
TOWN OF SOMERS



DEBT SERVICE FUND POLICY

PURPOSE:

This is to hereby create a Debt Service Fund for the Town of Somers. The Debt Service Fund will provide funding resources to pay interest, principal, and other fees associated with short-term and long-term debt. These funds will be used as part of a financial plan to ensure that the Town maintains sufficient funds to handle the costs of debt over time.

SCOPE:

This Policy establishes guidelines for the Debt Service Fund. If in the opinion of the Board of Finance, the Fund provides significant benefits in the financial administration of short-term (Bond Anticipation Notes) and long-term debt, the Debt Service Fund may be proposed for inclusion as a Town Ordinance. The fund will not be responsible for on-going capital lease programs or other types of financing that does not impact debt service.

CONTRIBUTIONS TO THE FUND:

Contributions to the fund shall be received from:

- A. Moneys received by the Town from bond and note premium receipts.
- B. Appropriations made in the annual budget, special appropriations, and emergency appropriations consistent with the Town Charter.
- C. Where a General Fund contribution results in excess funds remaining within the Debt Service Fund, after all annual debt payments have been covered, including any savings within the budget resulting from a bond refunding and other accumulations, the Town Treasurer/Chief Financial Officer, with the approval of the Board of Finance, shall have the authority to transfer the funds from the associated debt accounts to the Debt Service Fund for recalculation in subsequent years.
- D. Any other monies appropriated to the fund by the Board of Finance.

USE OF MONEY FROM THE FUND:

- A. Money paid to the Debt Service Fund and interest earned thereon shall be used solely by the Town for payments of principal, interest, and other fees associated with short-term and long-term debt, provided that all such expenditures shall be approved by the Treasurer/Chief Financial Officer and the Board of Finance.

- B. Other fees, also subject to approval by the Treasurer/Chief Financial Officer and the Board of Finance, may include items such as bond issuance costs, legal fees associated with debt, advisory fees, and other debt-associated fees.
- C. The use of the funds may be included for future use in the Town's Debt Management Plan to offset debt in future years.
- D. The Board of Finance may, from time to time, authorize a special appropriation to transfer funds from the Debt Service Fund to the General Fund. In addition, the Board of Finance may transfer funds from by annual budget appropriation or special appropriation consistent with the Town Charter.
- E. The funds which remain at the close of each fiscal year within the Debt Service Fund shall remain in the fund balance of said Fund and shall not, therefore, be lapsed to the balance of the General Fund. The Town's Treasurer/Chief Financial Officer shall exercise control and administration of the Debt Service Fund, subject to approval of the Board of Finance, in accordance with their duties under the Town Charter.

CUSTODY OF FUND; INVESTMENTS:

The Debt Service Fund shall be in the custody of the Treasurer/Chief Financial Officer of the Town of Somers, and all or any part of the monies in said Fund may, from time to time, be invested in any securities in which public funds may lawfully be invested. All income derived from such investments shall be paid into the Fund and become a part thereof. The monies invested shall at times be subject to withdrawal for use as provided in the Use of Money Section of this policy. The Board of Finance shall have supervisory authority over the actions of the Treasurer/Chief Financial Officer in administering the Debt Service Fund.

FUND AUTHORITY:

The Board of Finance shall retain supervisory authority over all aspects of the Debt Service Fund and the administration of the fund by the Treasurer/Chief Financial Officer. Such authority in the Board of Finance shall include:

- A. The right to amend the Debt Service Fund and all the related terms, conditions, and operational guidelines.
- B. The right to modify the manner in which the Fund is administered by the Treasurer/Chief Financial Officer.

The Board of Finance shall reserve the right to terminate the Debt Service Fund at any time and restore, or return, any balances in the Debt Service Fund to the General Fund.

BONA FIDE DEBT SERVICE FUND:

If at any time the Debt Service Fund is used in connection with tax-exempt obligations of the Town of Somers, the fund shall comply with IRS requirements for a "Bona Fide Debt Service Fund" which means a fund that is used primarily to achieve a proper matching of revenues with principal and interest payments within each bond year and is depleted at least once each bond year except for a reasonable carryover amount not to exceed the greater of (a) the earnings on the fund for the immediately preceding bond year, or (b) one-twelfth of the principal and interest payments on the issue for the immediately preceding bond year.

DEBT SERVICE FUND POLICY ADOPTION:

This Policy shall be adopted by the Board of Finance and reviewed annually by the Treasurer/Chief Financial Officer. Any modifications to the Policy shall be approved by the Board of Finance.

Adopted: January 30, 2024

Effective: February 1, 2024