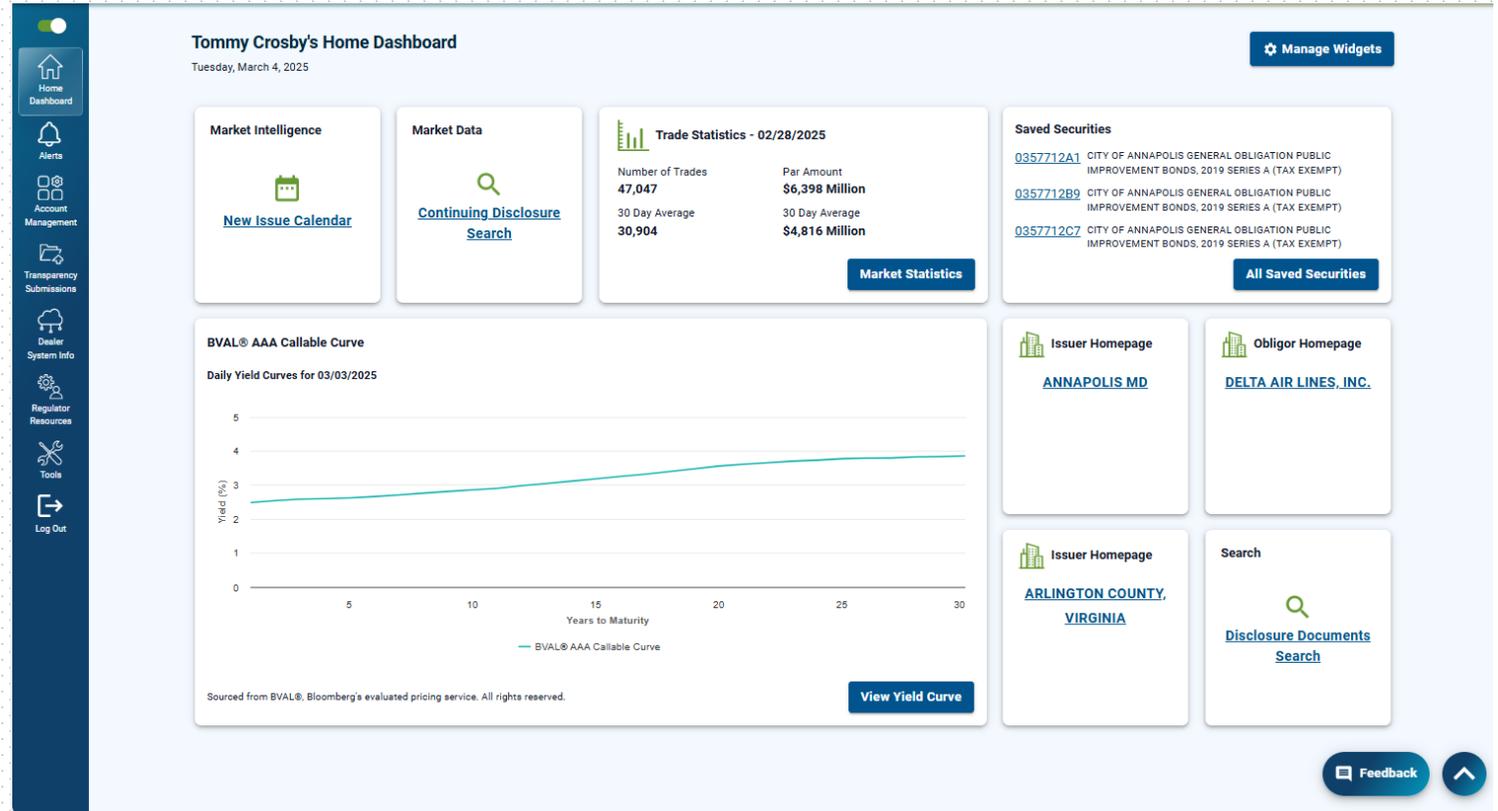
Improved Search Capabilities

- **Advanced Search**
 - Improvements made to the Advanced Search layout will help with navigation
 - Enhanced usability gives users the ability to update search filters without losing a view of results
- **Disclosure Search**
 - Search the contents within hundreds of thousands of official statements and continuing disclosures using key terms and contextual phrases

Customization

- **Dashboard**

- Creating a free EMMA account will give users access to a customizable dashboard
- Direct access to key areas of EMMA
- Users will be one-click away from their frequently used functions
- Easy to update and add/remove desired functions



QUESTIONS?



MARC BAUER
Partner
Orrick, Herrington
& Sutcliffe, LLP



DAVID SONG
*Associate, Project Finance
and Public Finance*
Nixon Peabody LLP



DANIEL WILES
*Board Member, Municipal
Securities Rulemaking Board &
Former Assistant Treasurer and Tax
Collector, County of Los Angeles*



LUNCH

SESSION FOUR

Agency Approaches to Disclosure Management



NIKOLAI SKLAROFF

Capital Finance Director
San Francisco Public
Utilities Commission



SEAN TIERNEY

Partner
Hawkins Delafield
& Wood LLP



AMANDA TRUSSELL

*Principal Administrative
Analyst*
County of San Bernardino



MATTHEW WINGERT

Budget Manager
Los Angeles County
Metropolitan
Transportation Authority

San Francisco Public Utilities Commission

Water



HETCH HETCHY RESERVOIR

Delivering high quality water every day

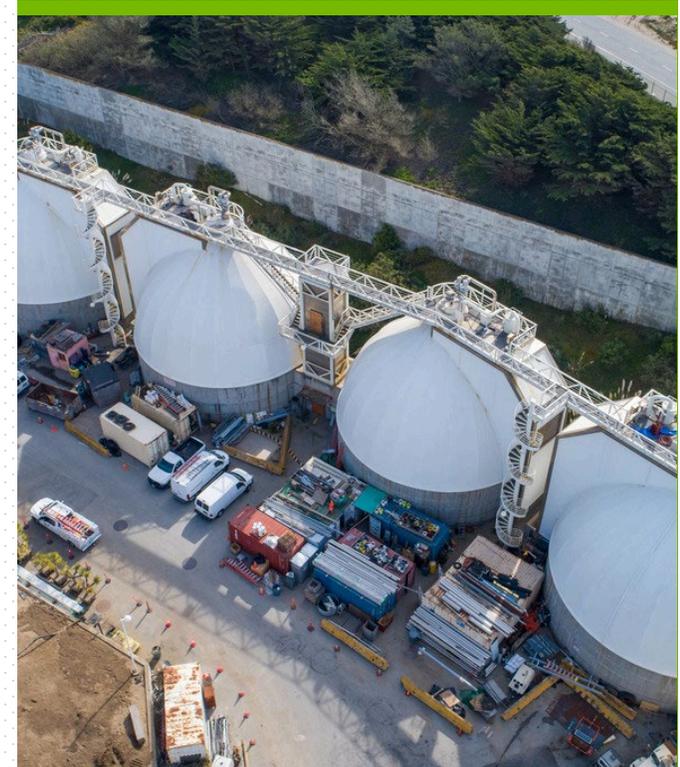
Power



MOCCASIN POWERHOUSE GENERATOR

Generating clean energy for vital City services

Wastewater



OCEANSIDE TREATMENT PLANT

Protecting public health and the environment

San Francisco Public Utilities Commission

Water

**Retail and Wholesale
Drinking Water**

2.7M Population Served

**\$726M FY24
Operating Revenues**

\$3.0B Capital Program

Aa2 / AA- Credit Rating

\$5.3B Outstanding Debt

Power

**Hydroelectric, Solar, and
Other Energy**

**Primarily City Municipal
Customers**

**\$214M FY24
Operating Revenues**

\$2.1B Capital Program

AA / AA- Credit Rating

\$431M Outstanding Debt

Wastewater

**Combined Sewage /
Stormwater Collection &
Treatment**

805,000 SF Population

**\$395M FY24
Operating Revenues**

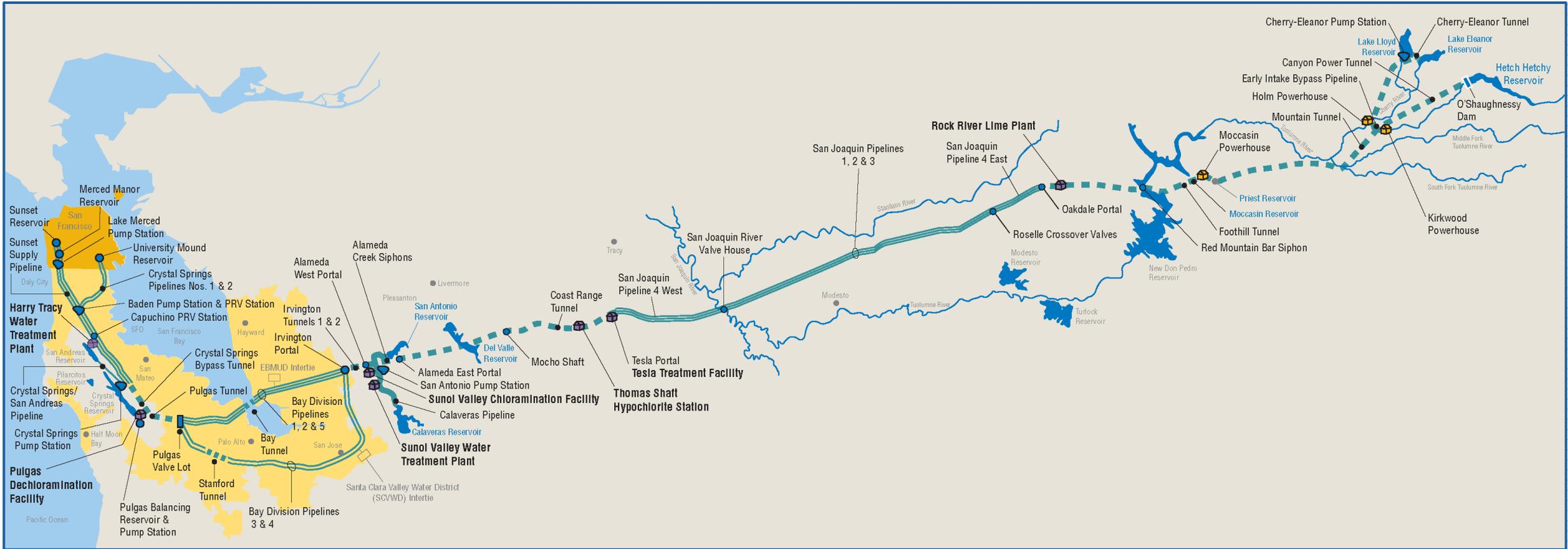
\$5.9B Capital Program

Aa2 / AA Credit Rating

\$5.4B Outstanding Debt

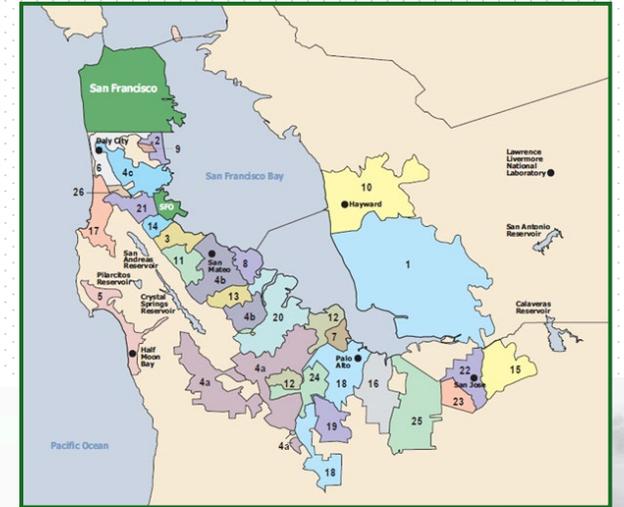
Operations over Seven Counties

(Yosemite National Park – Golden Gate National Recreation Area)



Water Enterprise Overview

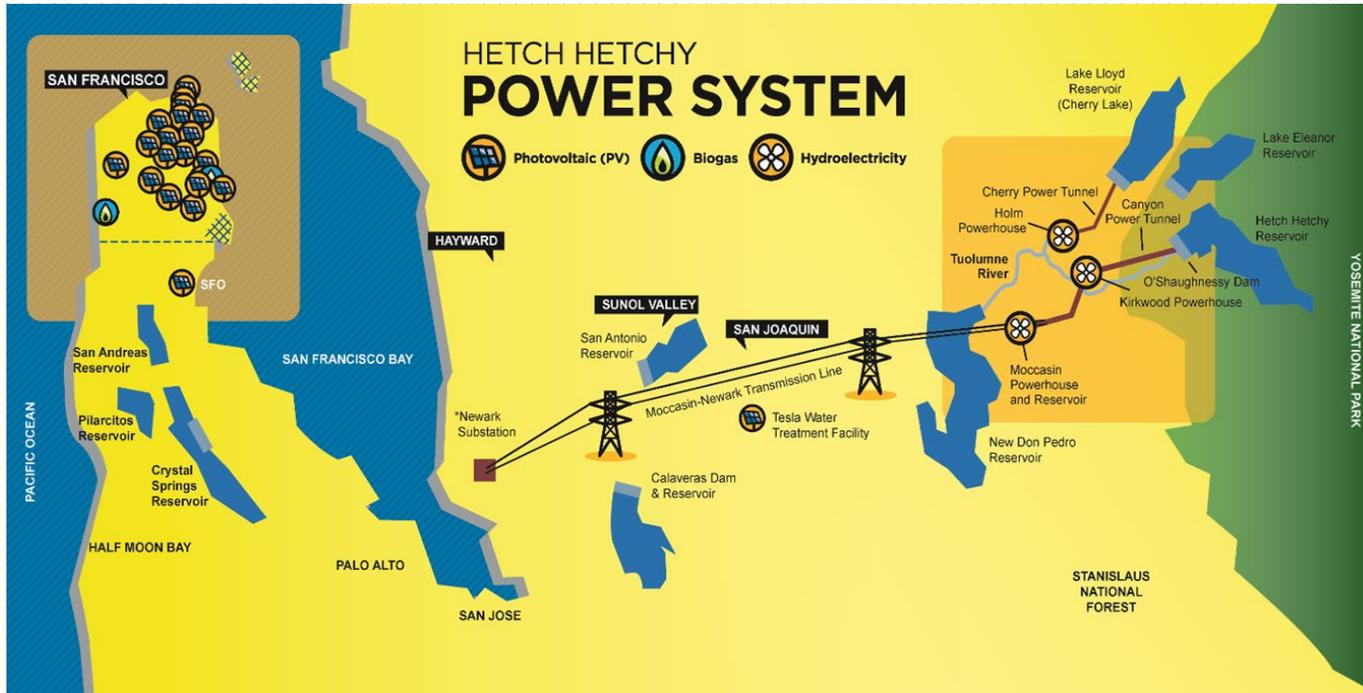
- The SFPUC's Water Enterprise provides water to over **2.7 million customers**, including retail customers in and around **San Francisco** and Wholesale Customers in **three other San Francisco Bay Area counties (San Mateo, Alameda and Santa Clara)**
- Water Enterprise consists of water treatment and transmission facilities located outside of San Francisco (the “Regional Water System”) and water treatment and distribution facilities located inside San Francisco (the “In City Distribution System”)



Service Area and Locations of Wholesale Customers



Power Enterprise Overview



Moccasin Dam



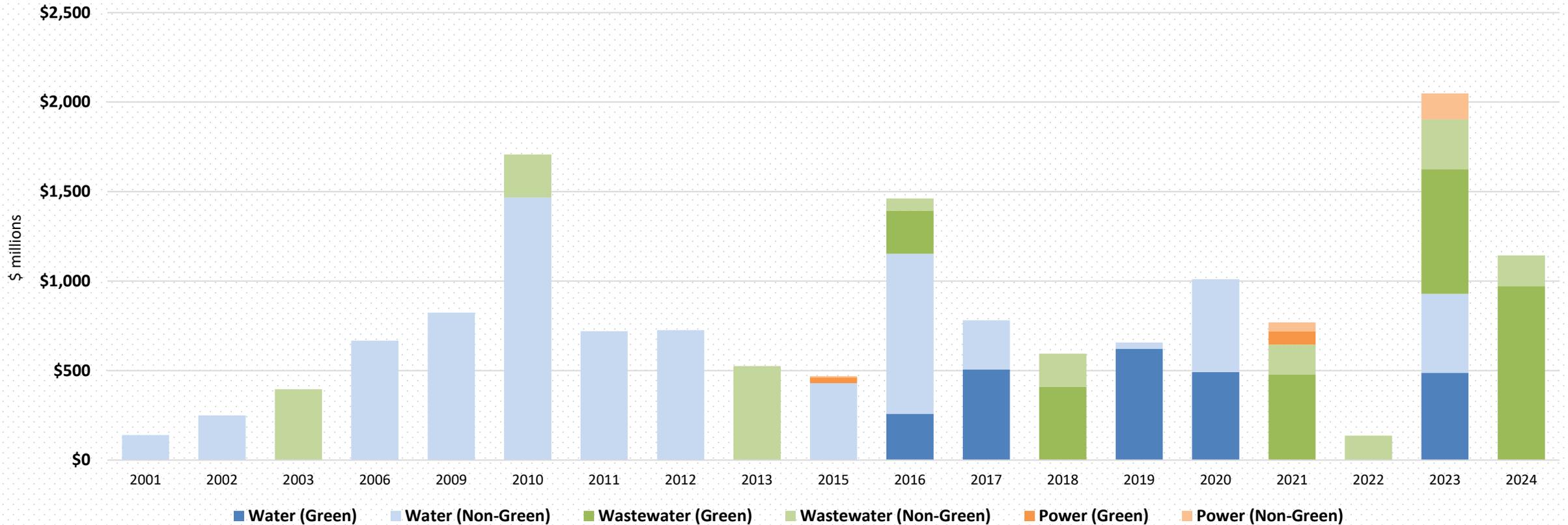
Kirkwood Powerhouse and Penstock



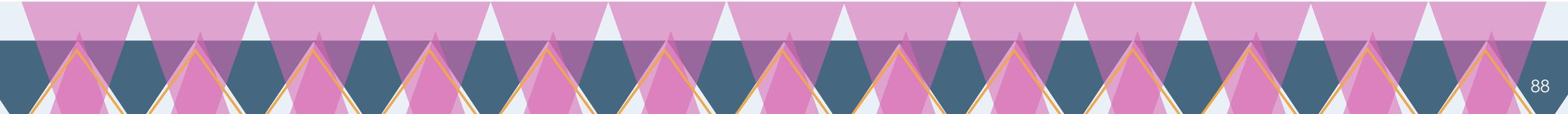
Holm Powerhouse Generators

- Hydroelectric power generated by the SFPUC's power facilities produce electricity that is **100% free of greenhouse gases**.
- The SFPUC's power facilities consist of three hydroelectric powerhouses: Moccasin, Kirkwood, and Holm, as well as several small renewable facilities in San Francisco
- The electricity generated at the three powerhouses is transmitted through a system of high-voltage power transmission lines from the Sierra Nevada mountains across the Central Valley to PG&E's transmission system
- Power Enterprise also manages and operates CleanPowerSF, which purchases renewable power supplies and is San Francisco's Community Choice Aggregator

SFPUC Bond Issuance by Calendar Year



	Water	Wastewater	Power	Total
Total Par since 2001	\$9.756 billion	\$4.963 billion	\$308.6 million	\$15.03 billion



SFPUC Official Statements

NEW ISSUE – Book-Entry Only

In the opinion of Norton Rose Fulbright US LLP, San Francisco, California, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming compliance with certain covenants in the documents pertaining to the 2023CD Bonds and requirements of the Internal Revenue Code of 1986, as described herein, interest on the 2023CD Bonds is not included in the gross income of the owners thereof for federal income tax purposes. In the further opinion of Bond Counsel, interest on the 2023CD Bonds is not treated as an item of tax preference for purposes of the federal alternative minimum tax on individuals. Bond Counsel is also of the opinion that, under existing law, interest on the 2023CD Bonds is exempt from personal income taxes of the State of California. See “TAX MATTERS.”



Services of the San Francisco Public Utilities Commission

\$514,855,000
PUBLIC UTILITIES COMMISSION
THE CITY AND COUNTY OF SAN FRANCISCO
San Francisco Water Revenue Bonds, 2023 Series CD
\$486,875,000 **\$27,980,000**
2023 Sub-Series C (Refunding) **2023 Sub-Series D (Refunding)**
(WSIP) (Green Bonds) **(Local Water)**



Date: Date of Delivery

Date: November 1, as shown on inside cover page

General. This cover page contains certain information for quick reference only. It is not intended to be a summary of the security or terms of the water revenue bonds captioned above. Potential investors are instructed to read the entire Official Statement, including the appendices hereto, to obtain information essential to making an informed investment decision.

Authority for Issuance. The Public Utilities Commission of the City and County of San Francisco (the “SFPUC”) is issuing its San Francisco Water Revenue Bonds, 2023 Series CD, in two sub-Series: (i) the 2023 Sub-Series C (Refunding) (WSIP) (Green Bonds) and (ii) the 2023 Sub-Series D (Refunding) (Local Water) (the “2023CD Bonds”), and together with the 2022CD Bonds, the “2023CD Bonds”, pursuant to authority granted by the Charter of the City and County of San Francisco (the “City”).

The 2023CD Bonds will be issued under a Forty-Fifth Supplemental Indenture, dated as of August 1, 2023 (the “**Forty-Fifth Supplemental Indenture**”), by and between the SFPUC and U.S. Bank Trust Company, National Association, as trustee (the “**Trustee**”). The 2023CD Bonds will be issued under a Forty-Sixth Supplemental Indenture, dated as of August 1, 2023 (the “**Forty-Sixth Supplemental Indenture**”), by and between the SFPUC and the Trustee. The Forty-Fifth Supplemental Indenture and Forty-Sixth Supplemental Indenture supplement the Amended and Restated Indenture, dated as of August 1, 2002 (as amended and supplemented to date, the “**Indenture**”), by and between the SFPUC and the Trustee. See “SECURITY FOR THE BONDS.”

Plan of Refunding. The 2023CD Bonds are being issued to (i) pay the purchase price of certain outstanding water revenue bonds of the SFPUC intended for cash pursuant to the invitation, (ii) advance refund certain outstanding water revenue bonds of the SFPUC, and (iii) pay the costs of issuance of the 2023CD Bonds. See “PLAN OF REFUNDING” and “SOURCES AND USES OF FUNDS.”

Denominations and Interest. The 2023CD Bonds will be available in denominations of \$5,000 or any integral multiple thereof and will mature in the years and amounts and accrue interest from their date of delivery at the rates set forth on the inside cover page of this Official Statement. Interest on the 2023CD Bonds is payable semiannually on May 1 and November 1 of each year, commencing November 1, 2023. See “THE 2023CD BONDS.”

Book-Entry Only. The 2023CD Bonds will be issued as fully registered bonds, registered in the name of Code & Co., as nominee of The Depository Trust Company (“DTC”), New York, New York, and will be available to ultimate purchasers (the “**Beneficial Owners**”) under the book-entry only system maintained by DTC. Beneficial Owners will not receive physical certificates representing their interests in the 2023CD Bonds. The principal of, premium, if any, and interest on the 2023CD Bonds are payable to DTC by the Trustee, and, so long as DTC is acting as securities depository for the 2023CD Bonds, disbursements of such payments to DTC Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of DTC Participants. See “THE 2023CD BONDS.”

Redemption. The 2023CD Bonds are subject to redemption prior to maturity as described herein. See “THE 2023CD BONDS – Redemption.”

Security. Under the Indenture, the SFPUC has irrevocably pledged the Revenues of its Water Enterprise and all Refundable Credits (in the case of Bonds defined herein) issued as Build America Bonds) received by the SFPUC to the punctual payment of principal of, premium, if any, and interest on the 2023CD Bonds and all outstanding parity revenue bonds, notes or other evidences of indebtedness authorized under the Indenture, subject to the allocation of funds provided in the Indenture. The 2023CD Bonds are payable on parity with certain Outstanding Bonds previously issued by the SFPUC under the Indenture and all outstanding parity revenue bonds, notes or other evidences of indebtedness authorized under the Indenture. No Bond Reserve Account will be established for the 2023CD Bonds. See “SECURITY FOR THE BONDS.”

Limited Obligation. The SFPUC is not obligated to pay the principal of, premium, if any, or interest on the 2023CD Bonds except from Revenues. The SFPUC has no taxing power. The General Fund of the City is not liable for the payment of the principal of, premium, if any, or interest on the 2023CD Bonds, and neither the credit nor the taxing power of the City is pledged to the payment of the principal of, premium, if any, or interest on the 2023CD Bonds. The 2023CD Bonds are not secured by a legal or equitable pledge of, or charge, lien, or encumbrance upon, any of the property of the City or of the SFPUC or any of its income or receipts, except Revenues. The 2023CD Bonds are not secured by the revenues of the SFPUC Waterwater Enterprise or Power Enterprise or the revenues of CleanPowerSF. See “SECURITY FOR THE BONDS.”

MATURITY SCHEDULES
 (See inside cover page)

The 2023CD Bonds are offered when, as and if issued by the SFPUC and received by the Underwriters, subject to the approval of validity by Norton Rose Fulbright US LLP, San Francisco, California, Bond Counsel to the SFPUC, and to certain other conditions. Certain matters will be passed upon for the SFPUC and the City by Orrick, Herrington & Sunfield LLP, San Francisco, California, Disclosure Counsel, and by the City Attorney of the City and County of San Francisco. Montage DeLoane and Associates, LLC, Walnut Creek, California, and Backstrom McCleary Berry & Co., LLC, San Francisco, California, Co-Municipal Advisors to the SFPUC, assisted in the structuring of this financing. Certain matters will be passed upon for the Underwriters by Hawkins Delfield & Wood LLP, San Francisco, California. It is expected that the 2023CD Bonds in fully registered form will be available for delivery in book-entry form through the facilities of DTC, on or about August 10, 2023.

Jefferies	Wells Fargo Securities
Ramirez & Co., Inc.	RBC Capital Markets
UBS	J.P. Morgan
Jefferies	Siebert Williams Shank & Co., LLC
(Underwriters for the 2024AB Bonds)	(Underwriters for the 2024CD Bonds)

Date July 19, 2023, and supplemented to reflect the issuance of the SFPUC's San Francisco Water Revenue Bonds, 2023 Series AB, on July 27, 2023, and certain other matters as indicated herein.

NEW ISSUE – Book-Entry Only

In the opinion of Norton Rose Fulbright US LLP, San Francisco, California, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming compliance with certain covenants in the documents pertaining to the Tax-Exempt Bonds and requirements of the Internal Revenue Code of 1986, as described herein, interest on the Tax-Exempt Bonds is not included in the gross income of the owners thereof for federal income tax purposes. In the further opinion of Bond Counsel, interest on the Tax-Exempt Bonds is not treated as an item of tax preference for purposes of the federal alternative minimum tax on individuals. Bond Counsel is also of the opinion that, under existing law, interest on the 2024ABCD Bonds is exempt from personal income taxes of the State of California. Bond Counsel expresses no opinion with respect to the exclusion from gross income for federal income tax purposes of the interest on the Taxable Bonds. Such interest is not intended to be excluded from gross income for federal income tax purposes. See “TAX MATTERS” herein.



Services of the San Francisco Public Utilities Commission

\$1,142,975,000
PUBLIC UTILITIES COMMISSION OF THE
CITY AND COUNTY OF SAN FRANCISCO
Wastewater Revenue Bonds

\$431,110,000	\$87,250,000	\$539,720,000	\$84,895,000
2024 Series A	2024 Series B	2024 Series C	2024 Series D
(SSIP) (Green Bonds)	(Non-SSIP)	(SSIP) (Green Bonds)	(Non-SSIP)
(Federally Taxable)	(Federally Taxable)	(Federally Taxable)	(Non-SSIP)



Date: Date of Delivery

Date: As shown on inside cover page

General. This cover page contains certain information for quick reference only. It is not intended to be a summary of the security or terms of this issue. Investors are instructed to read the entire Official Statement, including the appendices hereto, to obtain information essential to making an informed investment decision.

General. The Official Statement provides information regarding the above-captioned bonds (collectively, the “2024ABCD Bonds”) of the Public Utilities Commission of the City and County of San Francisco (the “SFPUC”). Capitalized terms not otherwise defined on this cover shall have the meanings ascribed to such terms herein.

Authority for Issuance. The SFPUC is issuing the 2024ABCD Bonds pursuant to authority granted by the Charter of the City and County of San Francisco (the “City”), under Proposition E, approved by San Francisco voters on November 5, 2002. The 2024ABCD Bonds will be issued under supplemental indentures that supplement the Indenture, dated as of January 1, 2003 (as amended and supplemented, the “**Indenture**”), by and between the SFPUC and U.S. Bank Trust Company, National Association, as successor to U.S. Bank National Association, as trustee (the “**Trustee**”). See “SECURITY FOR THE BONDS.” All bonds, notes and other obligations of the SFPUC issued and outstanding at any given time under the Indenture, including the 2024ABCD Bonds, and Parity Loans as the context requires, are referred to collectively in this Official Statement as the “**Bonds**.”

Purpose. The 2024ABCD Bonds are being issued to finance certain capital projects benefiting the Wastewater Enterprise, including from the Sewer System Improvement Program (the “**SSIP**”), to retire tax-exempt Commercial Paper Notes issued to finance certain capital projects benefiting the Wastewater Enterprise, including from the SSIP, to defuse a portion of certain of the SFPUC's outstanding Bonds, and to fund capital interest with respect to a portion of the 2024ABCD Bonds through April 1, 2026, and to pay the costs of issuance of the 2024ABCD Bonds. See “PLAN OF FINANCE,” “ESTIMATED SOURCES AND USES OF FUNDS,” “GREEN BONDS DESIGNATION AND CLIMATE CERTIFICATION,” and “WASTEWATER ENTERPRISE CAPITAL PROGRAM.”

Denominations and Interest. The 2024ABCD Bonds will be available in denominations of \$5,000 or any integral multiple thereof and will mature in the years and amounts and accrue interest from their date of delivery at the rates set forth on the inside cover page of this Official Statement. Interest on the 2024ABCD Bonds is payable semiannually on April 1 and October 1 of each year, commencing on October 1, 2024. See “THE 2024ABCD BONDS.”

Book-Entry Only. The 2024ABCD Bonds will be issued as fully registered bonds, registered in the name of Code & Co., as nominee of The Depository Trust Company (“DTC”), New York, New York, and will be available to ultimate purchasers (the “**Beneficial Owners**”) under the book-entry only system maintained by DTC. Beneficial Owners will not receive physical certificates representing their interests in the 2024ABCD Bonds. The principal of, premium, if any, and interest on the 2024ABCD Bonds are payable to DTC by the Trustee, and, so long as DTC is acting as securities depository for the 2024ABCD Bonds, disbursements of such payments to DTC Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of DTC Participants. See “THE 2024ABCD BONDS.”

Redemption. The 2024ABCD Bonds are subject to redemption prior to their stated maturities as described herein. See “THE 2024ABCD BONDS – Redemption.” **Security.** Under the Indenture, the SFPUC has irrevocably pledged the Net Revenues of the Wastewater Enterprise to the punctual payment of principal of, premium, if any, and interest on the Bonds, which consist of all parity revenue bonds, notes and other obligations issued under the Indenture, including the 2024ABCD Bonds, and Parity Loans, subject to the allocation of funds provided in the Indenture. The 2024ABCD Bonds are payable on parity with certain Outstanding Bonds previously issued by the SFPUC under the Indenture and certain Parity Loans. No Reserve Account will be established for the 2024ABCD Bonds. See “SECURITY FOR THE BONDS.”

Limited Obligation. The SFPUC is not obligated to pay the principal of, premium, if any, or interest on the Bonds from any source of funds other than Net Revenues of the Wastewater Enterprise. The SFPUC has no taxing power. The General Fund of the City is not liable for the payment of the principal of, premium, if any, or interest on the Bonds, and neither the credit nor the taxing power of the City is pledged to the payment of the principal of, premium, if any, or interest on the Bonds. The Bonds are not secured by a legal or equitable pledge of, or charge, lien, or encumbrance upon, any of the property of the City or of the SFPUC or any of its income or receipts, except Net Revenues of the Wastewater Enterprise. See “SECURITY FOR THE BONDS.”

The 2024ABCD Bonds are offered when, as and if issued by the SFPUC and received by the Underwriters, subject to the approval of validity by Norton Rose Fulbright US LLP, San Francisco, California, Bond Counsel to the SFPUC, and to certain other conditions. Certain matters will be passed upon for the SFPUC and the City by Orrick, Herrington & Sunfield LLP, San Francisco, California, Disclosure Counsel, and by the City Attorney of the City and County of San Francisco. Montage DeLoane and Associates, LLC, Walnut Creek, California, and Backstrom McCleary Berry & Co., LLC, San Francisco, California, Co-Municipal Advisors to the SFPUC, assisted in the structuring of this financing. Certain matters will be passed upon for the Underwriters by Hawkins DeLoane & Wood LLP, San Francisco, California. It is expected that the 2024ABCD Bonds in fully registered form will be available for delivery in book-entry form through the facilities of DTC, on or about July 31, 2024.

BoFA Securities	Morgan Stanley	Morgan Stanley	BoFA Securities
J.P. Morgan	Jefferies	J.P. Morgan	Jefferies
Ramirez & Co., Inc.	Siebert Williams Shank & Co., LLC	Ramirez & Co., Inc.	Siebert Williams Shank & Co., LLC
(Underwriters for the 2024AB Bonds)	(Underwriters for the 2024CD Bonds)	(Underwriters for the 2024AB Bonds)	(Underwriters for the 2024CD Bonds)

Date: The date of this Official Statement is July 18, 2024.

NEW ISSUE – BOOK-ENTRY ONLY

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described in this Official Statement, interest on the 2023A Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest on the 2023A Bonds is exempt from State of California personal income taxes under “TAX MATTERS” with respect to certain tax consequences relating to the 2023A Bonds, including with respect to the alternative minimum tax imposed on certain large corporations for tax years beginning after December 31, 2022.



Services of the San Francisco Public Utilities Commission

\$123,905,000
PUBLIC UTILITIES COMMISSION
OF THE CITY AND COUNTY OF SAN FRANCISCO
POWER REVENUE BONDS, 2023 SERIES A

Date: Date of Delivery

Date: As shown on inside front cover

General. This cover page contains information for general reference only. It is not intended to be a summary of this issue. Potential purchasers are advised to read the entire Official Statement to obtain information essential to making an informed investment decision.

Authority for Issuance. The Public Utilities Commission of the City and County of San Francisco (the “SFPUC”) is issuing a single series of its Power Revenue Bonds, 2023 Series A (the “2023A Bonds”), pursuant to authority granted by the Charter of the City and County of San Francisco (the “City”) and a Trust Indenture, dated as of May 1, 2015, as amended and supplemented, including as supplemented by a Third Supplemental Trust Indenture, dated as of October 1, 2022 (collectively, the “**Indenture**”), each by and between the SFPUC and U.S. Bank Trust Company, National Association, as trustee (the “**Trustee**”).

Plan of Finance. The 2023A Bonds are being issued to (i) refund approximately \$117.7 million principal amount of and interest on Commercial Paper Notes issued to finance a portion of the costs of various capital projects benefiting the Power Enterprise, (ii) fund capitalized interest on the 2023A Bonds to November 1, 2025, and (iii) pay costs of issuance of the 2023A Bonds.

Denominations and Interest. The 2023A Bonds will be available in denominations of \$5,000 or any integral multiple thereof and will mature in the years and amounts and accrue interest from their date of delivery at the per annum rates set forth on the inside cover page of this Official Statement. Interest on the 2023A Bonds is payable semiannually on May 1 and November 1 of each year, commencing May 1, 2024.

Book-Entry Only. The 2023A Bonds will be issued as fully registered bonds, registered in the name of Code & Co., as nominee of The Depository Trust Company (“DTC”), New York, New York, and will be available to ultimate purchasers (the “**Beneficial Owners**”) under the book-entry only system maintained by DTC. Beneficial Owners will not receive physical certificates representing their interests in the 2023A Bonds. The principal of, premium, if any, and interest on the 2023A Bonds are payable to DTC by the Trustee, and, so long as DTC is acting as securities depository for the 2023A Bonds, disbursements of such payments to DTC Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of DTC Participants.

Redemption. The 2023A Bonds are subject to optional and mandatory redemption prior to maturity as described in this Official Statement.

Security. Under the Indenture, the SFPUC has irrevocably pledged the Revenues of its Power Enterprise, after payment of Operation and Maintenance Expenses and any Priority R&R Fund Deposits (each as defined herein), to the punctual payment of principal of, premium, if any, and interest on the Bonds, which consist of all outstanding parity revenue bonds issued under the Indenture, including the 2023A Bonds. The 2023A Bonds, all other Bonds and outstanding parity obligations permitted by the Indenture are secured by a party lien on Revenues, after payment of Operation and Maintenance Expenses and any Priority R&R Fund Deposits. See “SECURITY FOR THE BONDS.”

No Reserve Account. No Reserve Account will be established for the 2023A Bonds. See “SECURITY FOR THE BONDS – No Reserve Account for 2023A Bonds.”

Limited Obligation. The 2023A Bonds are special limited obligations of the SFPUC. The SFPUC is not obligated to pay the principal of, premium, if any, or interest on the 2023A Bonds from any source of funds other than Revenues, after payment of Operation and Maintenance Expenses and any Priority R&R Fund Deposits. Neither the general funds of the SFPUC nor the funds of any SFPUC enterprise other than those from Revenues and other than those from the 2023A Bonds are available for the payment of the principal of, premium, if any, or interest on the 2023A Bonds. The SFPUC has no taxing power. The General Fund of the City is not liable for the payment of the principal of, premium, if any, or interest on the 2023A Bonds, and neither the credit nor the taxing power of the City is pledged to the payment of the principal of, premium, if any, or interest on the 2023A Bonds. The 2023A Bonds are not secured by a legal or equitable pledge of, or charge, lien, or encumbrance upon, any of the property of the City or of the SFPUC or any of its income or receipts, except Revenues, after payment of Operation and Maintenance Expenses and any Priority R&R Fund Deposits. The 2023A Bonds are not secured by or payable from the revenues of the SFPUC's Water Enterprise, Wastewater Enterprise or CleanPowerSF, or the revenues allocated to Hetch Hetchy Water. See “SECURITY FOR THE BONDS.”

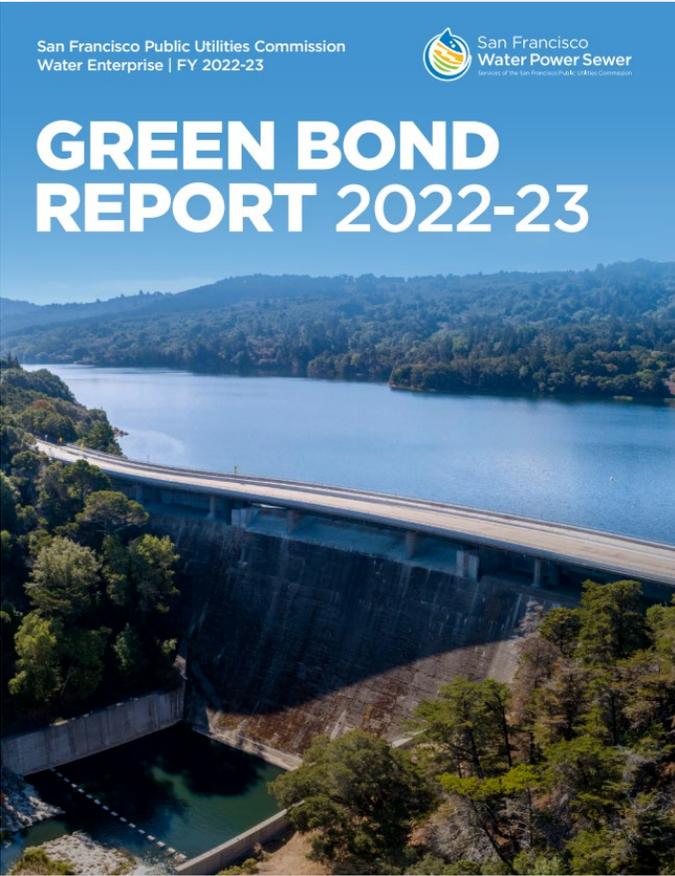
MATURITY SCHEDULE
 (See inside front cover)

The 2023A Bonds are offered when, as and if issued by the SFPUC and received by the Underwriters, subject to the approval of validity by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel, and to certain other conditions. Orrick, Herrington & Sunfield LLP, San Francisco, California, is acting as Disclosure Counsel. IFM California Advisors LLC, San Francisco, California, Municipal Advisor to the SFPUC, assisted in the structuring of this financing. Certain matters will be passed upon for the Underwriters by Huch Blackwell LLP, Oakland, California. It is expected that the 2023A Bonds in fully registered form will be available for delivery in book-entry form through the facilities of DTC, on or about October 12, 2023.

J.P. Morgan	Siebert Williams Shank & Co., LLC	Morgan Stanley
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Date: The date of this Official Statement is September 27, 2023.

SFPUC Green Bond Reports



Investor Relations

BondLink Investor Relations Website

Debt Management and Disclosure Reports

EMMA MSRB

Posting Date	Disclosure Description	Disclosure Document
03/19/2025	Bond Call: Notice of Redemption	
03/19/2025	Bond Call: Notice of Redemption	
03/19/2025	Bond Call: Notice of Redemption	
03/17/2025	Tender Offer / Secondary Market Purchases: Invitation to Tender: Bonds for Purchase by the Public Utilities Commission of the City and County of San Francisco	
03/17/2025	Financial Obligation - Incurrence or Agreement: Notice of Listed Event - Power (R-1) and Water (R-2) Revolving Credit Agreement	
03/04/2025	Financial Obligation - Incurrence or Agreement: Listed Event: Notice Water CP Series A-1 and A-4 2025	

Other Disclosure Practices

❖ Debt Management Policies

- Debt Management Policy and Procedures
- Debt Service Coverage Policy
- Fund Balance Reserve Policy
- Capital Financing Policy
- City and County of San Francisco Debt Policy

❖ Disclosure Practices Working Group Committee

- Pursuant to the Disclosure Policies, the SFPUC developed a Disclosure Practices Working Group that meets at least semiannually to better and more effectively administer the SFPUC's continuing disclosure requirements.

❖ Disclosure Counsel

- The SFPUC works closely with disclosure counsel Orrick, Herrington & Sutcliffe LLP, to review and prepare all disclosure documents.

Importance of Dialogue

- ❖ Kick Off: Disclosure Practices Training for Enterprise Staff
- ❖ Color Coded Draft Review
- ❖ Meetings with Enterprise Staff
- ❖ Meetings with Subject Matter Experts
- ❖ Due Diligence Questions and Meeting
- ❖ Commission Disclosure Practices Training
- ❖ Disclosure Working Group

Teamwork and Additional Information

Capital Finance Team

Edward Kwong, *Capital Finance Analyst*, ekwong@sfgwater.org

Dan Fuchs, *Capital Finance Analyst*, dfuchs@sfgwater.org

Eric Kwak, *Debt Analyst*, ekwak@sfgwater.org

Earl Dunivan, *Debt Analyst*, edunivan@sfgwater.org

Gisele de Araujo, *San Francisco Fellow*, gdearaujo@sfgwater.org

Nikolai J. Sklaroff

Capital Finance Director

nskларoff@sfgwater.org



Debt Reports Website



Financial Reports Website



Custom EMMA Website



San Bernardino County Disclosure Adventure

April 8, 2025

Amanda Trussell

Principal Administrative Analyst

SBCounty.gov

San Bernardino County

- A strong credit that reflects the Board of Supervisor's longstanding fiscal prudent approach
 - S&P - AA+ ratings
 - Strong management
 - Strong budgetary performance
 - Very Strong budget flexibility
- Largest County in the contiguous United States by area (20,160 square miles)
- Infrequent issuer



County Portfolio

- General Fund
- Certificates of Participation (COP)
- 2019 Arrowhead Refunding
 - Principal Issued \$259.7 million
 - Principal Outstanding (June 2024) \$131.6 million
 - Final Maturity 10/1/2027





County Portfolio

2007 Courthouse Project Bonds – Seismic Retrofit

- Direct Placement
- Backed by a surcharge on civil filings
- Principal Issued - \$18.4 million
- Principal Outstanding (June 2024) - \$9.9 million
- Final Maturity 6/30/2037



Other County Agencies

Flood Control District

- 2008 Judgment Obligations Bonds
 - Variable Rate Bonds
 - Principal Issued \$37.3 million
 - Principal Outstanding (June 2024) - \$37.3 million
 - Called the bonds on September 3, 2024.

Other outstanding debt includes Special Districts, San Bernardino County Fire Protection District, Successor Agency/RDA Bonds

Disclosure

- Written Policies and Procedures
- Post Issuance Compliance Monitoring
 - Annual calendar that details compliance deadlines
 - Utilize DACbond to file disclosure and monitor for SEC events
 - Disclosure Team





Disclosure Management
LOS ANGELES COUNTY METROPOLITAN
TRANSPORTATION AUTHORITY

April 8, 2025

Overview

- LACMTA’s service area covers 1,433 square miles across 88 cities
- Unique among U.S. transportation agencies
 - As a self-help county, serves as planner and coordinator, designer, builder, and operator for Los Angeles County’s transportation network
- 2nd largest system in the country
- Primary funding source is voter-approved sales taxes, providing 2% in perpetuity



Debt Profile

- Majority of debt issued is pledged by Sales Tax
- In addition to long-term bonds, Metro utilizes short-term borrowing programs if warranted

Bonds Outstanding as of April 1, 2025 by Lien					
Lien	Outstanding Principal	Credit Ratings			
		Moody's	S&P	Fitch	Kroll
Proposition A <i>Senior</i>	\$677,235,000	Aa1	AAA	NR	AAA <i>(Series 2018-A Only)</i>
Proposition C <i>Senior</i>	\$1,522,025,000	Aa1	AAA	AA+	NR
Measure R <i>Senior</i>	\$1,284,910,000	Aa1	AAA	NR	NR
Measure R <i>Junior Subordinate</i>	\$1,280,750,000	NR	AA	AA	NR
General Revenue	\$32,850,000	Aa2	AA+	NR	NR
Total Bonds	\$4,797,770,000				

- Semi-frequent issuer
- Dedicated Disclosure Counsel
- Disclosure Working Group
- Investor Relations

HAWKINS

Agency Approaches to Disclosure Management Questions for Discussion

Sean Tierney, Moderator

Does your organization have written disclosure policies?

What process does your organization use to update offering documents at the beginning of a transaction?

Disruption of federal revenues is one of the recent hot topics in disclosure.

Have you addressed this in recent new issue disclosure

Have you considered a voluntary disclosure?

How does your organization handle advising public officials on public statements relating to financial condition, especially during the time with you are in the market with a new deal?

Does your organization provide disclosure training to staff, board and executive management?

Does your organization provide information for investors on your websites or on EMMA only or both?

Have you hired or considered hiring a disclosure consultant to assist with continuing disclosure (such as DAC)?

Do your organizations have any time periods during the year that you avoid being in the market with a bond deal?

Have any of you experienced a disclosure issue that came up between pricing and closing?

How are your organizations dealing with ensuring compliance with Events 15 and 16 related to financial obligations?

How do you determine materiality?

Has your organization issued any bonds as green or social bonds?

Have you discerned any changes in the market in this area?

QUESTIONS?



NIKOLAI SKLAROFF
Capital Finance Director
San Francisco Public
Utilities Commission



SEAN TIERNEY
Partner
Hawkins Delafield
& Wood LLP



AMANDA TRUSSELL
*Principal Administrative
Analyst*
County of San Bernardino



MATTHEW WINGERT
Budget Manager
Los Angeles County
Metropolitan
Transportation Authority



15-MINUTE --- BREAK

SESSION FIVE

Complying with California's Disclosure Requirements



ROBERT BERRY
Executive Director
CDIAC

TARA DUNN
Manager
Policy Research Unit
CDIAC



Overview

- Legal Disclosure Framework
- Reporting Obligations
- Public Data Transparency
- Special Reporting Obligations
- Data Submission Demonstration
- Data Portal Best Practices
- DebtWatch Demonstration

Legal Disclosure Framework

California Government Code

Sections 8855-8859

- CDIAAC Debt Data Collection & Distribution Responsibilities
- Issuer Reporting Responsibilities
 - Proposed Debt Issuance
 - Final Sale
 - “Annual Debt Transparency”
- Issuance Fees

Sections 53359.5 and 6599.1

- Issuer Reporting Responsibilities
 - Mello-Roos Yearly Fiscal Status
 - Marks-Roos Yearly Fiscal Status

California Code of Regulations

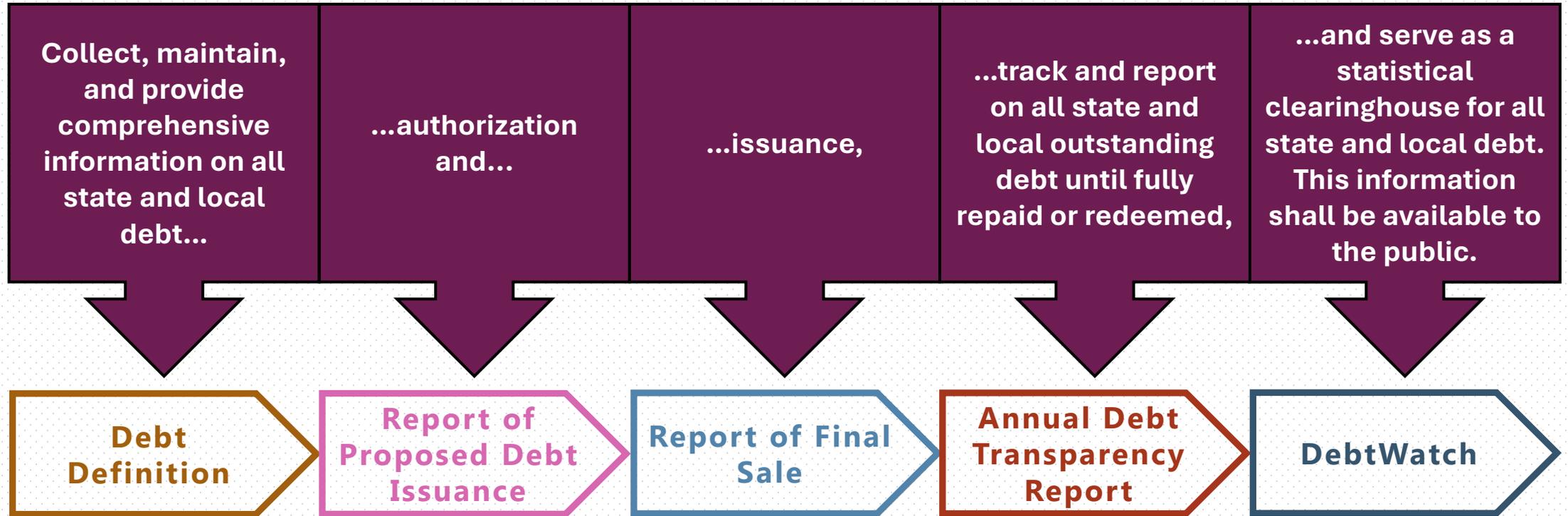
Title 4., Division 9.6., Chapter 1.

- Article 1. Definitions
- Article 2. Report of Proposed Debt Issuance
- Article 3. Report of Final Sale
- Article 4. Issuance Fees
- Article 5. Reporting for Mello-Roos Bonds
- Article 6. Reporting for Marks-Roos Bonds
- Article 7. Reporting Statements Regarding Non-Public Sales of Debt

Legal Report Continuum

CDIAC's Statutory Directive

Government Code Section 8855 (h)(3).....The Commission shall.....



Reporting Obligations

Debt
Definition

Collect, maintain, and provide comprehensive information on all state and local debt...

California Code of Regulations Title 4, section 6000 (k)

Report of
Proposed Debt
Issuance

- A contractual agreement through which a Creditor or Creditors transfers assets or moneys of an agreed value or amount, or rights of beneficial use, to an Issuer in exchange for one or more non-cancelable payments, inclusive of an interest component no matter whether it is paid, accrued, or imputed, over a specific period of time, the total value of which is approximately equal to the present value of the assets or rights on or about the time the transfer occurred.

Report of Final
Sale

- Specific evidences of debt are listed

- ✓ **Bonds**
- ✓ **Notes**
- ✓ **Loans**
- ✓ **Warrants**
- ✓ **Leases (capital)**
- ✓ **Certificates of Participation**
- ✓ **Commercial Paper Notes**
- ✓ **Lines of Credit**
- ✓ **Installment Purchases**

Annual Debt
Transparency
Report

- No exclusion for certain creditors or terms e.g., government loans, short-term debt

DebtWatch

Reporting Obligations

...authorization and...

Government Code section 8855(i)

- Obligation of the issuer
- Any debt proposed by state or local government
- Submit to CDIAC at least 30 days prior to sale
- Information that CDIAC “considers appropriate”

CCR Title 4, sections 6010 - 6014

- All required data elements
- Method of submittal – Online
- Provisions for CP, Lines of Credit, Pooled Financings
- Issuer certification of a local debt policy and that the contemplated issuance is policy-consistent. Policy shall include:
 - A. The purposes for which debt proceeds may be used
 - B. The types of debt that may be issued
 - C. Debt relationship and integration with issuer’s CIP or budget
 - D. Goals related planning goals and objectives
 - E. Internal control procedures for the use of debt proceeds
- Exceptions to C – E for authority issuers.

Debt
Definition

Report of
Proposed
Debt Issuance

Report of
Final Sale

Annual Debt
Transparency
Report

Debt Watch

Reporting Obligations

Debt
Definition

Report of
Proposed Debt
Issuance

Report of Final
Sale

Annual Debt
Transparency
Report

DebtWatch

...issuance,

Government Code section 8855(j)

- Submit to CDIAC not later than 21 days after the sale
- Information that CDIAC “considers appropriate”

CCR Title 4, sections 6020 - 6024

- All required data elements
- Data as of the settlement date
- Method of submittal – Online
- Provisions for CP, Lines of Credit, Pooled Financings
- Submit Official Statement
- If no OS, then “other documents” including
 - ✓ **Indenture**
 - ✓ **Loan agreement**
 - ✓ **Bond purchase contract**
 - ✓ **Bond specimen**
 - ✓ **Installment sales agreement**
 - ✓ **Promissory note**
 - ✓ **Authorizing Resolution**

Redact information not otherwise required and deemed confidential

Reporting Obligations

...track and report on all state and local outstanding debt until fully repaid or redeemed,

Government Code section 8855(k)

Debt Authorized

- ✓ Authorized Beginning of Period
- ✓ Authorized and Issued During Period
- ✓ Authorized but Not Issued End of Period
- ✓ Authorization Lapsed During Reporting Period

Debt Outstanding

- ✓ Principal Balance Beginning of Period
- ✓ Principal Paid During Period
- ✓ Principal Outstanding End of Period

Use of Debt Proceeds

- ✓ Proceeds Available Beginning of Period
- ✓ Proceeds Spent & Purposes During Period
- ✓ Proceeds Remaining End of Period

- Required of all issues for which a Report of Final Sale was submitted to CDIAC on or after January 21, 2017
- Required for any reporting period in which debt is outstanding or proceeds are unspent
- Deadline for submittal: January 31st – 7 months after the (July-June) reporting period ends
- Builds upon the Reports of Proposed and Final Sale, and prior year ADTRs
- Past due filings may be submitted at any time

Debt
Definition

Report of
Proposed
Debt Issuance

Report of
Final Sale

Annual Debt
Transparency
Report

DebtWatch

Public Data Transparency

Debt
Definition

Report of
Proposed Debt
Issuance

Report of Final
Sale

Annual Debt
Transparency
Report

DebtWatch

...and serve as a statistical clearinghouse for all state and local debt. This information shall be available to the public.

- All issuance and annual data since 1982
- Issuance data updated daily, statewide
- Customizable visualizations and reports
- Expanded data export functionality
- Embedded help text and linked glossary
- Annual report summaries
- View or download issuance documents single-issue or in bulk
- Printable formatted reports for the issue over its lifecycle
- Open access to bond and tax election data
- Secret button that allows move from DebtWatch to Data Portal to edit records



DEBTWATCH

Special Reporting Obligations

Mello-Roos Yearly Fiscal Status Report

Government Code section 53359.5

- Basic debt data
- Principal outstanding
- Balances in reserve, capitalized interest, and construction funds
- Special tax delinquency and foreclosure report
- Assessed value subject to special tax
- Special taxes due and unpaid
- 10-day event notice for a payment default or draw on reserve below minimum
- Due October 30 each year

CCR Title 4, sections 6040-6043

- Definitions
- Clarification of report requirements
- Requirements for the Draw on Reserve/Default Report
- Method of submission

Marks-Roos Yearly Fiscal Status Report

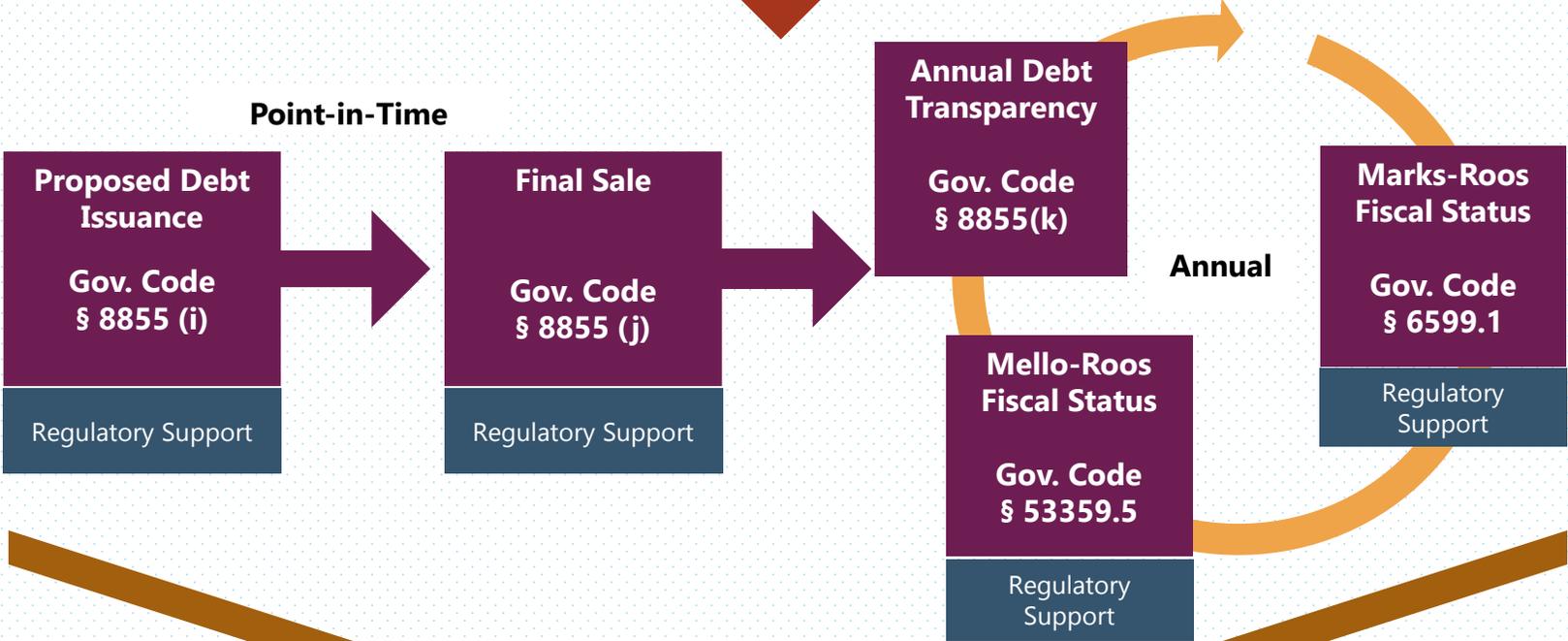
Government Code section 6599.1

- Principal outstanding, authority and local obligors
- Balances in reserve and capitalized interest funds
- Fees and administrative charges in total and per obligor
- Delinquency rates on local obligations
- Earnings and fees paid on GICs
- 10-day event notice for a payment default or any draw on reserve by authority or obligor
- Due October 30 each year

CCR Title 4, sections 6050-6052

- Definitions
- Clarification of report requirements
- Requirements for the Draw on Reserve/Default Report
- Method of Submission

Statutory Objective
Government Code § 8855 (h)(3)



Data Submission



- Secure cloud-based interface
- Personalized issuer or delegate dashboard
- Workload display
- Save and return to incomplete submittals
- Imbedded instructions and help text
- Relational reference data
- Ability to modify previous submittals
- Notifications
- PDF documentation

Data Portal Best Practices

- Actively maintain issuer and third-party filer contact information.
- Avoid splitting issues without consideration of the effect on your annual reporting obligations. Use the features that allow an issue's taxable and tax-exempt series and multiple authorizations to be combined.
- Always review the Final Sale and 1st year ADTR submissions to make sure they are accurate and presented in a manner you can live with.
- Create a gameplan of how you want to present your data over many years of future annual filings. Don't over-complicate your submissions, unnecessarily.
- Create Data Portal submission procedures that explain your methods (e.g., naming conventions) for filers in future years. Document any data idiosyncrasies and the solution you may have used.
- Prior to starting any annual filing, particularly the ADTR, review the prior year submission and make necessary adjustments.
- Take ownership of your data and consider how you want it to be presented to your constituents.
- Use the help text and guidance built into the Data Portal, but contact CDIAC and ask for assistance if you can't find a solution.



THANK YOU

Please complete the seminar evaluation and leave it on your table.

UPCOMING EVENTS

**Land-secured Financing:
Fundamentals and Evolving Practices**

September 10–11, 2025
Pleasanton, CA

For more information, visit:
treasurer.ca.gov/CDIAC/seminars