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Issuers Oppose Broad Interim Disclosure.

Issuers are pushing back against analysts and regulators seeking more frequent financial disclosures and say they want to know what specifically investors and analysts are looking for in their finances.

At a Government Finance Officers Association debt committee meeting Monday, issuers aired concerns about being asked to provide financial documents on a more frequent basis. Some said groups like the National Federation of Municipal Analysts are asking for too much. The NFMA wants interim financials from municipalities in order to get a good idea of their fiscal direction.

“NFMA has asked for the moon with quarterly filings,” said Richard Li, a public debt specialist for the city of Milwaukee. “That’s a nonstarter for the industry as a whole.”

Securities and Exchange Commission Chair Jay Clayton has said he is focused on both more timely annual financial reporting and interim unaudited financial information to improve municipal disclosure. Some analysts also say issuers take too long to get out their audited financial information and want information on a more frequent basis.

Li believes the municipal market needs to start interim disclosure with “low hanging fruit” such as certain parts of an issuer’s budget that have volatile revenues such as sales tax and toll revenues.

“We need to have that discussion on how can we report it in a way that’s meaningful, which is why I’m thinking if you just isolate the volatile revenues or volatile expenditures, maybe that gives analysts most of what they need to know,” Li said.

If NFMA can agree that volatile revenue is something to report on a regular basis, then that would be helpful, Li said.

“Then I think we’re getting to the place where they’re getting useful information that the issuer should be tracking, but then you’re not requiring all issuers to be tracking those numbers for the sake of producing numbers,” Li said.

For some issuers that don’t enter into the market often, they wonder if they will have to construct their interim financials, meaning more staff to help them do that.

“If you are an infrequent issuer, you’re likely to have a smaller staff,” said LaShea Lofton, finance director for Dayton, Ohio. “So you’re trying to figure out, how do you balance the provision of additional information in existing staff capacities as well?”

The city posts on its website its budgeted to actual statements for its general fund on a monthly basis. Lofton stressed even with that disclosure that investors would need to look at overall trends to get the bigger picture of the city’s financials.

Finding a solution to interim disclosures cannot be one size fits all, issuers said at the GFOA meeting.

Some issuers believe that quarterly financial statements are not going to address what analysts or investors are looking for.

“Quarterly financial statements are thrown out there generically,” said Dave Erdman, capital finance director for the state of Wisconsin. “What’s needed is everyone stepping back and identifying what is needed.”

Quarterly financial statements take “significant time” for issuers to prepare, Erdman added and disclosure should be narrowed to specific information. Erdman is also concerned that audited financial statements will now take longer to produce if issuers also have to do interim financials.

“As it’s often said, governments hire police officers and firefighters,” Erdman said. “Governments don’t employ an army of accountants.”

GFOA formed a disclosure working group last year to explore solutions around the subject of timely disclosure. The group has a variety of muni market participants including NFMA, municipal advisors and bond lawyers among others.

Erdman hopes that in discussions stemming from the disclosure working group market participants can come to a solution without regulatory interaction. That could be through best practices and guidance from the working group and the SEC.

“I don’t think we have a broken problem here,” Erdman said. “It’s just a matter of polishing what we do have.”

The Bond Buyer

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January 28 2020, 1:27pm EST

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