Town of Indian Trail

P.O. Box 2430
Indian Trail, North Carolina 28079
Telephone 704-821-5401
Fax 704-821-9045

MEMO

TO:	Mayor and Town Council
FROM:	Joe Fivas, Town Manager
Cc:	Marsha Sutton, Finance Director
DATE:	September 8, 2011
SUBJECT:	Debt Management Policy

Please find attached a Debt Management Policy written for the Town of Indian Trail. This policy is developed to assist the Town in maintaining a sound financial management policy. A debt management policy is recognized by bond rating agencies and the development of a debt policy is a recommended practice by the Government Financial Officers Association. A debt policy establishes parameters for issuing and managing debt. It provides guidelines regarding the timing and purposes for which debt many be issued, presents the types of permissible debt, and the methods of sale that may be used.

The debt policy is to be used in conjuction with the operating and capital budgets and other financial policies. The advantages of a debt policy are:

- Enhancing the quality of decisions;
- Documenting the decision-making process;
- Identifying objectives for staff to implement; demonstrating a commitment to long-term planning objectives; and
- Being viewed positively by the bond rating agencies.

The attached policy is submitted for your review and approval. This policy will be reviewed and updated as needed in the future.

Debt Management Policy Guidelines

Adopted September 13, 2011

Note: This policy document is intended to work in conjunction with other Town policy documents, such as Fund Balance and Cash Management.

General

1. *The Town will confine long-term borrowing to capital improvements or projects* that cannot be financed from current revenues except where approved justification is provided.

2. The Town will utilize a balanced approach to capital funding utilizing debt financing, draws on capital reserves and/or fund balances in excess of policy targets, and current-year (pay-as-you-go) appropriations.

3. When the Town finances capital improvements or other projects by issuing bonds or entering into capital leases, it will repay the debt within a period not to exceed the expected useful life of the project. Target debt ratios will be calculated annually and included in the review of financial trends.

4. Where feasible, the Town will explore the usage of special assessment, revenue, or other self-supporting bonds instead of general obligation bonds.

5. The Town will retire tax anticipation debt, if any, annually and will retire bond anticipation debt within six months after completion of the project.

Tax Supported Debt

6. Direct net debt as a percentage of total assessed value of taxable property should not exceed 2.0%. Direct net debt is defined as Town-issued debt that is tax-supported.

7. The Town will maintain an aggregate ten-year principal payout ratio target of 50% or better on direct net debt.

8. The Town recognizes the importance of underlying and overlapping debt in analyzing financial condition. The Town will regularly analyze total indebtedness including underlying and overlapping debt.