

Bond Case Briefs

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SEC Charges Rochester, N.Y., Misled Investors.

Case centers on \$119 million municipal-bonds offering on behalf of school district

In charges detailed Tuesday, the Securities and Exchange Commission says municipal-bond offering documents for the Rochester, N.Y., schools included outdated financial statements.

The city of Rochester, N.Y., former city and school-finance officials and a municipal advisory firm misled investors about the school system's distressed finances, the Securities and Exchange Commission alleged Tuesday.

The agency alleges that Rochester in 2019 sold \$119 million of municipal bonds on behalf of its school district without informing investors that the schools were in financial trouble because of overspending on teacher salaries. Former city finance director Rosiland Brooks-Harris, and former school finance chief Everton Sewell and city municipal adviser Richard Ganci of Capital Markets Advisors all knew about the trouble, the SEC said, but the bond offering documents included outdated financial statements.

An audit revealed the overspending, which amounted to nearly \$30 million, less than two months after the bond sale and the city's debt rating was downgraded, the SEC said.

Rochester officials "disagree vehemently with this filing and will take all appropriate legal steps to defend the City and its former financial director," the city said.

"We have made it clear that the City does not have access to or authority over the finances of the Rochester City School District, and therefore cannot be responsible for the district withholding financial information," the statement said.

In a settlement subject to court approval, Mr. Sewell, without admitting or denying the SEC's findings, agreed to pay a \$25,000 fine and not participate in future municipal bond deals. "Mr. Sewell has resolved his differences with the SEC," his attorney, David Rothenberg, said when reached by phone.

Ms. Brooks-Harris, Mr. Ganci, and Capital Markets Advisors are facing allegations that they violated antifraud provisions of securities laws in U.S. District Court for the Western District of New York.

Mr. Ganci, his colleague Richard Tortora, and Capital Markets Advisors are also facing allegations they violated their fiduciary duty as municipal advisers as well as laws around deceptive practices and fair dealing. An attorney for Mr. Ganci, Mr. Tortora and the firm couldn't be reached for comment.

The Wall Street Journal

By Heather Gillers

June 14, 2022

