George Ferguson, Chair
Anthony Filiato, Vice Chair
Dan Amaral
Mary Ann Jacob
Ryan Knapp
Paul Lundquist

TOWN OF NEWTOWN

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Legislative Council Finance and Administration Committee

The Legislative Council Finance and Administration Committee held a special meeting at the Newtown Municipal Center, 3 Primrose Street, Newtown, CT, on September 1, 2016, at 6:00 p.m., in Meeting Room 3, as follows:

Minutes

Call To Order The meeting was called to order at 6:06 p.m. A Salute to the Flag was not initiated, as this room is not adorned with the Stars and Stripes.

Roll Call All members of the Committee were present.

Voter Comment There was no voter comment.

Minutes: The Minutes of the Meeting of August 17, 2016 were approved on a 5-0 vote following a motion to approve by Anthony Filiato, and a second by Ryan Knapp. Paul Lundquist abstained.

Communications

New Business

Discussion and Possible Action:

A Discussion of the Town of Newtown Debt Policy was initiated based on the following charge from the Legislative Council:

"MR. KNAPP MOTIONED TO HAVE THE FINANCE COMMITTEE OF THE COUNCIL LOOK INTO AN APPROPRIATE METRIC FOR DEBT PER CAPITA THAT WE CAN MEASURE AND BENCHMARK AGAINST OTHER COMMUNITIES IN OUR AREA. SECOND BY MR. LUNDQUIST. MR. FERGUSON MOTIONED A FRIENDLY AMENDMENT TO ALLOW THE FINANCE AND ADMINISTRATION COMMITTEE TO REVIEW THE ENTIRE POLICY AND TO BRING ANY RECOMMENDATIONS IT WARRANTS BACK TO THIS BODY FOR CONSIDERATION. SECOND BY MR. CARROLL. AMENDMENT APPROVED. MAIN MOTION APPROVED"

George Ferguson opened the meeting and asked Bob Tait to update the group about the information on "Debt Policies" and "Borrowing Thresholds" for other communities. Bob reported his contact at CCM was away and so the research from this source was not available but he did distribute a handout of information. (Attachment A) This handout includes a spreadsheet prepared by Bob with selected Communities that had Moody's Aa1 credit ratings showing 6 different metrics for comparison. The handout also included background information on debt metrics, a spreadsheet of Financial Policies for selected communities prepared by Phoenix Advisors in 2013, and individual Debt Policies for individual communities including Cheshire, Meriden, East Hampton, Redding, Tolland, Wethersfield and Woodbridge. Bob mentioned that he was surprised to see so many communities that do not have debt policies in place, because it is considered a best practice.

As the information presented was lengthy, Committee members were asked to review the information contained herein prior to the next meeting.

Before getting deeper into the discussion, Mary Ann Jacob mentioned that there was a conversation about the Legislative Council's efforts to review the Debt Policy at the most recent Board of Finance meeting and in their minutes. The Finance Board expressed interest in participating in this process. George indicated that he has been copying the Chair of the BOF with Agendas and Minutes. He also noted that keeping the BOF informed was a part of our process and that he thought keeping the Chair informed accomplished this but will forward material directly to individual members in the future.

In discussion regarding the Board of Finance within our Committee there was a unanimous consensus around involving the Board of Finance in this discussion and seeking their input and advice before bringing a recommendation to the Legislative Council.

Resuming the discussion, Ryan Knapp expressed concern about tying our Debt level to our spending level. He indicated that Newtown was operating in the context of the State of Connecticut and other communities. He noted hat the State was losing population. He also noted that the State was losing wealth as the more affluent population left the State and the people moving in were less affluent.

Ryan also noted that Newtown's overall level of wealth had dropped about 15 places in terms of its wealth levels in recent years.

Ryan distributed a series of informational links and Rating Reports for Newtown and selected communities. (Attachment B)

Ryan also indicated that borrowing should not be justified on the basis of the Affluence of the Tax Base.

Anthony Filiato suggested that we should look into a Metric that is tied into Median Income. He also suggested that we should also look into how we and other communities are growing their grand lists.

Tony asked: What we need to do to get to triple A (AAA), or is that even a realistic undertaking?

He also asked what has to happen for us to get reduced? He said he wants to protect where we are now.

Bob Tait asked if we want more metrics and to tie this into the CIP policies?

Bob also responded to Tony's question about moving towards AAA by citing Moody most recent report which cited and increase in the Town's Fund Balance and a reduction of its Debt Burden as elements that could favorably effect Newtown's credit rating.

Bob said that we have stay on top of the trends, including the impact of the revaluation , and keep ion eye on Debt per Capita.

The Median recognized by Moody's is a recommendation but Bob pointed out that this was a national number. He said that we would have to look at the specific language.

George asked Bob if we had access to Moody's reports as part of our doing business with them. He pointed out that there was a trends report done by Moody's recently that might be helpful too us but it came with a hefty price tag. Bob said to send him the link and he's see what he could do.

Mary Ann suggested that the concerns Ryan has belong more to the CIP policy. As in Not Borrowing and issues around using a Capital Non Recurring Fund.

George Ferguson pointed out that we had not been charged with reviewing the CIP policy.

Future Meeting Date: The Committee discussed a next meeting date for September 21, 2016

Old Business None
Voter Comment None
Announcements None
Adjournment Adjourned at 7:10 p.m. on motion from Paul Lundquist and Second from Dan Amaral

George Ferguson
Chair

TOWN OF NEWTOWN
DEBT POLICY DATA AND
ANALYSIS
FOR DISCUSSION PURPOSES
9/1/2016
R.T.

Town of Newtown
Comparitive Debt Statistics - Moody's Aa1 Municipalities
Per State of CT Municipal Fiscal Indicators 2010-2014 Report 1/2016

Municipality	Ratio of Debt to Equalized Net Grand List	Debt Per Capita	Per Capita Income	Median Household Income	Debt Per Capita as a % of Income	
					Per Capita Income	Median Household
BRANFORD	0.9%	$ 1,545	$ 43,769	$ 71,058	3.5%	2.2%
BROOKFIELD	1.2%	$ 2,196	$ 48,978	$ 106,920	4.5%	2.1%
CHESHIRE	1.6%	$ 2,180	$ 43,583	$ 107,716	5.0%	2.0%
DANBURY	1.5%	$ 1,798	$ 31,411	$ 65,981	5.7%	2.7%
MANCHESTER	1.4%	$ 1,362	$ 32,558	$ 63,198	4.2%	2.2%
MILFORD	1.6%	$ 2,903	$ 40,797	$ 80,743	7.1%	3.6%
NEW FAIRFIELD	1.2%	$ 1,913	$ 43,029	$ 101,750	4.4%	1.9%
NEWTOWN	1.7%	$ 2,636	$ 48,740	$ 108,667	5.4%	2.4%
NORTH HAVEN	1.5%	$ 2,356	$ 38,742	$ 84,078	6.1%	2.8%
ORANGE	1.5%	$ 2,977	$ 49,512	$ 105,190	6.0%	2.8%
STAMFORD	1.4%	$ 2,970	$ 46,074	$ 77,221	6.4%	3.8%
STONINGTON	1.2%	$ 2,367	$ 44,599	$ 81,673	5.3%	2.9%
WINDSOR LOCKS	0.8%	$ 1,203	$ 35,129	$ 67,222	3.4%	1.8%
AVERAGE	1.3%	$ 2,185	$ 42,071	$ 86,263	5.2%	2.6%
MEDIAN	1.4%	$ 2,196	$ 43,583	$ 81,673	5.3%	2.4%

otes:

Debt Burden Indicators

The comparisons that are made in this study reflect two primary measures of debt burden: *debt outstanding* and *debt service*. Rather than simply using absolute amounts of each—which would not reflect such differences between cities as the economic base and total population that must service the debt—both measures were stated through a series of relative terms. The debt burden indicators and brief descriptions of each follow.

Total outstanding debt

Debt Outstanding. Debt outstanding measures the total dollar amount of principal that must be paid. This debt burden measure is stated in relative terms using three concepts of the tax base: property value, population, and personal income.

*** ***Debt as a percentage of the fair market value (FMV) of taxable property.*** The fair market value of all taxable property within the jurisdiction is an important measure of a municipality's wealth available to support present and future revenue/taxing capacity in order to meet obligations. This tax-base concept reflects the predominant use by municipalities of property taxes as the earmarked source of debt service for G.O. bonded debt.

*** ***Debt per capita.*** This tax-base concept reflects the philosophy that all taxes, and therefore the total principal on outstanding debt, are paid by the citizenry.

*** ***Debt per capita as a percentage of personal income per capita.*** This concept, a direct extension of the previous population measure, incorporates an *ability to pay* component into the assessment of debt burden.

Debt Service. Debt service (i.e., principal and interest payments) is the second measure of debt burden. This measure represents an allocation of current resources that are otherwise unavailable for other expenditure purposes. This measure is stated relative to public- and private-sector resources available.

Annual debt service

*** Being utilized

Debt service as a percentage of property tax revenue. Property tax revenue is particularly useful for evaluating cities that rely heavily on property taxes and includes all types of property taxes the municipality levies. This resource measure reflects the traditional source of debt service payments for G.O. bonds.

Debt service per capita. This relative measure reflects the annual per capita burden on the citizens of the city, under the presumption that all taxes and therefore all debt are paid by the citizenry.

Debt service per capita as a percentage of personal income per capita. This concept, which is a direct extension of the previous population measure, incorporates an *ability to pay* taxes component into the evaluation of debt service burden.

Debt service as a percentage of general fund revenues. This concept reflects a relatively narrow measure of resources that are available for day-to-day operations of the municipality; this measure would be appropriate when debt service is essentially paid for with general fund revenues.

*** ***Debt service as a percentage of general fund budgeted expenditures.*** This concept is an extension of the last and reflects that total resources appropriated by a municipality can exceed revenues. For example, the fund balance can be "spent-down," resources can be transferred in from another fund, or the budget can be balanced through other borrowings. This measure also identifies relative spending priorities of the municipality, such as how much is being spent on debt service versus current services like public safety.

Debt service as a percentage of operating expenditures. This concept is the most encompassing measure of day-to-day spending since it includes expenditures from the general fund, special revenue funds, and debt service funds. The measure eliminates budgetary and accounting idiosyncrasies associated with practices where individual governments budget and record debt service. Arguably, this is the broadest concept of spending for operating purposes.

Selected CT Municipalities

Financial Policy Information

PHOENIX ADVISORS, LLC

Issuer	*Question 1: Formal Fund Balance and Debt Policies?*	*Question 2: % of Fund Balance Listed in Policy*	*Question 3: Level(%) of Debt Service to Operating Expenditures*
Berlin	Formal for Both	Informal policy is between 10-15%	Maximum of 15% of General Fund budget excluding indebtedness of less than one year.
Cheshire	Formal for Both	8-9% floor to previous year's expenditures.	No specific % listed.
Darien	Formal fund balance; Informal debt	10% floor	We don't have a %, policy is that the principal outstanding should not exceed $98 million
Danbury	No (informal)	8-10% is the range of ensuing years GF budgeted expenditures.	(1) DS as a % of exps should not exceed 10% (2) Debt per capita should not exceed $1,900 and increase more than 3% per year. (3) Debt as a % of FMV shall not exceed 1.5%
East Hampton	Formal for Both	8-10% of budgeted expenditures	The % is not listed but they have an internal ceiling of 10%
Easton	No (informal)	8-10% of budgeted expenditures	n/a
Fairfield	No (informal)	5-7%	n/a
Glastonbury	Formal debt policy; Informal FB policy	8% of expenditures (minimum)	Not to exceed 10% of the budget
Greenwich	Formal for Both	5-10% Current Year's Expenditures	Less than 7.5%
Groton	Formal for Both	At least 7.5%	Shall not exceed 10%.
Meriden	Formal for Both	Unassigned Fund Balance Level equal to the average of one month's budgeted annual operating expenditures and other financing uses (transfers out) for the prior audited fiscal year (8.33%)	5% policy goal
Middletown	No (informal)	10% unassigned	Issue debt as needed regardless of expenditures due to 10 yr rapid retirement of debt
Milford	No (informal)	Minimum of 5% of the current year total budget	No more than 10% of the respective year's budget
New Britain	Formal Fund Balance only	5%	N/A
Newington	No (informal)	Maintain a minimal balance of 10% of expenditures.	Less than 6%
Norwalk	Formal for Both	Between 5% - 10% of GAAP revenues, with the overall objective of maintaining FB at the median of other Aaa/AAA rated municipalities in CT.	At or below 10%
Plainville	Formal Fund Balance only	5%	N/A
Redding	Formal for Both	Maintain Minimum undesignated general balance of 6% of the previous year's audited operating expenditures, to be reviewed annually.	No % included in Debt Policy.
Stonington	Fund Balance- Yes. Debt Policy - No	2 Months of operating expenditures (16.7%)	Less than 20% of Operating Budget (informal)
Trumbull	No (informal)	10%	Not to exceed 10%
Westport	No	N/A	N/A
Wilton	No (informal)	10% of budget operating cost requirement must be held in reserve	N/A
Woodbridge	Formal for Both	7-14%	Below 10% (including overlapping debt)

Note: Very few formal debt policies; there are much more informal (or no) policies.

TOWN OF CHESHIRE

DEBT POLICY

The purpose of a debt policy is to establish parameters and guidance for the Town to make decisions on capital spending needs and issuance of debt as a means to fund them. This Debt Policy will be used as established guidelines only. The Town will use reasonable judgment in analyzing debt capacity and the needs of the Town. In addition this plan will identify long-range financial planning objectives and assist the Town to identify priority capital needs of the Town in a financially prudent manner. The Town will adhere to the following guidelines/objectives with respect to the issuance of debt:

- Not fund current operating expenditures through the issuance of debt.
- Strive to reduce the limit of total debt service, including debt exclusions and self-supporting debt, to ten percent of gross expenditures.
- Only issue debt to finance projects that have been identified in the Town's Five Year Capital Expenditure Plan (CEP) or to fund emergency projects.
- Ensure that amortization of capital projects funded through the issuance of general obligation bonds will not exceed the useful life of the asset.
- Evaluate debt funding scenarios as part of its five year CEP process in order to prioritize projects; attempt to maintain stability in the planning and execution of the capital planning process; attempt to minimize overall tax increases in the early years and maintain level principal payments where practical.
- Adhere to Connecticut General Statutes limiting the amount of indebtedness the Town may have outstanding to seven times the total annual tax collections including interest and lien fees plus the reimbursement for revenue loss on tax relief programs.
- Ensure to the extent practicable that user fees will be set to cover the capital costs of special revenue/enterprise fund services or activities – whether on a pay-as-you-go basis or through debt financing – to avoid imposing a burden on the property tax levy.
- Comply with the requirements of Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission to provide annual financial information and operating data and notices of material events with respect to the Bonds pursuant to Continuing Disclosure Agreements executed at the time of issuing bonds.
- Maintain frequent communications about its financial condition with the credit rating agencies.

As part of the Capital Expenditure Plan process, the Town will evaluate the financial impact of the CEP including but not limited to:

- Debt funding scenarios in order to prioritize future financing needs
- Mill rate impact studies so as to minimize the overall tax increases
- Maintaining level annual debt service payments where practical
- Evaluating CEP effect on debt capacity and debt ratios in comparison to those used by investors and financial analysts.

City of Meriden – Debt Policy

Council Approved February 1, 2010

Purpose

The purpose of the City's policy regarding debt is to establish parameters and guidance for the City to ensure that borrowing and repayment of debt to meet its capital requirements are carried out and executed to ensure the timely and advantageous repayment of its long term debt obligations in a manner affordable to and within the City's capacity to pay.

Policy

The City recognizes the foundation of any well-managed debt program is a comprehensive debt policy. It is the intention of this policy to provide guidance to decision makers regarding the timing and purposes for which debt may be issued, types and amounts of permissible debt financing, methods of sale that may be used, and structural features that may be incorporated.

Most importantly, this debt policy is the City's recognition of a binding commitment to full and timely repayment of all debt as an intrinsic requirement for entry into the capital markets. The policy shall be executed and adhered to so as to ensure that the City maintains a sound debt position and that its credit quality is protected and enhanced.

CAPITAL IMPROVEMENT PLAN

In executing this policy the City prepares a multi-year Capital Improvement Plan for consideration and adoption by the City Council as part of the City's budget process. The Capital Plan identifies capital projects for the forthcoming year and the next succeeding five fiscal years. As part of the capital project planning process, the City evaluates the financial impact of each proposed project. The plan is updated annually. The status of authorized capital projects is reviewed periodically during each fiscal year to ensure that project costs do not exceed authorized funding. The City evaluates its current debt obligations and future debt funding scenarios as part of its Five-Year Capital Improvement Program process in order to prioritize its future financing needs and ensure that authorized long term bonding is within its capacity to pay and adheres to these policies.

The City is guided by three principles in selecting a funding source for capital improvements: equity, effectiveness and efficiency. It is the policy of the City that the beneficiaries of a project pay the costs of the project. For example, a project that is a general function of government that benefits the entire community, such as a school, police station or library, will be paid for with general tax revenues or financed with general obligation bonds. If, however, the project, such as a water or sewer facility, benefits specific users, the revenues are to be derived through user fees, charges and assessments. In selecting a source or sources for financing projects the City elects one or more financing options that effectively funds the total cost of the project. The City seeks first to fund projects with grants and funding from other than City sources, from funds that have been reserved for the purpose of the project or from current revenues. If such sources are not sufficient the City selects a financing technique that provides for the lowest total cost consistent with acceptable risk factors and principals of equity and effectiveness.

It is the policy of the City to budget sufficient current revenues to finance ongoing maintenance needs to keep the City's capital facilities and infrastructure systems in good repair and to maximize the useful life of each capital asset. Each City department with capital needs periodically reviews, plans and schedules the replacement of existing capital assets and the acquisition of new capital assets.
Debt is issued consistent with limitations imposed by federal and state law or regulation and the City Charter and City Code. Connecticut statutes limit the amount of indebtedness the City may have outstanding to seven times the total annual tax collections including interest and lien fees plus the reimbursement for revenue loss on tax relief programs. The City by resolution of the City Council has further limited the amount of indebtedness it may have outstanding to one half the amount allowed by state statute.

DEBT LIMITATIONS

Section C8-13 of the Charter sets forth the general power of the City to issue debt:

> *§ C8-13. Borrowing.*
> *The city shall have the power to incur indebtedness by issuing its bonds or notes as provided by the General Statutes of the State of Connecticut, as the same may be from time to time amended, and subject to the limitations thereof and of this Charter. The issuance of all municipal bonds and notes shall be authorized by resolution of the City Council.*
> *The City Council or such officials as it shall designate shall determine the rate of interest of such bonds and notes and shall determine the amount of each issue of bonds or notes, their form, their date, the dates of principal and interest payments, the manner of issuing such bonds or notes and by whom such bonds and notes shall be signed or countersigned and all other particulars thereof.*

Section 23-2 of the City Code further limits new borrowing as follows:

The amount of new bonded indebtedness authorized in each fiscal year, except for bonded indebtedness incurred to fund school building projects, expenditures that are mandated or reimbursed by the State of Connecticut or bonded indebtedness to be paid from enterprise funds shall be limited in amount to no more than one-half the (principal) amount of such bonded indebtedness retired in the preceding fiscal year, unless approved by a vote of two-thirds of the entire membership of the City Council.*

*-Inserted for policy clarification.

The City plans long-term and short-term debt issuances to finance the City's capital program based on cash flow needs, sources of revenue, capital construction periods, available financing instruments and market conditions. In order to limit further its reliance on long term debt, it is the policy of the City to finance capital projects through the issuance of debt for the shortest period practical. Borrowings by the City are not to be of a duration that exceeds the economic life of the improvement that it finances and where feasible should be shorter than the projected economic life. Debt is not issued for the cost of current operations. Debt is not issued for the acquisition of capital equipment having a useful life of five years or less. Moreover, to the extent possible, the City designs the repayment of the debt so as to recapture rapidly its credit capacity for future use. Duly taking into account its capacity to pay and the other goals enunciated in these policies, it is the preference of the City to pay for capital projects in a period of ten years, except for such improvements that have a life greater than twenty years, such as school construction and except for such projects that are funded by enterprise fund user fees. At the time of establishing the structure of a bond issue, the impact on the mill rate is evaluated so as to minimize overall tax increases and maintain level payments on bonded indebtedness as a percentage of the general fund.

DEBT BENCHMARKS

The City uses a number of debt ratios to assess its debt burden, including those most commonly used in comparable communities and those developed by bond rating agencies. The City recognizes that such ratios are useful guides but not the exclusive means by which it should measure its debt burden and creditworthiness. The City recognizes that from time to time extraordinary capital needs, financial emergencies or unusual changes in the value of its grand list may cause the City to exceed such ratio. With regard to each of the goals set forth below, the City excludes enterprise fund debt from its calculations.

The City employs the following debt ratios when reviewing the City's capacity to issue debt:

• Total outstanding debt as a percentage of Net Taxable Grand List (Moody's Median: 3.3 %.):
The goal of the City is for its general obligation bonded indebtedness to be no more than three percent of the value of its net taxable grand list.

• Annual general obligation debt service as a percentage of General Fund operating budget expenditures. Moody's Median: 10%):
The goal of the City is for its general obligation debt service, excluding debt service for school construction projects, to be no more than five percent of its general fund operating budget. The policy of the City is to adhere to its self imposed annual bond authorization cap, which limits new authorizations, with some exceptions, to no more than one-half of the amount of principal on such debt retired in the preceding fiscal year, until that goal is achieved.

• Retirement rate of principal in 10 years for new debt issuances (Moody's Median: greater than 50%):
The goal of the City is to maintain a retirement rate greater than 66%.

• Amount of outstanding debt as a percentage of general fund budget:
The goal of the City is that outstanding debt be no more than fifty percent of its general fund budget.

Overlapping Debt

There is no overlapping municipal debt in the City.

METHODS OF SALE

Competitive Sale: The City, as a matter of policy, shall seek to issue its debt obligations in a competitive sale unless it is determined by the Director of Finance with the concurrence of the City Manager that such a sale method will not produce the best results for the City. In such instances where the City, in a competitive bidding for its debt securities (whether general obligation or non-general obligation debt), deems the bids received as unsatisfactory or does not receive bids, it may, at the election of the Finance Director with the concurrence of the City Manager, enter into negotiation for sale of the securities.

Negotiated Sale: When determined appropriate by the Director of Finance, with the concurrence of the City Manager, the City may elect to sell its debt obligations through a negotiated sale. Such determination may be made on an issue by issue basis, for a series of issues, or for part or all of a specific financing program. Selection of the underwriting team shall be made pursuant to selection procedures set forth in this debt policy under “Selection of Consultants and Service Providers”.

Private Placement: When determined appropriate by the Director of Finance, with the concurrence of the City Manager, the City may elect to sell its debt obligations through a private placement of limited public offering. Selection of a placement agent shall be made pursuant to selection procedures developed by the Director of Finance.

DISCLOSURE AND ARBITRAGE COMPLIANCE

Rating Agencies: Full disclosure of operations and open lines of communication shall be made to the rating agencies. City staff, with assistance of financial advisors, shall prepare the necessary materials and presentation to the rating agencies. A credit rating will be sought from one or more of Moody’s, Standard & Poor’s and FitchRating credit rating agencies as recommended by the Director of Finance, with the concurrence of the City Manager in conjunction with the City’s financial advisor.

Arbitrage: The Director of Finance shall establish a system of record keeping and reporting to meet the arbitrage rebate compliance requirement of the federal tax code. This effort shall include tracking investment earnings on bond proceeds, calculating rebate payments in compliance with tax law, and remitting any rebateable earnings to the federal government in a timely manner in order to preserve the tax-exempt status of the City’s outstanding debt issues. Additionally, general financial reporting and certification requirements embodied in bond covenants shall be monitored to ensure compliance to all covenants.

Continuing Disclosure: The City is committed to continuing disclosure of financial and pertinent credit information relevant to the City’s outstanding securities and will abide by the Provisions of Securities and Exchange Commission (SEC) Rule 15c2-12 concerning primary and secondary market disclosure.

SELECTION OF CONSULTANTS AND SERVICE PROVIDERS

Solicitation: The City’s Director of Finance shall be responsible for solicitation and the selection process for securing professional services that are required to develop and implement the City’s debt program. Goals of the solicitation and selection process shall include encouraging participation from qualified service providers, both local and national, and securing services at competitive prices. The solicitation and selection shall conform to the requirements of the City Charter and Code and the policies developed in conformity thereto with regard to the selection of providers of professional services.

Financing Team: The City may employ outside financial specialists, such as bond counsel and a financial advisor, to assist it in developing a bond issuance strategy and preparing bond documents and marketing bonds to investors. Other outside firms, such as those providing paying agent/registrar, trustee, credit enhancement, auditing, or printing services are retained as required.

INVESTMENT OF PROCEEDS

All idle funds are invested in conformity with federal and state laws, rules and regulations, the City Charter and Code and internal policies and procedures. Besides legality, the City's foremost investment objective is safety of principal. The City will maintain sufficient liquidity to meet project expenditure requirements.

Town of East Hampton, Connecticut
Debt Policy

INTRODUCTION

The purpose of a debt policy is to establish consistent parameters and guidance for the Board of Finance and Town Council to make decisions on capital spending and issuance of debt as a means to fund them.

The Town recognizes the foundation of any well-managed debt program is a comprehensive debt policy. In addition to the general parameters, this policy provides guidance to decision makers regarding the timing and purposes for which debt may be issued, types and amounts of permissible debt financing, methods of sale that may be used, and structural features that may be incorporated.

Finally, this debt policy is the Town's recognition of a binding commitment to full and timely repayment of all debt as an intrinsic requirement for entry into the capital markets. The policy helps to ensure that the Town maintains a sound debt position and that credit quality is protected.

In summary, the main advantages of a formal debt policy are as follows:

- Enhances the quality of decisions by imposing order and discipline, and promoting consistency and continuity in decision making;
- Rationalizes the decision-making process;
- Identifies objectives for staff to implement;
- Demonstrates a commitment to long-term financial planning objectives; and
- Is regarded positively by the rating agencies in reviewing credit quality.

INTEGRATION OF CAPITAL-PLANNING AND DEBT FINANCING ACTIVITIES

Multi Year Capital Plan. The Town prepares a multi-year Capital Improvement Program for consideration and adoption by the Board of Finance and Town Council as part of the Town's budget process. Annually, the capital budget identifies revenue sources and expenditures for the current year and the next succeeding four fiscal years. As part of the capital project planning process, the Town evaluates the financial impact of each proposed project. The plan is updated annually.

Funding of the Capital Improvement Program. Whenever possible, the Town will first attempt to fund capital projects with Local Capital Improvement Program (LoCIP) grants as part of its broader capital improvement plan. If these grants are not available, the Town will use general revenues (pay-as-you go), reserve funds, excess surplus, bond financing, or a combination thereof. The Town is guided by three principles in selecting a funding source for capital improvements: equity, effectiveness and efficiency.

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1 **Fairness:** Whenever appropriate the beneficiaries of a project or service will pay for it. For example, if a project is a general function of government that benefits the entire community, such as a school, police station or library, the project will be financed with general obligation bonds and repaid with general tax revenues. If, however, the project benefits specific users, such as water and sewer facilities, the revenues will be derived through user fees or charges and assessments.

2 **Effectiveness:** In assessing a source or sources of revenue for the financing of projects the Town will select one or more options that effectively pays the annual debt service costs. For example, funding a capital project or the debt service on a project with a user fee or assessment, the Town should consider the term of the assessments that will repay the financing.

3 **Efficiency:** If grants or current revenues are not available to fund a project the Town will select a financing technique consistent with acceptable risk factors and principals of equity and effectiveness. These techniques currently consist of fixed-rate general obligation or revenue bonds issued by the Town.

Infrastructure Maintenance, Replacement and Renewal. The Town intends to set aside sufficient current revenues to finance ongoing maintenance needs and to provide periodic replacement and renewal consistent with its philosophy of keeping the Town's capital facilities and infrastructure systems in good repair and to maximize a capital asset's useful life. It is the Town's goal to encourage plans for scheduling this maintenance.

DEBT AUTHORIZATION (TOWN CHARTER REQUIREMENTS)

Agency	Comment
PLANNING AND ZONING COMMISSION	Proposed project must be referred to the local Planning and Zoning Commission for approval or a report (unless project is solely purchase of movable equipment). Planning and Zoning Commission should act on referral before Town Meeting is held. Action by Commission must be by majority vote of all its members, not just a majority of those present. C.G.S. Sections 8-24; 8-22.
BOARD OF FINANCE	Prior to Town Meeting, Board of Finance must recommend appropriation and bond and note authorization. Charter, Sections 5.1, 5.2; C.G.S. Section 7-348.
TOWN COUNCIL (If Town Council decides to submit an item to referendum the Town Clerk will need 30 days notice in order to prepare)	The Town Council must recommend appropriation and bond and note authorization and set date for Special Town Meeting to act on recommendation. Charter, Section 2.4; C.G.S. Section 7-3. The Town Council can submit any item to referendum by acting not less than five days prior to the Town Meeting. Charter, Section 4.4; C.G.S. Section 7-7.
NOTICE OF TOWN MEETING (Must be submitted 3 days before publication)	When the proceedings above are complete, the Notice of Town Meeting must be posted and published at least five days prior to meeting, and the Return of Notice must be filed with Town Clerk. Publication must be in a newspaper having a general and substantial circulation in the Town. Do not include day of Town Meeting in counting five days for publishing and posting notice. Charter, Sections 2.4, 4.1; C.G.S. Sections 7-3, 7-4. Notice of referendum initiated by the Town Council should be included in notice of Town Meeting. Town meeting must be held within seven to fourteen days prior to referendum date. Charter, Section 4.4; C.G.S. Sections 7-7, 7-9c.
TOWN MEETING	Town Meeting held and full resolution authorizing appropriation, bonds and temporary notes, etc., read, moved, seconded and voted. Charter, Section 4.1. Votes on the resolution should be counted unless the votes are to be taken at a referendum initiated by the Town Council or at an adjourned Town Meeting pursuant to a petition filed under Charter, Section 4.4 and C.G.S. Section 7-7. If voting is to take place at a referendum or adjourned town meeting, ballot heading of referendum question is announced and the Town Meeting is adjourned to referendum to be held within seven to fourteen days of meeting.
ADJOURNED TOWN MEETING - REFERENDUM	Absentee ballots must be provided. C.G.S. Sections 9-135, 9-1(n), 9-369c.

PURPOSES FOR WHICH DEBT MAY BE ISSUED

- The Town will consider financing major capital improvements with a total cost exceeding $100,000. Such costs may include any planning, design and land acquisition costs for such improvements.
- The Town will consider issuing debt to finance projects that have been included in the Five-Year Capital Improvement Program.

REFUNDING OF EXISTING DEBT

A refunding transaction is the issuance of new bonds to refund an outstanding bond issue(s). Most refundings are performed primarily to take advantage of current interest rates that are lower than the rates on the outstanding bonds and to realize budgetary savings. The Town may consider a refunding for three primary reasons:

1 To reduce interest costs;
2 To achieve net present value savings (NPV) that exceed two (2%) percent of the debt service amount of the refunded bonds; and
3 To eliminate bond covenants that may have become restrictive.

OBJECTIVES OF ISSUING DEBT

- The Town will finance capital projects through the issuance of debt for the shortest period practical but will not exceed the useful life of the asset.
- The Town will evaluate debt management options as part of its annual Five-Year Capital Improvement Program process in order to prioritize future financing needs.
- The Town will attempt to minimize its reliance on long-term debt.

LEGAL LIMITATIONS

- Connecticut General Statutes limit the amount of indebtedness the Town may have outstanding to seven times the total annual tax collections including interest and lien fees plus the reimbursement for revenue loss on tax relief programs.

TYPES OF DEBT PERMITTED TO BE ISSUED AND CRITERIA FOR ISSUANCE

TYPES

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- Bond Anticipation Notes (BAN's)
- Tax Anticipation Notes (TAN's)
- General Obligation (GO) Bonds
- Revenue Bonds or Special Assessment Bonds
- Lease Purchase Financing
- Tax Increment Financing (TIF)

CRITERIA

a. Short Term Debt

1 **Bond Anticipation Notes:** The Town may choose to issue Bond Anticipation Notes as a source of interim funding during a project's construction phase. Such notes are generally issued for a one-year term and can be renewed for a period not to exceed ten years, subject to mandatory pay downs beginning before the end of third year. . Before issuing such notes, the Finance Director will contact the Town's Financial Advisor, for consultation.

2 **Tax Anticipation Notes:** The Town may choose to issue Tax Anticipation Notes to fund internal working capital cash flow needs. Before issuing such notes, cash flow projections will be prepared by the appropriate Town Departments and reviewed by the Finance Director. Tax Anticipation Notes should only be considered following consultation with the Town's Financial Advisor.

3 **Leasing:** Leasing is appropriate for procuring assets that are too expensive to fund with current receipts in any one year, but with useful lives too short (less than ten years) to finance with long-term debt. Leasing will be considered for assets that will be needed for only short periods of time, or which are subject to rapid technological obsolescence.

b. Long Term Debt

1 **General Obligation (GO) Bonds:** General obligation bonds are general obligations of the Town with a full faith and credit pledge, payable from general (property) taxes, subject to certain constitutional and statutory limitations. Bonding should be used to finance capital improvements and long-term assets, or other costs associated with the financing of a project, which has been determined to be beneficial to the citizens of the Town. Repayment sources may include but are not limited to tax revenues, project revenue, Federal and State grants, and special assessments. The Town will consider all repayment sources prior to the issuance of debt.

2 **Revenue Bonds:** The Town may also consider revenue or special assessment bonds. To enhance security when issuing revenue bonds, the Town may issue "double-barreled" bonds which are secured both by a dedicated revenue stream and by the general taxing powers the Town. The Town will strictly adhere to all provisions of the bond resolution or trust indenture including but not limited to covenants, additional bond tests, and operation and maintenance requirements. The Town, with the assistance of its Financial Advisor, will analyze the feasibility and cost benefits prior to the issuance of such bonds.

3 **Tax Increment Financing (TIF):** The Town may sponsor conduit financings for physical projects in areas designated for redevelopment, urban renewal, or municipal development that have a general public purpose and are consistent with the Town's overall service and policy objectives. Debt service on TIF bonds will be derived from the incremental tax revenues generated as a result of economic growth in the TIF District. TIF Bonds are Special Revenue Bonds; the Town will have no obligation for the repayment of these bonds.

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Credit Enhancement: The Town shall seek to use credit enhancement (letters of credit, bond insurance, surety bonds etc.) when such credit enhancement improves marketability and cost-effectiveness.

RESTRICTION/LIMITATIONS ON DEBT ISSUANCE

- This policy prohibits the issuance of debt for current operations.
- This policy prohibits the issuance of derivative securities.
- The Town will not issue Pension Obligation bonds.

STRUCTURAL FEATURES OF DEBT

Overview: The Town plans long-term and short-term debt issuances to finance its capital improvement program based on cash flow needs, sources of revenue, construction periods, available financing instruments and market conditions.

When establishing the structure of a bond issue, a mill rate impact analysis will be performed. The analysis will incorporate the current debt structure and project the costs of various financing options available to the Town. **Debt Repayment:** Generally, borrowings by the Town should be of a duration that does not exceed the economic life of the improvement and in no event exceed 20 years (30 years for school and sewer projects) in accordance with Connecticut General Statutes. The Town will repay, a minimum of, 50% of the Town's overall outstanding debt within ten years.

CREDIT OBJECTIVES

Analysts at rating agencies, underwriting firms and institutional investors use debt ratios to analyze debt levels. However, the Town recognizes that ratios are one of many factors that influence bond ratings. Commonly used debt ratios of comparable sized Towns and with comparable ratings will provide one measure against which the Town can assess its debt burden. Another method is to compare ourselves against ratios developed by rating agencies, such as, *Standard & Poor's and Moody's Investors Service*. The analysis is not intended to determine the Town's total financial position or to project the rating level of the Town.

The Town will use the following debt ratios when reviewing the Town's capacity to issue debt:

Debt Burden Indicator	Definition	Standard & Poor's
Debt as a percentage of Full Valuation	A ratio of total direct debt to the full valuation of the most recent completed grand list.	• Low - Below 3% • Moderate - 3%-6% • Moderately High - 6%-10% • High - Above 10%
Debt per capita	This ratio measures net debt to population.	• Very Low - Below $1,000 • Low - $1,000-$2,000 • Moderate - $2,000-$5,000 • High – Above $5,000
Debt Service Indicators		
Annual net debt service as a percentage of total General Fund expenditures (including transfers out)	The portion of operating expenditures used for debt service costs	• Low - Below 8% • Moderate - 8%-15% • Elevated - 15%-20% • High - Above 25%
A retirement rate of 50% of the Town's indebtedness within 10 years		Median: Greater than 50%

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Overlapping Debt

- There are no portions of the debt of other governmental entities that are payable in whole or in part by the Town (e.g. Regional School District Debt) .

METHOD OF SALE

Competitive Sale: The Town, as a matter of policy, will issue its debt obligations in a competitive sale when deemed cost effective and advantageous to do so .

Negotiated Sale: There may be instances where it is determined by the Director of Finance and approved by the Board of Finance that certain complexities of a bond financing or market conditions are such that it may be beneficial to the Town to issue its debt obligations through a negotiated sale. Such determination may be made on an issue-by-issue basis, for a series of issues, or for part or all of a specific financing program. Selection of the underwriting team shall be made pursuant to selection procedures set forth in this debt policy under "Selection of Consultants and Service Providers".

Private Placement: When determined appropriate by the Finance Director and approved by the Board of Finance, the Town may elect to sell its debt obligations through a private placement of limited public offering. Selection of a placement agent shall be made pursuant to selection procedures developed by the Finance Director.

DISCLOSURE

Rating Agencies: Full disclosure of the Town's financial position, current operations, and local economy shall be made to the rating agencies; an open line of communication should also be maintained with the agencies. Town staff, with assistance of financial advisors, shall prepare the necessary materials and presentation to the rating agencies. A credit rating will be sought from Standard & Poor's and others as recommended by the Finance Director in conjunction with the Town's financial advisor.

POST ISSUANCE TAX & SECURITY LAW COMPLIANCE

The Finance Director will develop and implement written post-issuance compliance procedures that will enable the Town to adequately safeguard against post-issuance violations that may result in the loss of the tax-exempt status of their bonds.

Arbitrage: The Finance Director shall establish a system of record keeping and reporting to meet the bond gross proceeds expenditure tests and the arbitrage rebate compliance requirement of the federal tax code. This effort shall include tracking investment earnings on bond proceeds, calculating rebate payments in compliance with tax law, and remitting any rebateable earnings to the federal government in a timely manner in order to preserve the tax-exempt status of the Town's outstanding debt issues. Additionally, general financial reporting and certification requirements embodied in bond covenants shall be monitored to ensure that all covenants are complied with.

Continuing Disclosure: The Town is committed to continuing disclosure of financial and pertinent credit information relevant to the Town's outstanding securities and will abide by the Provisions of Securities and Exchange Commission (SEC) Rule 15c2-12 concerning primary and secondary market disclosure and its executed Continuing Disclosure Agreements.

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SELECTION OF CONSULTANTS AND SERVICE PROVIDERS

The Town employs outside financial specialists to assist it in developing a bond issuance strategy preparing bond documents and marketing bonds to investors. The key players in the Town's financing transactions include its financial representatives (the Finance Director and staff, among others), Bond Counsel and a Financial Advisor. Other outside firms, such as those providing paying agent/registrar, trustee, credit enhancement, auditing, or printing services, are retained as required.

The Town's Finance Director shall be responsible for establishing a solicitation and selection process for securing professional services that are required to develop and implement the Town's debt program. Goals of the solicitation and selection process shall include encouraging participation from qualified service providers, both local and national, and securing services at competitive prices. The Finance Director shall periodically seek requests for qualifications for bond counsel and financial advisory services based on need.

INVESTMENT OF PROCEEDS

The investment of idle funds must be in conformance with federal laws, state statutes, the Town Charter, and internal policies and procedures.

SAFETY FIRST

Besides legality, the Town's foremost investment objective will be safety of principal.

LIQUIDITY

The Town will maintain sufficient liquidity to meet project expenditure requirements.

REVIEW OF THIS POLICY

This policy shall be reviewed no later than a bi-annual basis and modified as necessary.

Approval:

APPROVED BY BOARD OF FINANCE: 12-17-2012

APPROVED BY TOWN COUNCIL: 04-09-13

Town of Redding, CT

Debt Management Policy

Approved April 26, 2010

OBJECTIVE: To provide a policy which recognizes the Capital Improvement needs of the Town, as well as the taxpayer's ability to pay, while taking into account existing legal, economic, financial and debt market considerations

PROCEDURE: Certain capital expenditures shall be financed by long term debt to be repaid in annual installments in accordance with the debt instrument. The Town will issue debt for the purposes of constructing or acquiring nonrecurring permanent capital improvements, major renovations, open space property, or other similar type projects it deems necessary. Current operating expenditures shall not be funded through the issuance of debt.

In order to qualify, the project as defined above needs to have a minimum useful life of 10 years and cost at least $100,000 individually, or in the aggregate for related items.

Short-term borrowing may be used to provide interim cash flow to facilitate the timing of Bond sales.

Long-term leases should be used for major equipment, rolling stock, and other capital items when it is cost justifiable to do so.

All capital improvements financed through the issuance of debt will be financed for a period not to exceed 20 years or in accordance with State Statutes

Exceptions or changes to this policy require approval of the Board of Finance.

TOLLAND

DEBT MANAGEMENT POLICY

The Debt Management Policy provides the conceptual framework for the issuance and management of debt.

Policy Purpose

The purpose of this document is to provide a comprehensive and viable debt management policy which recognizes the infrastructure needs of the Town as well as the taxpayer's ability to pay while taking into account existing legal, economic, financial and debt market considerations.

Objective

Town debt will be issued for the purpose of funding capital projects as authorized and in compliance with State statutes and the Town Charter. The Town plans long and short-term issuance to finance its capital program based on its cash flow needs, sources of revenue, capital construction periods, available financing instruments and market conditions. The Debt Management Plan is structured to layer in debt issues for the ensuing ten years based on approved projects and anticipated needs.

This Policy establishes the standards regarding the timing and purpose for which debt may be issued, types and amounts of permissible debt, method of sale that may be used and structural features that may be incorporated in the Town's Debt Management Plan. The standards constitute realistic goals that the Town can expect to meet, and will guide, but not bind, debt management decisions. Advantages of a debt policy are as follows:

- Enhance the quality of decisions by imposing order and discipline and promoting consistency and continuity in decision making
- Rationalize the decision-making process
- Identify objectives for staff to implement
- Demonstrate a commitment to long-term financial planning objectives

Policy

1. *Borrowing authority* -- the Town shall have the power to incur indebtedness in according with the Town Charter, Section C9-16. The issuance of debt shall be authorized by resolution of the Town Council and adopted by referendum if any such debt issue exceeds 5% of the current tax levy. In the aggregate, debt authorizations in a fiscal year that do not exceed 5% of the current tax levy may be approved by the Town Council without referendum vote.

2. *Types of permissible debt* -- whenever possible, the Town will first attempt to fund capital projects with state and federal grants or other revenues. When such funds are insufficient, the Town may use dedicated revenues from Special Revenue Funds, development fees, and capital and non-recurring expenditure or general fund revenues to fund projects. If these are not appropriated, the Town will use bond financing. General obligation bonds will be issued to finance traditional public improvements. Revenue or limited obligation bonds may be used within statutory parameters to finance those special projects or programs which directly

support the Town's long-term economic development or housing interests or which service a limited constituency and are clearly self-supporting.

The Town may use short-term financing in the form of Bond Anticipation Notes ("BANS"). BANS may be used to provide interim cash flow, facilitate the timing of bond sales, finance less significant borrowing needs, avoid locking in high long-term interest rates during periods of market turmoil or to finance projects whose final cost is uncertain or is expected to be mitigated by grants and/or investment earnings. BANS are not to be used to defer the operating budget impact of bonded debt service or to speculate on market rates. BANS will be retired either through cash reserves or through the issuance of long-term bonds in accordance with the Town's debt management strategy and as market conditions permit.

A growing part of the public finance market is the use of interest rate swaps and other primary market derivatives by municipal bond issuers. Swaps in particular are often an integral part of a municipal bond issuer's risk management program. Such strategies should be undertaken with the goal of reducing risk and/or for the purpose of diversification. Any alternative method of financing, such as the use of swaptions, forwards, interest rate or debt derivative transactions, etc., if deemed appropriate, should be fully disclosed, reviewed and approved by the Town Council. Such financings should be based on formally approved management policies and procedures that simultaneously minimize the risks and maximize the rewards for such transaction.

Long-term capital leases or lease-purchase obligations may be used for copiers, computers, major equipment or rolling stock and other capital items when it is cost justifiable to do so.

3. *Purpose of debt* – the town will confine long-term borrowing to capital improvements or projects that cannot be financed with current revenues. The Town will not fund current operations from the proceeds of borrowed funds. Whenever appropriate the beneficiaries of a project or service will pay for it. For example, if a project is a general function of government that benefits the entire community, such as a school or library, the project will be paid for with general tax revenues or financed with general obligation bonds. Projects benefiting specific users, such as water and sewer facilities, will be issued as general obligation bonds by the Town, using its full faith and credit pledge. The revenues will be derived from user fees or charges and targeted taxes and assessments will be used to offset the general obligation debt service.

4. *Refunding debt* -- the Town will continually monitor its outstanding debt in relation to existing conditions in the debt market and will refund any outstanding debt when sufficient cost savings can be realized. The target threshold for net present value savings should be a minimum of 2%.

5. *Interest rates* -- the Town will attempt to issue debt that carries a fixed interest rate. However, it is recognized that certain circumstances may warrant the issuance of variable rate debt. In those instances, the Town should attempt to stabilize debt service payments through the use of an appropriate stabilization arrangement. Town Council approval is needed to issue variable rate debt.

   The Town will plan and schedule bond sales to obtain a true interest cost at or below the bond yield averages for comparable debt.

6. *Planning and structuring each bond sale* -- balanced consideration should be given to each of the following objectives: a) provide cash in advance to meet project expenses; b) retire debt in the shortest period of time which is fiscally prudent; c) finance projects for a period commensurate with the useful life of the asset; d) schedule new debt to coincide with the retirement of past debt to lessen the impact upon the mill rate; and e) minimize the impact of debt service payments on annual cash flow. Moreover, whenever possible, projects with an estimated cost of less than $100,000 shall not be financed with long-term debt.

7. *Federal regulations* -- the Town will a) adhere to the requirements of Rule 15c2-12(b)(5), promulgated by the Securities and Exchange Commission when issuing bonds and will provide to any nationally recognized municipal securities repository, or "NRMSIR", annual financial information and operating data and timely notices of material events with respect to the bonds; b) comply with and keep current with all Federal regulations for tax-exempt bonds, and c) comply with arbitrage regulations of the Internal Revenue Code of 1986, Section 148.

   The Town will comply with Federal reimbursement regulations for tax-exempt bond proceeds used to reimburse capital expenditures by: a) declaring reasonable intent in authorizing ordinances; b) issuing bonds within one year after the expenditure was paid or project was put into service, and c) qualifying expenditures as capital expenditures under general income tax principles.

8. *Transfers to CNRE* -- the balance of the annual debt service appropriation not expended for actual bonded debt service, debt issuance, or debt administration costs, shall be transferred automatically to the CNRE at the end of each fiscal year.

9. *Bond structure:*

   Bond term -- all capital improvements financed through the issuance of debt will be financed for a period not to exceed the useful life of the improvements, but in no event to exceed 20 years (30 years for sewer projects) in accordance with Connecticut General Statutes.

   Bank qualification -- whenever possible, the Town will issue $10 million or less in tax-exempt securities per calendar year to receive the "Bank Qualified" status on the issue to minimize interest rates paid for bonded projects. (Bank Qualification allows commercial banks to deduct 80% of their interest cost of carrying tax-exempt bonds.)

   Small Issuer exemption -- whenever feasible, to qualify under the IRS arbitrage rebate exemption provision as a "Small Issuer", the Town will not issue more than $15 million in debt in any calendar year of which not more than $5 million of the issue may be for non-school construction expenditures.

   Call provision -- the Town seeks to minimize the cost from optional redemption call provisions, consistent with its desire to obtain the lowest possible interest rates on its bonds. The Town Manager and Finance Director will evaluate optional redemption provisions for each issue to assure that the Town does not pay unacceptable higher interest rates to obtain such advantageous calls.

Credit or liquidity enhancement -- the Town may seek to use credit or liquidity enhancements when such enhancement proves to be cost-effective or to improve or establish a credit rating on BANS or bond issues. Selection of enhancement providers is subject to a competitive bid process or at the option of the underwriter.

Debt service for bonds and notes paid each year shall not exceed 10% of the General Fund budget of the Town, excluding: a) tax anticipation notes and other indebtedness with a maturity of one year or less; b) bonds or other indebtedness of the Town payable from revenues for special tax districts; and c) self-supporting bonds or other debt.

10. *Method of sale* -- debt obligations are generally issued through competitive sale. Upon recommendation of the Town Manager and Finance Director, the Town Council will authorize the method of sale that is the most appropriate in light of financial, market, transaction-specific and issuer-related conditions.

    When certain conditions favorable for a competitive sale do not exist and when a negotiated sale will provide significant benefits to the Town that would not be achieved through a competitive sale, the Town may elect to sell its debt obligations through a private or negotiated sale, upon approval by the Town Council. The underwriting team for bonds and notes is selected through a competitive process, but the ultimate decision will be based upon the strength of the team's proposal, including qualifications and pricing. For long-term capital leases or lease-purchase obligations the Town will also seek to solicit competitive pricing whenever practicable.

Debt Affordability Measures

The Town Manager and Finance Director will analyze the Town's debt position and the various indicators of municipal credit relative to credit industry standards and the Town's own financial ability. They will examine the following statistical measures to determine debt capacity and compare these ratios to other towns, rating agency standards and the Town's historical ratios to determine debt affordability. In order to determine the Town's relative debt position, the Town uses the following measures:

1) Debt measured against the population on a per-capita basis to be capped at $3,800

2) General Fund bonded debt as a percent of full market value to be capped at 4%

3) General Fund debt service as a percent of total General Fund expenditures to be capped at 10%

4) Other measures the Town deems appropriate

An executive summary of the results will be submitted annually to the Town Council as part of the Debt Management Plan.

The Town's overall debt structure, including overlapping debt, should fall well within statutory limits and should decrease as rapidly as is financially feasible. Whenever feasible, the Town will maintain debt at levels equal to or below the median debt ratios used by investors (underwriters) and credit analysts when reviewing the Town's creditworthiness. The municipal medians will be updated annually when published by the State of Connecticut Office of Policy and Management or other recognized published medians.

Adoption by: Tolland Town Council
Approved: July 23, 1999
Revised: July 27, 2000 and August 2002

WETHERSFIELD

DEBT MANAGEMENT POLICY

Our Mission

To provide a comprehensive and viable debt management policy which recognizes the capital improvement needs of the Town of Wethersfield as well as the taxpayer's ability to pay while taking into account existing legal, economic, financial and debt market considerations.

Purpose

The basic purpose of this policy is to provide a conceptual framework for the issuance and management of debt.

Some Factors Relevant To the Issuance of Debt

- Legal constraints on debt capacity and various financing alternatives.
- The urgency of the capital requirements to be met and the economic costs of delays.
- Willingness and financial ability of the taxpayers to pay for the capital improvements.
- Determination as to whether to employ a "pay as you acquire" versus a "pay as you use" approach.
- Proper balance between internal and external financing.
- Current interest rates and other market considerations.
- The financial condition of the Town of Wethersfield.
- The types, availability and stability of revenues to be pledged for repayment of the debt.
- Type of debt to be issued.
- The nature of the projects to be financed.

Debt Management Policies

1. Capital improvements shall be financed by debt to be repaid annually by tax revenues or available revenue sources designated for same when it is not feasible to pay-as-you-acquire. Current operating expenditures shall not be funded through the issuance of debt, i.e., small, recurring maintenance, rolling stock (excluding vehicles that have a cost in excess of $500,000 and a life expectancy greater than 15 years), operating costs or salaries.
2. Cash surpluses, grants, contributions and other revenue that may have been designated for specific capital improvements from the capital reserve and non-recurring fund and other funds (excluding the General Fund), to the extent available and appropriable, should be used to finance scheduled capital improvements.

3. Short-term debt may be used to provide interim cash flow to facilitate the timing of bond sales, to avoid locking in high long-term interest rates during periods of market turmoil or to partially finance projects whose final cost is uncertain. It is not to be used to defer the operating budget impact on bonded debt service or to speculate on market rates. Interest and issuance costs for short-term debt will be included in the capital request and will be charged to the project.
4. General obligation bonds are issued to finance traditional public improvements. Revenue or limited obligation bonds may be issued within statutory parameters only to finance those special projects or programs which directly support the Town's long-term economic development or housing interests or which service a limited constituency and are clearly self-supporting.
5. Long-term leases may be used for copiers, computers, major equipment or rolling stock and other capital items when it is cost justifiable to do so.
6. Any method of creative financing such as the use of swaptions, variable rate debt, etc., should be fully disclosed, reviewed with and approved by the Town Council.
7. The Town of Wethersfield will issue debt only for the purposes of constructing or acquiring large nonrecurring permanent capital improvements and for making major renovations to existing capital improvements that are included within the Town's Capital Improvement program. The only exception to the above would involve entering into long-term leases as described above when it is cost justifiable to do so or to fund emergency projects that are not included within the Town's Capital Improvement program.
8. All capital improvements financed through the issuance of debt will be financed for a period not to exceed the useful life of the improvements, but in no event to exceed 20 years (30 years for sewer projects) as in accordance with Connecticut State Statutes.
9. The Town of Wethersfield shall not construct or acquire a public facility if it is unable to adequately provide for the subsequent annual operation and maintenance costs of the facility.
10. The Town of Wethersfield will, at all times, manage its debt and sustain its financial position in order to seek and maintain at a minimum a credit rating of AA- (Standard & Poors) or Aa3 (Moody's) or the highest credit rating possible.
11. The Town of Wethersfield will ensure that an adequate system of internal control exists so as to provide reasonable assurance as to compliance with appropriate laws, rules, regulations, and covenants associated with outstanding debt.
12. Revenue sources will only be pledged for debt when legally available and, in those situations where they have previously been used for operation and maintenance expenses/general operating expenditures, they will only be pledged for debt when other sufficient revenue sources are available to replace same to meet operation and maintenance expenses/general operating expenditures.
13. The Town of Wethersfield will market its debt through the use of competitive bid whenever deemed feasible, cost effective and advantageous to do so. However, it is recognized that, in some situations, certain complexities and intricacies of a particular debt issue are such that it may be advantageous to market the debt via negotiated sale. Bidders will be encouraged to market the bonds to local investors.

14. The Town of Wethersfield will continually monitor its outstanding debt in relation to existing conditions in the debt market and will refund any outstanding debt when sufficient cost savings can be realized.
15. Credit enhancements will be used only in those instances where the anticipated present value savings in terms of reduced interest expense exceeds the cost of the credit enhancement.
16. In order to maintain a stable debt service burden, the Town of Wethersfield will attempt to issue debt that carries a fixed interest rate. However, it is recognized that certain circumstances may warrant the issuances of variable rate debt. In those instances, the Town of Wethersfield should attempt to stabilize debt service payments through the use of an appropriate stabilization arrangement.

The Town will review and update as necessary the Debt Management Plan in order to maintain a stable debt service burden in compliance with this policy.

Policy Review

This policy should be jointly reviewed by the Town Council of the Town of Wethersfield, Town Manager and the Director of Finance a minimum of once every three years, notwithstanding the fact that more frequent reviews may be performed as deemed necessary.

TOWN OF WOODBRIDGE
DEBT POLICY

The purpose of a debt policy is to establish parameters and guidance for the Town to make decisions on capital spending needs and issuance of debt as a means to fund them. **This Debt Policy will be used as established guidelines only. The Boards of Selectmen and Finance will use reasonable judgment in analyzing debt capacity and the needs of the Town.** In addition this plan will identify long-range financial planning objectives and assist the Boards of Selectmen and Finance in identifying priority capital needs of the Town in a financially prudent manner.

DEFINITIONS

- Direct Debt – Debt generated (issued) directly by the Town of Woodbridge
- Overlapping Debt – The Town's pro-rata share of debt issued by the Amity Regional School District
- Overall Debt – Including Town's total debt, direct and overlapping debt

PURPOSES FOR WHICH DEBT MAY BE ISSUED

- The Town will not fund current operating expenditures through the issuance of debt.
- Individual projects with an estimated **approximate** cost of less than one percent (1%) of the Town's operating budget will **generally** not be financed through the issuance of long-term debt.
- The Town will issue **long term bonds only for the purposes of financing** major capital improvements or purchases of land.
- The Town will issue debt to finance projects **that have been identified in the** Town's Six Year Capital Improvement Program **for debt financing**.
- The Town may issue refunding bonds if it is deemed in the Town's best interest to do so.
- The Town may issue debt to fund emergency projects

OBJECTIVES OF ISSUING DEBT

- The Town will finance capital projects through the issuance of general obligation bonds for a period that does not exceed the useful life of the asset.
- The Town will evaluate debt-funding scenarios as part of its annual Six Year Capital Improvement Program process in order to prioritize future financing needs.
- The Town will attempt to minimize it's reliance on long term debt
- The Town will maintain stability in the planning and execution of the capital planning process.

LEGAL LIMITATIONS

- Connecticut General Statutes limit the amount of indebtedness the Town may have outstanding to seven times the total annual tax collections including interest and lien fees plus the reimbursement for revenue loss on tax relief programs.

TYPES OF DEBT PERMITTED TO BE ISSUED

- General Obligation Bonds
- Bond Anticipation Notes (Short term/Temporary financing)
- Tax Anticipation Notes (T.A.N.S.) (Short term financing)
- Revenue Anticipation Notes (R.A.N.S.) (Temporary financing)
- State and Federal Loan Programs
- Lease/Purchase financing

STRUCTUAL FEATURES

- The Town will structure the bond payments over a period not to exceed the useful life of the project being financed.
- At the time of establishing the structure of a bond issue, the mill rate impact in the early years will be evaluated so as to minimize overall tax increases and maintain level principal payments where practical.
- The Town will endeavor to repay, at a minimum 50% of the Town's overall outstanding debt in the first ten years when structuring new bond issues.

CREDIT OBJECTIVES

The Town will use the following debt ratios used by investors and financial analysts in comparison to the most current guidelines as published by Moody's and Standard and Poor's when reviewing the Town's capacity to issue debt:

- Net direct and Overall debt per capita
- Net Direct Debt as a percent of Net Taxable Grand List
- Net Overall Debt as a percent of Net Taxable Grand List
- Net Direct Debt as a percent of Net Equalized Grand List
- Net Overall Debt as a percent of Net Equalized Grand List
- Net Direct Debt Service as a percent of General Fund Operating Budget Expenditures
- Net Overall Debt Service as a percent of General Fund Operating Budget Expenditures
- Percentage of outstanding direct debt which will be retired at the end of ten years

AUTHORIZED METHODS OF SALE

- Unless otherwise determined, the Town will issue debt via competitive sale by using a competitive bidding process when issuing debt securities
- When a competitive sale is not deemed to be in the best interest of the Town, the Finance Director shall present other options for approval by the Board of Selectmen and Board of Finance including negotiated sale and private placement.

DISCLOSURE AND ARBITRAGE COMPLIANCE

- In accordance with State law, the Town will file its annual independent audited financial statements with the State Office of Policy and Management within six months of the end of the fiscal year.
- The Town will comply with the requirements of Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission to provide annual financial information and operating data and notices of material events with respect to the Bonds pursuant to Continuing Disclosure Agreements executed at the time of issuing bonds.
- The Town will work with Bond Counsel to establish a system of record keeping and reporting to meet all arbitrage compliance requirements of the federal tax code.
- The Town will maintain frequent communications about its financial condition with the credit rating agencies.

THE BOARDS OF SELECTMEN AND FINANCE WILL PERFORM A PERIODIC REVIEW OF THIS POLICY.

September 1, 2016

ATTACHMENT B

Ryan Knapp notes:

I worry about a policy that only benchmarks our borrowing against our spending. There had been firm language regarding debt per capita but it was viewed as a recommendation because we did not have Moody's data. I think that is contrary to the spirit of the intent.

It is also worth noting that there is a correlation between per capita income and debt per capita when it comes to what rating agencies feel is a comfortable level of borrowing. The Moody's reports Ive seen list "sizeable and affluent tax base" as a leading reason for a Aaa rating and a strength of communities, while warning that "significant declines in the tax base or deterioration of the demographic profile" could make ratings go down. For Newtown Moody's specifically lists "managing expenditure pressures in an environment of constrained revenue growth" as a challenge we face. I believe we need to, as a matter of policy, take a realistic accounting of the affluence of our tax base and discuss debt per capita in that context.

CT Department of Economic and Community Development Income Data (2000, 2010, 2014)

Newtown Ranking In Per Capita Income

2000	2010	2014
28th	34th	34th
$37,786	45,308	48,740

http://www.ct.gov/ecd/cwp/view.asp?a=1106&q=250652

This data shows we are falling behind other communities in terms of Per Capita Income

Newtown Median Household Income

2000	2010	2014
12th	21st	20th
$90,193	108,148	108,667

http://www.ct.gov/ecd/cwp/view.asp?a=1106&q=250652

This data shows we are falling behind other communities in Median Household Income

2000 Value in 2010 and 2014 Dollars

	2000	In 2010 $s	In 2014 $s
Median Per Capita Income	$37,786	$47,891	$51,846
Media Household Income	$90,193	$114,314	$123,753

Using American Institute for Economic Research numbers, checked against westegg.com inflation calculator https://www.aier.org/cost-living-calculator

September 1, 2016

This data shows that, when adjusting from inflation, we are falling behind where we were in the year 2000.

My concern is that we are not falling behind in some arms race by not investing enough in our community as this is all in the context of our larger State issues being a state that is losing business, college grads, its educated work force, .75% of its population per year and affluent tax payers.

43rd Ranked State to do business –CNBC Poll

http://www.courant.com/business/hc-cnbc-top-states-for-business-ranking-0714-20160713-story.html

Least Small Business Friendly State

http://www.wfsb.com/story/32224903/ct-ranked-least-small-business-friendly-state

Average age over 40

https://suburbanstats.org/population/how-many-people-live-in-connecticut

Losing Population

The Census Bureau estimates that Connecticut saw a net loss of 27,619 people, or 0.77 percent of the state population, to other states last year, compared with 0.73 percent the year before.

http://www.courant.com/data-desk/hc-connecticuts-population-drops-again-20160204-htmlstory.html

Poor state fiscal health

http://www.ctpost.com/news/article/Study-Connecticut-ranks-near-last-in-fiscal-7959345.php

Losing affluent workforce

http://www.courant.com/news/connecticut/hc-young-graduates-leaving-state-20160527-story.html

Decreasing incomes, outflow vs inflow in the state based on IRS data

http://trendct.org/2016/03/29/is-wealth-leaving-the-state/

MOODY'S
INVESTORS SERVICE

Rating Action: Moody's assigns Aa1 to Newtown CT's $17.1M GO Bonds

Global Credit Research - 16 Jan 2015

Affirms Aa1 affecting $80M of GO debt outstanding

New York, January 16, 2015 --

Moody's Rating

Issue: General Obligation Refunding Bonds, 2015 Series A; Rating: Aa1; Sale Amount: $17,100,000; Expected Sale Date: 01-27-2015; Rating Description: General Obligation

Opinion

Moody's Investors Service has assigned a Aa1 rating to the Town of Newtown's (CT) $17.1 million General Obligation Refunding Bonds, 2015 Series A. Concurrently, Moody's has affirmed the Aa1 rating on $80 million of outstanding general obligation debt. The bonds are secured by an unlimited general obligation tax pledge. Bond proceeds will be used to refund the Series 2010 and 2011 bonds currently outstanding for an estimated net present value savings of $754,000, equal to 4% of refunded principal, with no extension of final maturity.

SUMMARY RATING RATIONALE

The Aa1 rating reflects the town's stable financial position with adequate reserve levels that are supported by formal fiscal policies. The rating also incorporates the sizeable equalized net grand list with favorable socioeconomic indices and manageable debt profile.

STRENGTHS

- Sizeable and affluent tax base

- Stable financial position supported by formal policies

- Well funded pension plans and pro-active OPEB funding

CHALLENGES

- Managing expenditure pressures in an environment of constrained revenue growth

WHAT COULD MAKE THE RATING GO UP

- Significant growth of the underlying tax base and improvement in the demographic profile

- Sizeable fund balance growth

- Material decline in the debt burden

WHAT COULD MAKE THE RATING GO DOWN

- Trend of operating deficits resulting in a decline in reserves

- Significant growth in debt burden

- Significant declines in the tax base or deterioration of the demographic profile

RATING METHODOLOGY

The principal methodology used in this rating was US Local Government General Obligation Debt published in January 2014. Please see the Credit Policy page on www.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

For ratings issued on a program, series or category/class of debt, this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the rating action on the support provider and in relation to each particular rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

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MOODY'S
INVESTORS SERVICE

MOODY'S INVESTORS SERVICE

Rating Action: Moody's assigns Aaa to Ridgefield, CT's $9.7M GO Bonds; outlook stable

Global Credit Research - 19 Nov 2015

Affirms Aaa on $70M of outstanding debt

New York, November 19, 2015 --

Moody's Rating

Issue: General Obligation Bonds, Issue of 2015; Rating: Aaa; Sale Amount: $9,715,000; Expected Sale Date: 12-03-2015; Rating Description: General Obligation

Opinion

Moody's Investors Service has assigned a Aaa rating to the Town of Ridgefield's (CT) $9.7 million General Obligation Bonds, Issue of 2015. Concurrently, Moody's has affirmed the Aaa rating on $70 million of outstanding general obligation debt. The outlook is stable.

SUMMARY RATING RATIONALE

The Aaa rating reflects the town's sizeable and affluent tax base, stable financial position with satisfactory reserves, and manageable debt burden.

OUTLOOK

The stable outlook reflects our expectation that the town's financial position will remain sound given strong management, conservative budgeting practices, and adherence to formal policies.

WHAT COULD MAKE THE RATING GO DOWN

- Trend of operating deficits resulting in reserve declines

- Significant declines in the tax base or deterioration of the demographic profile

- Significant increase in liabilities for debt, pension or OPEB

OBLIGOR PROFILE

Ridgefield is town with a population of 25,000 located in Fairfield County, Connecticut on the New York border, approximately 60 miles northeast of New York City.

LEGAL SECURITY

All of the town's outstanding debt is secured by a general obligation unlimited tax pledge.

USE OF PROCEEDS

Bond proceeds will finance various capital projects and a school security project.

PRINCIPAL METHODOLOGY

The principal methodology used in this rating was US Local Government General Obligation Debt published in January 2014. Please see the Credit Policy page on www.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

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MOODY'S
INVESTORS SERVICE

Moody's
INVESTORS SERVICE

New Issue: Moody's assigns Aaa to Wilton, CT's $22.8M GO Bonds; outlook stable

Global Credit Research - 05 Mar 2015

Affirms Aaa on outstanding debt; Aaa applies to $74.5M of debt, post-sale

WILTON (TOWN OF) CT
Cities (including Towns, Villages and Townships)
CT

Moody's Rating

ISSUE		RATING
General Obligation Bonds, Issue of 2015		Aaa
Sale Amount	$22,750,000	
Expected Sale Date	03/10/15	
Rating Description	General Obligation	

Moody's Outlook STA

NEW YORK, March 05, 2015 --Moody's Investors Service assigns a Aaa rating to the Town of Wilton's (CT) $22.8 million General Obligation Bonds, Issue of 2015. Concurrently, Moody's affirms the Aaa rating on the town's outstanding rated GO debt. Post-sale, the town will have $74.5 million of outstanding rated GO debt. The outlook is stable.

SUMMARY RATING RATIONALE

The Aaa rating reflects the town's sizeable and affluent tax base, stable financial position with healthy reserves, and manageable debt burden.

OUTLOOK

The stable outlook reflects our expectation that the town's financial position will remain sound given strong management, conservative budgeting practices, and adherence to formal policies.

WHAT COULD MAKE THE RATING GO DOWN

- Trend of operating deficits resulting in reserve declines

- Significant declines in the tax base or deterioration of the demographic profile

- Material growth in debt burden

STRENGTHS

- Stable financial position guided by sound policies

- Affluent residential tax base

- Sound management of pension and OPEB liabilities

CHALLENGES

- Maintenance of the town's financial position amidst ongoing spending pressures

RECENT DEVELOPMENTS

Recent developments are incorporated in the Detailed Rating Rationale section.

DETAILED RATING RATIONALE

ECONOMY AND TAX BASE

Wilton's sizeable $6.1 billion Equalized Net Grand List (ENGL) will remain healthy due to a stable residential sector with strong property values. Located in Fairfield County, one of the wealthiest counties in the country, the town is 55 miles from New York City (Aa2 stable) and is on the Danbury Line of the Metro-North Railroad. Following a revaluation in 2012 (effective fiscal year 2014) which fully captured the housing market downturn, the town's total ENGL decreased 17%, or an average of 3.1% annually from 2009 to 2014. Since then, new development has contributed to modest increases in the Net Taxable Grant List of 0.7% in both fiscal 2015 and 2016. The town is primarily residential, and approximately 16% is undeveloped. New development in the town will focus on more commercial development (via the Economic Development Commission) as well as affordable residential housing. Two new projects currently underway include a 30 until apartment complex, with a small portion offered as affordable housing. Additionally, Wilton Commons is expanding to provide 23 additional senior affordable housing units.

Wealth and income levels are strong with per capita and median family incomes representing 286% and 289% of the nation, respectively. Housing values in the town are strong as evidenced by a robust equalized value per capita of $324,511 (363% of the US median). Due to its location in Fairfield County and easy access to New York City, the town's unemployment rate (3.9% December 2014) remains below the state (5.7%) and the nation (5.4%).

FINANCIAL OPERATIONS AND RESERVES

Wilton's financial position will continue to remain healthy given a history of conservative budgeting, prudent expenditure management, and sound reserve levels. Reserve levels have been stable for the past six years, as the available General Fund balance (unassigned, assigned, and committed) has averaged a healthy 17% of revenues since 2009. Fiscal 2014 audited results reflect a $1.5 million operating surplus, the third in the past four years, which increased the available General Fund balance to $22 million (17.5% of revenues). The unassigned portion remains sound at $17.7 million (14%).

The fiscal 2015 budget increased 2.6% from the prior year mostly due to salaries and benefits, and was balanced with a 2.7% tax levy increase and a $3.2 million reserve appropriation. The reserve appropriation is in line with management's policy of appropriating Unassigned General Fund balance in excess of 10% to offset annual tax levy increases. The town's charter mandates that budgets include a 1% to 2% contingency line-item, and further financial flexibility is augmented by the town's commitment to budget for capital outlay ($1.2 million in fiscal 2015). Eight months into the fiscal year, operations are stable and management has not used the 1% budgeted contingency. The preliminary fiscal 2016 budget, which will be adopted in May, shows an increase of approximately 2% for town and school expenses.

Wilton is not heavily reliant on economically sensitive or state revenues, as property taxes represent the largest component (87.6% in fiscal 2014) and collections remain very strong at over 99% annually. State aid, including aid for education, comprised 10.5% of 2014 revenues. The largest expenditure is education (68.5% of 2014 operating expenditures), followed by public safety (10.3%), debt service (7.3%), and general government (4.5%).

Liquidity

The town's net cash position at the close if fiscal 2014 was $30 million, an estimated 23.8% of General Fund revenues.

DEBT AND PENSIONS

The debt position will remain manageable given the average direct debt burden of 1.2% of equalized value, satisfactory principal amortization, and moderate future borrowing plans. The capital improvement plan totals approximately $38.1 million to fund town and school capital needs through 2020, which the town will finance with a combination of pay-as-you-go General Fund revenues and $21.2 million in bonds. In addition to projects listed in the CIP, the town will finance renovations at the Miller-Driscoll Elementary School with bonds. The project, which was recently approved, is expected to cost the town $44 million after accounting for expected state school grants. Proceeds from the current issue in the amount of $8 million will provide initial financing for the project, and the remaining amount ($36 million) will be financed with bonds over the next few years.

Debt Structure

All of Wilton's debt is fixed rate and amortization of principal is average, with 73.3% repaid within ten years. Debt service comprised 7.3% of fiscal 2014 expenditures.

Debt-Related Derivatives

Wilton has no derivatives.

Pensions and OPEB

The town is responsible for the administration of a defined benefit contributory pension plan for its employees. The Annual Required Contribution (ARC) for fiscal 2014 was $3.1 million and the town maintains a policy of funding in excess of the ARC depending on the plan's funded ratio. According to an actuarial valuation dated June 30, 2013, the plan's funded ratio was 89%, and therefore the town funded 115% of its ARC, or $3.5 million (2.8% of expenditures), in fiscal 2014. The funded ratio improved to 92% as of a June 30, 2014 valuation. The adjusted net pension liability, under Moody's methodology for adjusting reported pension data, is $50.5 million, or a below-average and manageable 0.42 times General Fund revenues. Moody's uses the adjusted net pension liability to improve comparability of reported pension liabilities. The adjustments are not intended to replace the town's reported liability information, but to improve comparability with other rated entities.

The town currently contributes to its OPEB liability on a partial pre-funded basis. For the past several years, the town has been contributing 100% of its OPEB ARC and has also established a trust, which has a current balance of $5 million. The fiscal 2014 ARC was $692,000, or less than 1% of expenditures. The total unfunded liability is $3.3 million as of June 2014, the most recent valuation report. The plan's funded ratio is 57.4%, which represents a healthy improvement from 7.2% in 2008. In fiscal 2017, the town will begin funding its OPEB liability similar to how it funds the pension plan - the town will contribute an amount in excess of the ARC, depending on the plan's funded ratio. Management's prudent funding policies for pension and OPEB represent a strong commitment to maintaining superior funding levels for both liabilities. Total fixed costs for fiscal 2014, including pension, OPEB and debt service, represented $13.3 million, or 10.7% of expenditures.

MANAGEMENT AND GOVERNANCE

Connecticut cities and towns have an institutional framework score of 'Aa' or strong. The primary revenue source for municipalities is property taxes which are highly predictable and can be increased annually, without statutory limit. Expenditures are largely predictable and cities and towns have the ability to reduce expenditures, despite the presence of collective bargaining units.

Town management employs conservative budgeting and financial management as evidenced in formal fiscal policies and long-term planning for capital expenditures.

KEY STATISTICS

Fiscal 2014 Equalized Net Grand List (Full Value: $6.1 billion

Fiscal 2014 Equalized Net Grand List (Full Value) Per Capita: $324,511

Median Family Income as % of U.S.: 288.6%

Fiscal 2014 Available General Fund Balance as % of Revenues: 17.5%

5-Year Dollar Change in Available General Fund Balance as % of Revenues: 2.4%

Fiscal 2014 Cash Balance as % of Revenues: 23.8%

5-Year Dollar Change in Cash Balance as % of Revenues: 0.4%

Institutional Framework: Aa

5-Year Average Operating Revenues / Operating Expenditures: 1.0x

Net Direct Debt as % of Full Value: 1.2%

Net Direct Debt / Operating Revenues: 0.6x

3-Year Average ANPL as % of Equalized Net Grand List (Full Value): 0.7%

3-Year Average ANPL / Operating Revenues: 0.3x

OBLIGOR PROFILE

Wilton is town with a population of 18,700 located in southwestern Connecticut, approximately 55 miles northeast of New York City.

LEGAL SECURITY

All of the town's outstanding debt is secured by a General Obligation unlimited tax pledge.

USE OF PROCEEDS

Bond proceeds will finance various capital projects including renovations at Comstock Community Center ($9.9 million), elementary school renovations ($8 million), road restoration ($3.5 million), and other smaller projects.

RATING METHODOLOGY

The principal methodology used in this rating was US Local Government General Obligation Debt published in January 2014. Please see the Credit Policy page on www.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

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MOODY'S
INVESTORS SERVICE

Rating Action: Moody's Assigns Aaa to Fairfield, CT's $20.3M GO Bonds; MIG 1 to $20.4M GO BANs

Global Credit Research - 30 Jun 2016

New York, June 30, 2016 -- Issue: General Obligation Bonds, Issue of 2016, Series B; Rating: Aaa; Rating Type: Underlying LT; Sale Amount: $20,311,000; Expected Sale Date: 07/05/2016; Rating Description: General Obligation;

Issue: General Obligation Bond Anticipation Notes; Rating: MIG 1; Rating Type: Underlying ST; Sale Amount: $20,432,000; Expected Sale Date: 07/05/2016; Rating Description: Note: Bond Anticipation;

Summary Rating Rationale

Moody's Investors Service has assigned a Aaa rating to the Town of Fairfield's (CT) $20.3 million General Obligation Bonds, Issue of 2016, Series B, and a MIG 1 rating to $20.4 million of General Obligation Bond Anticipation Notes (maturing July 13, 2017). Concurrently, Moody's has affirmed the Aaa rating on approximately $163 million of outstanding long-term general obligation debt. The rating outlook is stable.

The Aaa rating reflects the sizeable and affluent tax base, a stable and improving financial position which is supported by formal policies and strong management, as well as a manageable level of pension, debt and OPEB liabilities.

The MIG 1 rating incorporates the town's strong long-term fundamental credit characteristics, ample liquidity, and status as a frequent issuer of bonds and notes.

Rating Outlook

The stable outlook incorporates our expectation that Fairfield will maintain its strong credit quality given an improving financial position and a large, favorably located tax base with high resident wealth and income levels.

Factors that Could Lead to a Downgrade

Significant reduction in reserve levels

Deterioration of tax base or local economy

Legal Security

The bonds and notes are secured by a general obligation unlimited tax pledge.

Use of Proceeds

The bond proceeds will permanently finance a portion of BANs maturing July 14, 2016. The note proceeds will refund a portion of the BANs maturing July 14, 2016 and temporarily finance various general purpose and school projects.

Obligor Profile

The town of Fairfield is located in the southwestern part of Connecticut and is situated 50 miles northeast of New York City and 51 miles southwest of Hartford. The towns 2014 estimated population is 60,678, up 5.8% from 2000.

Methodology

The principal methodology used in the long-term rating was US Local Government General Obligation Debt published in January 2014. The principal methodology used in the short-term rating was US Bond Anticipation Notes published in April 2014. Please see the Ratings Methodologies page on www.moodys.com for a copy of these methodologies.

Regulatory Disclosures

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