

DEBT MANAGEMENT POLICY

Town of Danville

PURPOSE. The purpose of this Policy is to establish the guidelines for the issuance of debt by the Town of Danville. Debt levels and the related annual debt service expenditures are important long-term obligations that must be managed with available short- and long-term resources. This policy also addresses the level of indebtedness that the Town can reasonably expect to incur without jeopardizing its existing financial position. Adherence to a debt management policy, along with the utilization of other 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. The determination to issue new debt should be made as a part of the adoption of the annual capital budget, which prioritizes capital projects and identifies the various funding sources available for those projects. Planning for the repayment of debt will include analysis of the operating budget to determine if the fund 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 in those instances where there is an inadequate level of cash flow, or through the use of bond anticipation notes when cash is required to initiate a capital project prior to the receipt of bond proceeds. The selectboard should manage the Town's finances so as to avoid the use of short-term debt when 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 selectboard 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 as well as 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 issue. The maturity of long-term debt shall be kept as short as possible to minimize the overall impact on the 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.



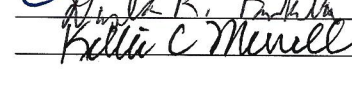

DEBT RATIOS. The following guidelines will be used when determining if debt should be issued:

1. The town should not incur indebtedness which, with its previously contracted indebtedness, in the aggregate exceeds **4 times** the amount of the last grand list.
2. Total debt service (principal and interest) as a percentage of total town budget expenditures should not exceed **10%**.

The foregoing Policy is hereby adopted by the selectboard of the Town of Danville, Vermont, this 20th day of December 2018 and is effective as of this date until amended or repealed.

**** Short-Term Debt** is any financing that will be paid back within the current fiscal years (12 months or less). If you've entered a loan in your forecast that will last for 12 months or less, the entire loan is short-term debt.

**** Long-Term Debt** is a loan that will not be paid back within the current fiscal year or requires voter approval.


Chairperson




Date: December 20, 2018
Policy Adopted


Town Clerk/Treasurer