

COUNCIL COMMUNICATION

	Number:	19-184i	Meeting:	May 6, 2019
	Agenda Item:	30	Roll Call:	19-0729
	Submitted by:	Bob Fagen, Finance Director		

AGENDA HEADING:

Revised disclosure policy in the Debt Management Program.

SYNOPSIS:

Resolution approving revisions to the Disclosure Policy in the Debt Management Program. The Council approved the Debt Management Program, which contains various financial policies. This action would update the disclosure policy in the Debt Management Program. Such action is recommended for amendments to continuing disclosure rule 15c2-12 by the Securities and Exchange Commission (SEC).

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 SEC.

ADDITIONAL INFORMATION:

- During the October 22, 2018, Council Work Session, debt and continuing disclosure requirements and amendments to the continuing disclosure rule 15c2-12 by the SEC were presented and discussed.
- The amendments to 15c2-12 require a municipal issuer to include in the continuing disclosure agreement two (2) new events for which notice must be provided within 10 business days of occurrence:
 - A financial obligation of the issuer or obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the municipal issuer or obligated person, any of which affect security holders, if material.
 - Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the issuer or obligated person, any of which reflect financial difficulties.

- The SEC defined "financial obligation" to include:
 1. Debt obligation;
 2. Derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or
 3. A guarantee of 1 or 2.
- A financial obligation does not include municipal securities for which a final official statement has been provided to the Municipal Securities Rulemaking Board, consistent with the Rule.
- The SEC has defined "debt obligation" to "include short-term and long-term debt obligations of an issuer or obligated person under the terms of an indenture, loan agreement, lease, or similar contract." While the complete scope of this definition will be determined over time, this would include bank loans, SRF loans, USDA loans and anticipatory warrants issued through a local bank. Further, the SEC clarified that only those lease arrangements that "operate as vehicles to borrow money" (such as lease-purchase arrangements) are subject to disclosure.

PREVIOUS COUNCIL ACTION(S):

Date: January 11, 2016

Roll Call Number: [16-0055](#)

Action: [Continuing](#) Disclosure Policy and approving revisions to the Debt Management Program Policy of the City of Des Moines. ([Council Communication No. 16-026](#)) Moved by Hensley 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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