

Town of Danvers Debt Policy

Date Adopted: March 3, 2016

Introduction

The use of long-term debt is an effective way to finance major infrastructure and equipment needs. Properly managed debt can help maintain a solid credit rating, enhance flexibility in current and future operating budgets, and provide the Town with long-term assets that maintain or improve the quality of life of Danvers residents.

Conversely, long-term debt establishes a fixed obligation for many years, effecting not only current residents, but also future residents. Accumulation of these fixed obligations can put a burden on the Town's ability to pay future operating costs or debt service. It is therefore vital that the Town put great care into the planning and use of long-term borrowing.

The purpose of this debt policy is to establish the guidelines governing the use of long-term debt and to demonstrate the Town of Danvers' commitment to full and timely repayment of all debt issued.

In addition to the regulations set forth by Mass. General Laws, Chapter 44, the Town of Danvers will also adhere to the following debt parameters when issuing and managing debt:

- Debt will only be used to fund significant, capital projects and purchases of large capital assets with a useful life of 5 years or more;
- The Town will establish a goal of issuing debt for shorter periods than the maximum allowable when the statutory limit is greater than 10 years;
- The Town will continually pursue opportunities to acquire capital by means other than conventional borrowing; such as grants or low/zero-interest loans from state agencies, like the Mass. Clean Water Trust and Mass. School Building Authority;
- The Board of Selectmen will review, on an annual basis, the financial impact of proposed capital improvements, both with and without Proposition 2 ½ debt exclusions; and
- The Town's annual general fund debt service will not exceed 10% of the Town's annual net Operating Budget.

The Town's goal in establishing these debt parameters is to meet or exceed the expectations of bond rating agencies in order to maintain or improve the Town's AA+ bond rating.