



Town of Simsbury

933 Hopmeadow Street Simsbury, Connecticut 06070

Board of Finance Amended Agenda Submission

October 11, 2019

Ericka Butler
Town Clerk
Simsbury, CT 06070

Dear Ms. Butler:

A **Regular Meeting** of the Board of Finance will be held at **5:45 PM** on **Tuesday, October 15, 2019**, in the Main Meeting Room of the Simsbury Town Hall, 933 Hopmeadow Street, Simsbury, Connecticut.

The Agenda is as follows:

1. Call to Order
2. Pledge of Allegiance
3. Approval of Minutes:
 - September 17, 2019
4. Draft Debt Policy
5. Adjourn

Yours Truly,

Robert Pomeroy
Chairman

Board of Finance Regular Meeting Schedule:

Tuesday, November 19, 2019
Tuesday, December 17, 2019
Tuesday, January 21, 2020

**Simsbury Board of Finance
TOWN OF SIMSBURY
REGULAR MEETING MINUTES
Tuesday, September 17, 2019 at 5:45 P.M.
Simsbury Town Hall - Main Meeting Room
933 Hopmeadow Street, Simsbury, Connecticut**

PRESENT: Lisa Heavner, Derek Peterson, Robert Pomeroy, Kevin Prell

ALSO PRESENT: Melissa Appleby, Deputy Town Manager; Sean Askham, Board of Selectmen; Judith Blank, Bond Counsel, Day, Pitney, LLP; Maria Capriola, Town Manager; Cheryl Cook, Board of Selectmen; Bob Crowther, Economic Development Commission Chair; Bob Decrescenzo, Town Attorney; Tom Earl, Economic Development Commission; Burke LaClair, Schools Business Manager; Amy Meriwether, Director of Finance/Treasurer; Mike Paine, Board of Selectmen; and other interested parties.

1. Call to Order - Establish Quorum

Chairman Pomeroy called the meeting to order at 5:46 P.M.

2. Pledge of Allegiance

All present stood for the Pledge of Allegiance.

3. Approval of Minutes - July 30, 2019

MOTION: Mr. Prell made a motion to approve the July 30, 2019 Special Meeting Minutes. Mr. Peterson seconded the motion. All were in favor and the motion passed unanimously.

4. Communications

• **GFOA Award Letter**

Mr. Pomeroy noted congratulations for this award.

5. Cyber Security Update

Ms. Meriwether referenced the memorandum prepared by Melissa Appleby and Rick Bazzano regarding cyber security initiatives. Ms. Meriwether noted it is an update on how the funds were spent and was written in response to the request from the Board of Finance. Mr. Pomeroy noted the use of KnowBe4 is good practice. Ms. Heavner inquired about ransomware procedures and protocols. Ms. Meriwether noted that in speaking with the IT Director, that ransomware is not a major cause for concern due to the Town having appropriate backups in the event of an attack. Backups are stored every evening. Ms. Meriwether also discussed precautions and procedures in the event money is physically taken from one of the Town's bank accounts. She reported she attended a class on this topic before she began working in Simsbury and was made aware of proactive steps to take so there is less risk of fraudulent bank activity and what to do in the event a Town bank account is compromised. There was brief discussion about backups on tape versus the cloud and having a cyber insurance carrier.

6. Debt Management Discussion

• **Draft Debt Policy**

Judith Blank, Bond Counsel at Day, Pitney, LLP, addressed the Board as requested to bring clarity to the debt issuance authority and budget making authority as interpreted by the Town Charter. She reported the Charter is clear. It gives the BOF authority to approve appropriations and designates to the BOS the power to authorize debt. She clarified that the power to issue debt rests with the BOS and the BOF has the power to approve appropriations. She noted in her experience with the Town over the past 30 years everyone has worked very well together. Mr. Pomeroy asked if the BOF can have a debt policy. She responded ‘yes.’ Robert (Bob) Decrescenzo, Town Attorney, addressed the Board, noting he and Ms. Blank agree on this matter and collaborated on the memo submitted. He pointed out that the BOF has no power to bind the BOS, nor does it have the power to bind any other agent of the Town. The BOF can have a debt policy that it recommends to the BOS and can request that the BOS confer with the BOF prior to making a decision to issue debt. Discussion followed. Mr. Pomeroy noted the policy will be edited and approved by Ms. Blank and Mr. Decrescenzo so that it may be voted on at the October meeting.

• **Best Practices Overview: Phoenix Advisors**

Ms. Meriwether introduced the Town’s financial advisor, Barry Bernabe, of Phoenix Advisors, LLC. Mr. Bernabe presented an overhead presentation entitled, Best Practices Credit Overview & Interest Rate Outlook. He began by noting the Town’s rating from Standard & Poor’s and Moody’s at AAA, the highest possible rating. He noted the five major factors contributing to that are: Management Practices, Economy & Demographics, Financial Performance, Debt Management and Long-term Liabilities. He spoke about fund balance levels, the Financial Management Assessment (FMA) score, existing annual debt service, ten year U.S. Treasury yields, the recent Simsbury bond sale and refinancing opportunities. Mr. Bernabe noted the Town is very conservative and a mill rate stabilization fund might be something to consider. Discussion followed.

7. FY18/19 Year End Results

Ms. Meriwether referenced her provided schedule of year-end budget transfers, noting some highlights. She noted a bond premium from the last issuance of \$1.2M and a designated fund balance of \$2M, including \$1M designated for the Health Insurance Fund and \$1M designated for tax relief. She added fund balance appropriations were not used due to excess revenues as noted. She reported the Simsbury Farms Fund had a deficit of \$495,000 and \$267,000 of that is due to an accounting change. Mr. Pomeroy noted the Board still needs to discuss Simsbury Farms and Ms. Capriola noted a draft of a final report is being finalized and will be shared with the Board this fall. Discussion followed.

8. Proposed General Fund Transfers

Ms. Meriwether presented her proposed General Fund transfers, noting there are three special revenue funds sitting in a negative fund balance deficit position, which she would like to clean up. She went through the funds, including the Hazard Mitigation Special Revenue Fund, POCD Grant Fund and the Hartford Charette Fund. Further, she spoke about the Health Insurance Fund, Simsbury Farms Fund, Capital Reserve Fund and Transfers to Assigned Fund Balance. Discussion followed regarding new mortality rates, fund balances, professional development and marketing materials for the EDC.

MOTION: Mr. Prell made a motion to make the recommended close-out transfers. Mr. Peterson seconded the motion. All were in favor and the motion passed unanimously.

9. Proposed Capital Project Transfers

Ms. Meriwether noted staff is closing out some of the completed capital projects. She noted projects funded via the Sewer Use Fund, the General Fund, and several projects that utilized bond proceeds that can be closed out. By recommendation of Ms. Blank, projects funded via bonding should be closed out and utilized to reduce future borrowings. Ms. Meriwether noted projects funded via the General Fund to be closed out include her recommendation to build up the capital reserve. She also noted a few minimal projects which were overspent for which capital reserves can be used to pay those off. Lastly, she noted a request to move up a project for fencing at the bandshell due to numerous concerns from the public. This would be net transfers to the Capital Reserve Fund at \$215,000. Ms. Heavner noted she is not inclined to put more than \$1M in the Capital Reserve Fund and would, therefore, exclude the 4 capital projects and keep them in the General Fund.

MOTION: Ms. Heavner made a motion to approve the capital project transfer requests with that exception. Mr. Peterson seconded the motion. All were in favor and the motion passed unanimously.

10. Presentation: Fiduciary Investment Advisors

Chris Kachmar and his associate, Laura Gineo, of Fiduciary Investment Advisors (FIA), provided discussion materials and spoke to the Board. Mr. Kachmar gave a Firm & Service Team overview and a brief capital markets overview. In addition, he spoke about pension plans and OPEB trust reviews, as well as, a defined contribution plan review. He noted his firm works with a lot of peer municipalities. Ms. Gineo provided some highlights on the RFI for the Board. Mr. Kachmar noted the full RFP would provide more data. The \$10,000 fee and where that money would come from was discussed. The change from Simsbury Bank to Liberty Bank was also discussed.

MOTION: Mr. Prell made a motion to engage Fiduciary Investment Advisors to conduct the RFQ. Mr. Peterson seconded the motion. All were in favor and the motion passed unanimously.

11. Tax Abatement Process Improvement Recommendations

Mr. Pomeroy provided background on the recommendations and noted Ms. Heavner has worked on this for a while. Ms. Heavner recognized Bob Crowther, Chair of the Economic Development Commission (EDC), for his work. Ms. Heavner referenced the tax abatement memorandum. She spoke about the resources used and summarized the recommendations made. In addition, she referenced information forwarded from Representative Hampton on economic impact analyses of local option business tax incentives. Mr. Pomeroy thanked Ms. Heavner for her work on this and cautioned against putting too much process in place. Mr. Crowther spoke in support of Ms. Heavner's memorandum. He noted there is a business incentive team on the EDC which is writing a policy for what the Town should be doing. He noted Tom Earl, who was in attendance, is a part of that team. Ms. Heavner noted research shows tax abatements are not very effective and are not determinative in the decision-making process. She added keeping the

overall tax burden low is something that can be done. She argued for extreme caution in giving tax abatements going forward. Discussion followed about the cost to residents. Mr. Pomeroy noted it was agreed the recommendations will be sent to the EDC for discussion. Mr. Askham respectfully asked that they be sent to the BOS for referral to the EDC as it is a subcommittee of the BOS.

MOTION: Mr. Peterson made a motion to send the recommendations on to the BOS and EDC. Mr. Prell seconded the motion. All were in favor and the motion passed unanimously.

Ms. Meriwether went back to year-end results by noting the General Fund Year-End Budget Transfers – Budgetary Basis Schedule needing approval for the audit.

MOTION: Mr. Prell made a motion to approve the General Fund Budget Transfers as presented. Mr. Pomeroy seconded the motion. All were in favor and the motion passed unanimously.

12. Finance Director's Report

Ms. Meriwether referenced an updated listing of grants and donations. She also referenced the FY2019/2020 Fund Balance Appropriation of \$420,000 in her report and provided background on that.

13. Adjourn

MOTION: Ms. Heavner, Mr. Prell second, to adjourn at 8:20 P.M.; unanimously approved

Respectfully submitted,

Karen Haberlin
Commission Clerk



TOWN OF SIMSBURY

BOARD OF FINANCE AGENDA SUBMISSION FORM

1. **Title of Submission:** Draft Debt Policy

2. **Date of Board Meeting:** October 15, 2019

3. **Individual or Entity Making the Submission:**
Amy Meriwether, Finance Director

4. **Action Requested of the Board of Finance:**

If the Board of Finance supports the adoption of the draft debt policy as presented, the following motion is in order:

Move, effective, October 15, 2019, to adopt the Debt Policy as revised and presented by Bond Counsel, Attorney Judith Blank.

5. **Summary of Submission:**

Policy review on a regular basis ensures the Town's policies remain effective and in compliance with best practice. Management is in the process of reviewing all town policies for appropriate update. The debt policy was last adopted by the Town on February 15, 1989.

The debt policy has always been under the purview of the Board of Finance as a past practice. During the process of updating the debt policy it was found that the authority to issue debt rests with the Board of Selectmen per the Town Charter. Section 813 of the Town Charter states, "The Town shall have the power to incur indebtedness by issuing its bonds or notes as provided by the General Statutes subject to the limitations thereof and the provisions of this Charter. The issuance of bonds and notes, except tax anticipation notes, **shall be authorized by resolution of the Board of Selectmen** in accordance with the provisions of Chapter IV of this Charter. The issuance of **notes, the term of which does not exceed one (1) year, may be authorized by the Board of Selectmen upon recommendation of the Board of Finance** in accordance with Section 809 of this Charter." Staff has consulted with bond counsel and the Town Attorney on this matter and they have confirmed the responsibility of the Board of Selectmen.

Given the past involvement of the Board of Finance with regards to the management and monitoring of the Town's debt, staff further investigated the origin of the Charter language to ensure there was not an error during a previous Charter revision. Town Clerk, Ericka Butler, reviewed the last several charter revisions and it was determined the current Charter language is accurate and there is no evidence of error during a prior revision.

The above narrative was originally brought to the Board of Finance at their special meeting on July 30, 2019. After much discussion, the Board of Finance expressed an interest in discussing the Charter language directly with the town attorney and bond counsel as it relates to the Board of Finance's budget making authority. Robert Decrescenzo, Town Attorney and Judith Blank, Bond Counsel attended the Board of Finance meeting on September 17, 2019 to answer questions of the Board of Finance and bring clarity to the debt issuance authority and budget making authority as

interpreted by the Town Charter. During this meeting, Bond Counsel expressed litigation concerns with the way the draft policy was written. The Board of Finance directed Bond Counsel to provide edits to the policy to eliminate litigations concerns.

The attached policy as revised by counsel was prepared for the Board of Finance only based on the Board of Finance's responsibilities as outlined in the Charter. The Board of Selectmen will have their own debt policy based on their responsibilities as outlined in the Charter.

6. Financial Impact:

None

7. Description of Documents Included with Submission:

- Draft Revised Debt Policy
- Draft Revised Debt Policy – Redlined Version



Town of Simsbury

933 HOPMEADOW STREET ~ SIMSBURY, CONNECTICUT 06070

TOWN OF SIMSBURY BOARD OF FINANCE DEBT POLICY

Adopted by the Board of Finance on February 15, 1989

Revised and Adopted by the Simsbury Board of Finance on October XX, 2019

I. Purpose

The purpose of a debt policy is to establish written and objective guidelines to improve the quality of decision-making on long-term capital planning and on the appropriateness of utilizing debt to fund capital expenditures. It is Board of Finance policy that the Town will confine long-term borrowing to capital improvements or projects that cannot be financed with current revenues. This policy recognizes the infrastructure needs of the Town as well as the taxpayers' ability to pay while taking into account existing legal, economic, and financial considerations.

The primary objectives of this policy are to:

- Plan for long and short-term issuance to finance the Town's capital program based on cash flow needs, sources of revenue, capital construction periods, and available financing instruments.
- Minimize the Town's debt service and issuance costs.
- Retain the highest credit rating and ensure financial integrity while providing a funding mechanism to meet the Town's capital needs.

This policy is based on the practices recommended by the Government Financial Officers Association (GFOA) to facilitate compliance with local, state and federal laws and regulations.

II. Effective Date

This policy shall remain in effect until revised or rescinded. The Board of Finance reserves the right to amend this policy as necessary.

III. Authority

The Town shall have the power to incur indebtedness in accordance with Connecticut General Statutes, subject to the provisions of the Simsbury Town Charter. As stated in Chapter VIII, Section 813, the issuance of bonds and notes, except tax anticipation notes, shall be authorized by resolution of the Board of Selectmen. The issuance of notes, the term of which does not exceed one (1) year, may be authorized by the Board of Selectmen upon recommendation of the Board of Finance.

IV. Policy

1. Debt Retirement Objective – Debt retirement expenses (interest and principal) shall be at a rate of not more than 7% of the total annual general fund operating budget. Debt that is being funded outside of tax revenues (i.e. WPCA Sewer Use Fees) shall not be included within the 7% unless the fund responsible for the debt payments is financially unstable and it is anticipated that the Town will be called upon to make debt payments from the general fund.
2. Compliance with Six-year Capital Improvement Plan (CIP) - Capital Planning for Simsbury is required by the Town Charter, Section 803 and predicated on adoption by the Board of Selectmen of a six-year CIP. In general, with the exception of emergencies and mandates, this plan is the governing document for capital expenditures. The Town further recognizes that certain projects for which debt financing should be considered may arise in such a manner that they cannot be incorporated into the six-year CIP prior to financing, e.g., the coming to the market of a specific property the Town desires to acquire for open space purposes.
3. Types of Permissible Debts – 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, Capital Projects Funds, or General Fund revenues or reserves. If these are not appropriate or sufficient, the Town will use bond funding or long-term leases. The Board of Finance will evaluate debt-funding scenarios as part of the capital budget process using models developed by the Finance Director in order to prioritize future financing needs and to evaluate compliance with this policy. The Board of Finance will forward its recommendations to the Board of Selectmen.

General Obligation (G.O.) bonds may be issued to finance traditional public improvements for which other funding is unavailable or impractical. Long-term bonds may be used to finance infrastructure or facility improvement projects with an estimated life expectancy of at least 15 years and cost of at least \$250,000.

The Town may go to market for G.O. bonds for a minimum threshold of \$1,000,000. A smaller number of projects may be combined to meet the threshold, provided that each such included project meets the 15-years useful life condition.

General Obligation (G.O.) Bond Anticipation Notes (BAN's) may be issued for short-term debt. The Town may choose to issue bond anticipation notes (BAN's) as a source of interim financing when deemed prudent. Bond anticipation notes may also be used as a form of permanent financing (generally up to 10 years under current statutes) by renewing the notes over a number of years and reducing the principal amount of the notes on renewal.

Capital Lease Purchase Financing, in contrast to a true lease, provides for the acquisition of the leased item. Lease purchase financing may be used for procuring assets that are too expensive to fund with current receipts in any one year, but with useful lives too short (less than 15 years) to finance with long-term debt. Generally, lease purchase financing will not be considered for the purchase or construction of

assets with a life expectancy of less than five years. The Town will seek competitive pricing when practical.

Low Interest Loan – The use of federal and state aided low interest loans should be considered before consideration of issuing any other forms of debt. Low interest loans may also be considered from private banks as permitted by law.

4. Statutory Debt Limitations – 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.

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.

5. Debt Structure

Bond term – All capital improvements financed through the issuance of debt will be financed for a period not to exceed the useful life of the improvements, but in no event to exceed 20 years. For capital expenditures valued below \$20 million, bonding will not exceed ten (10) years. Fifteen (15) to twenty (20) year bond terms may be considered for major projects exceeding \$20 million that benefit the community.

Debt Service Pattern – Debt service payments (including principal and interest) shall be calculated in a manner where the total payments are as equal as possible over the course of the bond term to limit the amount of debt service budget fluctuation from year to year. *[This is not current practice. Level principal is used, which reduces total cost of funds over the life of the bonds. The goal should be to have level or decreasing debt service for Town’s entire debt portfolio, allowing for additional issuance to meet ongoing capital needs. Suggest:]* New debt should be structured to coincide with the retirement of past debt to lessen the impact upon the mill rate and to keep debt service costs at or below 7% of the operating budget. Debt that is being funded outside of tax revenues (i.e. WPCA Sewer Use Fees) shall not be included within the 7% unless the fund responsible for the debt payments is financially unstable and it is anticipated that the Town will be called upon to make debt payments from the general fund.

6. Emergencies - During emergency situations, the Town may issue debt to provide for emergency infrastructure repair or replacement if such repair or replacement as necessary

for the immediate preservation of the public peace, health and safety. Emergency situations shall be governed by the Town Charter.

V. Debt Affordability Measures

The Finance Director, in connection with preparation of the Town's Comprehensive Annual Financial Report, will analyze the Town's debt position. The following statistical measures to determine debt capacity will be used and evaluated in relation to rating agency standards and the Town's historical ratios to determine debt affordability:

Debt Burden and Service Indicators

- Debt as a percentage of Net Taxable Grand List
- Debt per capita
- Debt to personal income
- Debt to taxable property value
- Debt as a percentage of General Fund expenditures



Town of Simsbury

933 HOPMEADOW STREET ~ SIMSBURY, CONNECTICUT 06070

TOWN OF SIMSBURY

BOARD OF FINANCE DEBT ~~MANAGEMENT~~ POLICY

Adopted by the Board of Finance on February 15, 1989

Revised and Adopted by the Simsbury Board of Finance on ~~September~~ October XX, 2019

I. Purpose

The purpose of a debt ~~management~~ policy is to establish written and objective guidelines to improve the quality of decision-making on long-term capital planning and on the appropriateness of utilizing debt to fund capital expenditures ~~at the most economically advantageous rates of interest.~~ The It is Board of Finance policy that the Town will confine long-term borrowing to capital improvements or projects that cannot be financed with current revenues. This policy recognizes the infrastructure needs of the Town as well as the taxpayer's ability to pay while taking into account existing legal, economic, and financial ~~and debt market~~ considerations.

The primary objectives of this policy are to:

- ~~• Establish conditions for the issuance of debt for the purpose of funding capital projects.~~
- Plan for long and short-term issuance to finance the Town's capital program based on cash flow needs, sources of revenue, capital construction periods, and available financing instruments ~~and market conditions.~~
- Minimize the Town's debt service and issuance costs.
- Retain the highest credit rating and ensure financial integrity while providing a funding mechanism to meet the Town's capital needs.
- ~~• Maintain full and complete financial disclosure and reporting.~~

This policy is based on the practices recommended by the Government Financial Officers Association (GFOA) to facilitate compliance with local, state and federal laws and regulations.

II. Applicability

~~This policy applies to all staff, elected officials, and appointed officials involved in the procurement process.~~

III. Effective Date

This policy shall remain in effect until revised or rescinded. The Board of Finance reserves the right to amend this policy as necessary.

IVII. Authority and Responsibility

~~1. *Borrowing Authority:* The Town shall have the power to incur indebtedness in accordance with Connecticut General Statutes, subject to the limitations and provisions of the Simsbury Town Charter, Chapter VIII, Section 813. As stated in Chapter VIII, Section 813, the issuance of bonds and notes, except tax anticipation notes, shall be authorized by resolution of the Board of Selectmen upon the recommendation of the Board of Finance. The issuance of notes, the term of which does not exceed one (1) year, may be authorized by the Board of Selectmen upon recommendation of the Board of Finance.~~

~~2. *Responsibility:* It shall be the responsibility of Board of Selectmen, the Town Manager and the Finance Director to issue debt in compliance with the terms outlined in this policy and in compliance with the Town Charter, State and Federal law and upon recommendation of the Board of Finance. The primary responsibility of debt management rests with the Finance Director. The Finance Director shall:~~

- ~~• Provide for the issuance of debt at the lowest possible cost and risk;~~
- ~~• Determine the available debt capacity;~~
- ~~• Provide for the issuance debt at appropriate intervals and in reasonable amounts as required to fund approved expenditures;~~
- ~~• Recommend to the Board of Selectmen the manner of sale of debt;~~
- ~~• Monitor opportunities to refund debt and recommend such refunding as appropriate;~~
- ~~• Comply with all Internal Revenue Service (IRS), Securities and Exchange Commission (SEC), and State and local rules and regulations governing the issuance of debt;~~
- ~~• Provide for the timely payment of principal and interest on all debt; ensure the that the fiscal agent receives funds for payment of debt service on or before the payment date;~~
- ~~• Provide for and participate in the preparation and review of offering documents;~~
- ~~• Provide for and participate in the preparation of disclosure required by the legal documents governing the debt issued;~~
- ~~• Distribute to appropriate repositories information regarding financial condition and affairs at such time and in the form required by law, regulation and general practice;~~
- ~~• Provide for the distribution of pertinent information to rating agencies;~~
- ~~• Maintain a current database with all outstanding debt; and~~
- ~~• Apply and promote prudent fiscal practices.~~
- ~~• Develop and maintain a capital finance model to evaluate the impact of capital program spending, operations and maintenance costs, and debt service on its financial condition.~~

- ~~Provide annual disclosure information to established national information repositories and maintain compliance with disclosure statements as required by the state and national regulatory bodies.~~

IV. Policy

1. Debt Retirement Objective – Debt retirement expenses (interest and principal) shall be at a rate of not more than 7% of the total annual general fund operating budget. Debt that is being funded outside of tax revenues (i.e. WPCA Sewer Use Fees) shall not be included within the 7% unless the fund responsible for the debt payments is financially unstable and it is anticipated that the Town ~~is ultimately responsible for the~~will be called upon to make debt payments from the general fund.
2. Compliance with Six-year Capital Improvement Plan (CIP) - Capital Planning for Simsbury is required by the Town Charter, Section 803 and predicated on adoption by the Board of Selectmen of a six-year CIP. In general, with the exception of emergencies and mandates, this plan is the governing document for capital expenditures. The Town further recognizes that certain projects for which debt financing should be considered may arise in such a manner that they cannot be incorporated into the six-year CIP prior to financing, e.g., the coming to the market of a specific property the Town desires to acquire for open space purposes.
3. Types of Permissible Debts – 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, Capital Projects Funds, or General Fund revenues or reserves. If these are not appropriate or sufficient, the Town will use bond funding or long-term leases. The Board of Finance will evaluate debt-funding scenarios as part of the capital budget process using models developed by the Finance Director in order to prioritize future financing needs and to evaluate compliance with this policy. The Board of Finance will forward ~~their~~its recommendations to the Board of Selectmen.

General Obligation (G.O.) bonds may be issued ~~for long-term debt~~ to finance traditional public improvements for which other funding is unavailable or impractical. Long-term bonds may be used to finance infrastructure or facility improvement projects with an estimated life expectancy of at least 15 years and cost of at least \$250,000.

The Town may go to market for G.O. bonds for a minimum threshold of \$1,000,000. A smaller number of projects may be combined to meet the threshold, provided that each such included project meets the 15-years useful life condition.

General Obligation (G.O.) Bond Anticipation Notes (BAN's) may be issued for short-term debt, ~~the~~. The Town may choose to issue bond anticipation notes (BAN's) as a source of interim financing when deemed prudent. Bond anticipation

notes may also be used as a form of ~~short-term~~ permanent financing (generally up to 10 years under current statutes) by renewing the notes over a number of years and reducing the principal amount of the notes on renewal.

Capital Lease Purchase Financing, in contrast to a true lease, provides for the acquisition of the leased item. Lease purchase financing may be used for procuring assets that are too expensive to fund with current receipts in any one year, but with useful lives too short (less than 15 years) to finance with long-term debt. Generally, lease purchase financing will not be considered for the purchase or construction of assets with a life expectancy of less than five years. The Town will seek competitive pricing when practical.

Low Interest Loan – The use of federal and state aided low interest loans ~~will be a valid financing mechanism and~~ should be considered before consideration of issuing any other forms of debt. Low interest loans may also be considered from private banks as permitted by law, ~~upon recommendation by the Finance Director and Board of Finance and approval by the Board of Selectmen.~~

~~This policy prohibits the issuance of any securities which would commonly be understood to be “derivative.”~~

4. Statutory Debt Limitations – 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.

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.

5. Debt Structure

~~5. Bond Structure—Consideration should be given to each of the following:~~

- ~~• Providing cash in advance to meet project expenses~~
- ~~• Maximizing the credit rating potential and market acceptance of the bonds~~
- ~~• Minimizing net borrowing cost~~
- ~~• Minimizing the impact of debt service payments on annual cash flow~~
- ~~• Scheduling new debt to coincide with the retirement of past debt to lessen the impact upon the mill rate and to keep debt service costs at or below 7% of the operating budget. Debt that is being funded outside of tax revenues (ie WPCA~~

~~Sewer Use Fees) shall not be included within the 7% unless the fund responsible for the debt payments is financially unstable and the Town is ultimately responsible for the debt payments.~~

Bond term – All capital improvements financed through the issuance of debt will be financed for a period not to exceed the useful life of the improvements, but in no event to exceed 20 years. For capital expenditures valued below \$20 million, bonding will not exceed ten (10) years. Fifteen (15) to twenty (20) year bond terms may be considered for major projects exceeding \$20 million that benefit the community.

~~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. Board of Selectmen and Board of Finance approval are needed to issue a variable rate debt.~~

Debt Service Pattern – Debt service payments (including principal and interest) shall be calculated in a manner where the total payments are as equal as possible over the course of the bond term to limit the amount of debt service budget fluctuation from year to year. *[This is not current practice. Level principal is used, which reduces total cost of funds over the life of the bonds. The goal should be to have level or decreasing debt service for Town's entire debt portfolio, allowing for additional issuance to meet ongoing capital needs. Suggest:]* New debt should be structured to coincide with the retirement of past debt to lessen the impact upon the mill rate and to keep debt service costs at or below 7% of the operating budget. Debt that is being funded outside of tax revenues (i.e. WPCA Sewer Use Fees) shall not be included within the 7% unless the fund responsible for the debt payments is financially unstable and it is anticipated that the Town will be called upon to make debt payments from the general fund.

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

~~Method of Sale—Debt obligations are generally issued through competitive sale. Upon recommendation of the Board of Finance, the Board of Selectmen may authorize the method of sale 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 approve of the Board of Finance and Board of Selectmen.~~

~~6. 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 savings can be realized. The target threshold for net present value savings should be a minimum of 2%.~~

~~6.7-~~Emergencies - During emergency situations, the Town may issue debt to provide for emergency infrastructure repair or replacement if such repair or replacement as necessary for the immediate preservation of the public peace, health and safety. Emergency situations shall be governed by the Town Charter.

VI. Debt Affordability Measures

The ~~Board of Finance, with the assistance of the Town Manager and the~~ Finance Director, in connection with preparation of the Town's Comprehensive Annual Financial Report, will analyze the Town's debt position. The following statistical measures to determine debt capacity will be used and evaluated in ~~comparison to other towns,~~relation to rating agency standards and the Town's historical ratios to determine debt affordability:

Debt Burden and Service Indicators

- Debt as a percentage of Net Taxable Grand List
- Debt per capita
- Debt to personal income
- Debt to taxable property value
- Debt as a percentage of General Fund expenditures

VII. Professional Services

~~1. Bond Counsel: All debt issued by the Town will include a written opinion by bond counsel affirming that the Town is authorized to issue the proposed debt. The opinion shall include confirmation that the Town has met all Town and state requirements necessary for its issuance, a determination of the proposed debt's federal income tax status and other components necessary for the proposed debt.~~

~~2. Financial Advisor: A Financial Advisor(s) will be used to assist in the issuance of the Town's debt. The Financial Advisor will provide the Town with objective advice and analysis on debt issuance. This includes, but is not limited to, monitoring market opportunities, structuring and pricing debt, and preparing official statements of disclosure.~~

~~3. Underwriters: An Underwriter(s) will be used for all debt issued in a negotiated or private placement sale method. The Underwriter is responsible for purchasing the negotiated or private placement debt and reselling the debt to investors.~~

~~4. Fiscal Agent: A Fiscal Agent will be used to provide accurate and timely securities processing and timely payment to bondholders.~~

~~All vendors retained by the Town of Simsbury will be selected in accordance with the Town of Simsbury's purchasing policy.~~

Summary report:	
Litéra® Change-Pro TDC 7.5.0.235 Document comparison done on 9/26/2019 12:07:54 PM	
Style name: 1 - Dbl Underline, Strike, Moves	
Intelligent Table Comparison: Active	
Original DMS: iw://worksite.daypitney.com/VFActive/103654078/1	
Modified DMS: iw://worksite.daypitney.com/VFActive/103654078/2	
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Delete	123
Move From	2
Move To	2
Table Insert	0
Table Delete	0
Table moves to	0
Table moves from	0
Embedded Graphics (Visio, ChemDraw, Images etc.)	0
Embedded Excel	0
Format changes	0
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