

OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

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Item: Financial Disclosure Training for the City Council

OVERVIEW

The IBA, working with the Office of the City Attorney, has scheduled financial disclosure training for the City Council on March 5, 2007. The training will be provided by John McNally of Hawkins, Delafield & Wood LLP (Disclosure Counsel to the City) with assistance from Deputy City Attorney Mark Blake. This is the first of a series of systematic financial trainings planned for 2007 and beyond in accordance with the adopted financial training resolution. This report provides a brief introduction for the financial disclosure training and places the training in the context of the larger financial training program for the City Council.

FINANCIAL DISCLOSURE TRAINING

On December 6, 2006, the City Council approved a comprehensive financial training program developed by the IBA in response to a request from the Council President. The adopted financial training program is intended to provide current and future Councilmembers with multiple sources of relevant information on the important areas of government finance. One component of the adopted financial training program is to systematically provide the City Council with financial training on financial disclosure, financial statements, debt issuance & administration and current & multi-year budget planning. Two to three of these four important subject areas will be covered each fiscal year.

The financial disclosure training was originally scheduled, and ultimately provided to two Councilmembers, on February 5, 2007; however, the meeting was rescheduled to March 5, 2007 to allow the IBA an opportunity to review and discuss the planned training with the City's Disclosure Counsel and Independent Consultant. Disclosure training for the

City Council is required by both the City's disclosure ordinance and the SEC Order issued on November 14, 2006. The City's Disclosure Counsel has informed the IBA that the training will cover the following disclosure topics:

- The various contexts in which City disclosure occurs.
- Standards that apply in determining whether the City's disclosure satisfies the federal securities laws.
- Types of actions that the SEC and private plaintiffs can bring for alleged misleading disclosure.
- City Council responsibilities in approving disclosures of the City under the federal securities laws.
- The role of the Disclosure Practices Working Group and other steps to assure disclosure accuracy.

Given the relevancy of financial statements to financial disclosure, the IBA has asked the City's Disclosure Counsel to include a broader discussion of the City Council's responsibilities relative to the City's annual financial statements (formerly referred to as the CAFR). Additionally, the IBA asked that the Independent Consultant be allowed to review the financial training outline and provide any relevant comments they might have to enhance the effectiveness of the training. As this has been done, the IBA believes that this will be an excellent training opportunity and encourages Councilmembers to ask any disclosure related questions they may have at the conclusion of the Disclosure Counsel's presentation.

IMPLEMENTATION STATUS OF THE FINANCIAL TRAINING PROGRAM

The SEC Order requires "the implementation of active and ongoing training programs to educate appropriate City employees, including officials from the City Auditor and Comptroller's office, the City Attorney's office, the Mayor, and the City Council members regarding compliance with disclosure obligations." The financial training program adopted by the City Council addresses this requirement and will provide the City Council with different sources of information on several important areas of municipal finance. The financial training program for the City Council is comprised of four component parts described in IBA Report # 06-59. A brief status update on each component follows:

Systematic Financial Training

As was mentioned above, the scheduled financial disclosure training is the first of a series of financial trainings that will be scheduled for each fiscal year. In addition to financial disclosure, three other topics in government finance will be covered every two years in a rotating cycle. The other topics are an overview of financial statements, debt issuance &

administration and current & multi-year budget planning. City consultants and/or appropriate City staff will be utilized to provide these trainings. Having discussed these topics with the Independent Consultant considering the forward calendar for financial items coming to Council, the IBA will endeavor to schedule trainings covering financial statements and debt issuance & administration before July 2007.

Expert Consultant Presentations to the City Council

In addition to the systematic training described above, the financial training program calls for the City Council to annually receive training from an expert financial consultant on various financial topics of interest. The IBA will solicit input from the City's Independent Consultant, Disclosure Counsel, Office of the City Attorney and members of the City Council to determine the best topics to be addressed this year. A number of topics and potential presenters are currently being considered.

Modified Format for Financial City Council Presentations

This component of the financial training program recommended improving the process for providing Councilmembers with useful information before they make important decisions on financial action items. Suggested process improvements included: providing more lead time for the City Council to review lengthy and complex financial documents; providing the City Council with appropriate sample questions that could or should be posed to City staff and their consultants; and asking that City consultants, who assist with the preparation of financial action items, routinely provide expert testimony regarding the item before the City Council. Significant improvements in this regard were made with the presentation of the Ballpark Refunding Bonds and the Subordinated Water Revenue Notes on January 16, 2007. The IBA believes that further improvements can be made and will continue to work with the CFO and the City Attorney to implement useful process changes.

Useful Informational Resources and Contacts

The final component of the financial training program involves providing the City Council with useful informational resources and contacts that they can directly access when needed. On February 27, 2007, the IBA distributed an extensive series of Elected Official Guides, offered by the Government Finance Officers Association, to the City Council covering most of the important areas of municipal finance. The IBA will continue to procure cost-effective and relevant informational resources, similar to the GFOA booklets, for the City Council. Additionally, the IBA is planning to work with the CFO and the City Attorney to develop a list of internal and external professional financial contacts for City Council utilization as needed.

CONCLUSION

The financial disclosure training that the City Council has scheduled for March 5, 2007 is particularly important in that it is responsive to the SEC Order, the City's Disclosure Ordinance and the recently adopted financial training program. The City's Independent Consultant has been provided the opportunity to give his input to the City's Disclosure Counsel regarding the format of this training. It is our expectation that the training will be comprehensive and relevant for the City Council.

As directed in Resolution R-302243, the IBA will continue to develop and implement the financial training program for the City Council. We believe that this financial training program is comprehensive and better developed than other financial training programs, where they exist, for local government agencies. The IBA reiterates our belief that when the City Council is regularly provided with easy access to relevant information and training, they will be better prepared to ask the appropriate questions and make informed decisions on the numerous financial issues that come before them each year.

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