



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO: Commissioners Brown, Mital, Helgeson, Manning and Simpson
FROM: Cathy Bloom, Finance Manager
Susan Eicher, General Accounting and Treasury Supervisor
DATE: October 27, 2014
SUBJECT: SEC Reporting Initiative
OBJECTIVE: Information Only

Issue

Securities and Exchange Commission (SEC) Municipalities Continuing Disclosure Cooperation Initiative.

Background

In March 2014, the Securities and Exchange Commission (SEC) announced the Municipalities Continuing Disclosure Cooperation Initiative (MCDC Initiative). The MCDC Initiative invites issuers and underwriters to self-report any material misstatements or omissions in a public disclosure document, such as an official statement, annual disclosures, or continuing disclosure documents. The SEC has not defined material misstatement and will be making determinations on a case by case basis. The deadline for underwriters to submit has already passed. The deadline for issuers, such as EWEB is December 1st.

Discussion

When EWEB issues bonds, we are required by SEC rules to prepare and file an Official Statement that accurately represents our financial condition, allowing potential bond purchasers to make informed decisions. EWEB is also required to submit an annual continuing disclosure report along with copies of our annual financial statements, and updated continuing disclosure whenever a material event occurs.

EWEB's bond underwriter, JP Morgan has concluded a review of all bond issuers for whom they were the underwriter for the years 2008 through 2013. For issuances prior to July 2009, continuing disclosure was performed by sending data to a number of the Nationally Recognized Municipal Securities Information Repositories (NRMSIRs). After July 1, 2009, all disclosures were filed with a single repository, known as Electronic Municipal Market Access (EMMA). Due to the high volume of issuances they were required to review, JP Morgan elected to select one repository to confirm compliance for the years before July 1, 2009. When JP Morgan confirmed submission of required filings for EWEB bonds, the repository they used noted that they received all EWEB submissions with the exception of 2008, where they documented receiving a 2008 submission for the Water Utility, but did not document a submission for the Electric Utility. When JP Morgan informed us of their finding, we researched and found that the submission for 2008 had been prepared using a single document that covered both utilities. It appeared that the repository had logged the submission as

only water utility. JP Morgan informed us of their findings before they concluded their report. Despite our research and conclusion that this was an error on the part of the repository, and our documentation that we had publicly posted our annual financial statements in a timely manner, JP Morgan elected to note an instance of non-compliance by EWEB in their report to the SEC.

After consultation with EWEB bond counsel and financial advisor, EWEB has elected not to participate in the reporting initiative and will not be self reporting the finding reported by JP Morgan. Our conclusion is based upon several factors:

We have received confirmation from another of the NRMSRS that they received submissions for both utilities for the year 2008.

We have concluded that an instance of non-compliance based on a reporting error by the repository would not be considered a material misstatement or omission.

If the instance reported by JP Morgan results in an inquiry from the SEC, we have sufficient documentation to support our conclusion.

Recommendation

Information only, no action requested.