TOWN OF NEWTOWN

DEBT POLICY DATA AND ANALYSIS-

FOR DISCUSSION PURPOSES

9/21/2016

R.T.

CURRENT

TOWN OF NEWTOWN, CT
DEBT MANAGEMENT POLICY

I. PURPOSE

The purpose of this policy is to establish parameters and provide guidance governing the issuance, management, continuing evaluation of and reporting on all debt obligations issued by the Town of Newtown.

Debt obligations, which include general obligation bonds, special assessment bonds, revenue bonds, bond anticipation notes, lease/purchase agreements and any other debt obligations permitted to be issued under Connecticut law shall only be issued to purchase capital assets that cannot be acquired with current revenues.

II. POLICY STATEMENT

Under the requirements of Federal and state laws and Town Charter provisions, ordinances and resolutions, the Town may periodically issue debt obligations to finance the construction or acquisition of infrastructure and other assets or to refinance existing debt. It is the Town's goal to assure that such debt obligations are issued and managed in such a manner as to obtain the best long-term financial advantage to the Town and its residents, while making every effort to maintain and improve the Town's bond ratings and reputation in the investment community.

III. RESPONSIBILITY FOR POLICY

The Director of Finance shall be responsible for issuing and managing the Town's debt program. In carrying out this policy, the Director shall periodically:

1. Consider the need for debt financing based upon the approved Capital Improvement Plan.
2. Review the Town's adherence to this policy statement and compare the debt ratios established in this policy with where the Town actually is.
3. Review the Town's authorized but unissued debt to determine if any authorizations are no longer needed.
4. Determine if there are any opportunities for refinancing current debt.
5. Review every three years the services provided by the Town's financial advisor, bond counsel, paying agents and other debt financing service providers.

The Director of Finance shall report his/her findings to the Board of Selectmen, Board of Finance and Legislative Council in the September/October time period of each year, during the Town's review and formulation of the Capital Improvement Plan.

IV. GENERAL DEBT GOVERNING POLICIES

The Town hereby establishes the following policies concerning the issuance and management of debt:

A. The Town shall not issue debt obligations or use debt proceeds to finance current operations of the Town.

B. The Town will utilize debt obligations only for acquisition, construction or remodeling of capital improvement projects that cannot be funded from current revenue sources or in such cases wherein it is more equitable to the users of the project to finance the project over its useful life.
C. The Town will measure the impact of debt service requirements of outstanding and proposed debt obligations on single year, five, ten, and twenty-year periods.

V. DEBT POLICIES, RATIOS AND MEASUREMENT

A. Purposes of Issuance – the Town shall only issue debt obligations for acquiring, constructing or renovating Town owned fixed assets or for refinancing existing debt obligations.

B. Maximum Maturity – All debt obligations shall have a maximum maturity of twenty years. The estimated useful life of the Capital Improvement being financed should be considered when determining the maturity of debt. In the event debt obligations are being issued to refinance outstanding debt obligations the final maturity of the debt obligations being refinanced shall remain the same maturity.

C. Direct Debt Per Capita – An analysis of this debt ratio should be made each year. It should be looked at in context with other related ratios (mentioned). A comparison should be made with other similar rated Connecticut towns. The Direct Debt Per Capita shall be calculated by dividing the Town's direct debt by the most current population figure.

Ratio of General Fund Total Bonded Debt to Taxable Net Grand List – An analysis of this debt ratio should be made each year. It should not go beyond 3%. An increasing ratio of debt to net grand list (over several years) is not desirable.

D. Average Maturity of General Obligation Bonds – the Town shall have at least 50% of outstanding general obligation bonds mature in less than ten (10) years.

E. Debt Service Levels – The Town shall adhere to a debt management strategy that achieves the goal of limiting annual general fund debt service to no more than 9.8% of the total General Fund budget.

F. Net Present Value Savings – The Town must achieve a Net Present Value Savings of at least 2 percent over the life of an existing bond issue in order for it to be considered for refunding.

G. Bond Covenants and Laws – The Town shall comply with all covenants and requirements of the bond resolutions, and state and Federal laws authorizing and governing the issuance and administration of debt obligations.

H. If the debt management indicators fall below the recommended levels the finance director shall recommend and submit to the Board of Finance for approval a plan to bring the debt management indicators to their appropriate levels within a specific time frame.

This policy shall be reviewed, at minimum, on a biennial basis during the month of January in each odd numbered year.

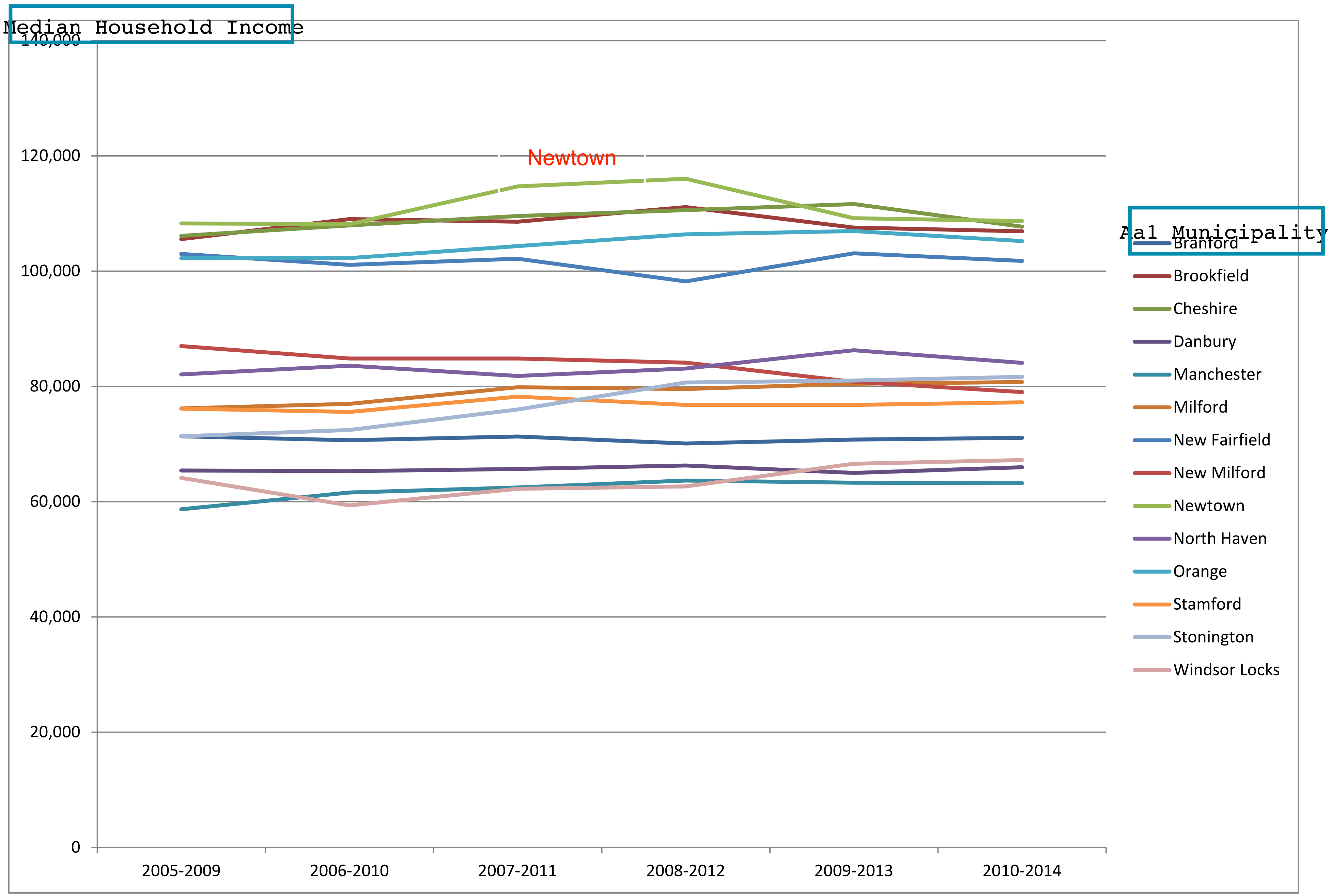
Approved by the Legislative Council: January 20, 2016

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%
NEW MILFORD	0.5%	$ 781	$ 38,734	$ 79,028	2.0%	1.0%
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%

ian Household Income – Aa1 Municipalities

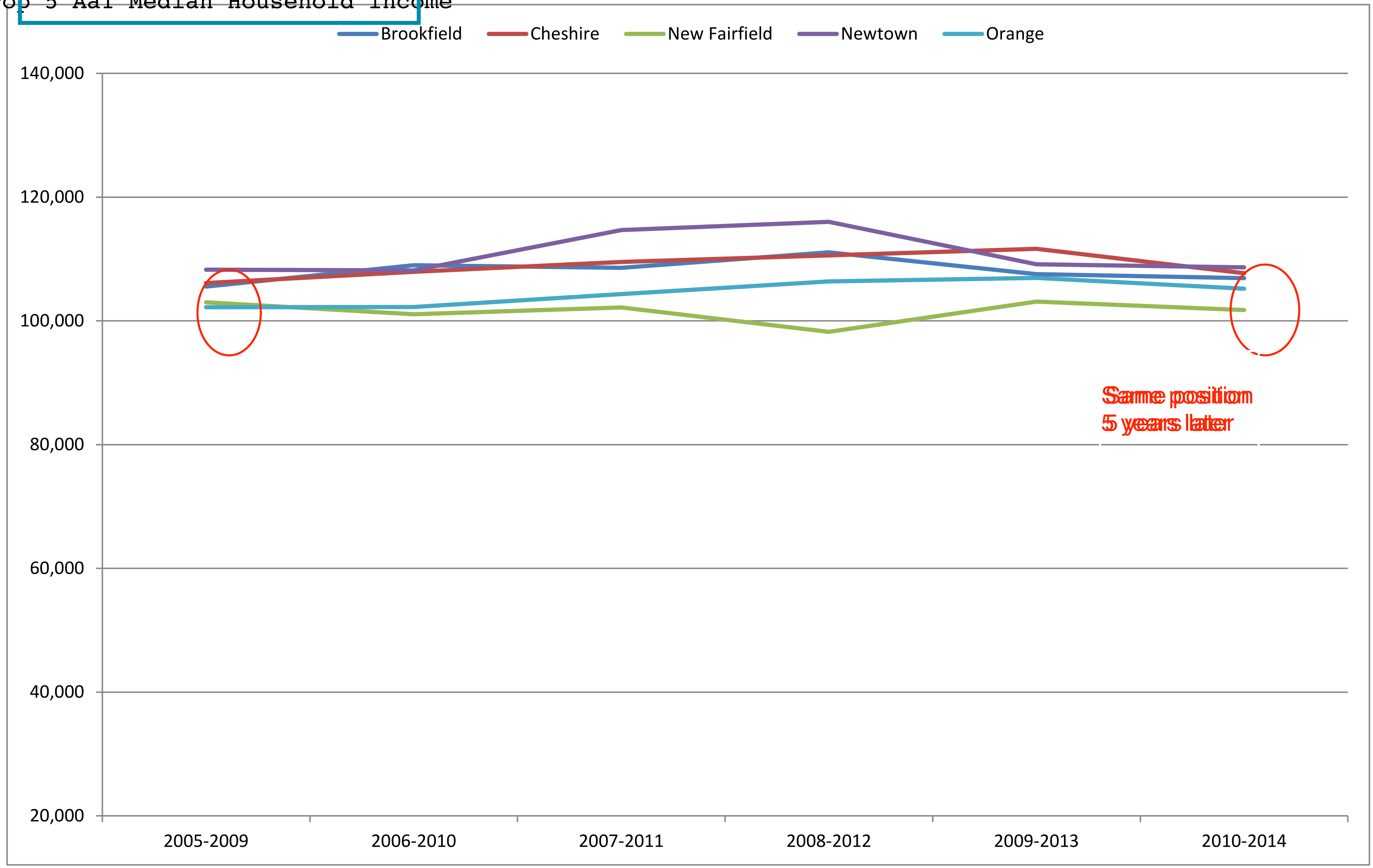
Municipality	2005-2009	2006-2010	2007-2011	2008-2012	2009-2013	2010-2014
Branford	71,348	70,640	71,314	70,075	70,785	71,058
Brookfield	105,546	109,008	108,576	111,096	107,537	106,920
Cheshire	106,098	107,936	109,535	110,587	111,638	107,716
Danbury	65,419	65,275	65,656	66,281	64,969	65,981
Manchester	58,685	61,571	62,436	63,656	63,274	63,198
Milford	76,175	76,973	79,828	79,531	80,460	80,743
New Fairfield	102,985	101,067	102,159	98,209	103,100	101,750
New Milford	86,977	84,824	84,818	84,110	80,792	79,028
Newtown	108,273	108,148	114,695	116,024	109,159	108,667
North Haven	82,055	83,588	81,789	83,089	86,250	84,078
Orange	102,216	102,255	104,335	106,372	106,942	105,190
Stamford	76,134	75,579	78,201	76,797	76,779	77,221
Stonington	71,338	72,445	75,972	80,666	81,026	81,673
Windsor Locks	64,110	59,369	62,212	62,640	66,583	67,222


Median Household Income
Newtown
140,000
120,000
100,000
80,000
60,000
40,000
20,000
0
2005-2009
2006-2010
2007-2011
2008-2012
2009-2013
2010-2014
Aa1 Municipality
Branford
Brookfield
Cheshire
Danbury
Manchester
Milford
New Fairfield
New Milford
Newtown
North Haven
Orange
Stamford
Stonington
Windsor Locks

op 5 Aa1 Median Household Income

Municipality	2005-2009	2006-2010	2007-2011	2008-2012	2009-2013	2010-2014
Brookfield	105,546	109,008	108,576	111,096	107,537	106,920
Cheshire	106,098	107,936	109,535	110,587	111,638	107,716
New Fairfield	102,985	101,067	102,159	98,209	103,100	101,750
Newtown	108,273	108,148	114,695	116,024	109,159	108,667
Orange	102,216	102,255	104,335	106,372	106,942	105,190

Top 5 Aa1 Median Household Income



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 (from CCM)

Financial Policy Information

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.

City of Danbury, Connecticut
Debt Management Policy

Introduction

The following policy proposes to standardize and rationalize the issuance and management of debt by the City of Danbury. The policy applies to all general obligation debt issued by the City of Danbury, including lease obligations that are supported by General Fund appropriations.

A regularly updated debt management policy is an important tool to ensure the proper use of the City's resources to provide needed services as well the necessary public facilities and equipment to the citizens of Danbury and to maintain sound financial management practices.

This policy embraces a binding commitment to full and timely repayment of all debt as an intrinsic requirement for entry into the capital markets. Adherence to this policy helps to ensure the City maintains a sound debt position and credit quality is protected.

This policy enhances the quality of decisions by providing consistency, continuity, order and discipline; rationalizes the decision-making process; identifies objectives for staff to implement; demonstrates a commitment to long-term financial planning objectives; and, contributes to a positive outlook by the rating agencies in reviewing credit quality.

Purpose

The primary policy objectives are to establish conditions and target benchmark ratios for the use of debt, minimize the City's net debt service and issuance costs, achieve the highest practical credit rating and provide timely and accurate financial disclosure.

Responsibility

The primary responsibility for developing financing and debt recommendations rests with the Director of Finance.

I. Conditions and Target Limitations for the Use of Debt

A. <u>Conditions</u>

1. Capital Planning Model (CPM). The City shall develop and maintain a CPM for use in conjunction with a multi-year Capital Improvement Plan (CIP) for consideration and adoption by the City Council as part of the City's budget process. The CPM, which is comprised of the CIP and financing considerations, shall be for the coming five fiscal years and shall be updated periodically. The CPM is comprised of the following: a description of the expected sources of funds; the timing of future capital projects; current and projected debt outstanding; debt service requirements. The CPM shall analyze the conformance of the planned financings with the debt target limitations listed below.

B. Debt Benchmark Ratios

1. Target Limitations on Non-Self-Supporting, General Obligation Bonds.[1] The City shall, as a matter of policy, conduct its finances so that the amount of direct, non-self-supporting, unlimited tax, general obligation ("G.O.") debt outstanding at any time does not exceed the lesser of 3% of the City's Assessed Valuation or such amounts as limited by applicable State law. In addition, the ratio of annual debt service payments shall not exceed 10 percent of the operating budget's expenditures and transfers out unless acknowledged as an exception to this Policy by resolution of the legislative body.

2. Target Limitations on Lease-Purchase Financing of Equipment and Furnishings. The City may enter into short-term lease-purchase obligations to finance the acquisition of capital equipment and furnishings with estimated useful lives of not more than ten years Repayment of these lease-purchase obligations shall occur over a period not to exceed the useful life of the underlying asset or in any case no longer than ten years from the dated date of such obligations or fifteen years from the dated date of obligations in the case of improvements to buildings.

II. Minimize the City's Debt Service and Issuance Costs

As a general rule, debt financing (other than tax anticipation notes) is not considered appropriate for any recurring purpose such as current operating and routine maintenance expenditures.

The City may fund certain capital projects with a pay-as-you-go General Fund appropriation as a means to preserve debt capacity for other projects. In addition, a healthy amount of recurring general fund capital appropriations in the City's operating budget will improve the City's overall budget flexibility.

The following factors will be used to evaluate and classify pay-as-you-go versus long-term or short term debt financing in funding capital improvements:

Factors which favor pay-as-you-go:

- Current revenues and adequate fund balances are available.
- Project phasing is feasible.
- Debt levels would adversely affect the City's credit rating.
- Market conditions are unstable or present difficulties in marketing.

[1] General Obligation Bonds - Bonds backed by the full faith and credit of the City. The taxing power is an unlimited ad valorem tax. Since it is secured by an unlimited tax levy, this structure has strong marketability and lower interest costs.

Factors which favor long-term financing:

- Revenues available for debt service are considered sufficient and reliable so that long-term financing can be marketed with an appropriate credit rating.
- The project for which financing is being considered is for an essential governmental purpose.
- Market conditions present favorable interest rates and demand for municipal financings.
- A project is mandated by State or federal requirements.
- The life of the project or asset financed is for five or more years.
- The project will generate sufficient revenues to finance debt service over the life of the bonds.

For long term financing, costs incurred by the City, such as bond counsel and financial advisor fees, printing, and project design and construction costs, will be charged to the bond issue to the extent allowable by law. For short term financing, bond issuance costs may either be charged to the bond issue or funded through the operating budget.

The City will seek credit enhancements, such as bond insurance, when viable for cost-effectiveness, i.e., when the net debt service on the bonds is reduced by more than the cost of the enhancement.

The City will generally conduct long term financings on a competitive basis; however, negotiated financings may be used. The City will consult with its financial advisor prior to a negotiated bond sale. The underwriter for a negotiated bond issue should be selected through an evaluation process. Short term financings may be conducted on a competitive or negotiated basis. Competitive bids will be awarded on a standard industry basis,[2] providing other bidding requirements are satisfied.

In choosing the appropriate long-term debt instrument, cost, economic equity, political acceptability, and flexibility will be considered. Refundings will be considered to reduce interest costs or principal outstanding, or to eliminate restrictive debt covenants.

Amortization of Debt Repayment. Generally, a borrowing by the City should be of a duration that does not exceed the economic life of the improvement that it finances or such other limits as required by law or by the City Charter. In any event, the term of the long-term debt instrument

[2] Normally for bonds, the industry standard is True Interest Cost (TIC) which factors in the present value of money. For notes and shorter term bonds, Net Interest Cost (NIC) may be employed.

will not exceed the useful life of the asset or thirty years, whichever is less. The City should strive to retire at least 50% of its existing outstanding debt within a 10 year time-frame and ideally should maintain a payout level of 65% depending upon prevailing market conditions and interest rate environment.

Refunding of City Indebtedness**.** The City may issue advance refunding bonds (as defined for federal tax law purposes) when advantageous, legally permissible, prudent, and the net present value savings, expressed as a percentage of the par amount of the refunded bonds is approximately 3% or more. Extensions of original maturity shall not be permitted as required by law and the extension of average life should be avoided during the course of a refunding bond issue.

In the case of advance refunding issues the City should be mindful of the impact of "negative arbitrage" in the refunding escrow accounts since a significant amount may dilute the potential savings of a refinancing plan.
The City may issue current refunding bonds (as defined for federal tax law purposes) when advantageous, legally permissible and prudent. The savings threshold for current refunding bonds should be 2% or more net present value savings of the refunded bonds.

Restructuring of Debt. The City may choose to refund outstanding indebtedness when existing bond covenants or other financial structures impinge on prudent and sound financial management. Savings requirements for current or advance refundings undertaken to restructure debt may be waived by the Director of Finance upon a finding that such a restructuring is in the City's overall financial interest.

Debt Structure. The structure should approximate level principal or level debt on G.O. bonds. There shall be no "balloon" bond repayment schedules which consist of low annual payments and one large payment of the balance due at the end of the term. There shall always be at least interest paid in the first fiscal year after a bond sale and principal paid starting no later than the second fiscal year after the bond issue. Capitalized interest shall only be utilized for projects where revenues and/or State aid are expected to offset debt service once a project is brought into operation. Capitalized interest will only be utilized in accordance with applicable State law and upon a finding by the Director of Finance that capitalizing interest is in the City's overall financial interest.

Call Provisions

A. Call provisions for bond issues shall be made as short as possible consistent with market conditions and interest rate environment.

B. Bond should be callable at par in no more than ten years.

Bond Counsel. The City will retain external bond counsel for all debt issues All debt issued by the City will include a written opinion by bond counsel which determines, among other things, the debt issue's federal and State income tax status and affirms that the City is authorized to issue the debt and has met all state constitutional and statutory requirements necessary for issuance.

Financial Advisor. The City will retain an external, independent financial advisor which is appropriately registered with the SEC and MSRB as a "municipal advisor" for all debt issues For each City bond sale the financial advisor will provide the City with, among other things, advice concerning unsolicited proposals, bond structure, issuance modality, information on pricing and underwriting fees for comparable sales by other issuers. During debt issuance planning, the financial advisor will advise the City whether or not a credit enhancement is cost effective under the circumstances and what type of credit enhancement, if any, should be purchased.

Tax or Grant Anticipation Notes (TAN/GAN). Where its use is judged by the Director of Finance to be prudent and in the City's overall financial interest, the City may choose to issue a TAN or GAN to fund internal working capital cash flow needs. Before issuing such a note, the Director of Finance will prepare appropriate cash flow projections. A TAN or GAN may be sold in either a competitive or negotiated sale, subject to authorization and approval by the City Council as appropriate. The note should be repaid within the same fiscal year the borrowing occurs.

Variable Rate Debt. The City should avoid the use of variable rate debt unless after careful considerations market conditions warrant this instrument.

Derivatives**.** The City should avoid the use of derivative debt products unless after careful consideration market conditions warrant such instruments.

III. Retain the Highest Practical Credit Rating

Credit Ratings: The City seeks to maintain the highest possible credit ratings for all categories of G.O. debt that can be achieved without compromising delivery of basic City services and achievement of City policy objectives.[3]

Approach. The City shall use an objective, analytical approach to determine whether it can afford to assume new general purpose debt beyond what it retires each year. This process shall compare generally accepted standards of affordability to the current values for the City. These standards shall include, among other things, debt per capita, debt as a percent of taxable value, debt service payments as a percent of current expenditures, and the level of overlapping net debt of the one other local taxing jurisdiction. The process should also examine the direct

[3] Credit ratings issued by the bond rating agencies are a major factor in determining the cost of borrowed funds in the municipal bond market. The concept of debt capacity, or affordability, recognizes that the City has a finite capacity to issue debt at a given credit level. It should be recognized, however, that there are no predetermined debt level/credit rating formulas available from the rating agencies. Many factors are involved. Determination of a credit rating by a rating agency is based on the rating agency's assessment of the credit worthiness of an issuer with respect to a specific obligation. To arrive at a judgment regarding an issuer's credit worthiness, the rating agencies analyze the issuer in four broad, yet interrelated areas: economic base, debt burden, administrative management, and fiscal management.

costs and benefits of the proposed expenditures. The decision on whether or not to assume new debt should be based on these costs and benefits, the current conditions of the municipal bond market and the City's ability to "afford" new debt when compared to the aforementioned standards.

This approach is to be used for G.O. bond issues when a bond rating is sought and shall be employed in consonance with the CPM and the budget process.

Rating Agency Relationships. The Director of Finance shall be responsible for maintaining relationships with the rating agencies that currently assign ratings to the City's various debt obligations. This effort shall include providing periodic updates on the City's general financial condition along with coordinating meetings and presentations in conjunction with a new debt issuance. The City will strive to maintain good communications with bond rating agencies about its financial condition and will follow a policy of full disclosure in every financial report and bond prospectus (Official Statement). The Director of Finance, with the advice of the Financial Advisor, shall be responsible for determining whether or not a rating shall be requested on a particular financing and which of the major rating agencies shall be asked to provide such a rating.

IV. Maintain Full and Complete Financial Disclosure and Reporting

Financial Disclosure and Reporting: The City is committed to full and complete financial disclosure, and to cooperating fully with rating agencies, institutional and individual investors, City departments, other levels of government, and the general public to share clear, comprehensible, and accurate financial information. The City is committed to meeting secondary disclosure requirements on a timely and comprehensive basis.

The Director of Finance shall be responsible for ongoing disclosure to established national information repositories and for maintaining compliance with disclosure standards promulgated by state and national regulatory bodies.

Continuing Disclosure: The City is committed to providing continuing disclosure of financial and pertinent credit information relevant to outstanding securities and will strictly abide by applicable provisions of Securities and Exchange Commission (SEC) Rule 15c2-12 concerning primary and secondary market disclosure. The City, with the assistance of its Financial Advisor and Bond Counsel, shall periodically monitor recommendations from the National Federation of Municipal Analysts, "NFMA", on best disclosure practices. These practices should be incorporated whenever deemed practical by the Director of Finance

Arbitrage Compliance. Federal arbitrage law is intended to discourage entities from issuing tax exempt obligations unnecessarily or to exclusively gain investment interest on the borrowed funds. In compliance with this legislation, the City will not issue obligations except for identifiable projects to be timely initiated. Borrowings will be issued as closely as feasible to the date contracts are expected to be awarded to enable bond proceeds to be spent in accordance with applicable Federal tax requirements.

The Director of Finance shall maintain a system of record keeping and reporting to meet the arbitrage rebate compliance requirements of the federal tax law. It is the City's policy to minimize the cost of arbitrage rebate and yield restriction while strictly complying with the law.

Bond proceeds will be invested in accordance with the provisions of prevailing state statutes, the bond indenture and the City's investment policy

Reimbursement of Bond Related Expenses: When undertaking capital projects, the City shall work with Bond Counsel to ensure that proper resolutions are in place so that any applicable expenses can be reimbursed from tax-exempt bond or note proceeds in accordance with Federal tax law.

Debt Capacity Monitored Regularly

The City shall evaluate its debt capacity on an ongoing basis, at least annually, as well as prior to the authorization and issuance of any additional long-term debt. When reviewing its debt capacity the City shall take the following factors into consideration;

- Review nature of project being financed to ensure that the project has a beneficial public use and purpose
- Confirm that the asset is "financeable" and has an appropriate useful life
- Measure debt capacity – ability to pay
    - Total debt as percentage of tax base
    - Annual debt service as percentage of budget
    - Amortization of existing debt
- Determine Affordability of Debt – willingness to pay
    - Budgetary impact of new debt service payments
    - Impact on additional borrowing needs

V. Post Issuance Compliance

Compliance with laws and regulations to maintain the tax-exempt status of the City's bonds and notes and to maintain market access for the City is a goal of great importance. The Director of Finance should do all things necessary and appropriate to achieve this goal, including the utilization of third party servicers.

Statutory Compliance

The City will annually review its debt management policy and practices with its Bond Counsel and Financial Advisor , each as appropriate, to maintain compliance with prevailing State and Federal laws and regulations and assure that it meets the goals and objectives of the City.

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

DEBT POLICY

Town of Simsbury

Purpose: To establish an objective basis by which to evaluate and act upon capital financing proposals.

Rationale: To ensure:

That Simsbury can attract financing for capital expenditures at the most economically advantageous rates of interest.

Regardless of the above, that the Town no incur debt that imposes an onerous burden on the taxpayers.

This policy is construed as a guideline that in no way constricts the authority of the Board of Finance to deviate there from when the interest of the Town is better served.

The policy will consist of four main components:

I. Statutory requirements
II. Objective (measurable) guidelines
III. Flexibility considerations
IV. Debt management reserve fund

I. Statutory Requirements

The State of Connecticut imposes limitations on indebtedness on all municipalities. These are described below:

Limitation of Indebtedness

Under Connecticut Law, municipalities may not incur indebtedness through the issue of bonds which will cause aggregate indebtedness by class to exceed the following:

General Purposes 2.25 times base
School Purposes 4.50 times base
Sewer Purposes 3.75 times base
Urban Renewal Purposes 3.25 times base

The "base" is defined as annual receipts from taxation (total tax collections including interest and penalties) and State payment for revenue losses under CGS sections 12-24a, 12-24c and 12-129d. In no case shall total indebtedness exceed seven times the base.

2/15/89

The statutes also provide for certain exclusions of debt issued in anticipation of taxes, for the supply of water, supply of gas, supply of electricity, construction of subways, for the construction of underground conduits for cables, wires, and pipes and for two or more of such purposes; for indebtedness issued in anticipation of the receipt of proceeds from State or Federal grants evidenced by a written commitment or contract.

II. Objective Guidelines

A. Five year capital plan

Capital planning for Simsbury is predicated on adoption by Board of Selectmen resolution of a five year capital improvement plan. In general, with the exception of emergencies and mandates, this plan is the governing document for capital expenditures.

The first year of the five year play may be recommended to the town meeting for adoption as the capital budget for the subsequent year. The remaining four year will then become the framework upon which the next five year plan will be formulated. In a proper planning environment, most projects will advance automatically from year to year. However, this advancement from year to year will be influenced by changing priorities, environmental factors, and the desire to even out the debt authorization schedule. This requires a meaningful review of all existing projects as well as all new projects added to the capital forecast. It must also include in-depth review of financing information and options to ensure the most cost effective strategies to finance these decisions.

The capital plan is reviewed on an annual basis prior to adopting the remaining four years and before the initiation of the planning process for the next program. This review should include an explanation of those factors which have brought about revisions. These revisions are to be adopted by Board of Selectmen resolution, and it retains the right to manage the timing of capital expenditures in the best interest of the community.

Definition of projects

- A capital improvement project has a useful life of no less than 7 years and should exceed 3% of the operating budget.
- A number of small projects may be combined to meet the 3% of budget requirement, provided that each such included project meets the 7 year useful life condition.

- Replacement or expansion of existing capital assets constitutes a capital expenditure as long as it meets the criteria established above. However, repairs and maintenance of capital assets do not constitute capital expenditures even though a number of maintenance projects when combined may exceed the 3% of operating budget.

- Notwithstanding the above, the Board of Selectmen reserves the right to adjust these criteria when it is in the best interest of the Town as in the case of projects for which full or partial reimbursement will be received.

B. Bond Rating

The Town seeks to improve its bond rating and establishes as a minimum objective that its bond rating not fall below Moody's Aa rating.

C. Policies

1. Bonds are issues only for large, nonrecurring permanent public improvements useful to the delivery of municipal services and economic development.

2. Bonds are retired (beginning within one year of issuance) by substantially equal serial maturities from the general operating fund over a term shorter but normally not longer than the useful life of the improvement.

3. The Town's overall debt structure, including overlapping debt, must fall within statutory limits and should decrease as rapidly as is financially feasible.

4. Short-term debt may be used to provide for interim cash flow, to facilitate the timing of bond sales, to avoid locking in high-term interest rates during periods of market turmoil and to partially finance projects whose final cost is uncertain.

5. In planning and structuring each bond sale, balanced emphasis should be given to each of the following objectives: a) providing case in advance to meet project expenses; b) spreading debt service increases evenly to minimize the impact on taxes; c) maximizing the credit rating potential and market acceptance of the bonds; d) minimizing net borrowing cost; and e) minimizing the impact of debt service payments on annual cash flow.

6. Whenever possible, capital costs are financed by means other than borrowing. In addition to soliciting outside grant funding, the Town utilizes pay-as-you-go methods such as regular contributions from the general fund, build-up up a reserve fund, down payments from operating funds, and inclusion of smaller projects in the general fund.

7. When feasible, the Town will develop a method for debt funding such that town residents can participate.

D. Debt retirement budget:

1. The Board of Finance establishes as a long term objective that debt retirement expenses (interest and principal) be at a rate of not more than 5-7% of the total annual budget.

2. No annual increase in debt retirement expenses should exceed the maximum of growth on the grand list or town budget and must meet the statutory requirements of the limit established under items I and II C. 1.

3. The above are to be understood as guidelines only and do not limit the authority of the Board of Finance to take other action.

III. <u>Flexibility (Timing) Considerations</u>

In making a recommendation to a Town Meeting on a capital expenditure proposed by the Board of Selectmen or the Board of Education, the Board of Finance will consider some or all of the following:

- Affordability – Debt budget per household, total taxes per household, demographics-% of population over 55, size of income, and total debt as a proportion of total assessed valuation; impact of residential taxes on property values, perceived willingness to pay (protest volume), among others. While some of these factors are subjective, the Town may select benchmark communities and strive to maintain a target position within them.
  - Mix of commercial to personal property
  - Projected growth in grand list

- Financial – cost escalation, building environment, financial markets, reimbursements

- Impact of external and uncontrollable factors

- Postponability (emergency, mandates)

IV. Debt Management Reserve Fund

Simsbury's budget already provides for a Reserve Fund for Capital and Non-recurring Expenditures (CNR) of about 3% of the total budget (about $1 million).

In addition to the CNR, the Board of Finance proposes that the Town establish a reserve fund:

Reserve Fund – At such time as the current debt budget falls below 5% of the annual budget, the Town may establish an annual appropriation that will maintain a debt reserve fund at 55 of the total budget.

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:*

   <u>Bond term</u> -- 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.

   <u>Bank qualification</u> -- 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.)

   <u>Small Issuer exemption</u> -- 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.

   <u>Call provision</u> -- 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.

Exhibit 10

Medians by Rating - US Cities (100,000 < Population < 500,000)

Selected Indicators	Aaa	Aa	A	Baa	Ba
Total General Funds Revenues ($000s)	$184,062	$136,424	$241,202	N/A	N/A
General Fund Balance as % of Revenues	27.3%	26.1%	8.9%	N/A	N/A
Available General Fund Balance as % of Revenues	29.4%	24.5%	7.8%	N/A	N/A
Direct Net Debt as % of Full Value	1.1%	1.3%	3.0%	N/A	N/A
Overall Debt Burden (Overall Net Debt as % of Full Value)	2.6%	3.4%	5.0%	N/A	N/A
Total Full Value ($000s)	$22,710,892	$12,517,782	$9,237,025	N/A	N/A
Population 2010 Census	203,264	159,498	169,059	N/A	N/A
Full Value Per Capita	$108,966	$76,462	$54,447	N/A	N/A
Ten Largest Taxpayers as % of AV	6.9%	6.5%	9.9%	N/A	N/A

Source: Moody's Investors Service

Exhibit 11

Medians by Rating - US Cities (50,000 < Population < 100,000)

Selected Indicators	Aaa	Aa	A	Baa	Ba
Total General Funds Revenues ($000s)	$60,581	$57,391	$62,727	$85,487	N/A
General Fund Balance as % of Revenues	38.0%	31.8%	14.5%	4.9%	N/A
Available General Fund Balance as % of Revenues	37.5%	30.9%	11.5%	2.1%	N/A
Direct Net Debt as % of Full Value	0.6%	1.2%	1.6%	3.7%	N/A
Overall Debt Burden (Overall Net Debt as % of Full Value)	2.2%	3.0%	3.7%	3.7%	N/A
Total Full Value ($000s)	$10,211,024	$5,738,067	$3,520,791	$3,175,962	N/A
Population 2010 Census	64,403	66,102	64,097	66,455	N/A
Full Value Per Capita	$140,169	$80,130	$56,337	$46,536	N/A
Ten Largest Taxpayers as % of AV	7.5%	7.7%	7.6%	6.4%	N/A

Source: Moody's Investors Service

Exhibit 12

Medians by Rating - US Cities (Population < 50,000)

Selected Indicators	Aaa	Aa	A	Baa	Ba
Total General Funds Revenues ($000s)	$35,356	$17,678	$6,031	$7,335	$12,467
General Fund Balance as % of Revenues	45.1%	38.5%	34.3%	17.9%	6.9%
Available General Fund Balance as % of Revenues	42.7%	35.2%	31.3%	12.1%	6.9%
Direct Net Debt as % of Full Value	0.7%	1.0%	1.6%	2.6%	3.6%
Overall Debt Burden (Overall Net Debt as % of Full Value)	1.9%	2.2%	3.0%	3.9%	5.6%
Total Full Value ($000s)	$5,186,764	$1,773,239	$523,739	$619,600	$384,515
Population 2010 Census	23,292	16,593	8,079	10,640	13,548
Full Value Per Capita	$226,958	$106,973	$60,976	$52,329	$39,163
Ten Largest Taxpayers as % of AV	7.6%	9.0%	13.1%	14.8%	13.7%

Source: Moody's Investors Service

Exhibit 13

US Local Government Medians - US Counties (All)

Selected Indicators	2014
Median Moody's GO/Issuer Rating	Aa2
Total General Funds Revenues ($000s)	$41,968
General Fund Balance as % of Revenues	34.6%
Available General Fund Balance as % of Revenues	32.4%
Direct Net Debt as % of Full Value	0.5%
Overall Debt Burden (Overall Net Debt as % of Full Value)	1.7%
Total Full Value ($000s)	$7,426,739
Population 2010 Census	88,995
Full Value Per Capita	$78,398
Ten Largest Taxpayers as % of AV	6.2%
MFI as % of US median (2012 ACS)	94.4%

Source: Moody's Investors Service

Exhibit 14

Medians by Rating - US Counties (All)

Selected Indicators	Aaa	Aa	A	Baa
Total General Funds Revenues ($000s)	$243,218	$47,415	$12,140	$17,461
General Fund Balance as % of Revenues	35.0%	35.4%	32.2%	6.7%
Available General Fund Balance as % of Revenues	33.5%	33.1%	30.3%	4.2%
Direct Net Debt as % of Full Value	0.6%	0.5%	0.7%	0.8%
Overall Debt Burden (Overall Net Debt as % of Full Value)	2.4%	1.6%	1.4%	1.3%
Total Full Value ($000s)	$57,065,878	$8,612,497	$2,076,723	$3,297,879
Population 2010 Census	495,321	99,350	32,317	49,652
Full Value Per Capita	$106,067	$80,705	$61,963	$66,947
Ten Largest Taxpayers as % of AV	4.1%	6.3%	8.7%	17.2%

Source: Moody's Investors Service

Exhibit 15

Medians by Rating - US Counties (Population > 1 Million)

Selected Indicators	Aaa	Aa	A	Baa
Total General Funds Revenues ($000s)	$648,233	$2,258,581	$2,096,616	N/A
General Fund Balance as % of Revenues	21.4%	18.8%	4.8%	N/A
Available General Fund Balance as % of Revenues	21.4%	17.4%	1.0%	N/A
Direct Net Debt as % of Full Value	0.5%	0.5%	1.0%	N/A
Overall Debt Burden (Overall Net Debt as % of Full Value)	3.0%	3.5%	5.1%	N/A
Total Full Value ($000s)	$153,926,100	$212,707,871	$200,331,933	N/A
Population 2010 Census	1,517,454	1,993,240	1,418,788	N/A
Full Value Per Capita	$91,846	$106,981	$86,367	N/A
Ten Largest Taxpayers as % of AV	4.2%	4.1%	4.1%	N/A

Source: Moody's Investors Service

Exhibit 16

Medians by Rating - US Counties (250,000 < Population < 1 Million)

Selected Indicators	Aaa	Aa	A	Baa
Total General Funds Revenues ($000s)	$233,064	$148,403	N/A	N/A
General Fund Balance as % of Revenues	37.1%	27.4%	N/A	N/A
Available General Fund Balance as % of Revenues	35.5%	24.7%	N/A	N/A
Direct Net Debt as % of Full Value	0.5%	0.5%	N/A	N/A
Overall Debt Burden (Overall Net Debt as % of Full Value)	2.4%	2.3%	N/A	N/A
Total Full Value ($000s)	$57,702,722	$34,999,571	N/A	N/A
Population 2010 Census	508,640	399,293	N/A	N/A
Full Value Per Capita	$105,577	$78,703	N/A	N/A
Ten Largest Taxpayers as % of AV	4.3%	5.2%	N/A	N/A

Source: Moody's Investors Service

Exhibit 17

Medians by Rating - US Counties (100,000 < Population < 250,000)

Selected Indicators	Aaa	Aa	A	Baa
Total General Funds Revenues ($000s)	$75,840	$59,819	$86,630	N/A
General Fund Balance as % of Revenues	50.1%	32.2%	17.8%	N/A
Available General Fund Balance as % of Revenues	46.3%	30.3%	15.4%	N/A
Direct Net Debt as % of Full Value	0.7%	0.5%	0.6%	N/A
Overall Debt Burden (Overall Net Debt as % of Full Value)	2.5%	1.8%	1.7%	N/A
Total Full Value ($000s)	$18,998,110	$11,700,646	$8,638,897	N/A
Population 2010 Census	183,182	154,727	147,546	N/A
Full Value Per Capita	$107,029	$72,270	$48,468	N/A
Ten Largest Taxpayers as % of AV	3.4%	5.8%	9.4%	N/A

Source: Moody's Investors Service

Exhibit 18

Medians by Rating - US Counties (Population < 100,000)

Selected Indicators	Aaa	Aa	A	Baa
Total General Funds Revenues ($000s)	N/A	$23,437	$10,675	$11,803
General Fund Balance as % of Revenues	N/A	41.7%	35.5%	6.7%
Available General Fund Balance as % of Revenues	N/A	39.9%	33.7%	6.3%
Direct Net Debt as % of Full Value	N/A	0.4%	0.7%	0.8%
Overall Debt Burden (Overall Net Debt as % of Full Value)	N/A	1.2%	1.2%	1.0%
Total Full Value ($000s)	N/A	$4,430,133	$1,812,379	$2,145,375
Population 2010 Census	N/A	50,513	28,744	22,855
Full Value Per Capita	N/A	$88,105	$62,861	$60,213
Ten Largest Taxpayers as % of AV	N/A	7.3%	10.3%	22.9%

Source: Moody's Investors Service