

DEBT MANAGEMENT



PURPOSE

To provide for the appropriate issuance and responsible use of debt, this policy defines the parameters and provisions governing debt management. Policy adherence will help the Town to responsibly address capital needs, provide flexibility in current and future operating budgets, control borrowing, and maintain capital investment capacity. This policy is also intended to maintain and enhance the town's bond rating to achieve long-term interest savings.

APPLICABILITY

This policy applies to the Select Board, Finance Committee, and School Committee in their budget decision making and, in the Treasurer/Collector's debt reporting. It also applies to the Town Administrator's budget analysis duties and, the role as Treasurer/Collector, the statutory responsibilities associated with debt management.

POLICY

Under the requirements of federal and state laws, the Town may periodically issue debt obligations to finance the construction, reconstruction, or acquisition of infrastructure and other assets or to refinance existing debt. The Town will issue and manage debt obligations in such a manner as to obtain the best long-term financial advantage and will limit the amount of debt to minimize the impact on taxpayers. Debt obligations, which include general obligation bonds, revenue bonds, bond anticipation notes, lease/purchase agreements, and any other debt obligations permitted to be issued under Massachusetts law, shall only be issued to construct, reconstruct, or purchase capital assets that cannot be acquired with current revenues.

A. Debt Financing

In financing with debt, the Town will:

1. Issue long-term debt only for objects or purposes that are financially supported and authorized by state law
2. Use available funds to the greatest extent possible to reduce the amount of borrowing on all debt-financed projects
3. Confine long-term borrowing to capital improvements and projects that cost at least \$100,000 and that have useful lifespans of at least five years or whose lifespans will be prolonged by at least five years
4. Refrain from using debt to fund any recurring purpose, such as current operating and maintenance expenditures
5. Use revenue bonds, special assessment bonds, or other types of self-supporting bonds instead of general obligation bonds whenever possible

B. Debt Limits

The Town will adhere to these debt parameters:

1. Total debt service, including debt exclusions and self-supporting debt, will be limited to 3-5 percent of the town operating budget.
2. By statute, a community's debt limit equals 5 percent of its most recent equalized valuation.

C. Structure and Term of Debt

The following shall be the Town's guidelines on debt structure and terms:

1. The Town will attempt to maintain a long-term debt schedule such that at least 50 percent of outstanding principal will be paid within 10 years.
2. The term of any debt shall not exceed the expected useful life of the capital asset being financed and, in no case, shall it exceed 30 years.
3. The Town will limit bond maturities to no more than [10] years, except for major buildings, land acquisitions, and other purposes in accordance with the [useful life borrowing guidelines](#) promulgated by the Division of Local Services.
4. The Town will work closely with its financial advisor to follow federal regulations and set time frames for spending borrowed funds to avoid committing arbitrage, paying rebates, fines and penalties to the federal government, and jeopardizing the debt issuance's tax-exempt status.

D. Protection of Bond Rating

To protect its bond rating, the Town will:

1. Maintain good communications with bond rating agencies, bond counsel, banks, financial advisors, and others involved in debt issuance and management
2. Follow a policy of full disclosure on every financial report and bond prospectus, including data on total outstanding debt per capita, as a percentage of per capita personal income, and as a percentage of total assessed property value

E. Reporting

- The Treasurer /Collector will report to the Select Board on the Town's debt status quarterly.
- The Town Accountant will include a statement of debt in an annual report of appropriations, receipts, and expenditures.

REFERENCES

[M.G.L. c. 44 §4](#)
[M.G.L. c 44 §7](#)

[M.G.L. c. 44 §6](#)
[M.G.L. c 44 §8](#)

[M.G.L. c. 44 §6A](#)

Division of Local Services Guidance: [Understanding Municipal Debt](#)

Internal Revenue Code of 1986, as amended, [Section 148](#)

Internal Revenue Service's [Arbitrage Guidance for Tax-Exempt Bonds](#)

EFFECTIVE DATE

This policy was adopted November 2023