



## City of North Branch Agenda

<b>Title:</b>	City Council Work Session
<b>Location:</b>	City Council Chambers
<b>Date:</b>	November 20, 2014

Start	End	Time	Topic	Presenter
6:30 PM	6:31 PM	0:01	Pledge of Allegiance	
6:31 PM	7:31 PM	1:00	MnDOT Presentation - Grand/Hwy 95 Project	MnDOT Staff
7:31 PM	8:01 PM	0:30	Continuing Disclosure Reporting	Hill
<b>Total</b>		<b>1:31</b>		



# ***City of North Branch***

## ***Memo***

**Prepared By:**

Bridgitte Konrad

A handwritten signature in black ink, appearing to be "BK", is written over the printed name "Bridgitte Konrad".

**Date:**

November 14, 2014

**Subject:**

Grand Avenue/TH 95 Intersection Project

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MnDOT is planning an intersection project at Grand Avenue and TH 95 in 2016. They have completed an intersection study to look at signalization vs. a round about. Because the City has one leg of the intersection there will be a City cost share for the project. Very preliminary estimates for the City share are \$190,000. This is a State Aid Street and we can use those funds for the City share. Dmitry Tomasevich from MnDOT will be at the meeting to discuss the project with you and answer any questions you may have.



# ***City of North Branch Staff Report***

**Prepared By: Richard Hill**

**Date: November 14, 2014**

**Subject: SEC Continuing Disclosure**

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## **Background Information:**

There are continuing disclosure requirements for any bonds issued by the city, which includes Water and Light bonds. We have been working with Kathy Aho on the review of the reporting requirements. Each time that the City has issued bonds, the City has entered into a continuing disclosure agreement committing that certain information be provided annually, or in the case of material events, as they occur. See attachment describing the SEC Rule and reporting disclosure process undertaken.

The SEC (Securities Exchange Commission) has been concerned that many issuers have not been complying with their obligation to file continuing disclosure documents. They have set out rules for self-reporting violations which must be done by December 1, 2014. It appears that Water and Light bond issues may have some reporting that was not completed.

In concurring resolutions approved by the City for each bond, it lays out specific reporting responsibilities. In several bonds the City is responsible for making the reports. Springsted has been reviewing the reporting and material event disclosure requirements. There will be actions required to meet the necessary self-reporting disclosures prior to the December 1<sup>st</sup>.

There will be action required on the self-reporting at the November 24 meeting.

There is an SEC Rule (15c2-12) that generally prohibits any underwriter from purchasing or selling municipal bonds unless the issuer has committed to providing continuing disclosure regarding the bonds and issuer, including information about financial condition and operating data. The Rule also generally requires that any final official statement prepared in connection with the primary sale of municipal bonds contain a description of any instances in the previous five years in which the issuer failed to comply, in all material respects, with any previous commitment to provide such continuing disclosure.

Each time that it has issued bonds, the City entered into a continuing disclosure agreement committing that certain information be provided annually, or in the case of material events, as they occur. The specific information and events and when they must be filed are all contained in the agreement.

Although it cannot regulate issuers directly, the SEC is able to file enforcement actions against issuers for inaccurately stating in final official statements that they have substantially complied with their prior continuing disclosure obligations. In such instances, underwriters for these bond offerings may also have violated the anti-fraud provisions to the extent they failed to exercise adequate due diligence in determining whether issuers have complied with such obligations, and as a result, failed to form a reasonable basis for believing the truthfulness of a key representation in the issuer's official statement.

Based on available information, there is significant concern by the SEC that many issuers have not been complying with their obligation to file continuing disclosure documents and that federal securities law violations involving false statements concerning such compliance may be widespread. In response, the SEC provided underwriters an opportunity to self-report violations in exchange for reduced consequences if the reporting by an underwriter was done by September 9, 2014. Issuers have likewise been offered reduced consequences if they report by December 1 2014.

As a result of this offer on the part of the SEC, widespread research efforts have been undertaken in the municipal industry to determine if a material reporting violation has taken place. Springsted has undertaken this type of research on behalf of the City and will be providing a report to the City on its findings.