



MEMORANDUM

To: Mayor and City Council
From: Jennifer Miller, Director of Finance
Date: February 26, 2019
Reference: Continuing Disclosure Agreement with Trinity River Authority
2030: **Sustainable City Government**

Introduction:

This agenda item is being presented because the Securities and Exchange Commission (SEC) amended Rule 15c2-12 (the “Rule”) of the Securities Exchange Act. The purpose of the amendment is to improve municipal securities disclosure. The Rule requires the City, as an obligated entity for the bonds issued by Trinity River Authority (TRA) to provide certain updated financial information and operating data annually, and timely notice of specified material events to the Municipal Securities Rulemaking Board (MSRB) about their securities on an ongoing basis. To meet this requirement, TRA is requesting Continuing Disclosure Agreements (CDA) as a part of each bond resolution, as well as with each customer entity. TRA and all TRA customer entities have responsibilities related to this SEC rule. As obligated persons on TRA bonds, all customer entities are the main credit source for repayment of the obligations on TRA bonds.

Analysis:

Required continuing disclosure consists of important information that reflects the financial health and operating condition of the City as long as the City is obligated for TRA revenue bonds. Because of revisions to the Rule 15c2-12 over the years but, especially the 2018 revisions, TRA updated the CDA with each customer. The updated agreements clarify the information to be provided by each customer, as it relates to only that customer. The rule and, therefore, these agreements include three items required to be provided to the MSRB by customer entities:

1. Certain annual financial and operating information and audited financial statements, if/when available;
2. Timely notice of the occurrence of certain events including the two events added by recent Rule 15c2-12 amendment:
 - a) Incurrence of a financial obligation (considered debt, debt-like, or debt-related), 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 entity, any of which affect security holders, if material; and
 - b) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated entity, any of which reflect financial difficulties; and

3. Timely notice of the failure of an issuer or customer entity to provide required annual financial information on or before the date specified in the continuing disclosure agreement.

It is important to clarify that the type of information that would be required to be filed with respect to the events noted above would be “only those events which relate to or impact the credit of TRA’s Bonds.” For example, TRA’s Bonds are secured by payments by the City under the contract between TRA and the City; such payments constitute an operating expense of the City’s Water and Sewer Fund. Therefore, notice of events which impact the City’s Water and Sewer Fund may require a filing to be made if the City concludes that it is material under the Rule. Events affecting the City’s general obligation or tax-supported debt obligations would not require a filing to be made because they do not relate to or impact the credit of TRA’s Bonds.

Legal Review:

Resolution and Continuing Disclosure Agreement reviewed by legal as part of the agenda review process.

Fiscal Impact:

There is no additional fiscal impact resulting from this resolution.

Recommendation:

Finance recommends approval of this resolution.