

OFFICE OF THE COUNTY ADMINISTRATOR

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Item 12
10-06-15

DATE: September 29, 2015
TO: Board of Supervisors
FROM: Dee F. Bruemmer, County Administrator
RE: Approval of Policies and Procedures regarding Municipal Securities Disclosure

Cristina Kuhn, from Dorsey & Whitney LLP, our Bond Counsel, will be at the next Board meeting to conduct training on Municipal Securities and Disclosure. The disclosure training and the policy and procedures adoption is a new requirement of the Securities and Exchange Commission that regulates bonding. In recent years, the SEC has expressed concern regarding Issuer's compliance with disclosure obligations. Municipal issuers need to provide ongoing information about their debt issues and the new policies and procedures will allow staff to easily track the information and dates for submission by our financial advisor and ensure all information is fully disclosed on time. Also it requires annual staff training to ensure all current regulations are being met.

The County did have disclosure violations due to late filing by its fiscal agent in 2006 through 2009. The reporting was done 365 days after the close of the fiscal year but needed to be reported in 270 days. The County did disclose these violations in the 2012 and 2013 refinancing of the PSA bonds. Last year, we also participated in the SEC program that allowed municipalities to fully disclose errors in reporting. The Offering Statement that you will approve does not have a disclosure of these past violations because it has been longer than five years.

I recommend approval of the policies.

MINUTES AUTHORIZING ADOPTION OF
POLICIES AND PROCEDURES REGARDING
MUNICIPAL SECURITIES DISCLOSURE

Davenport, Iowa

_____, 2015

The Board of Supervisors of Scott County, Iowa, met on _____, 2015, at _____ o'clock __.m. at the _____, Davenport, Iowa. The Chairperson presided and the roll was called showing the following members of the Board of Supervisors present and absent:

Present: _____

Absent: _____.

Supervisor _____ introduced the resolution hereinafter next set out and moved its adoption, seconded by Supervisor _____; and after due consideration thereof by the Board of Supervisors, the Chairperson put the question upon the adoption of the said resolution and the roll being called, the following named Supervisors voted:

Ayes: _____

Nays: _____.

Whereupon, the Chairperson declared the resolution duly adopted as hereinafter set out.

•••••

At the conclusion of the meeting, and upon motion and vote, the Board of Supervisors adjourned.

Chairperson, Board of Supervisors

Attest:

County Auditor

RESOLUTION NO. _____

Resolution authorizing adoption of Policies and Procedures Regarding Municipal Securities Disclosure

WHEREAS, pursuant to the laws of the State of Iowa, Scott County, Iowa (the "County") has publicly offered, and likely will issue and publicly offer in the future, its notes, bonds or other obligations (the "Bonds"); and

WHEREAS, the County deems it necessary and desirable to adopt certain Policies and Procedures Regarding Municipal Securities Disclosure to be followed in connection with the issuance and on-going administration of publicly offered Bonds; and

WHEREAS, the proposed Policies and Procedures Regarding Municipal Securities Disclosure are attached hereto as Exhibit A (the "Disclosure Policies and Procedures"); and

NOW, THEREFORE, Be It Resolved by the Board of Supervisors of Scott County, Iowa, as follows:

Section 1. The Disclosure Policies and Procedures attached hereto as Exhibit A are hereby adopted and shall be dated as of the date hereof.

Section 2. All resolutions or parts of resolutions in conflict herewith are hereby repealed to the extent of such conflict.

Passed and approved _____, 2015.

Chairperson, Board of Supervisors

Attest:

County Auditor

STATE OF IOWA
COUNTY OF SCOTT

SS:

I, the undersigned, County Auditor of Scott County, Iowa, do hereby certify that attached hereto is a true and correct copy of the proceedings of the Board of Supervisors relating to the County's adoption of the Policies and Procedures Regarding Municipal Securities Disclosure.

WITNESS MY HAND this _____ day of _____, 2015.

County Auditor

Exhibit A

Scott County

Policies and Procedures Regarding Municipal Securities Disclosure

As an issuer of municipal securities (bonds, notes and/or other obligations, referred to herein as “Bonds”), Scott County, Iowa (the “Issuer”) has adopted the policies and procedures set forth herein (collectively, the “Disclosure Policy”) to guide the Issuer’s actions with respect to (1) the disclosure document (often referred to as the “official statement”) for publicly-offered Bonds and (2) ongoing disclosure requirements associated with outstanding Bonds (also known as “continuing disclosure”).

This Disclosure Policy includes the following elements: (1) disclosure training for officials responsible for producing, reviewing and approving disclosure documents; (2) establishment of procedures for review of relevant disclosure requirements, and (3) ensuring that any procedures established are followed.

Background

The anti-fraud provisions of federal securities laws apply to municipal securities such as the Issuer’s Bonds. The U.S. Securities and Exchange Commission (the “SEC”) can bring enforcement actions against the Issuer, members of its governing body, government employees and officials, and professionals working on the bond transaction. This Disclosure Policy is designed to provide the necessary policy framework and accompanying procedures for compliance by the Issuer with its disclosure responsibilities.

When Bonds are issued and publicly offered, an official statement will be prepared on behalf of the Issuer. The official statement is the disclosure document that sets forth the terms associated with the Bonds, and this document will be used to market and sell the Issuer’s Bonds.¹ In addition, for transactions larger than \$1 million in size that include an official statement, the Issuer enters into a continuing disclosure certificate, agreement or undertaking (the “CDC”). The CDC is a contractual obligation of the Issuer, pursuant to which the Issuer agrees to provide certain financial information filings (at least annually) and material event notices to the public. The CDC is necessary to allow the bond underwriters comply with SEC Rule 15c2-12. As noted below, filings under the CDC must be made electronically at the Electronic Municipal Market Access (EMMA) portal (www.emma.msrb.org).

Accordingly, this Disclosure Policy addresses the following three aspects of disclosure: (1) preparation and approval of official statements in connection with new Bonds; (2) on-going continuing disclosure requirements under a CDC; and (3) education of staff and elected officials with respect to disclosure matters.

¹ Under federal law issuers of municipal securities are primarily responsible for the content of their disclosure documents (the official statement), regardless of who prepared the document. An issuer does not discharge its disclosure obligations by hiring professionals to prepare the official statement. An issuer has “an affirmative obligation” to know the contents of its official statement, including the financial statements. Finally, executing an official statement without first reading the official statement to ascertain whether it is accurate may be reckless (the basis for certain anti-fraud causes of action by the SEC).

1. Primary (New) Offerings of Bonds – Official Statements of the Issuer

In connection with issuance of its publicly-offered Bonds (Bonds sold via the public market, through a broker-dealer known as an “underwriter”), the Issuer will prepare (or cause its hired professionals to prepare) a disclosure document commonly known as an “official statement.” This official statement is the document that describes the issuance of the Bonds to the marketplace and as such, *under federal law, the official statement cannot contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.*

To ensure the Issuer’s official statements are properly prepared and reviewed, the Issuer adopts the procedures set forth in Appendix I hereto.

2. Continuing Disclosure Compliance (CDC Compliance)

The Issuer has entered into, or may in the future enter into, CDCs in connection with its bond issues. Under these contractual agreements, the Issuer agrees to provide to the marketplace certain financial information and notices of material events. The Issuer will file, or cause to be filed, necessary items under the CDCs in a searchable electronic format at the Electronic Municipal Market Access (EMMA) portal (www.emma.msrb.org).

To ensure compliance with its contractual continuing disclosure obligations, the Issuer adopts the procedures set forth in Appendix II hereto.

3. Systematic Training of Staff and Governing Body Members

In addition to the specific procedures adopted under this Disclosure Policy, the Issuer understands that on-going training of both necessary staff and members of the governing body is essential to successful compliance with the Issuer’s disclosure obligations. Accordingly, the Issuer has implemented the following training procedures (which may be implemented with the assistance of counsel to the Issuer):

A. *Annual Training.* Necessary Issuer employees are required to attend annual training regarding disclosure and financial reporting requirements of the federal securities laws. Such training shall include a complete review of this Disclosure Policy, all current CDCs, Rule 15c2-12 and the material events required to be reported pursuant to such Rule, and a complete overview of the Issuer’s obligations under the federal securities laws. The **County Administrator** is appointed as the compliance officer for purposes of this Disclosure Policy (the “CD Compliance Officer”). The CD Compliance Officer responsible for coordinating the annual training, and not later than six months after the end of each fiscal year, the CD Compliance Officer shall provide written certification to the Board of Supervisors that the annual disclosure training has been completed.

B. *Specific Training.* When appropriate, the CD Compliance Officer shall conduct (or cause to be conducted) training with individuals on those persons' specific roles and responsibilities in the disclosure and financial reporting process.

C. *Governing Body Training.* The members of the Issuer's governing body are required to attend training on this Disclosure Policy and financial reporting requirements of the federal securities laws prior to the approval of the official statement and upon orientation of new members to the Board. The CD Compliance Officer is responsible for coordinating this training.

Appendix I

Written Procedures for Preparing Official Statements

1. At the commencement of a financing, the CD Compliance Officer shall develop or cause its finance team comprised of its financial advisor and bond counsel to develop a plan for preparation of the official statement and a schedule that allows sufficient time for all required work, including appropriate review and participation by members of the financing team and knowledgeable Issuer staff.

2. The CD Compliance Officer shall be responsible for managing the preparation process for the official statement, and shall obtain the assistance of other participants within the Issuer and legal and financial professionals, as necessary and appropriate.

3. The CD Compliance Officer shall be responsible for developing a program for coordinating staff review of the disclosure information and obtaining formal sign-off from staff on the disclosure documents.

4. The CD Compliance Officer shall ensure that any previous failure to fully comply with continuing disclosure obligations during the prior five year period is disclosed in the official statement.

5. Members of the Board of Supervisors, the CD Compliance Officer and any other key officials, shall review the official statement and shall be given not less than 7 days to review an official statement prior to being asked to vote on its approval, absent extenuating circumstances. Members of the Board of Supervisors responsible for reviewing the official statement shall contact the CD Compliance Officer during the review period to discuss potential issues, questions or comments with respect to the official statement.

Appendix II

Written Procedures Regarding Continuing Disclosure

1. The CD Compliance Officer shall be responsible for compliance with the Issuer's obligations under continuing disclosure agreements, undertakings or certificates (the "CDC"), including without limitation annual filings, material event notice filings, voluntary filings and other filings required by the CDC.
2. Prior to execution of a CDC in connection with a bond issue, the CDC shall be discussed with bond counsel, the underwriter and financial advisor to ensure a full understanding of Issuer obligations.
3. The CD Compliance Officer shall have primary responsibility for ensuring that statements or releases of information relating to the Issuer's finances to the public that are reasonably expected to reach investors and the financial markets, including website updates, press releases and market notices, are accurate and not misleading in any material respect. The CD Compliance Officer shall work to ensure that all public statements and information released by the Issuer are accurate and not misleading in all material respects.
4. The CD Compliance Officer shall be responsible for compiling and maintaining a list of all outstanding bond issues subject to continuing disclosure, noting the applicable filing dates [see attached table format, Part I, for tracking this information (the "Disclosure Table")].
5. The CD Compliance Officer shall be responsible for assembling and maintaining copies of the final CDC and final Official Statements for each applicable bond issue, together with any third-party Dissemination Agent Agreements, if applicable.
6. The CD Compliance Officer shall document and track the required information to be filed, including dates such information is filed [see attached Disclosure Table, Part II].
7. The CD Compliance Officer shall be responsible for registering for continuing disclosure filing email reminders from the "EMMA" website (<http://emma.msrb.org>).
8. At least 30 days prior to the earliest filing deadline listed on the Disclosure Table, the CD Compliance Officer shall begin the process of compiling necessary information required by the CDCs (and coordinate with outside professionals hired to compile this information, if applicable).
9. At least 10 days prior to each filing deadline, the CD Compliance Officer shall determine whether all necessary items have been compiled for filing pursuant to the CDC requirements (including review with outside professionals if applicable).
10. At least 3 days prior to each filing deadline, the CD Compliance Officer shall file (or cause any Dissemination Agent to file) the necessary items on the EMMA website. After filing, the CD Compliance Officer shall confirm that all items have, in fact, been filed on EMMA as required, and shall note the filing date on the Disclosure Table.
11. In addition to the continuing disclosure filings, the CD Compliance Officer shall be responsible for determining whether any of the following "listed events" has taken place and if so, discuss the same with its external legal and financial professionals and cause the filing of notice to be made on EMMA within ten business days of such events:

- a. Principal and interest payment delinquencies;
 - b. Non-payment related defaults, if material;
 - c. Unscheduled draws on debt service reserves reflecting financial difficulties;
 - d. Unscheduled draws on credit enhancements reflecting financial difficulties;
 - e. Substitution of credit or liquidity providers, or their failure to perform;
 - f. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
 - g. Modifications to rights of security holders, if material;
 - h. Bond calls, if material, and tender offers;
 - i. Defeasances;
 - j. Release, substitution, or sale of property securing repayment of the securities, if material;
 - k. Rating changes;
 - l. Bankruptcy, insolvency, receivership or similar event of the obligated person;
 - m. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
 - n. Appointment of a successor or additional trustee or the change of name of a trustee, if material.
12. The CD Compliance Officer shall be the primary contact person for responding to inquiries from investors and for maintaining the investor relations portion of the Issuer's website, if any.
13. The CD Compliance Officer shall be responsible for coordinating and filing any voluntary information with EMMA, after consultation with the Issuer's legal and financial professionals.

Form of Disclosure Table

Part I – Master Tracking Table (list of deadlines for all bond issues)

Name of Bond Issue	Date of Issue	Final Maturity Date	Dissemination Agent?	CUSIP for Final Maturity	Deadline for Annual Report

Part II – Separate Table for Each Bond Issue (tracks details of filings for each issue)

[Name of Bonds][date of issue]	Reporting Periods [inset date info was filed on EMMA]			
Description of Financial Information / Operating Data to file on EMMA	FY2013	FY2014	FY2015	FY2016
[audit]				
[list applicable tables in Official Statement]				
[unaudited financials, if audit not available by deadline]				
[other information]				