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5 Steps to Maintain or Improve Your Municipal Bond Rating.

Maintaining or improving municipal bond ratings can be challenging, but there are steps finance leaders can take to be sure they are fully prepared for the review process.

Bond ratings are important to a government from both a perception standpoint as well as an economic one. They indicate how safe an investment in the city's or county's bonds are and serve much like an individual's credit score. Since a municipal bond rating holds such power, each government should understand what factors influence their bond rating and take the appropriate steps to either maintain or improve their bond rating.

Maintaining or improving municipal bond ratings can be challenging. Annual reviews can alter the rating and many government finance directors dread the review process.

What can finance leaders do to be sure they are fully prepared for the review process? It begins with a year-round proactive approach to address the factors that comprise a bond rating and own the conversation with the ratings agent.

In our latest webinar, Charlie Francis, a 45-year veteran of government finance and former CFO and finance director, presented steps that governments can take to ensure they achieve the best possible score.

Here are some highlights from the live webinar:

- Know that rating agencies measure quantitative and qualitative factors. When you know what is being measured, you can manage to those factors. Luckily, ratings agencies post all factors that influence their ratings online. Factors that are scored include:

    - Management
    - Budgetary flexibility
    - Budgetary performance
    - Liquidity
    - Debt and contingent liabilities
    - Institutional framework

Qualitative factors influence the quantitative factors. The overall functioning of your government, as well as accountability and transparency play a key role in bond ratings. Owning this data and the story behind it will enable your government to make a case for a higher rating.

- **Build a relationship with your rating agency.** Get to know the people who review your government. Be sure to keep an ongoing dialogue going with them and share stories of what your government is doing to proactively manage issues. Share policies and keep them informed of what is happening and how it is being addressed.
- **Be able to back up information with data.** Every self-assessment score needs to be proven with

data for it to be justified. Inflated scores will only cause damage and break down trust.
- **Prepare all year round.** Transparency, solid management practices, accountability, and leadership all influence ratings and can be improved continually. Know what each agency measures, add performance context with stories about how your government is making a difference in citizens' lives, and prepare a scorecard and keep it updated throughout the year. By taking a proactive approach, you own the factors that you can control and can be more prepared for official ratings reviews.

In addition, Charlie shared five steps municipalities can take to continually maintain or improve bond ratings:

1. Conduct a risk-based analysis of general fund reserve requirements and adopt a reserve policy.
2. Conduct a comprehensive review of factors affecting the government's ability to issue debt and adopt a debt affordability policy.
3. Formally monitor financial and economic conditions and implement financial/economic mitigation management plans.
4. Develop, adopt, and maintain an asset management policy, strategy, and plans.
5. Develop a model that evaluates the impact on revenues, spending, and reserve levels from various budget initiative and economic scenarios, and incorporate long-term financial planning in all policy decisions.

OpenGov can help governments strengthen their financial reporting and story presentation to continually be prepared for bond rating reviews.

For more ways on how to maintain or improve your municipal bond rating, and for a more in-depth discussion on the ideas and steps presented above, view the webinar on-demand or download our latest eBook, How to Maintain or Improve Your Municipal Bond Rating.

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