

 <p style="text-align: center;"><b>Council</b> <b>Communication</b> Office of the City Manager</p>	<b>Date:</b> January 11, 2016
	<b>Agenda Item No.</b> 31 <b>Roll Call No.</b> <u>16-0055</u> <b>Communication No.</b> <u>16-026</u> <b>Submitted by:</b> Dan Ritter, Finance Director

**AGENDA HEADING:**

Resolution approving Continuing Disclosure Policy and approving revisions to the Debt Management Program Policy.

**SYNOPSIS:**

The Council approved Debt Management Program contains various financial policies. This action would add a Continuing Disclosure Policy to the Debt Management Program. Such action is recommend for all municipalities that issue bonds, as one (1) item in response to recent financial market troubles. Fund balance policy targets for the General Fund and enterprise funds will also be changed to reflect the targets used by rating agencies.

**FISCAL IMPACT:**

No direct fiscal impact but implementation will potentially help maintain or improve credit ratings to achieve lower debt issuance costs and help avoid potential issues of non-compliance with financial regulations of the Securities and Exchange Commission.

**ADDITIONAL INFORMATION:**

During the November 23, 2015, Council workshop, proposed changes to the Debt Management Program were presented and discussed. The Debt Management Program of the City includes procedures for debt issuance, reporting compliance, record retention, corrective measures if deemed necessary and departmental processes for handling bond proceeds (i.e. investment restrictions) and arbitrage calculations. It is the responsibility of the Finance Director to keep this program document updated, distributed to appropriate City staff and readily available to the bond market and credit agencies. The City Council approved policies have been incorporated into this larger document as appendices to guide administrative decisions.

The first change recommended is to add a comprehensive Continuing Disclosure Policy to the larger document as a new appendix. The Securities Exchange Commission and other finance organizations urge issuers of municipal bonds to adopt written policies and procedures to help ensure compliance with requirements. Most of the procedures have already been in place, but by adoption of this Policy, the City appoints the City Treasurer to act as the Disclosure Coordinator of the City. The policy also commits the City to conducting periodic training for employees and the City Council in understanding and performing their responsibilities under this Policy. Adoption of this policy provides assurance to the financial markets that the City has procedures in place to remain in compliance with financial reporting requirements.

The other change is related to current City Council directives pertaining to fund balances. Recently rating agencies have provided a matrix of evaluation factors used to rate the credit worthiness of issuers of debt. The proposed changes align the City with the current rating and serve as a target to maintain or exceed for continuing or improved credit rating. The proposed changes to the percent of fund or working capital balances are shown as follows:

- a. The City's General Fund unassigned fund balance shall be maintained at no less than ~~10%~~ 15% of annual expenditures on every June 30<sup>th</sup>. The City's annual Comprehensive Annual Financial Report will illustrate compliance with this directive each year.
- b. The City shall maintain sufficient General Fund cash liquidity throughout the fiscal year to pay current expenses.
- c. Working Capital Balances for Enterprise Funds shall be maintained at not less than ~~15%~~ 20% of annual expenditures on every June 30<sup>th</sup>.

#### **PREVIOUS COUNCIL ACTION(S):**

Date: November 18, 2013

Roll Call Number: [13-1821](#)

Action: [Revisions](#) to the Debt Management Program Policy of the City of Des Moines. Moved by Coleman to adopt. Motion Carried 6-0.

Date: June 11, 2012

Roll Call Number: [12-0936](#)

Action: [Change](#) to the Debt Management Policy to allow for issuance of General Obligation debt to benefit City Enterprise funds. ([Council Communication No. 12-305](#)) Moved by Coleman to adopt. Motion Carried 7-0.

#### **BOARD/COMMISSION ACTION(S): NONE**

#### **ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:**

Policies will continue to be reviewed as regulations or best practices change, proposed changes or updates will be presented to Council.

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