

Debt Management Policies

Purpose

- To preserve or improve the Town's credit rating of AA issued by Standard & Poor's.
- Emphasis on tax-exempt status of debt and prudent use of tax-exempt bond financing.
- Add new long term debt only in accordance with long term capital plan, and approval by the Capital Improvements Planning Committee.
- Maintain the town's aggregate debt on as level a basis as possible.
- Maintain a low to moderate ratio of general obligation debt to general expenditures.

Ratio Parameters

- Ratio of tax-supported debt service to general expenditures (10% or less)
- Ratio of general obligation debt to market value of taxable real and personal property (0.5%)
- The Town will seek to maintain rapid amortization of debt with an emphasis on a majority of the Town's debt being retired over a 10-year period.

Capital Planning

- The Capital Improvements Planning Committee (see by-law, Appendix A) shall update its five-year projections at least annually in order to ensure that new debt is planned and phased to coincide with declining or retiring debt.
- The Capital Improvements Planning Committee shall prioritize upcoming capital requests to facilitate appropriate timing.
- The Capital Improvements Planning Committee and Financial Management Team shall work together to evaluate the best financing method for proposed capital expenditures, among grants and gifts, new taxes, free cash or other transfers of prior appropriations, reserves, and bond issues.

Method of Sale and Interest Rates

- Competitive Sales will be sought by setting the terms to encourage as many bidders as possible.
- Negotiated Sales will only be pursued when conditions for a competitive sale do not exist and the benefits to the Town are significant.

Refinancing of Outstanding Debt

- The Town may refinance outstanding long-term debt when it allows the Town to realize significant debt service savings, without lengthening the term of refinanced debt and without increasing debt service in any subsequent fiscal year. The Town will seek to use a benchmark of 3% Present Value Savings for Refunding issues. This includes the cost of issuance.

Credit Ratings and Fiscal Advisor

- The Town Treasurer is responsible for maintaining relationships with the rating agency that assigns ratings to the Town's various debt obligations. This includes providing periodic updates on the Town's general financial condition, as well as coordinating meetings and presentations in conjunction with new debt issuance.
- The Town Treasurer is responsible for ensuring that the Town has contracted with a professional Fiscal Advisor, and maintaining frequent communications with that Fiscal Advisor to ensure the most favorable debt sales and management.

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APPENDIX A

CAPITAL IMPROVEMENT PLANNING COMMITTEE BY-LAW

Section 1:

The Board of Selectmen shall establish and appoint a committee to be known as the Capital Improvement Planning Committee, composed of one member or representative each from the board of Selectmen, the Finance Committee, the planning Board, the Board of Assessors. **The Town Treasurer and the Town Accountant shall be ex-officio members. The Board of Selectmen shall also appoint two at-large members to the committee, to increase the total voting members to seven.** The Committee shall choose its own officers, determine the length of terms and procedure for filling vacancies.

Section 2:

The Committee shall study proposed capital outlays, projects, and improvements involving major non-recurring tangible assets and projects which; 1) are purchased or undertaken at intervals of not less than five years; 2) have a useful life of at least five years; 3) cost over **\$25,000**. All officers, boards and committees, including the selectmen and the School Committee shall, by a date to be set by the Committee, each year give to the Committee on forms prepared by it, information concerning all anticipated project requiring Town Meeting action during the ensuing six years. The committee shall consider the relative need, impact, timing and cost of these expenditures and the effect each will have on the financial position of the Town. No appropriation shall be voted for the capital improvement requested by a department, board, or commission unless the proposed capital improvement is considered in the Committee's report, or the Committee shall first have submitted a report to the Board of Selectmen explaining the omission.

Section 3:

The committee shall prepare an annual report recommending a Capital Improvement Budget for the next fiscal year and a Capital Improvement Program including recommended capital improvements for the following five years. The report shall be submitted to the Board of Selectmen for its consideration and approval. The Board of selectmen shall submit the approved Capital Budget to the Annual Town Meeting for adoption by the town.

Section 4:

Such Capital Improvement Program, after adoption, shall permit the expenditure on projects included therein of sums from departmental budgets for surveys, architectural or engineering advice, options or appraisals; but no such expenditure shall be incurred on projects which have not been approved by the town through the appropriation of sums in the current year or in prior years, or for preliminary planning for projects to be undertaken more than five years in the future.

Section 5:

The Committee's report and the Selectmen's recommended Capital Budget shall be published and made available in a manner consistent with the distribution of the Finance Committee's report. The Committee shall deposit its original report with the Town Clerk.

Section 6:

The Committee may amend, add to, or delete from any Capital Budget recommendation previously adopted by the Town, if it finds reasonable cause why such information was not

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submitted for consideration at the Annual Town Meeting, and must be acted upon before the next Annual Town Meeting. Any such amendment, addition or deletion must be submitted to the Board of Selectmen for its consideration and approval and reported to the next Special Town Meeting for adoption.

Notes on approvals and amendments:

- *STM 1st December 1987 – Book 4 pg. 663*
- *Approved again by the Attorney General January 31, 1995*
- *Second bold sentence in Section 1 added/approved at 6/5/2007 STM.*
- *Bold amount in Section 2 changed from \$10,000 at 4/13/2010 ATM*
- *First bold sentence in Section 1 changed from “The Town Treasurer shall also be a committee member; the Town Accountant shall be an ex-officio committee staff member without the right to vote.” at 4/8/2014 ATM.*