

GFOA Approves Best Practices for Refundings, Investing and Financial Services

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The Government Finance Officers Association (GFOA) recently approved five new best practices providing guidance to finance officers in the areas of refundings, procuring financial services, investing public funds, designs for defined contribution retirement plans and the use of electronic payments. The best practices assist local governments with identifying policies and procedures that contribute to improved management and promote and facilitate positive change. The newly recommended best practices can be found on GFOA's website at the following link: <http://www.gfoa.org/news/14456>.

Refundings (industry parlance for refinancings) are most commonly used by governments to achieve savings on interest costs but can also be used to remove or revise burdensome covenants or restructure debt service payments. GFOA's best practice on refundings recommends that issuers include in their debt management policies guidelines that address preservation of future refunding flexibility when issuing any debt, formal refunding objectives and monitoring of refunding opportunities on outstanding debt. GFOA also recommends that when evaluating a refunding transaction, issuers should analyze their refunding objectives, the efficiency of any related escrow and the unique aspects of executing the refunding transaction. Issuers without a dedicated debt management staff are also urged to engage a municipal advisor to monitor and review these opportunities.

Other new best practices for issuers include guidelines for (1) the procurement of financial advisory and investment services, which suggests reviewing such relationships every five years and using a competitive bid process; (2) the establishment of a public funds investment program, including developing a risk profile for the issuer and adopting an investment policy; (3) the inclusion of certain elements in defined contribution plans, such as analysis to determine the cost of providing the benefit and determining whether employees are eligible for a federal insurance program that provides benefits to retirees; and (4) the implementation of electronic payments for all payments.

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