

Association of Town Finance Committees
Annual Meeting
Saturday, October 28, 2006

*Borrowing and Debt Management
Workshop*

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DISCLAIMER



Why a Debt Policy

- *Communication*
- *Credit Rating*
- *Capital Planning*
- *Prioritization*
- *Management Tool*



Debt Management Policies

- *Policies need to be in Writing.*
- *Policies should be developed looking “10” years out, not just for the next Town Meeting.*
- *Policies must relate to your Town to be effective.*
- *Policies need to be “Adopted” by the Executive Board (Selectmen)*
- *Good Policies stand longer with Executive, Capital, and Financial Boards participation and acceptance.*
- *Keep It Short and Simple*



Debt Management Policies

- *Debt vs. Cash*
- *What and When to Finance by Debt*
- *How Much is Too Much*
- *Long Term Debt*
- *Annual Debt Service*
- *Remember the Legal & Financial*
- *It is not a How To Guide.*



Debt Management Policies

- *Written, but not Engraved.*
- *Broadly Written – Policies should NOT be about a specific project.*
- *Debt policies should complement Budget and Financial policies, not contradict them.*
- *Understand why you want (NEED) policies, not simply that you have policies.*
- *Policies mean more when referred to often.*
- *The Community will Outlast You*



Debt Management Policies

- *Highlights about the Town of Needham's Debt Policy*
 - *Formally approved in 1991 by the Board of Selectmen*
 - *Last Revised December 1998*
 - *The Selectmen, Finance Committee and Town Management are guided by the Policies.*
 - *The Town's policies are reviewed regularly and discussed during every financial update with the rating agency.*



Debt Management Policies

TOWN OF NEEDHAM DEBT MANAGEMENT POLICIES

1. Proceeds for long-term debt will not be used for current, ongoing operations.
2. The Town will strive to limit total debt service, including debt exclusions and self-supporting debt, to 10 percent of gross revenues.
3. The town will limit annual increases in debt service to a level that will not materially jeopardize the Town's credit rating.
4. For those previously authorized bonded projects with residual balances, the Town Administrator shall propose the reallocation of these balances for other capital projects in conformance with MGL Chapter 44, Section 20.
5. For those previously authorized projects funded with available revenue (tax levy or reserves), that have residual balances in excess of \$5,000, the Town Administrator shall propose the reallocation of these balances for other future capital projects in conformance with MGL Chapter 44, Section 33B. This practice will avoid abnormally inflating general fund surplus with one-time receipts.
6. For those previously authorized projects funded with available revenue (tax levy or reserves), with residual balances of less than \$5,000, the Comptroller shall be authorized to close these balances to the appropriate fund surplus.
7. The Town will attempt to limit bond sales in any calendar year to \$10,000,000 in order to maintain bank qualifications and thereby receive lower interest rates on bonded debt.
8. Long-term borrowing will be confined to capital improvements too expensive to be financed from current revenues. In general, the Town will attempt to finance purchases costing less than \$25,000 with operating revenues.
9. Bonds will be paid back within a period not to exceed the expected useful life of the capital project.
10. To the extent practicable, user fees will be set to cover the capital costs of enterprise type services or activities - whether purchased on a pay-as-you-go basis or through debt financing - to avoid imposing a burden on the property tax levy.
11. Ongoing communications with bond rating agencies will be maintained, and a policy of full disclosure on every financial report and bond prospectus will be followed.



Debt Management Policies

■ *Resources*

- *ATFC*
- *Local Citizens*
- *Your Community's Financial Advisor*
- *Rating Agency*
 - *Fitch Ratings*
 - *Moody's Investor Services*
 - *Standard & Poor's*
- *Town Administrator/Manager*
- *Town Financial Management*
 - *Finance Director*
 - *Town Accountant*
 - *Town Treasurer*