

Town of Washington Grove
Debt Management Policy

Background – The Town of Washington Grove (Town) recognizes that a debt management policy provides guidelines and restrictions affecting the amount and type of debt issued by the Town, the issuance process, and the management of a debt portfolio. This policy is intended to improve the quality of decisions, provide justification for the structure of debt issuance, identify policy goals, and demonstrate a commitment to long-term financial planning, including a multi-year capital improvement program.

Types of Debt – This Town policy anticipates only direct debt, i.e., debt payable from general fund or road fund revenues. The Town does not anticipate debt payable from any other revenue sources, debt payable by third parties, or debt from any revolving loan fund or pool. The Town anticipates that interfund borrowing may be used to respond to short-term cash flow needs.

Planning and Budget Approval – The Town’s capital improvement program is guided by recommendations contained in the Town’s Master Plan, and the 5-year capital improvement program is updated each year in conjunction with the Town budget for consideration at the Annual Town Meeting. The budget, capital improvement program, and financial plan are presented for approval at the Annual Town Meeting.

Debt Limits – The Town will limit its long-term borrowing to capital improvements or projects that cannot be financed on a “pay-as-you-go” basis within a reasonable period of time from current revenues. The Town will not use long-term debt to fund current operating costs. Total annual debt service for long-term debt will not exceed 10% of total annual operating revenues. Total direct debt will not exceed 2% of the taxable assessed valuation. As per the Town Charter, no tax anticipation notes may be issued which cause the total tax anticipation indebtedness of the Town to exceed 50 percent of the property tax imposed for the fiscal year in which such notes are issued.

Use of Derivatives – The Town does not anticipate the use of any derivative products within the Town’s debt management program.

Debt Structuring and Issuance Practices – Capital improvement projects financed through long-term debt will not be financed for longer than the expected useful life of the project. The Town will make its best effort to keep the average maturity of general obligation bonds at or below 20 years. The Town will avoid the use of short-term tax anticipation notes or other short-term debt for non-capital purposes except when necessitated by cash flow or other “emergency” situations. All tax anticipation notes or other evidences of indebtedness must be authorized by ordinance before being issued.

Financial Management Practices – The Town will maintain good communications with banks, financial advisors, and others involved in debt issuance and management. The management of the Town’s finances will comply with State law and applicable guidance from the Town’s auditors. The Town will share its financial reports with Town residents at meetings of the Town Council and at the Annual Town Meeting.

Approved by Mayor and Town Council

Mayor

Date