



# CITY COUNCIL STAFF REPORT



August 13, 2024

## ITEM TITLE

Municipal Bonds: Hear a Presentation from Stradling Yocca Carlson and Rauth, Bond and Disclosure Counsel, Regarding Federal Securities Law Matters Related to Disclosure Responsibilities

**Report Number:** 24-0097

**Location:** No specific geographic location

**Department:** Finance

**G.C. § 84308:** No

**Environmental Notice:** The activity is not a “Project” as defined in Section 15378 of the California Environmental Quality Act State Guidelines. Therefore, pursuant to State Guidelines Section 15060(c)(3) no environmental review is required.

## Recommended Action

Receive the presentation

## SUMMARY

The City of Chula Vista, the Chula Vista Municipal Financing Authority, the Chula Vista Public Financing Authority, and the Chula Vista Bayfront Facilities Finance Authority issue bonds from time to time. These bonds, once issued, contain continuing disclosure requirements within their Bond Indentures and Official Statements. As the City continues to issue debt to either refinance outstanding bonds or finance new projects, training regarding federal securities law matters related to the offer of municipal bonds is recommended.

## ENVIRONMENTAL REVIEW

The Director of Development Services has reviewed the proposed activity for compliance with the California Environmental Quality Act (CEQA) and has determined that the activity is not a “Project” as defined under Section 15378 of the State CEQA Guidelines because it will not result in a physical change in the environment. Therefore, pursuant to Section 15060(c)(3) of the State CEQA Guidelines, the activity is not subject to CEQA. Thus, no environmental review is required.

## BOARD/COMMISSION/COMMITTEE RECOMMENDATION

Not applicable.

## **DISCUSSION**

The City of Chula Vista, The Chula Vista Municipal Financing Authority, The Chula Vista Public Financing Authority, and the Chula Vista Bayfront Facilities Finance Authority issue bonds from time to time. These bonds are offered to investors through a Preliminary Official Statement which is similar to a prospectus in the corporate market. It contains the information necessary for investors to make an informed decision regarding the purchase of the bonds. When municipal bonds are sold to investors in a public sale, certain provisions of federal securities laws apply to the offering. Specifically, the offering is governed by federal securities laws which makes it unlawful for an issuer of bonds to make a misstatement of a material fact or to omit to state a material fact in connection with the bond offering. The Securities and Exchange Commission has made clear through various releases and enforcement actions that the members of the governing board of an issuer of municipal bonds have a duty to review the key elements of the preliminary official statement before bonds are sold. The Securities and Exchange Commission has also emphasized the importance of governing board members and key staff members receiving securities law training so that they are familiar with the federal securities law standards that are applicable to a sale before bonds are offered. The purpose of this agenda item is to provide the City Councilmembers with federal securities law training and the opportunity to ask questions regarding the process for preparing the Preliminary Official Statement for proposed sale of bonds.

## **DECISION-MAKER CONFLICT**

Staff has reviewed the decision contemplated by this action and has determined that it is not site-specific and consequently, the real property holdings of the City Council members do not create a disqualifying real property-related financial conflict of interest under the Political Reform Act (Cal. Gov't Code § 87100, et seq.).

Staff is not independently aware, and has not been informed by any City Council member, of any other fact that may constitute a basis for a decision-maker conflict of interest in this matter.

## **CURRENT-YEAR FISCAL IMPACT**

There is no current-year fiscal impact as a result of receiving this presentation.

## **ONGOING FISCAL IMPACT**

There is no ongoing fiscal impact as a result of receiving this presentation.

## **ATTACHMENTS**

N/A

*Staff Contact: Sarah Schoen, Director of Finance/Treasurer  
Patricia Macias, Fiscal Debt Management Analyst*