

## Legislation Details (With Text)

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**Title:** Discussion of Peer Cities Analysis for Financial Comparisons.  
**Sponsors:** Russ Truell  
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**Attachments:** 1. Moody's Aaa Cities and suggested selections, 2. Triple-A Cities (S&P\_Moodys), 3. 08-21-2014\_2013 US Local Government Medians Demonstrate Stability of Sector[1], 4. 2012 Moody's Local Government Medians, 5. PFM Peer Cities Analysis Horizontal.pdf

Date	Ver.	Action By	Action	Result
12/9/2014	1	Work Session	acknowledged	
11/25/2014	1	Work Session	referred	

**DATE:** November 17, 2014

**TO:** Board of Mayor and Aldermen

**FROM:** Eric Stuckey, City Administrator  
Russ Truell, Assistant City Administrator

**SUBJECT:**  
Discussion of Peer Cities Analysis for Financial Comparisons.

### Purpose

The purpose of this memo is to provide information to the Franklin Board of Mayor and Aldermen (BOMA) concerning the cities used for financial comparison in the development of debt capacity modeling, budgeting, and strategic planning.

### Background

In April, 2009, the Board of Mayor & Aldermen began deliberation on its first formal debt management policy. The Board undertook the project with the primary goal of maintaining its bond rating (currently a Triple-A rating from both Standard & Poor's and Moody's), which ensures favorable interest rates whenever the City chooses to borrow for capital improvement projects and financial stability for the future. Unlike debt management policies used in other communities, the Franklin policy elected to make debt limits flexible by determining a range for each of five financial benchmarks that are used by the bond rating agencies.

To arrive at those valuations, the first step in the policy development process was to compare the financial

statistics of Franklin with other cities. The cities chosen for comparison were similar to Franklin in their bond rating and financial condition, and, to the extent possible, in size and growth parameters. Now, more than five years later, many of the cities used in the 2009 analysis have not developed as extensively or as quickly as the City of Franklin. Others were adversely affected in different degrees by the financial downturn.

Given the time lapse and the changes in city circumstances, it is advisable for BOMA to review the cities currently included and consider making changes to eliminate some existing names and include others where more appropriate comparisons exist. Our financial advisor, Public Financial Management (PFM), started months ago compiling a more up-to-date list of comparable cities. PFM has some recommendations for municipal comparisons and would like Board input on their suggestions. Selecting the most appropriate city comparisons will provide guidance on how our debt parameters should be structured and revised.

Once cities are selected, PFM will collect the pertinent financial statistics and put together a picture of what our ideal financial position would be based on a variety of municipalities. They will suggest a range for each financial benchmark that gives our city the assurance that our bond rating remains intact.

#### **Financial Impact**

The selection of comparable cities results in no direct financial impact. The selected cities will be used to guide the development of range limits in updating the City's debt policy.

#### **Recommendation**

Staff recommends a thorough review of comparative locations in order to provide feedback to PFM.