



GFOA BEST PRACTICE APPLICABLE IN CANADA

Maintaining an Investor Relations Program (2003) (2011) (DEBT)*

Background. Investors are a primary source of capital for governments. When a governmental entity sells debt, it enters into a long-term contract to make timely debt service payments to investors. Other stakeholders, such as bond insurers, liquidity providers, rating analysts, trustees, credit enhancers, counterparties, and constituents are interested in obtaining financial and operation information on issuers. An effective investor relations program that responds to the informational needs of these diverse groups may lower borrowing costs for issuers.

Recommendation. The Government Finance Officers Association (GFOA) recommends that governmental bond issuers consider developing an investor relations program. The centerpiece of such a program is a commitment to provide full and comprehensive disclosure of annual financial, operating, and other significant information in a timely manner consistent with federal, provincial, and local laws. Issuers may consider and are encouraged to provide additional information to investors beyond that provided for in their contractual commitments. An investor relations program, whether provided directly through a government issuer or through a fiscal agent, should consider the following:

1. Identify the individual(s) who is (are) responsible for speaking on behalf of the issuer. Establish steps to ensure that all external communication regarding disclosure is approved by this (these) person(s).
2. After giving consideration to the size and organizational structure of the entity, consider creating a “Disclosure Board” or other appropriate group, to establish the events to be disclosed and periodicity of disclosure items. Positions on the Disclosure Board may include: the debt manager, the chief financial officer, a representative of the legislative body, an administrative officer, the financial advisor, and bond counsel or issuer’s counsel.
3. The Disclosure Board, or other appropriate group, should establish policies and procedures for the Investor Relations Program. Policies and procedures should be simple and clear, and should address:
 - a) Identification and selection of information, both positive and negative, to be made available to investors, including material events, changes in financial or operating position, and changes in government policies. Documents that could be a source of such information include:
 - Annual budgets, financial plans or comprehensive annual financial reports,
 - Interim financial information that is sent to governing bodies for council or board meetings, and
 - Ordinances or resolutions adopted by a governing body.
 - Requirements for disclosure under federal, provincial or territorial law
 - b) Identification of ways to stay abreast of issues that are likely to be of concern to investors, such as issuer policies and practices pertaining to investments, fund balance, and accounting practices.

- c) Identification and maintenance of a database of investors and analysts who review the purchase of the issuer's debt instruments.
 - d) Use of CUSIP (Committee on Uniform Securities Identification Procedures) numbers.
 - e) Identification of means of disseminating information. Consideration should be given to e-mail, websites, postal distribution, and investor meetings.
 - f) Format of the document (e.g., .html or .pdf if electronically disseminated).
 - g) Timing of a release of information with any sale of debt instruments, if necessary.
 - h) Responding to investor questions. Consideration should be given to means of communication to all investors when a single investor poses a question.
 - i) Ensuring the majority of investors have access to the information.
 - j) Ensuring that preliminary official statements, if applicable, are received one week in advance of a bond sale.
 - k) Maintaining a good relationship with the rating agencies and fund analysts including distribution of disclosure information and keeping them informed of any changes that could affect credit quality and actions to address financial problems.
 - l) Ensuring that financial statements or other information needed for disclosure purposes are completed on a consistent schedule from year-to-year and prior to the date established in any contractual commitments.
 - m) Engaging in marketing activities to alert investors of a pending bond sale, especially if the debt instruments are sold competitively. Such activities may include preparation of special reports for investors, the scheduling of investor meetings, conference calls, and webcasting of issuer conference calls and on-site visits.
4. Consideration should be given to the fact that any record created as a result of the Investor Relations Program may be subject to internal policies and/or federal, provincial, and local laws concerning document retention and freedom of information.

The municipal marketplace is changing, and the need to provide additional information with greater frequency is significant. Issuers should maintain an awareness of changes in current practice in the area of investor relations. Investor Relations Programs that go beyond the legally mandated requirements of any regulatory body, promote the efficient sale of debt instruments in both the primary and secondary markets and may improve the reception of debt offerings. Expansive disclosure is encouraged, but consideration should be given to the ongoing commitment for such disclosure.

References.

- GFOA Recommended Practices:
 - *Using a Web Site for Disclosure*, GFOA, 2002.
 - *Maintaining an Investor Relations Program* (1996 and 2003), Approved by the GFOA's Executive Board, February 28, 2003.
- *Making Good Disclosure*, Robert Dean Pope, GFOA, 2001.
- *Disclosure Handbook for Municipal Securities*, National Federation of Municipal
- Analysts, 1992 Update.
- "Securities and Exchange Commission Enforcement Actions in the Municipal Securities Markets," *Government Finance Review*, August 1996.

Approved by the GFOA Committee on Canadian Issues, 21 May, 2011.