

Debt Management Policies

The Town seeks to manage debt in a way that maintains stability and provides flexibility in current and future operating budgets. Responsible use of debt should provide the people of the town with well-maintained long-term assets that improve the quality of our lives with the smallest impact on the tax rate.

Purpose

- Maintain the town's aggregate debt on as level a basis as possible.
- Maintain a low to moderate ratio of general obligation debt to general expenditures.
- Ensure that the town will issue debt only for purposes authorized by state law and in compliance with town by-laws.
- Prudent use of tax-exempt bond financing.
- Seek to fund debt through a Proposition 2 ½ debt exclusion, not out of General Fund revenues.
- Add new long term debt only in accordance with a long term capital plan.
- To preserve or improve the Town's credit ratings.

Structure and Term of Debt

- Amortization of debt not to exceed the useful life of the project.
- Issue debt with level or declining annual principal unless there is a more financially advantages schedule.
- The Town will maintain a long-term debt schedule that retires at least 50% of outstanding principal will be paid within ten years.

Ratio Parameters

- Ratio of tax-supported debt service to general expenditures (10% or less)
- Ratio of general obligation debt to market value of taxable real and personal property 8%.

Capital Planning

- The Capital Improvement Planning (CIP) Committee shall update a five-year projection at least annually in order to ensure that new debt is planned and phased to coincide with declining or retiring debt.
- The CIP Committee shall prioritize upcoming capital requests to facilitate appropriate timing.
- The CIP Committee shall annually request every department of the town to submit a preliminary five year capital plan, if they have any capital requests.
- The CIP Committee shall work to evaluate the best financing method for proposed capital expenditures, among grants and gifts, new taxes, free cash or other transfers of prior appropriations, reserves, and bond issues.

Method of Sale and Interest Rates

- Competitive Sales will be sought by setting the terms to encourage as many bidders as possible.
- Negotiated Sales will only be pursued when conditions for a competitive sale do not exist and the benefits to the Town are significant.

- Except for BANs of less than one year, variable interest rates will not be accepted.

Refinancing of Outstanding Debt

- The Town may refinance outstanding long-term debt when it allows the Town to realize significant debt service savings, without lengthening the term of refinanced debt and without increasing debt service in any subsequent fiscal year.

Credit Ratings and Fiscal Advisor and Bond Council

- The Town Treasurer shall maintain a relationship with the rating agency that assigns ratings to the Town's various debt obligations. This includes providing periodic updates on the Town's general financial condition, as well as coordinating meetings and presentations in conjunction with new debt issuance.
- The Town Treasurer shall ensure that the Town has contracted with a professional Fiscal Advisor, and maintain frequent communications with that Fiscal Advisor to ensure the most favorable debt sales and management.
- The Executive Secretary and the Treasurer will work closely with the town's Bond Counsel to ensure that all legal requirements are met. All documents, certified by the Town Clerk, as requested by Bond Counsel, shall be provided to determine the legally and tax exempt status of all bonds to be issued.