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## **Major California Water District Hit With Rare Federal Fine.**

FRESNO, Calif. — Federal regulators issued a rare fine Wednesday to the nation's largest agricultural water district for misleading bond investors about the district's financial circumstances.

Thomas Birmingham, general manager of Central California's Westlands Water District, joked at a 2010 board meeting about carrying out "a little Enron accounting" to overstate the agency's revenue to avoid increasing rates for customers, the Securities and Exchange Commission said. That misleading information then was used to promote investment in a \$77 million bond issue in 2012, the SEC said.

The California water district agreed to pay \$125,000 in fines, marking only the second time that the SEC has issued a financial penalty against a municipal-bond issuer, regulators said in a statement.

Birmingham and a former water district official agreed to pay additional penalties totaling another \$70,000.

At the time of the incident, Westlands executives were expecting water scarcity and drought to cut into the district's revenue, potentially making the water agency's bond issue less attractive to investors, regulators said.

Rather than raise water rates for its customers, however, Westlands used an improper accounting technique to make the agency look more prosperous than it really was, the SEC said.

The water district's actions "left investors in the dark about Westlands Water District's true financial condition," Andrew J. Ceresney, director of the SEC's enforcement division, said in the statement.

In its own statement Wednesday, Westlands said it had been following the advice of independent auditors.

Under the settlement with the SEC, neither Westlands nor the two executives acknowledged innocence or guilt, the water district said.

Westlands supplies irrigation water to 700 farms growing everything from almonds to tomatoes in 1,000 square miles of the San Joaquin Valley, which leads the nation in producing fruits, vegetables and nuts.

Westlands also is currently slated as one of the possible main participants, at \$3 billion, in a \$15.7 billion plan promoted by Gov. Jerry Brown to build two, 35-mile-long tunnels to carry more water to Central and Southern California. No water agency has yet formally committed funding for the giant tunnels, however.

Birmingham, the general manager, declined comment Wednesday on whether the SEC action would affect any effort to arrange financing for the proposed tunnels project. State officials leading the tunnels project also declined to comment, said Nancy Vogel, a spokeswoman for the California Natural Resources Agency.

Potential lenders will look hard at the incident in setting interest rates for Westlands, the next time the water district tries to raise money with a bond issue, said Chicago attorney James Spiotto, who specializes in laws related to municipal finance. Spiotto said the penalties didn't strike him as unusually high.

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