

## DEBT MANAGEMENT POLICY

Town of Milton

**PURPOSE:** The purpose of this Policy is to establish guidelines for the issuance of debt by the Town of Milton. Debt levels and related annual debt service expenditures are important long-term obligations that must be managed with available short and long-term resources. This policy addresses the level of indebtedness that the Town can reasonably expect to incur without jeopardizing its existing financial condition.

Adherence to a debt management policy, along with utilization of sound and prudent financial practices and the Town's other financial policies, will assure the lending market that the Town is well managed and will meet its obligations in a timely manner.

**PLANNING AND PERFORMANCE:** Debt management means adopting and maintaining financial plans for both the issuance and repayment of debt. Determination to issue new debt should be made as part of the adoption of the annual capital budget, which prioritizes capital projects and identifies various funding sources available for those projects. Planning for repayment of debt will include analysis of the operating budget to determine if the fund (the fund should be clarified) will incur the additional debt service required by the new debt.

**USE OF SHORT-TERM AND LONG-TERM DEBT:** Short-term debt should be limited to:

- borrowing to cover short-term, temporary cash flow shortages within the Town's fiscal year through the use of tax anticipation notes, or
- inter-fund borrowing in those instances where there is an inadequate level of cash flow, or
- use of bond anticipation notes or inter-fund borrowing when cash is required to initiate a capital project prior to the receipt of bond proceeds

The Town Manager, Town Treasurer, and Selectboard shall manage the Town's finances so as to avoid the use of short-term debt whenever possible.

Long-term debt should be issued for the acquisition, construction, or improvement of land, buildings, infrastructure, and public improvements that cannot be financed from current revenues or other resources. Current year budget appropriations and accumulated reserve funds should be used to minimize the amount of long-term borrowing that is required.

**PURPOSE OF DEBT:** General obligation debt funded by general fund property taxes shall be used for projects that provide a general benefit to Town residents and that cannot otherwise be self-supporting. Debt incurred for use by an enterprise fund, even if backed by a general obligation pledge of the Town, shall be self-supporting and repaid solely from the revenues of such fund, unless a general benefit to Town residents can be demonstrated.

**REPAYMENT OF DEBT:** The Town will conservatively project the revenue sources that will be utilized to repay any debt, and will analyze the impact on voters of both the additional debt service and any

additional operating expenses resulting from the improvement, to determine if new debt should be issued and to structure the appropriate repayment terms for each debt issued. The maturity of long-term debt shall be kept as short as possible to minimize the overall impact on taxpayers during the life of the debt. At the same time, it should not be so short that the repayment will create an unreasonable burden. In no event shall the life of the debt exceed the life of the improvement being financed.

**DEBT RATIOS:** The following guidelines will be used when determining if debt should be issued:

- Debt service (principal and interest) as a percentage of total town general fund budget expenditures to be repaid with municipal property tax levy or other general fund revenue should not exceed 10%.
- Total debt issued should not exceed \$25,000,000 plus any amounts authorized by State approved Tax Increment Financing District Plans.

The Milton Selectboard, acting in regular session on APRIL 1, 2013 have hereby adopted the Debt Management Policy 13-02 and said policy is effective as of this date until amended or repealed.

Dated at Milton, Vermont this 10 day of APRIL, 2013

**MILTON SELECTOBOARD**

\_\_\_\_\_  
Darren Adams, Chair

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Pam McKenna, Clerk

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John Gifford, Vice-Chair

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Louis H. Mossey III

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John Bartlett

Filed with the Milton Town Clerk's Office this 10 day of APRIL, 2013

Attest: \_\_\_\_\_  
Milton Town Clerk or Assistant Town Clerk