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350 WINTER ST., NE SUITE 100
SALEM, OREGON 97301

Local Government

News Report

DECEMBER 2018

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HOLIDAYS

December 25
Christmas

January 1
New Year's

Pool Closed

See article for more information

UPCOMING HOLIDAYS

The pool will be closed on Tuesday, December 25, for Christmas and Tuesday, January 1, for New Year's. EON will be available both days but the system will not allow transactions to settle on the holidays. Additionally, PFM Client Services will close at 2:00 pm Pacific on both Monday, December 24, and Monday, December 31.

NEW MATERIAL EVENTS UNDER SEC AMENDMENTS TO RULE 15C2-12

As part of its effort to foster more transparency regarding municipal financial obligations that were not otherwise previously subject to disclosure under the Securities Exchange Act of 1934 Rule 15c2-12 (the "Rule"), the Securities and Exchange Commission (the "SEC") has adopted amendments (the "Amendments") to the Rule that will require future issuers and obligated persons to report two new specific events under subsection 5(i)(C).

These events include:

- (15) incurrence of a "financial obligation" 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 person, any of which affect security holders, *if material* (emphasis added)
- (16) default, event of acceleration, termination event, modification of terms or other similar events under a financial obligation of the obligated person, any of which *reflect financial difficulties* (emphasis added)

These two new events must be included in any new continuing disclosure undertaking executed on or after February 27, 2019 (the "Compliance Date"), meaning that any issuer or obligated person under the Rule will be subject to these new requirements when it issues any public debt following the Compliance Date. The Amendments are not retroactive. They do not apply to pre-existing continuing disclosure undertakings.

Events covered by (16) must be disclosed regardless of whether such financial obligation was incurred before or after the Compliance Date. As with other events covered by subsection 5(i)(C), events covered by (15) and (16) must be provided to the Municipal Securities Rulemaking Board in a timely manner not in excess of 10 business days after the occurrence of the event.

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INTEREST RATE

Average Annualized Yield

November
2.50 percent

Interest Rate

November 1-30
2.50 percent

NEW MATERIAL EVENTS UNDER SEC AMENDMENTS TO RULE 15C2-12

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The Amendments define a “financial obligation” as a: (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of either (i) or (ii). The term does not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule (*e.g.*, posted on EMMA). According to the SEC, the term “financial obligation” focuses on debt, debt-like, or debt-related obligations of issuers and obligated persons.

In implementing the Amendments, issuers and obligated persons must first determine whether certain actions are subject to disclosure, and, if so, whether those actions are material with respect to the events covered by (15) or whether they reflect financial difficulties with respect to events covered by (16).

In complying with the existing Rule, issuers and obligated persons must already determine whether certain other reporting events are material. The materiality qualifier operates as a framework for issuers and obligated persons to assess their disclosure obligations in the context of specific facts and circumstances. Not every incurrence of a financial obligation or agreement to terms is material.

As with existing provisions of the Rule, materiality determinations under the Amendments should be based on whether the information would be important to the total mix of information made available to the reasonable investor. As a starting point, if the information would be included in an official statement if the obligated person was offering bonds publicly, then a material event notice disclosing the financial obligation or event should be filed on EMMA. In evaluating materiality for purposes of events covered by (15), issuers and obligated persons must consider potential impacts of qualifying reporting events on the issuer’s liquidity or creditworthiness or the rights of security holders.

The existing Rule also requires issuers and obligated persons to determine whether certain actions reflect financial difficulties, a concept designed to cover a broad range of scenarios and implying an element of materiality. In determining whether an event covered by (16) reflects financial difficulties, issuers and obligated persons should take into account the policy rationale for the Amendments and consider whether the event may have potential adverse impact on the liquidity and overall creditworthiness of the issuer/obligated person or affect security holders. Events covered by (16) include monetary defaults, failure to comply with specific covenants (even if that failure is not defined as an event of default under the relevant documents) and other similar events, thus casting a wide net as to what constitutes a qualifying reporting event.

How should you start to prepare for complying with the Amendments?

First—read articles like this and other available industry publications about the new rules and subscribe to alerts for updates about the Amendments. We are hopeful that the SEC or its staff will provide further guidance about the Amendments.

Second—understand the relationship between the Amendments and the upcoming implementation of GASB 88, if applicable. GASB 88 will require essential debt information to be disclosed in notes to financial statements, including unused lines of credit, assets pledged as collateral and key terms in debt agreements such as events of default, termination, and acceleration provisions. Compiling the information necessary to comply with GASB 88 will be a useful starting point for the types of “financial obligations” to monitor in connection with future compliance of the Amendments.

Third—review and update your existing disclosure policies and start a financial obligation inventory. Update your disclosure practices to include information about the Amendments. Consider incorporating examples from the SEC Adopting Release (available at www.sec.gov/rules/final/2018/34-83885.pdf) into your procedures and assigning

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NEW MATERIAL EVENTS UNDER SEC AMENDMENTS TO RULE 15C2-12

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key personnel to help identify and monitor events and consult with legal counsel. Begin an inventory of existing financial obligations and add any new obligations to the database.

Key Takeaway—if you are planning on publicly offering bonds any time after February 27, 2019, you will have more material events to comply with for that and future bond issues. Reach out to Bond Counsel for guidance and more information.

This article is provided by Christine Reynolds, Partner [cerenolds@orrick.com] | (503) 943-4821] and Steve White, Managing Associate [steven.white@orrick.com] | (503) 943-4838], Orrick, Herrington & Sutcliffe LLP.

EMMA WEBSITE AND WEBINAR ABOUT SEC RULE 15C2-12 AMENDMENTS

The Municipal Securities Rulemaking Board (MSRB) will release an update to its Electronic Municipal Market Access (EMMA) website to facilitate reporting of two new required municipal disclosure types under U.S. Securities and Exchange Commission (SEC) Rule 15c2-12 amendment, effective February 27, 2019. After the effective date, issuers of new municipal bonds will be required to:

“Rule 15c2-12(b)(5)(i)(C)(15) - Incurrence of a financial obligation of the issuer or obligated person, if material, or agreement to covenants, events of defaults, remedies, priority rights, or other similar terms of financial obligation of the issuer or obligated person, any of which affect security holders, if material; and

Rule 15c2-12(b)(5)(i)(C)(16) - Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the issuer or obligated person, any of which reflect financial difficulties.”

For more information, you may access the [MSRB’s full press release](#) and [SEC’s full Rule 15c2-12 amendment adopting release](#) and register to attend a [free webinar](#) to be held on January 17, 2019, at noon Pacific, presented by representatives of the MSRB, the SEC, the National Association of Bond Lawyers (NABL), the Government Finance Officers Association (GFOA), and the Bond Dealers of America (BDA).

MARKET DATA TABLE

	11/30/2018	1 Month	3 Months	12 Months		11/30/2018	1 Month	3 Months	12 Months
7-Day Agency Discount Note**	2.10	2.08	1.82	1.04	Bloomberg Barclays 1-3 Year Corporate YTW*	3.47	3.38	3.11	2.20
30-Day Agy Nt Disc**	2.21	2.18	1.94	1.13	Bloomberg Barclays 1-3 Year Corporate OAS*	0.79	0.59	0.54	0.49
90-Day Agy Nt Disc**	2.34	2.26	2.06	1.25	Bloomberg Barclays 1-3 Year Corporate Modified Duration*	1.89	1.91	1.92	1.92
180-Day Agy Nt Disc**	2.46	2.40	2.19	1.35					
360-Day Agy Nt Disc**	2.63	2.53	2.41	1.45	7-Day Muni VRDN Yield**	1.69	1.61	1.56	0.97
					O/N GGC Repo Yield**	2.36	2.30	2.02	1.04
30-Day Treasury Bill**	2.22	2.15	1.92	1.13					
60-Day Treasury Bill**	2.28	2.19	1.99	1.15	US 1 Year Inflation Break-Even**	(1.11)	0.37	0.97	0.45
90-Day Treasury Bill**	2.34	2.26	2.06	1.21	US 2 Year Inflation Break-Even**	1.22	1.51	1.67	1.31
6-Month Treasury Yield**	2.52	2.49	2.27	1.45	US 3 Year Inflation Break-Even**	1.55	1.73	1.85	1.52
1-Year Treasury Yield**	2.68	2.66	2.45	1.60					
2-Year Treasury Yield**	2.79	2.87	2.65	1.76	1-Day CP (A1/P1)**	2.16	2.17	1.88	1.15
3-Year Treasury Yield**	2.80	2.93	2.71	1.87	7-Day CP (A1/P1)**	2.20	2.20	1.91	1.18
					30-Day CP (A1/P1)**	2.28	2.22	2.02	1.28
1-Month LIBOR**	2.35	2.31	2.10	1.36					
3-Month LIBOR**	2.74	2.56	2.32	1.48	30-Day CD (A1/P1)**	2.30	2.30	2.01	1.29
6-Month LIBOR**	2.89	2.80	2.53	1.66	90-Day CD (A1/P1)**	2.67	2.53	2.27	1.48
12-Month LIBOR**	3.12	3.08	2.84	1.94	6-Month CD (A1/P1)**	2.89	2.78	2.51	1.63
Sources: *Bloomberg Index Services, **Bloomberg					1-Year CD (A1/P1)**	3.12	3.03	2.73	1.85

LGIP: WORDS TO KNOW

With the transition to PFM and EON last year, here are some key terms to know:

EON is PFM's proprietary web-based system to view accounts and perform transactions.

Contacts are people who need access (by phone, in writing, and/or through EON) to pool accounts or pool statements. Contacts may include both staff within your organization and people outside of your organization (such as staff at other local governments who manage funds on behalf of your organization, debt service paying agents, or certain state agencies). Contacts must be registered using the LGIP Contact Registration form and be granted permissions using the LGIP Permissions form. Until permissions are granted, a Contact has *no* access or abilities.

Purchases or deposits are all credits to a pool account, including those initiated by an account's owner and its authorized agents, those initiated by another pool participant and its authorized agents, those initiated by approved third-party entities (*e.g.*, state agencies), and those initiated by Treasury and its authorized agents (*e.g.*, dividends).

Redemptions or withdrawals are all debits from a pool account, including those initiated by an account's owner and its authorized agents, and those initiated by Treasury and its authorized agents (*e.g.*, fees).

Transfers are transfers between pool accounts owned by the *same* participant.

Participant to Participant Transfers (P2P) are transfers between pool accounts owned by *different* participants.

Debt Payments are redemptions or withdrawals *from* a pool account to a debt service paying agent via ACH and/or wire.

State Payments are redemptions or withdrawals *from* a pool account to a state agency via ACH.

Dividends represent interest paid on a pool account.

LGIP: GO GREEN WITH ELECTRONIC STATEMENTS

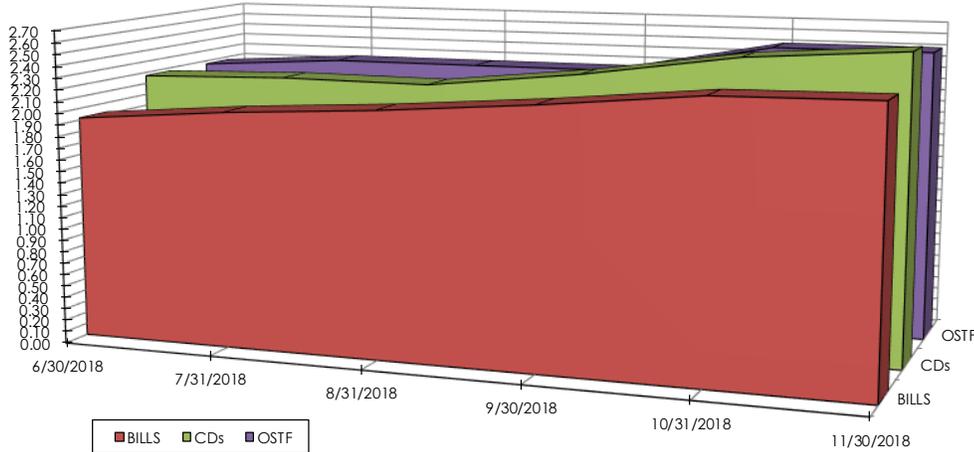
With the launch of EON, it is easier than ever to receive and view statements electronically. Follow these simple steps to go paperless and start receiving electronic statements:

1. Log in to EON*
2. Select *Tools/Forms* from the top menu
3. Select *Statement Delivery Options*
4. Check the box for "Yes, send me an email notification when my statement is ready to be viewed online" (optional)
5. Click the button *Request Electronic Statement Service*

*EON access can be established by using a LGIP Contact Registration form with the EON User Information section completed.



OREGON SHORT TERM FUND ANALYSIS AS OF 11-30-18



	6/30/2018	7/31/2018	8/31/2018	9/30/2018	10/31/2018	11/30/2018
LGIP AV DOLLARS INVESTED (MM)	7,167	6,778	6,959	6,886	6,602	9,377
STATE AGENCY AV DOLLARS INVESTED (MM)	11,747	11,826	11,425	11,163	10,795	10,936
TOTAL OSTF AV DOLLARS INVESTED (MM)	18,914	18,604	18,384	18,049	17,397	20,313
OST ANNUAL YIELD (ACT/ACT)	2.17	2.25	2.25	2.25	2.50	2.50
3-MO UST BILLS (BOND EQ YLD)	1.92	2.02	2.10	2.20	2.33	2.35
3-MO US CD (ACT/360)*	2.17	2.20	2.19	2.33	2.52	2.61

NOTE: The OST ANNUAL YIELD represents the average annualized yield paid to account holders during the month. Since interest accrues to accounts on a daily basis and the rate paid changes during the month, this average rate is not the exact rate earned by each account.

3-MO UST BILLS yield is the yield for the Treasury Bill Issue maturing closest to 3 months from month end. 3-MO US CD rates are obtained from Bloomberg and represent a composite of broker dealer quotes on highly rated (A1+/P1/F1+ from Standard & Poor's Ratings Services, Moody's Investors Service and Fitch Ratings respectively) bank certificates of deposit and are quoted on a CD equivalent yield basis.

This material is available in alternative format and media upon request.

CONTACT INFORMATION

Director of Finance
Cora Parker
(503) 378-4633

Deputy Director of Finance
Mike Auman
(503) 378-2752



Oregon Short Term Fund Staff
(503) 431-7900

Newsletter Questions
Kari McCaw
(503) 378-4633

Bryan Cruz González
(503) 378-3496

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Local Government Investment Pool
www.oregon.gov/lqip

PFM Client Services
(855) OST-LGIP
csgwestregion@pfm.com

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Treasury
(800) 452-0345
lqip@ost.state.or.us

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