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“Public Finance Potpourri”

GFOASC
October 15, 2013

Concentrating on public finance, governmental and utility representation



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Topics in this Discussion

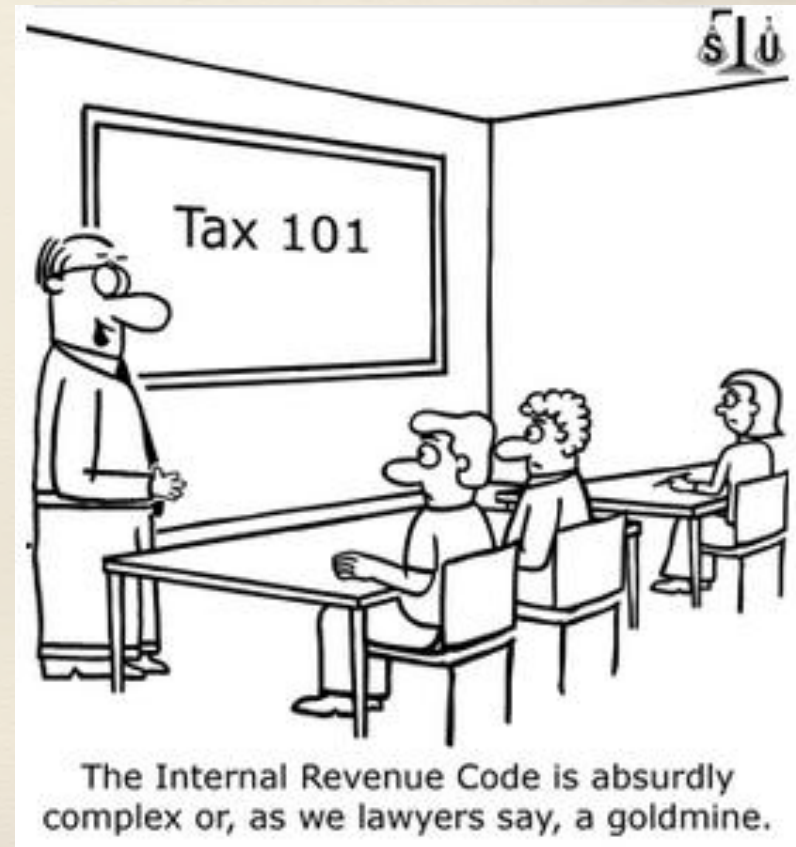
- What is new in Bond World?
- Recent events and possible changes.
- Continuing Disclosure compliance.
- Tax compliance.



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What's new in the Bond World?

- IRS Involvement: audit risks; new auditors; revised Form 8038; written tax policies and procedures
- SEC Involvement: disclosure responsibility; likelihood of compliance; audit risks; trading data; rating changes; Dodd-Frank implementation; regulating financial advisors
- Market Factors: current disclosure; high premiums; lack of insurance market; high demand for quality paper; more bank participation





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Recent Events

- Bankruptcy at local level (Detroit, JeffCo, Vallejo, Central Falls, Stockton)
- OPEB obligations
- Death of Insurance market (see BAM)
- Rating methodologies
- Private placements
- Incentives – tax credits (federal and state)
- EMMA as a disclosure platform
- VCAP as a means for SEC audit (see South Miami)
- No SLGS market (advance refundings)
- New Federal Reserve Chair (Janet Yellen)
- Role of Municipal Advisors
- Pension obligations (State and local government – ARC growth)



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Recent Events

Municipal Advisor Regulation:

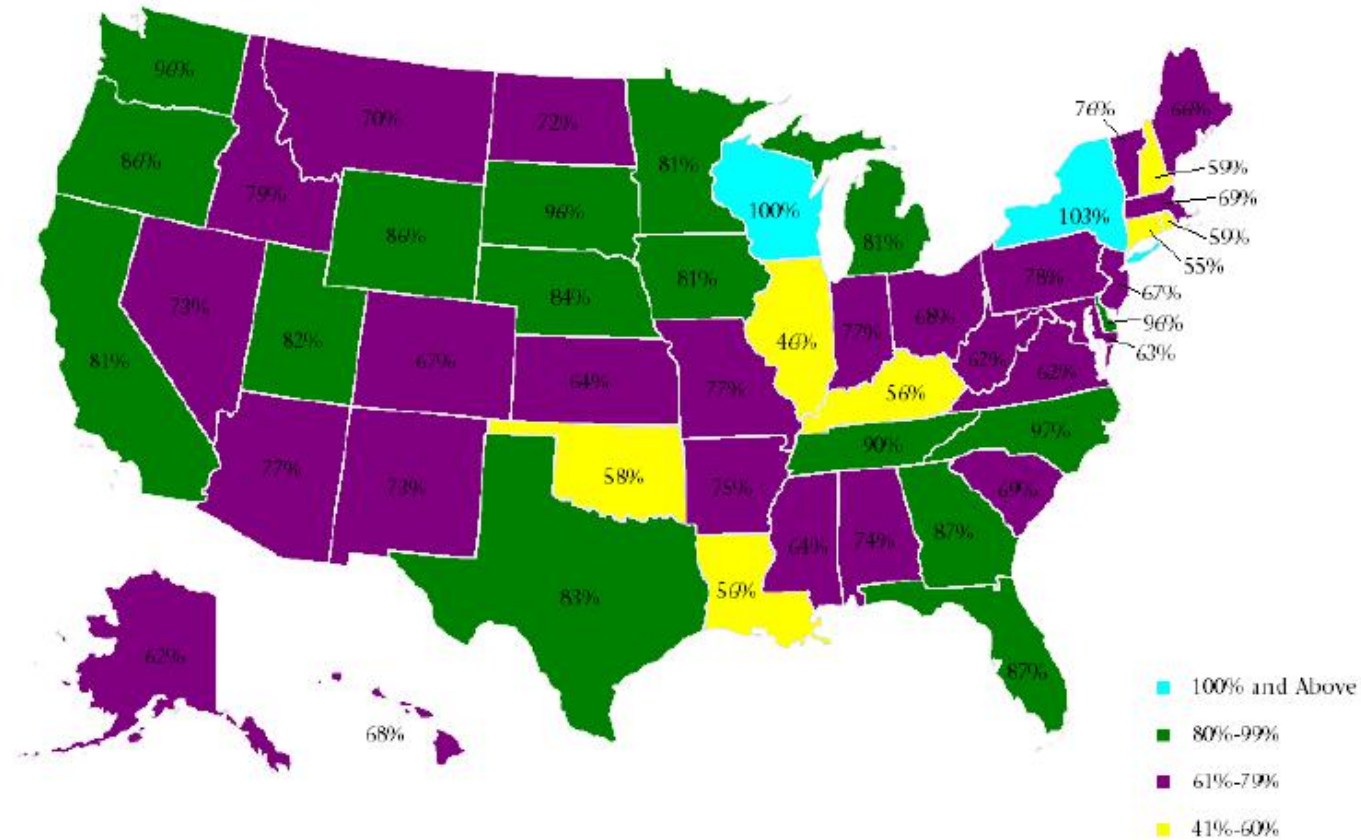
- Dodd-Frank Wall Street Reform and Consumer Protection Act
- Rules G-17 (fair-dealing) and G-23
- Final Rule: September 18, 2013:
 - Defines Advice – does not include general information, but covers recommendations, examination of specific facts, relates to financial products or securities
 - Exempts: Public Officials, Underwriters, Attorneys, Engineers, Banks and Accountants
 - Requires registration (EDGAR) of each individual



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Pension Funding – Nationwide

2010 Weighted Average Funded Ratio



Source: Loop Capital Markets

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Possible Changes?

- Possibility of a 28% cap
- Elimination of tax-exemption (specific categories of bonds)
- Limiting tax-expenditures
- More tax credit/subsidy bonds
- Advance refunding restrictions
- Examination of reoffering yields



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What is EMMA?

- The Electronic Municipal Market Access system, or EMMA, is a comprehensive, centralized online source for free access to municipal disclosures, market transparency data and educational materials about the municipal securities market
- www.emma.msrb.org
- 800,000 Documents; 250,000 Official Statements
- Trading data; ratings information

What are my continuing disclosure responsibilities?



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Established in the Continuing Disclosure Agreement (CDA) executed at the closing of your Bonds.

Issuer may engage a Dissemination Agent to assist with disclosure responsibilities – May help alleviate prior non-compliance

Generally Requires:

- Disclosure of Financial and Operating Information
- Material Event Notices

What are my continuing disclosure responsibilities?



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Recent Enforcement Action:

- South Miami (VCAP)
- Harrisburg – public documents and speech by public official

Submission – Fundings

- Does not speak to Compliance
- W/o catch up: 202 days for audit; 188 days for annual report
- With catch up: 339 days for audit; 260 days for annual report



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Continuing Disclosure:

Examples: Why compliance is so important.

- Accurate Financial Information
- Enhance Credibility in Marketplace
- Favorable Disclosure Record with Investors (Buy-side Perspective)
- Support of Rating Agencies
- IRS Audit Risks
- SEC Audit Risks
- Increased Awareness by SEC, MSRB, Congress and Rating Agencies
- Financial/GFOA Best Practices
- Possible penalties for negligence



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Tax Compliance:

- 8038G – Now asks about it
- Not required, but demonstrate good faith
- Have you adopted Policies and Procedures
- Are you enforcing Policies and Procedures
- Do you understand your Policies and Procedures
- Enhance Credibility in Marketplace
- Enhanced audit risks
- How are you spending your construction money – failure to do so on a timely basis is problematic



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Questions?

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