

TOWN OF GOFFSTOWN DEBT POLICY

DEBT MANAGEMENT

- A. The Town will consider the use of debt financing only for one-time capital improvement projects and unusual equipment purchases, only under the following circumstances:
 - 1. When the project's useful life or the projected service life of the equipment will exceed the term of the financing.
 - 2. When there are designated revenues sufficient to service the debt, whether from project revenues, other specified and reserved resources, or infrastructure cost-sharing revenues
 - 3. Debt financing is not considered appropriate for any recurring purpose such as current operating and maintenance expenditures.

- B. The Town may use the following criteria to evaluate pay-as-you-go versus long-term debt financing in funding capital improvements:
 - 1. Factors which favor pay-as-you-go:
 - a. Current revenues and adequate fund balances are available
 - b. Project phasing is feasible
 - c. Debt levels would adversely affect the Town's borrowing capacity
 - d. Market conditions are unstable or present difficulties in receiving favorable financing rates

 - 2. Factors which favor long-term financing:
 - a. Revenues available for debt service are considered sufficient and reliable.
 - b. Market conditions present favorable interest rates and demand for municipal financing
 - c. A project is mandated by State or Federal requirements and current revenues and funds balances are insufficient to pay project costs
 - d. A project is immediately required to meet or relieve capacity needs
 - e. The life of the project or asset financed is ten years (10) or longer
 - f. A project's long term benefits require that costs be shared by current and future users and outweigh the additional costs as measured on a present value basis.

- C. General obligation debt may be used in lieu of revenue debt if expenses can be significantly reduced (as compared to financing from self supporting revenues) and if special or enterprise fund revenue available for debt service is considered to be sufficient and reliable.

- D. Total indebtedness is restricted by RSA 33:4-a & b to an amount at any one time not to exceed 3% of the last locally assessed valuation of the municipality as last equalized by the commissioner of revenue administration.

- E. A debt analysis will be prepared by Town staff for each long-term financing. The analysis will assess the impact of debt issuance on current and future operating and capital budgets and address the reliability of revenues to support debt service payments.

- F. The Town will generally conduct financing on a competitive basis; however, negotiated financing or low interest programs, such as the NH DES Revolving Grant Program, may be

used where the use of an unusual or complex financing or security structure is a concern with regard to marketability, or it is more cost effective to negotiate with a sole source.

- G. The Town will seek credit enhancements such as letters of credit or insurance when necessary for marketing purposes or cost effectiveness.
- I. The Town will monitor and report all forms of debt annually. Concerns and recommended remedies will be reported to the Selectmen as necessary.
- J. The Town will monitor compliance with bond covenants and adhere to Federal arbitrage regulations.
- K. The Town will follow a policy of full disclosure on every financial report and bond prospectus voluntarily following disclosure guidelines provided by the Government Finance Officers' Association (GFOA), unless the cost of compliance with the higher standard is unreasonable.
- L. Inter-fund borrowing and internal lending will be considered to finance high priority needs on a case-by-case basis, only when other planned expenditures in the fund making the loan would not be affected. Lending may be used when it would reduce the cost of interest, debt issuance, and/or administration, or encourage private investment which might otherwise not take place. Any interfund borrowing shall be accompanied by a plan of repayment to the affected fund.

This policy was adopted by the Board of Selectmen on July 30, 2007.

John A. Caprio, Chairman

Nicholas Campasano, Vice-Chairman

Vivian Blondeau

Philip D'Avanza

Scott Gross