



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 so as to achieve long-term interest savings.

APPLICABILITY

This policy applies to the Board of Selectmen and Finance Board in their budget decision-making duties, to the Treasurer's debt reporting and management responsibilities, and to the Town Accountant's budget analysis duties.

POLICY

Under the requirements of federal and state laws, the Town of Holland 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, will 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. Use the State House Note Program to issue short- and long-term debt to the extent possible.
2. Issue debt only for objects and purposes authorized by state law.
3. Use available funds to the greatest extent possible to reduce the amount of borrowing on all debt-financed projects.
4. Confine long-term borrowing to capital improvements and projects that cost at least \$100,000 and that have useful lifespans of at least 10 years or whose lifespans will be prolonged by at least 10 years.
5. Refrain from using debt to fund any recurring purpose, such as current operating and maintenance expenditures.
6. Consider using 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 any self-supporting debt, shall be limited to 10 percent of general fund revenues, with a target balance of five percent.
2. As dictated by state statute, the Town's debt limit shall be five percent of its most recent equalized valuation.

C. Structure and Term of Debt

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

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 the maximum allowed by law.
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 limit guidelines published by the Division of Local Services (DLS).
4. The Town will structure debt for smaller purchases and projects using either bond anticipation notes (BANs) or serial notes for up to 10 years as the capital plan and budget allow.
5. The Town will work closely with its financial advisor or the Public Finance Section of DLS to follow federal regulations and will set time frames for spending borrowed funds to avoid committing arbitrage, paying rebates, fines and penalties to the federal government, and jeopardizing any 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

1. The Treasurer [and financial advisor] will report to the Board of Selectmen, Executive Secretary, and Town Accountant on the Town's debt status at least annually.
2. The Town Accountant will include a statement of debt in the annual report of appropriations, receipts, and expenditures.

REFERENCES

M.G.L. c. 41, § 59

M.G.L. c. 44, § 4

M.G.L. c. 44, § 6

M.G.L. c. 44, § 6A

DLS Guidelines: Asset Useful Life Schedules and Maximum Borrowing Terms

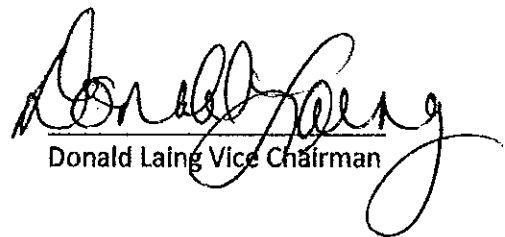
DLS Guidance: Understanding Municipal Debt

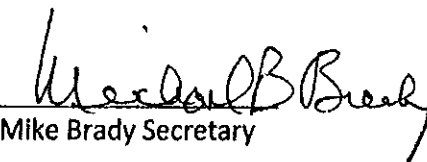
Internal Revenue Service Guidance: Arbitrage Guidance for Tax-Exempt Bonds

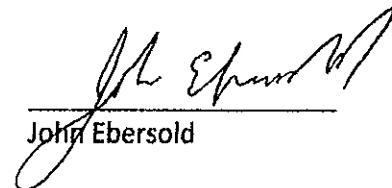
EFFECTIVE DATE

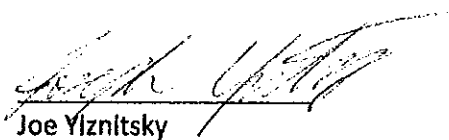
This policy was adopted on 11/01/2017.


Ernest Fancy Chairman


Donald Laing Vice Chairman


Mike Brady Secretary


John Ebersold


Joe Yiznitsky