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SEC Official Urges California Agencies to Review Bond Authority Risks.

A 14-project housing portfolio carried $2.5 billion in bonds, while energy prepayment bonds topped $100 billion outstanding in 2025.

A senior Securities and Exchange Commission (SEC) official urged California public agencies to scrutinize bond-issuing joint powers authorities and energy prepayment deals, warning that governance gaps and failed bond remarketing can pose disclosure and market risks.

Dave A. Sanchez, director of the SEC's Office of Municipal Securities, made the recommendations at a public-finance conference in San Francisco on Oct. 15. He said his remarks reflected his views in his official role and did not necessarily represent the views of the SEC, its commissioners or staff.

A joint powers authority brings public agencies together to exercise powers they share, such as issuing debt. California law provides a framework for agencies to form these authorities.

As of April 30, 2026, the California Community Housing Agency (CalCHA) had 14 workforce-housing projects financed with $2.5 billion in bonds. Seven projects had defaulted, used reserves to pay debt or reported another impairment. That combined count covers different signs of financial trouble; it does not mean seven projects defaulted.

In the year ended June 30, 2024, three CalCHA projects had difficulty meeting debt-service coverage requirements. Substantial doubt existed about those projects' ability to continue as going concerns. The audit opinion was not modified. The projects operate independently, and each project's bonds are tied to that project.

Sanchez warned that advisers paid fees tied to bond volume may have incentives to support deals even when another financing option would better serve an agency. He urged public officials to compare costs and fees, weigh public benefits, review an authority's default history and consider how much oversight they retain. Municipal advisers owe public-sector clients duties of care and, in most cases, loyalty.

Sanchez put outstanding energy prepayment bonds at more than $100 billion in 2025, representing over 5% of the Bloomberg Municipal Index. In these transactions, a public issuer uses bond proceeds to pay an energy supplier in advance, usually for future natural gas or electricity. Payments from a private funding recipient help service the bonds.

Many deals require bonds to be remarketed before the energy supply agreement ends. Sanchez warned that a failed remarketing during market stress could trigger termination terms, increase carrying costs or disrupt secondary-market pricing. He said the SEC does not second-guess an issuer's financial choice; its role includes ensuring issuers receive required information so they can make their own decisions.

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By Riza Dagoc

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