Town of Norwell
Debt Management Policy

A. Purpose of policy and goals

The purpose of this policy is to establish written guidelines and restrictions for issuing debt and managing the outstanding debt portfolio, and to provide guidance to decision makers regarding the purposes for which debt may be issued, types and amounts of permissible debt, timing and method of sale that may be used, and structural features that may be incorporated. Adherence to a debt management policy helps to ensure that government maintains a sound debt position and that credit quality is protected.

It is the intent of the Town of Norwell to establish a debt management policy to:

- ensure high quality debt management decisions
- impose order and discipline in the debt issuance process
- promote consistency and continuity in the decision making process
- demonstrate a commitment to long-term financial planning objectives
- ensure that the debt management decisions are viewed positively by the rating agencies, investment community, and taxpayers

Massachusetts General Laws, Chapter 44, Sections 7 & 8 regulate the purposes for which municipalities may incur debt, and the maximum maturity for bonds issued for each purpose. MGL Ch 44, Sec 10 specifies that the debt limit for towns is 5% of Equalized Valuation.
Various federal laws, regulations and agencies also have requirements with which the Town must comply.

B. Capital Improvement Plan

The Town shall establish and maintain a five (5) year Capital Improvement Plan (CIP), including all proposed projects and major pieces of equipment that may require debt financing. The town's long-term debt strategies shall be structured to reflect its capital needs and ability to finance.

C. Bond Rating

The community's bond rating is important because it determines the rate of interest it pays when selling bonds and notes as well as the level of market participation (number of bidders). Other things being equal, the higher the bond rating, the lower the interest rate. Bond analysts including Moody's, Standard & Poor's, and Fitch typically look at the following four factors in assigning a credit rating:

Debt Factors: debt per capita, debt as a percentage of equalized valuation, rate of debt amortization, and the amount of exempt versus non-exempt debt.

Financial Factors: operating surpluses or deficits, free cash as a percent of revenue, state aid reliance, property tax collection rates, and unfunded pension liability.

Economic Factors: property values, personal income levels, tax base growth, tax and economic base diversity, unemployment rates, and population growth.

Management Factors: governmental structure, the existence of a capital improvement plan (CIP), the quality of accounting and financial reporting, etc.

The Town of Norwell shall continually strive to maintain the highest bond rating through sound financial management, improved receivables management, accounting and financial reporting, and increased reserves such as the Stabilization Fund and the Capital Expenditure Stabilization Fund.

D. Debt Guidelines

General Fund Debt Service: The Town recognizes that maintaining debt levels within supportable standards favorably impacts credit ratings and ensures the community will have an affordable re-payment obligation on residents. Due to Proposition 2 1/2 constraints it is important to limit debt service costs as a percentage of the town's total budget. At the same time, the regular and well-structured use of long-term debt signifies commitment to maintaining and improving its infrastructure. Municipal credit analysts often use 10% as a maximum benchmark for financial soundness. In order to stabilize the desired ceiling, it will be necessary for the Town to schedule future debt service to coincide with maturing debt service.

1) It shall be the Town's policy to establish a debt service ceiling of 10%. The annual debt service payable on bonded general fund debt including debt exclusions net of all subsidies, reimbursements and offsets shall not exceed 10% of the annual operating budget.
2) It shall also be the Town's policy to establish a debt service floor of 2% as an expression of support for continued investment in the town's roads, public facilities, and other capital assets.
3) Debt financing for projects supported by General Fund revenue shall be reserved for capital projects and expenditures which either cost in excess of $250,000 or have an anticipated life span of five years or more.
4) Total outstanding general obligation debt shall not exceed 2.5% of the total assessed value of property.

Debt Maturity Schedule: As previously stated, Chapter 44 of the General Laws specifies the maximum maturity for bonds issued for various purposes. However, with a reasonable maturity schedule, a Town may choose to borrow for a shorter period than allowed by the statutory limit in order to reduce interest costs. Except for major buildings and water, sewer, and community preservation projects, it shall be the Town's policy that bond maturities shall be limited to no more than ten years or a maturity that is consistent with the life of the asset financed. Exceptions may be made when grants, reimbursements or other situations warrant. The Town's goal is aggressive amortization of new debt service and shortening terms for existing debt when there is an opportunity to refinance a bond at a lower cost. Bond maturities shall not exceed the anticipated useful life of the capital project being financed. It shall be the goal of the Town to maintain bond maturities so that at least 60% of the outstanding debt (principal net of debt exclusion and enterprise fund amounts) shall mature within 10 years.

E. Debt Strategies

Alternative Financing Strategies: The Town shall continually pursue opportunities to finance the capital budget by means other than conventional borrowing such as state and/or federal grant funding whenever possible.

Water Fund Operations – Self- supporting: Capital projects for enterprise operations shall be financed solely from enterprise revenues. Debt financing shall be reserved for capital projects and expenditures that cost in excess of $100,000 for projects supported by enterprise fund revenue.

Debt Issuance: The Town shall work closely with the Town's Financial Advisor and Bond Counsel to ensure that all legal requirements are met and that the lowest possible interest rate can be obtained. This includes preparation of the official statement, preparation of all required documents, and compliance with reporting requirements.

PARAMETERS FY14 FOR DEBT POLICY

1)	FY 14 ANNUAL OPERATING BUDGET	44,656,230.00	
	LESS CPA	(53,000.00)	
	LESS WATER OPERATING	(1,144,925.00)	
	LESS WATER INDIRECT	(170,000.00)	
	LESS WATER DEBT	(219,800.00)	
	LESS DE-1 REIMBURSEMENTS/ADJUSTMENTS	(776,567.00)	
	NET BUDGET	**42,291,938.00**	recommended
	10% OF NET BUDGET	**4,229,193.80**	recommended
	2% OF NET BUDGET	**845,838.76**	recommended
	FY14 ANNUAL GENERAL FUND DEBT SERVICE	**2,959,434.00**	
	LESS WATER DEBT	(219,800.00)	
	NET BUDGET	**2,739,634.00**	
	10% CEILING	4,229,193.80	
	ACTUAL DEBT SERV INC DEBT EXC NET OF WATER	(2,739,634.00)	
	NET BUDGET OVER (UNDER)	**1,489,559.80**	AMT UNDER THE CEILING
2)	2% FLOOR	845,838.76	
	ACTUAL	(2,739,634.00)	
	NET BUDGET OVER (UNDER)	**(1,893,795.24)**	AMT OVER THE FLOOR
4)	FY14 TOTAL ASSESSED VALUE OF PROPERTY	2,246,653,035.00	
	2.50%	**56,166,325.88**	recommended
	1.50%	33,699,795.53	not recommended
	FY14 TOTAL OUTSTANDING		
	GENERAL OBLIGATION DEBT PRINCIPAL	**24,308,398.74**	
	LESS DEBT EXCLUSION (MIDDLE)	(7,785,000.00)	
	LESS DEBT EXCLUSION (COLE, VINAL, HS)	(5,990,000.00)	
	LESS ENTERPRISE FUND AMOUNTS (Water Mains)	(1,250,000.00)	
	LESS ENTERPRISE FUND AMOUNTS (Water Pumping)	(215,000.00)	
	LESS ENTERPRISE FUND AMOUNTS (Wells, Pumping)	(630,000.00)	
	LESS ENTERPRISE FUND AMOUNTS (Water Engineering)	(75,000.00)	
	LESS ENTERPRISE FUND AMOUNTS (MWPAT)	(27,790.00)	
	LESS ENTERPRISE FUND AMOUNTS (MWPAT)	(48,880.00)	
	LESS ENTERPRISE FUND AMOUNTS (MWPAT)	(16,739.00)	
	NET OBLIGATION	**8,269,989.74**	
	60% NET OBLIGATION	**4,961,994**	
	(SHOULD MATURE WITHIN 10 YEARS-AGGREGATE)		