

[Securities Regulation Daily Wrap Up, MUNICIPAL SECURITIES NEWS—Municipal securities market participants discuss voluntary disclosure at SEC conference, \(Jun. 17, 2020\)](#)

Securities Regulation Daily Wrap Up

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Voluntary disclosures by municipal issuers have increased, not just on COVID-related matters, but also on issues related to the environment, panelists said.

The SEC recently hosted a [conference](#) on disclosure in the municipal securities market, including a panel discussion on how municipal issuers and conduit borrowers approach voluntary disclosure practices. SEC Chairman Jay Clayton drew attention to a [joint statement](#) he issued with Office of Municipal Securities Director Rebecca Olsen on the importance of providing municipal securities investors with current financial and other disclosures, especially in light of the COVID-19 pandemic. Recognizing the uncertainty of financial operations during the pandemic, the statement noted that historic financial information may not be helpful to investors in making informed assessments of a municipal issuer's current and expected future financial condition. The statement encouraged municipal issuers to make more voluntary disclosures related to the impact of COVID-19.

Clayton encourages voluntary and non-routine disclosures. In his [remarks](#) at the conference, Clayton acknowledged the challenges facing municipal issuers for providing voluntary and non-routine disclosures. In April, the Commission issued [guidance](#) to public companies, encouraging them to take advantage of safe harbors for forward-looking statements. The Clayton-Olsen joint statement noted that while those safe harbors are not available to issuers of municipal securities, municipal issuers should take an approach to forward-looking disclosures that is informed by the "bespeaks caution" doctrine and they should not be hesitant to provide investors with forward-looking information regarding the potential future impact of COVID-19 on their financial and operating conditions.

Trends and disclosures in the COVID era. Chris Meister, executive director of the Illinois Finance Authority, said that his office has seen a number of trends in voluntary disclosure by municipal issuers on the MSRB's [EMMA](#) platform. There has been a general increase in voluntary disclosures of financial obligations that were not in the issuers' continuing disclosure agreements, such as those relating to lines of credit, leases, bank loans, and loans obtained through the government's Paycheck Protection Program (PPP) as part of the CARES Act, he said. He also noted that there has been an uptick in the voluntary disclosure in changes of key leadership personnel of borrowers.

Regarding particular industries impacted by COVID-19, Meister said that nonprofit healthcare organization and nonprofit senior living conduit borrowers have been affected. While it is still early in the timeline, he expects more disclosures related to higher education institutions, which will soon know more about the upcoming impacts of issues such as incoming class sizes.

Jennifer Brown, director of finance of the City of Sugar Land, Texas, said that her department values transparency and started posting monthly unaudited financial reports on its website three or four years ago. Brown said that the department wants to share as much information as possible without burdening its staff, although she said that resources in her small office are a concern if it had to provide more than it is already voluntarily providing now.

Brown also mentioned that due to COVID-19, her department, like many municipalities around the country, is facing budget restraints due to an expected fall in tax revenues. Sugar Land is especially dependent on taxes in the entertainment and restaurant industries, she said. Brown remarked that her department just received its June

sales tax allocation, and while she was expecting a worst estimate of a decrease of 55 percent, it was "only" down 22 percent.

Non-COVID disclosures. The panelists also discussed disclosures of non-COVID-19 matters. James McIntyre of New York State Homes and Community Renewal said that NYSHCR was the first U.S. issuer to follow the sustainable bond guidelines and the first U.S. issuer to link its issuance to the U.N.'s sustainable development goals. NYSHCR decided to reframe what it was already financing in ways investors could better understand; for example, what kind of energy efficiency upgrades are being made to its units. As a result of this type of initiative, NYSHCR has seen a 25 percent increase in investors in green and sustainability orders, according to McIntyre. "We've seen a recognition by investors of the work of improving disclosure," he said.

Meister also discussed his office's work on environmental issues, in particular the Illinois Clean Water Initiative, a federal-state-local financing structure. He noted that in 2019, recently inaugurated Gov. J. B. Pritzker issued an executive order on climate change and, in response, Meister's office worked with the Illinois Environmental Protection Agency (the underlying borrower) and went to market with the first green-designated bonds issued by an Illinois entity. Meister said that in his opinion, the green designation helped to obtain favorable pricing and to attract additional buyers.

Meister added that his office has committed to providing information like a list of water projects that qualify as "green projects" that would be paid for with bond proceeds. While his office had only officially stated it would provide this information on its website, it has also made voluntary disclosures on the EMMA website. "It is our hope that with both the green designation and voluntary disclosure on EMMA, it will positively impact future pricing on bond issues," Meister said, calling it a good example of a borrower preceding the market consistent with the objectives outlined by Chairman Clayton and Director Olsen.

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