

M E M O R A N D U M

To: Town Commission
From: Tom Harmer, Tom Manager
Report date: March 10, 2022
Meeting date: April 4, 2022
Subject: Resolution 2022-06, Establishing a Debt Management Policy

Recommended Action

Pass Resolution 2022-06.

Background

Historically the Town has carefully managed the issuance of debt and we closely follow the Charter provisions and potential market conditions that will impact a public borrow. There is not a legal requirement for the Town to have a formal debt policy but we included an initiative in our Strategic Plan a couple of years ago under the goal of Fiscal Sustainability to “develop a formal debt policy.” Having a written debt management policy will provide a comprehensive overview of the requirements associated with debt issuance. Overall it will improve the quality of decision-making, articulate policy goals, provide guidelines for the structure of debt issuance, and demonstrate a commitment to long-term capital and financial planning. Even though it is not a requirement, having a debt policy is a Government Finance Officers Association (GFOA) recommended best practice.

The Town Manager and Finance Director will be presenting a draft debt policy at the April 4, 2022 Regular Meeting. The Finance Director evaluated the Town’s current debt, considered future borrowing needs, researched best practices, and reviewed debt policies in other similar communities.

Two different debt limits will be recommended as part of the proposed debt policy. These debt limits will serve as goals for the Town when considering future debt.

The first is a General Obligation Debt Service Limit. We will be recommending that the annual net General Obligation Debt service shall not exceed thirty (30%) of the General Fund Expenditures. Net General Obligation Debt relies on taxation to make debt payments and excludes self-supporting debt (e.g. utility enterprise fund) and revenue debt (e.g. undergrounding). Currently our General Obligation Debt Payments equal 22% of FY22 General Fund expenditures. Based on current year budgeted expenditures the remaining annual debt service capacity would be \$1,416,643.

The second debt limit would be for Outstanding Debt. The recommendation is to maintain the Town’s total net direct debt at a level not to exceed two percent (2%) of the assessed valuation of taxable property within the Town. Net direct debt is the Town’s

gross debt (including notes, loans, and capital leases) minus debt supported entirely by specific user fees. Our current net direct debt is .86% of the current assessed value.

Resolution 2022-06, formally establishes a Debt Management Policy consistent with staff recommendations and GFOA best practices.

Staff Recommendation

Pass Resolution 2022-06

Attachments

- A. Resolution 2022-06 (Available in Town Clerk's Office)
- B. Exhibit A-Debt Management Policy (Available in Town Clerk's Office)
- C. PowerPoint Presentation (Available in Town Clerk's Office)

End of Agenda Item