

DEBT POLICY FOR THE VILLAGE OF CROTON-ON-HUDSON

I. PURPOSE

The Village of Croton-on-Hudson is committed to maintaining and improving its public infrastructure and protecting the health and safety of its citizens. In order to help meet its responsibilities the Village reviews on an annual basis its long-term capital needs. The Village is also committed to meeting the significant financial responsibility associated with capital investments without overburdening taxpayers or disrupting vital services.

II. FINANCING OPTIONS

In order to help meet its financial commitments, the Village intends to merge its capital plan with a financial plan and consider three financing options when considering capital investments. The three financing options include:

- Utilizing designated capital reserves
- Pay as you go cash resources
- Debt financing

III. DEBT RECOMMENDATIONS

In accordance with the adopted Fund Balance Policy, the Village intends to maintain an unassigned fund balance in the General Fund in the range of 17% to 22% as a percentage of its total appropriations. Final decisions on the use of any surplus fund balance will be made by the Board of Trustees on an annual basis after the final audit report has been published and before the next fiscal year's operating budget has been adopted. This will allow the Board of Trustees to be able to assess what impact future new debt issuance will have on proposed operating budgets.

The Village's projected debt level as of June 1, 2024 in the General Fund was \$20,983,854.39. The associated principal and interest payments for the 2024-2025 fiscal year of \$2,643,783.18 represents 11.9% of the total General Fund appropriations.

The Village's long-range goal for the General Fund is to maintain its debt level so that yearly debt payments including interest and principal do not exceed the 16% threshold of the total general fund appropriations, as well as not issuing more debt per year than is retired each year. In order to meet these goals, the Village intends to:

1. Prioritize and weigh each proposed capital project and acquisition based on a variety of factors, including:
 - a. Health and safety concerns.
 - b. Legal mandates by court order, state or federal governments.
 - c. Economic, environmental, or social value to the community.
 - d. Operational benefits to the local government.

- e. Specific needs or demands for improved service, timeliness or cost savings.
 - f. Investment return (e.g., saving on maintenance).
 - g. Capacity to leverage other resources (e.g., matching funds).
 - h. Project feasibility (cost, time frames, management capacity).
 - i. Project risks.
- 2. Utilize surplus unassigned fund balance.
 - 3. Designate capital reserves.
 - 4. Postpone issuing debt until the proposed project is determined to begin within a 12-month timeframe.

IV. OTHER FUNDS

The Village's water fund and sewer fund continue to pay down debt, while replenishing fund balance, so that future infrastructure projects can be paid partially or wholly from fund balance. In the capital plan for the 2024-2025 fiscal year, the capital needs for the sewer fund were funded entirely through fund balance, showing that the Debt Policy has achieved one of its goals for the Village's enterprise funds.