

# **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; capital equipment as defined within 3.10-5 of the Capital Improvement Plan (“CIP”); 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 will adhere to a debt management cap that limits annual General Fund debt service to no more than 9.0% of the total General Fund budget. In addition, the Town will set a goal of limiting annual General Fund debt service to no more than 8.5% of the total General Fund budget by July 1, 2023.
- 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.

## **VI. DEBT SERVICE INDICATORS**

- A. The Town's debt burden will be compared to Towns:
  - i. in the immediate vicinity of the Town, including Bethel; Brookfield; Danbury; Monroe; New Fairfield; New Milford; Oxford; and Southbury;
  - ii. with the same bond rating; and
  - iii. to Towns with the same District Reference Group ("DRG").
- B. The Town recognizes that the below ratios are useful guides but not the exclusive means by which it should measure debt burden:
  - i. Ratio of debt to equalized net Grand List;
  - ii. debt per capita;
  - iii. per capita income;
  - iv. median household income
  - v. debt per capita as a percentage of per capita income;
  - vi. debt per capita as a percentage of median household income

The Town will employ data taken from the latest State of Connecticut Municipal Fiscal Indicators Report to compile the above ratios and develop trend lines from same.

- VII. 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: October 4, 2017