LAUSD Disclosure Practices

LACOE Fiscal Summit

10/6/2016
Extraordinary SEC Enforcement Activity
   - City of San Diego
   - State of New Jersey
   - City of Harrisburg
   - Among others....

Municipalities Continuing Disclosure Cooperation Initiative (MCDC)

More promised to come:
   - All five Commissioners are using strong language to push for changes in the municipal securities market...
   - Enforcement Division has stated that there is a pipeline of activity for us to expect....
   - Enforcement Division is visible like never before....
What are the “problem areas” of the municipal securities market?

- The “Silo” Effect
- Internally rather than externally focused
- Political influence
- Staff turnover

When these problems are present, the SEC has learned that a municipal issuer can become a tough place for good information to get to investors to make informed investment decisions....
What Do Issuers Need to Do?

• Tell the credit story
• Adopt good disclosure policies and procedures
• Make sure that any “elephant in the room” is disclosed
• Staying on top of secondary market disclosure
LAUSD Debt Program Overview

• $20.6 billion in voter-approved GO bond authorization
• $10.1 billion outstanding GO bonds as of July 1, 2016
  ❑ Typical new money issue is amortized over 25 years
  ❑ 15 Continuing Disclosure Agreements (CDAs)

• $266.1 million outstanding fixed-rate COPs
  – 6 Continuing Disclosure Agreements (CDAs)
LAUSD’s Continuing Disclosure Policy

• Intended to:
  – Ensure that the District’s Continuing Disclosure Documents are accurate and comply with all applicable federal and state securities laws
  – Promote best practices regarding the preparation of the District’s Continuing Disclosure Documents.

• Document here:
  – Appendix B of District’s Debt Management Policy
LAUSD’s Continuing Disclosure Policy

• Main Sections:
  – Key Participants
    • Disclosure Working Group
    • Chief Disclosure Officer (Deputy CFO)
    • Disclosure Coordinator (Director Capital Fund Compliance)
  – Filings
    • Annual Reports
    • Event Filings
    • Paying Agent, Bond Insurer, and Rating Agency Filings
    • Voluntary Disclosures
LAUSD’s Continuing Disclosure Agreement (CDA)

• LAUSD’s most recent CDA:

• CDA defines:
  – What needs to be disclosed in Annual Report
  – Which “Listed Events” need to be disclosed

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the Los Angeles Unified School District (the “District”) in connection with the issuance of its Refunding Bonds (defined herein), which are being issued pursuant to the laws of the State of California, the Refunding Resolution (defined herein). The District covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District and the Dissemination Agent for the benefit of the Holders and Beneficial Owners of the Refunding Bonds and in order to assist the Participating Underwriter in complying with Securities and Exchange Commission Rule 15c2 12(b)(5).
• Director of Capital Fund Compliance responsible for upload of financial reports to EMMA
  o Backup is Deputy Controller
• Working Group responsible for review of disclosures:
  o CFO
  o Deputy CFO
  o Director of Capital Fund Compliance
  o Deputy Controller
  o External Counsel
  o Municipal Advisor
  o Others as needed
LAUSD Changes in Practice

- **Past Practices:**
  - Compliance functions overseen by Treasury staff (multiple people)
  - Debt Management Policy in place, but no separate Disclosure Policy

- **Present Practices:**
  - Compliance functions overseen by Director of Capital Fund Compliance
  - Disclosure Policy in place
  - Annual training of District staff on bond compliance topics
    - State law, tax law, and securities law
  - Standard template used for Annual Report
    - Easier to read information for investors/public
EMMA Issuer Homepage

• LAUSD created an Issuer Homepage on EMMA

• MRSB can walk you through the process
  – Call 202-838-1330 to set up an appointment
  – Or online resources can be found here:
New California Transparency Requirements

• CA Senate Bill 1029
  – Requires certification that the issuer has adopted local debt policies concerning the use debt and that the contemplated debt issuance is consistent with those local debt policies