



## CURRENT DEBT DETAIL

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Pam Dukeman  
Assistant Town Administrator/Finance Director  
Fall 2022

# How Does a Town Borrow Money?

## General Debt Overview

- Authorization:
  - Town Meeting authorizes the borrowing of money for a specific project with a 2/3 vote.
  - State law governs:
    - What you can borrow for (i.e., prohibits borrowing for operating expenses, prior deficits, etc.) and,
    - Length of term of borrowing.
  - If debt exemption project, also requires majority approval at ballot.
- Issuing Bonds:
  - Town credit rating from rating agency.
    - Standard & Poor's, Moody's.
    - A high rating helps the Town issue debt at the lowest possible interest rate and save money for residents.
  - Town Treasurer conducts a public bond sale, Select Board approves the bond.
    - Sale may be for multiple projects.
    - May do short term first, before issuing long term.
  - At completion of sale, Town receives money and enters into a repayment schedule.
- Debt Service Payments:
  - Principal and interest payments included each year in budget.

# Debt Management

Prudent use of debt financing is an important part of the Town’s overall fiscal planning. The primary objective of any debt management approach is to borrow at the least cost over the term of repayment of the debt. Attainment of this objective requires clear positions regarding for what purposes to borrow, when to schedule debt-financed projects and how long to extend the repayment (generally, debt issued for longer periods bears a higher interest rate).

The Town Treasurer and Selectmen support a rapid repayment schedule of ten years or less whenever possible. This ensures cost savings to the community and seeks to avoid strapping future generations with large debt loads. For larger facilities, a longer term is more appropriate as it capitalizes on low interest rates and apportions the tax impact over today and future Town residents.

All debt is issued as general obligation debt. This means that the full faith and credit of the Town is pledged to the bondholder. Debt issued on behalf of the Town’s enterprise operation (sewer) is, however, supported by sewer user revenues when authorized by vote of Town Meeting.

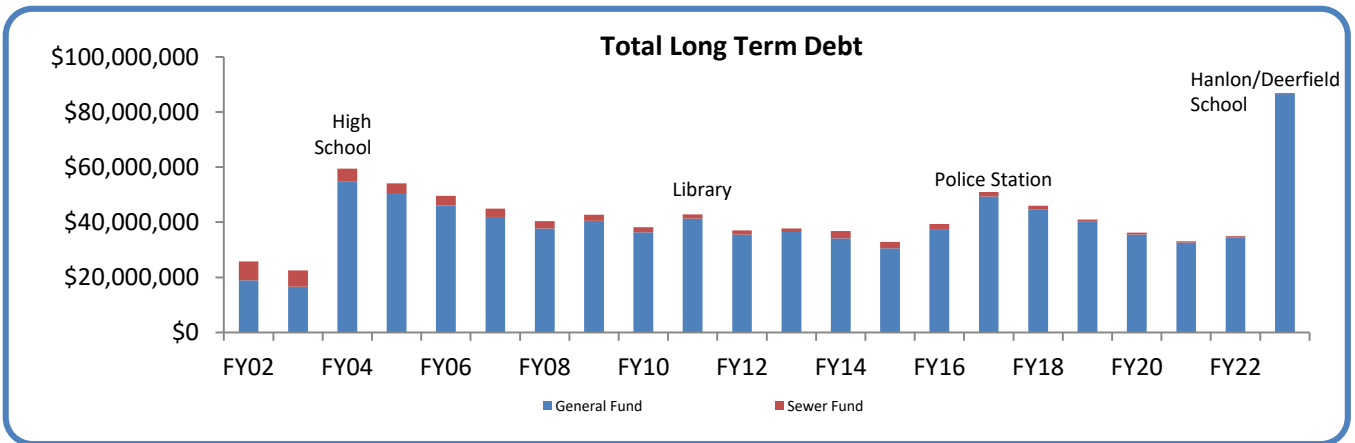
## Credit Rating

As with a personal credit rating, the Town’s credit rating is a statement of its overall fiscal health as a government and as a community. The benefit of a strong credit rating is realized in lower interest costs on the Town’s long-term debt issues.

The Town underwent an updated credit review in August 2022, in conjunction with the sale of a \$56.5M bond. Current Credit Ratings:

AAA Standard & Poor’s  
Aa1 Moody’s

These ratings are excellent ratings for a small community. The ratings reflect the Town’s commitment to both fiscal discipline as well as quality services.



Total Long Term Debt Issued and Outstanding	FY17	FY18	FY19	FY20	FY21	FY22	FY23
General Fund	49,355,000	44,710,000	40,120,000	35,545,000	32,655,000	34,510,000	86,550,000
Sewer Fund	1,680,000	1,274,700	868,600	666,800	465,000	435,000	267,500
<b>Total</b>	<b>51,035,000</b>	<b>45,984,700</b>	<b>40,988,600</b>	<b>36,211,800</b>	<b>33,120,000</b>	<b>34,945,000</b>	<b>86,817,500</b>

# Debt Management

## Town Debt – Utilized Favorable Borrowing Climate

### Favorable Borrowing Climate

- Very strong credit ratings.
  - Standard & Poor’s AAA.
  - Moody’s AA1
- Excellent interest rate environment.
- Portion of recent bond sales replaced debt dropping off

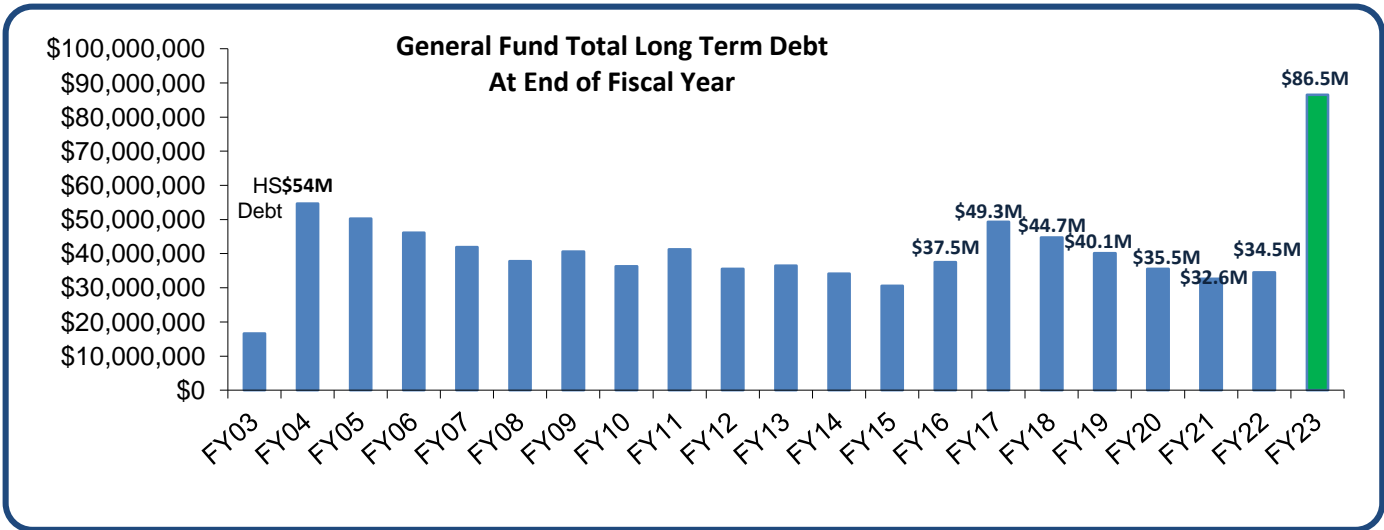
### Recent Bond Sales

- Bond sold March 2021
  - \$7.715M, 8-20 year term, 1.148%
  - Also, completed refinance of older bonds, savings of \$1.12M achieved
  - \$4.45M BAN sale, 1 year term, .249%
- Bond sold August, 2016:
  - \$16.64M, 10-30 year term, 2.4%.

### Recent Bond Sales

- Long Term Bond sold March 2022
  - \$7.1M, terms 10-30 years
  - Net interest rate 2.27%
- \$4M BAN sale, term of 4 months, .88%
- Long Term Bond sold July 2022
  - \$56.5M, 30 year term
  - Net interest rate 3.7%

<b>Debt Authorized, Not Yet Issued</b>		
Hanlon/Deerfield New School Remaining Authorization balances:		
School MSBA Initial Phase	ATM 2018	\$ 202,889
Hanlon School “Bridge” Funding	ATM 2021	\$ 30,316
Construction	STM 2021	\$24,610,386
Total New Hanlon School – Borrowing expected to be reduced by future MSBA reimbursement (\$16.4M)		\$24,843,591
Conant Road Culvert Design	ATM 2022	\$ 200,000
Sewer I/II – MWRA	ATM 2022	\$ 125,000
DPW/Fire Capital Equipment	ATM 2022	\$ 900 000
	Total	\$ 26,068,591



# Long Term Debt Outstanding

## Long Term Debt Outstanding – General Fund

Description	Net Rate of Interest	Date Issued	Maturity Date	Amount Issued	Total Outstanding 30-Jun-23
<b>Outside of Prop 2 1/2 - Exempt</b>					
High School (2003) Refinanced 3.12	1.63	3/2012	6/2023	\$39,262,300	\$0
New Library (2011) Refinanced 4.21	1.15	4/2021	2/2031	\$9,300,000	\$3,130,000
Hanlon/Deerfield School Feasibility/Design	2.27	4/2022	4/2052	\$1,773,500	\$1,738,500
Hanlon/Deerfield School Construction	3.77	8/2022	8/2052	\$56,575,000	\$56,575,000
<b>Within Prop 2 1/2</b>					
High School Completion	3.48	8/2008	2/2023	\$1,950,000	\$0
Thurston Modulares (2009) Refinanced 4.21	1.15	4/2021	2/2029	\$3,500,000	\$790,000
School Roof	1.43	12/2012	6/2022	\$935,000	\$0
DPW Roads/Equipment	1.43	12/2012	6/2022	\$3,700,000	\$0
DPW Roads/Equipment	1.62	5/2014	5/2024	\$1,400,000	\$140,000
Design Fire Station	2.66	9/2015	9/2035	\$850,000	\$552,500
Construct Fire Station	2.66	9/2015	9/2035	\$8,650,000	\$5,622,500
LED Lights Upgrade	2.66	9/2015	9/2025	\$500,000	\$150,000
Cemetery Expansion	2.66	9/2015	9/2020	\$450,000	\$0
Deerfield Rd/Parking Improvements	2.42	9/2016	3/2026	\$2,000,000	\$600,000
Land Purchase	2.42	9/2016	3/2026	\$890,000	\$260,000
Police Station Design	2.42	9/2016	3/2045	\$1,000,000	\$755,000
Police Station Construction	2.42	9/2016	3/2046	\$12,755,000	\$9,775,000
Islington/Wentworth Library	1.15	4/2021	2/2041	\$1,831,696	\$1,640,000
Road improvement	1.15	4/2021	2/2031	\$895,000	\$715,000
Road improvement	2.27	4/2022	4/2032	\$4,606,500	\$4,106,500
<b>Total General Fund</b>					<b>\$86,550,000</b>

### General Fund Debt Authorized - Not Yet Issued Long Term

Hanlon/Deerfield New School Remaining Authorization

Balances:

Feasibility Phase	ATM 2018	\$202,889
Design " Bridge Funding"	ATM 2021	\$30,316
Construction	STM 2021	\$24,610,386
Total New Hanlon Sch - Borrowing expected to be reduced by future MSBA Reimb (\$16.4m)		\$24,843,591
Conant Rd Culvert Design	ATM 2022	\$200,000
Cemetery Expansion Design (Funded by Cemetery Lot Sales)	ATM 2022	\$125,000
Canton St Sidewalk Design	ATM 2022	\$900,000
<b>Total</b>		<b>\$26,068,591</b>

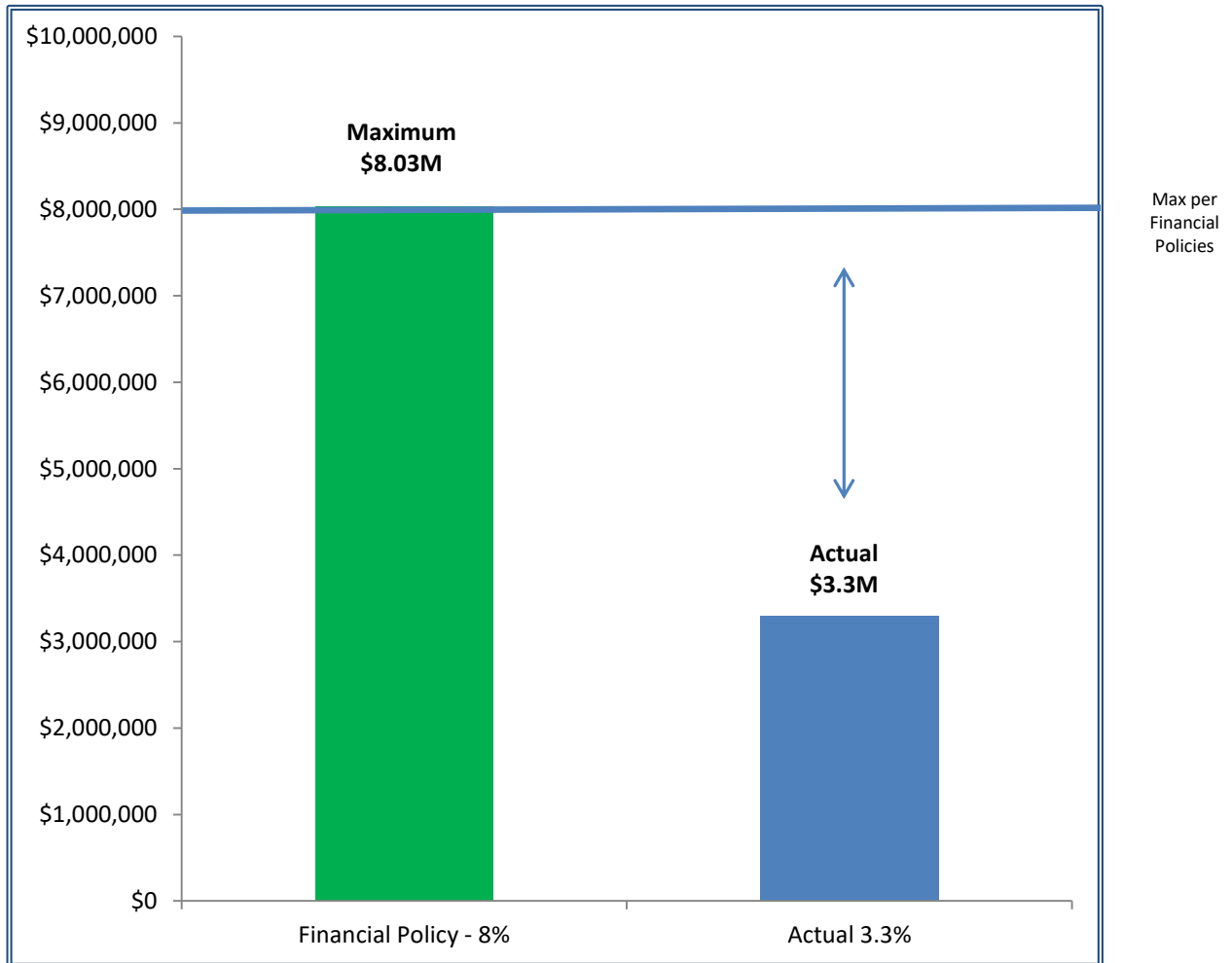
Description	Rate of Interest	Date Issued	Maturity Date	Amount Issued	Outstanding 30-Jun-23
MVRA - no interest loan	0.00	9/2021	8/2031	\$125,000	\$112,500
Sewer Bond	1.62	5/2014	5/2024	\$1,570,000	\$155,000
<b>Total Sewer Fund</b>					<b>\$267,500</b>

**Total General Fund and Sewer Debt Outstanding \$86,817,500**

# Debt Level

## Debt Level – Well Within Guidelines

- Financial Policies – annual non-exempt debt payments should not exceed 8% of net general fund revenue.
- Debt levels are an important component of credit ratings. The Town holds a AAA rating.



Debt is well within guidelines

## Recent Debt Activity

### Long Term Bond Sale July 2022 - \$56.5M, low long term interest rate

- The Town had a major bond sale, July 2022
- Prior to the bond sale, Town underwent an updated credit review with Standard & Poors (S&P)
  - Credit Review Result – AAA rating reaffirmed
    - This is an excellent rating for a small community.
    - Reflects well on the work done by the Town, including the Select Board, Finance and Warrant Commission, other appointed and elected officials and Boards, our management and staff and our residents, who all contribute to the work required to obtain this rating.
    - A high rating helps the Town issue debt at the lowest possible interest rate and save money for our residents.
    - Only 20% of communities in Massachusetts hold AAA ratings with S&P
- July 2022 Bond Sale
  - The Town sold a long term bond for \$ 56.5M
    - Terms 30 years, Net Interest Rate of 3.7%
- March 2022 Bond Sale
  - The Town sold a long term bond for \$ 7.1M
    - Terms 10-30 years, Net Interest Rate of 2.27%
  - The Town also sold a short term BAN for \$4M
    - Term 4 months, Net Interest Rate of .88%
- Previous Bond Sale - March 2021 Bond Sale
  - The Town sold a long term bond for \$ 7,715,000
    - Terms 8-20 years, Net Interest Rate of 1.148%

### Refinance Library and Thurston Bonds – Savings of \$1.12M

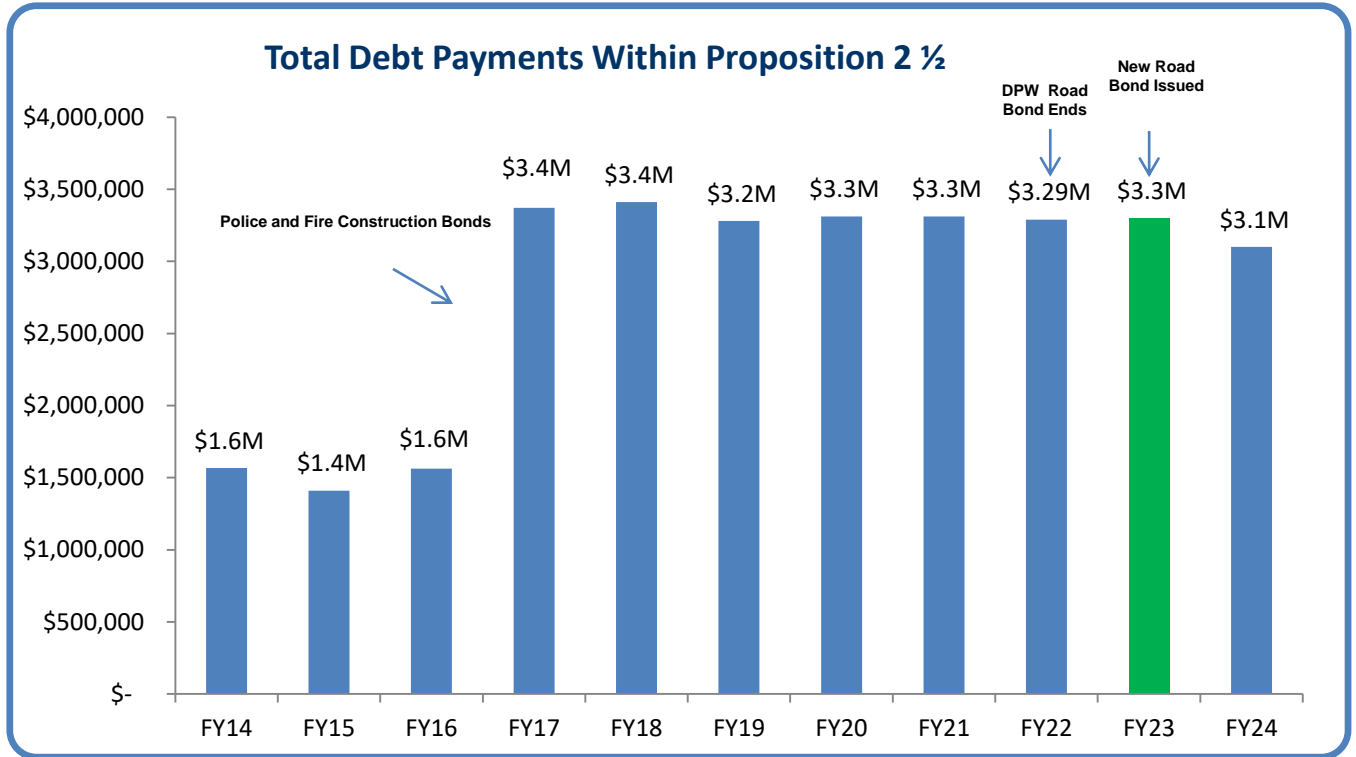
- The March 2021 bond sale included refinancing (refunding) of the Thurston School Modular and New Library bonds
  - Original Bonds:
    - Thurston Bond - \$3.5M bond, issued June 2009
    - Library Bond - \$9.3M bond, issued March 2011
  - Total Budget Savings of \$1.12M:
    - Thurston Modulares (8 years remaining) - \$369K budget savings
    - New Library (10 years remaining) - \$759K budget savings
  - As the New Library bond is exempt debt:
    - Will now raise \$759K less in taxes
    - Approximately \$75K less per year.

The Treasurer has capitalized on low interest rates to save our residents money

- This refinancing – saves \$1.12M
- High School bond refinanced in 2012 – saved \$2.7M (\$1.1M Town, \$1.6M MSBA)

# Non-Exempt Debt

## Total Non Exempt Debt – Within Proposition 2 ½



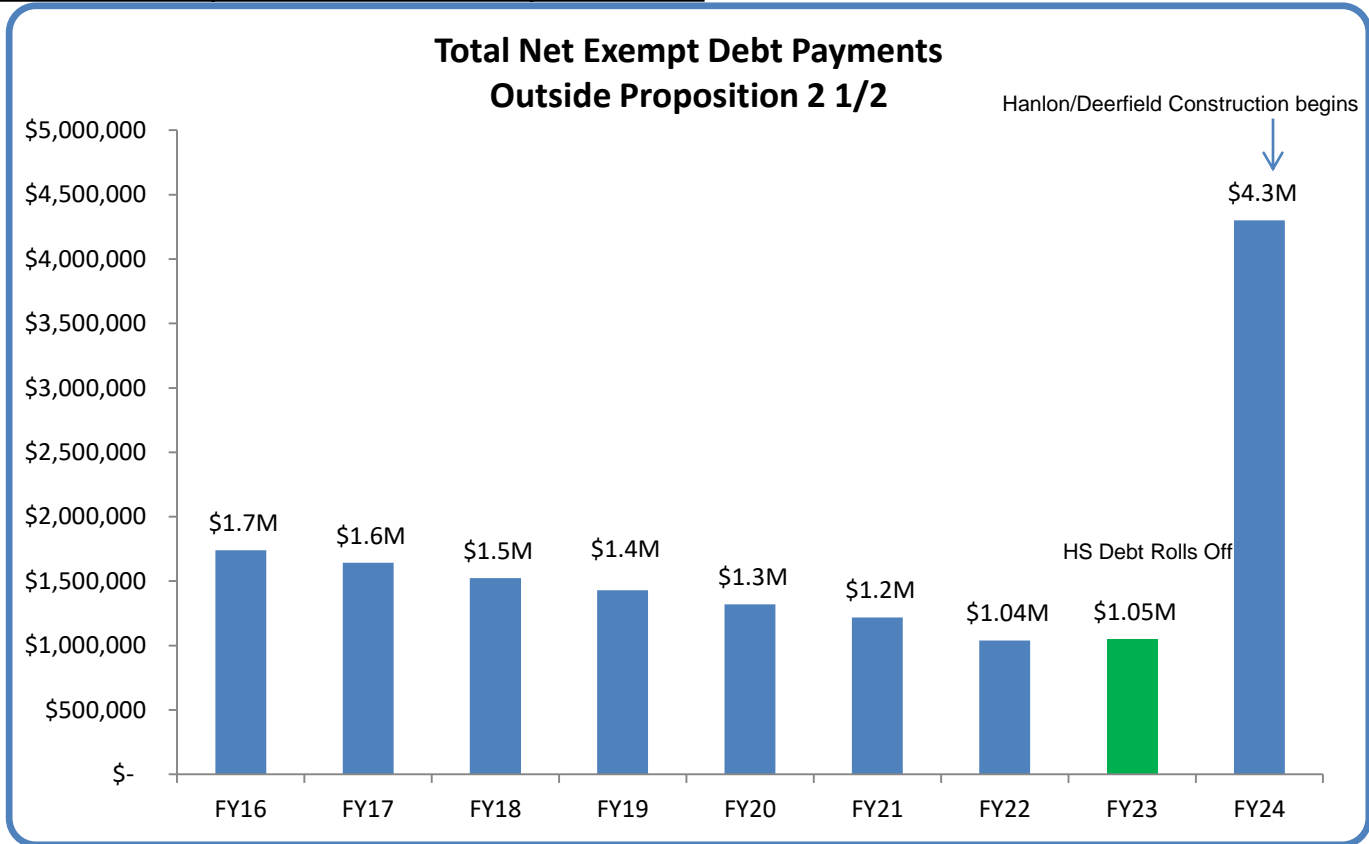
### Debt within Proposition 2 ½

- Most Recent Road Bond:
  - \$4.6M, 10 year DPW bond for Roads, Equipment, and School Roofs, issued in 2012, is completed in 2022.
    - Provides space to issue new \$4.65M road bond approved at 2020 Town Meeting within Proposition 2 ½ .
  - The \$4.65M Road Bond was issued in March 2022. The new debt payments will start in FY23.
- As can be seen in the graph, the new road bond debt assumes the space of the prior debt roll off, keeping the debt budget at the approximate same level.



## Exempt Debt Outside Proposition 2 1/2

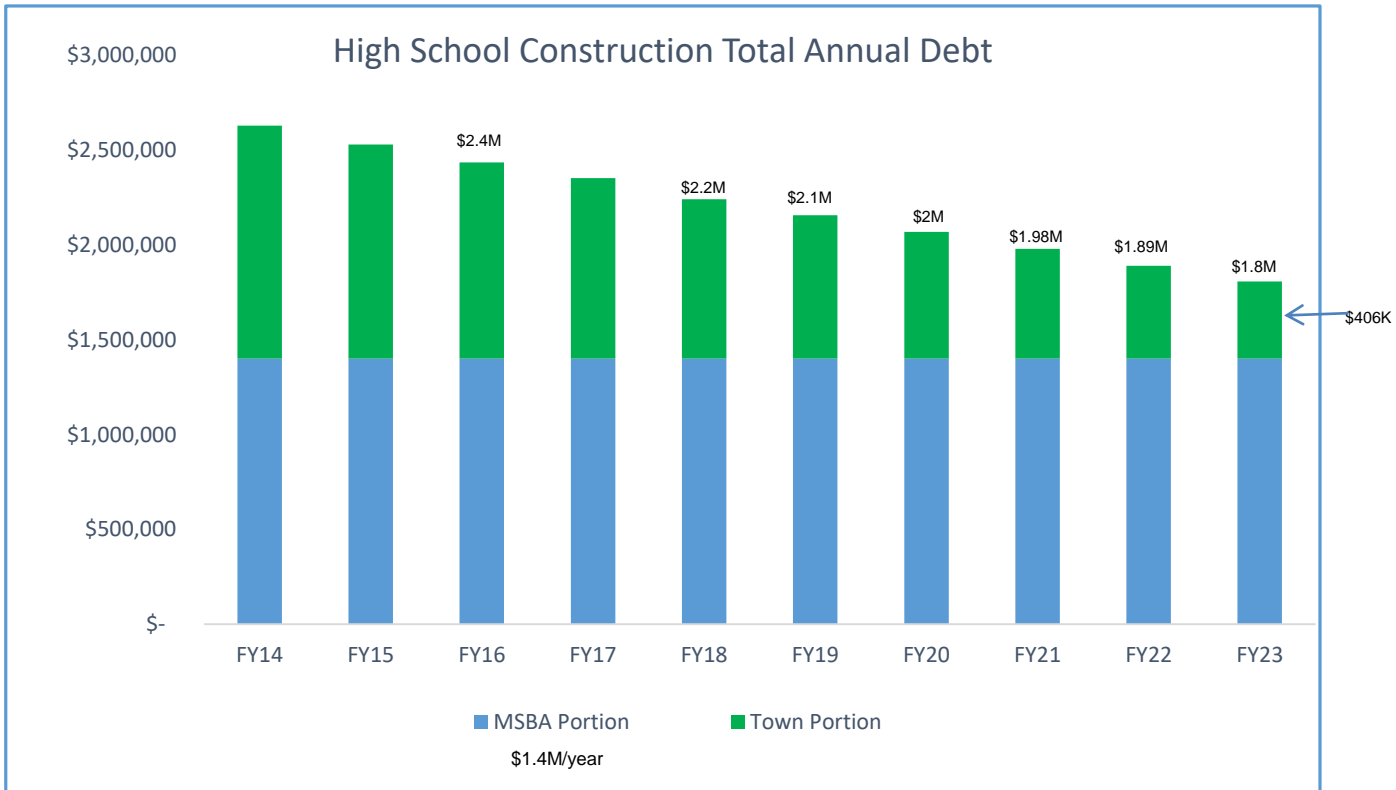
### Total Net Exempt Debt – Outside Proposition 2 1/2



#### Debt outside of Proposition 2 1/2

- Principal and interest payments for projects approved outside Proposition 2 1/2.
- Exact amount of debt cost, net of state school reimbursement, is raised in taxes.
- When bond ends, exempt taxes end.
- FY23: High School \$404K, Library \$547K, Hanlon/Deerfield \$107K.
- High School bond ends FY2023, Library FY2031, Hanlon/Deerfield Feasibility/Design, FY52.
  
- High School bond ends 2023
  - Debt rollover will help with Hanlon/Deerfield Elementary School Project
  - Construction portion of new school debt will begin in FY24
  
- Library refinanced in April 2021
  - Total savings \$759K
  - Approximately \$75K per year savings for remaining life of bond

## Subsidized with MSBA Funding



- Annual debt declines each year.
  - MSBA subsidy is level at \$1.4M.
  - Net Town portion declines each year.
  - FY23 High School net amount \$406K.
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- High School Project
    - Total net cost to average house \$4,693 or an average of \$233/year for 20 years

# Total Principal and Interest Payments

Outstanding as of 6.30.22	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31-52	Total FY23-FY53	
<b>Debt Outside of Proposition 2 1/2</b>													
HS Construct (Exempt)-Refi 3/12	0	1,980,800	1,891,200	1,807,650								\$1,807,650	
Library Construct (Exempt) 4.21	3,130,000	656,813	563,093	547,600	533,600	519,350	499,850	480,350	460,850	446,350	426,600	406,850	\$4,321,400
New Hanlon Sch Feas/Design (Exempt) 3.22	1,738,500	0	0	94,854	89,119	87,619	91,119	99,369	97,119	94,869	91,119	2,017,563	\$2,762,748
New Hanlon Construct (Exempt) 8.22	56,575,000	0	0	0	3,746,823	3,406,675	3,409,175	3,409,175	3,406,675	3,411,425	3,408,300	78,167,825	\$102,366,073
<b>Debt Within Proposition 2 1/2</b>													
High School Completion 8/08	0	145,990	140,660	135,330								\$135,330	
Middle Sch Modulars 2009. Refi 4.21	790,000	239,838	186,778	181,250	174,500	167,750	156,000	149,500	143,000	136,500		\$1,108,500	
DPW Roadway 12/12	0	159,000	154,500									\$0	
School Roof 12/12	0	99,490	91,670									\$0	
DPW Equipment 12/12	0	48,760	47,380									\$0	
DPW Drainage 12/12	0	21,200	20,600									\$0	
DPW Equipment 12/12	0	159,000	154,500									\$0	
DPW Roads 5/14	30,000	32,475	31,875	31,275	30,675							\$61,950	
DPW Drainage 5/14	60,000	64,950	63,750	62,550	61,350							\$123,900	
DPW Equipment 5/14	50,000	54,125	53,125	52,125	51,125							\$103,250	
Fire Station Design 8/15	552,500	66,619	64,494	62,369	60,244	58,119	55,994	54,400	53,338	52,169	50,894	278,482	\$726,009
Fire Station Construction 8/15	5,622,500	677,944	656,319	634,694	613,069	591,443	569,818	553,600	542,788	530,894	517,919	2,833,957	\$7,388,182
Street Lights LED upgrade 8/15	150,000	63,750	61,250	58,750	56,250	53,750	51,250					\$220,000	
Cemetery Expansion 8.15	0	92,250										\$0	
Deerfield Rd/Parking 8/16	600,000	248,000	240,000	232,000	224,000	216,000	208,000					\$880,000	
Land Purchase 8/16	260,000	111,200	107,600	104,000	100,400	91,800	88,400					\$384,000	
Police Design 8/16	755,000	60,494	59,094	57,694	56,294	54,894	53,494	52,094	50,694	49,994	49,294	623,751	\$1,048,202
Police Construction 8/16	9,775,000	752,781	735,781	718,781	701,781	684,781	667,781	650,781	633,781	625,281	616,781	8,461,750	\$13,761,499
Islington/Wentworth Hall 4.21	1,640,000	0	148,528	153,850	149,100	144,350	139,600	134,850	125,100	120,600	116,100	1,111,500	\$2,195,050
Road Improvement Bond 4.21	715,000	0	125,038	128,550	124,050	119,550	115,050	110,550	106,050	101,550	97,050	87,550	\$989,950
Road Improvement Bond 3.22	4,106,500	0	0	726,486	705,325	680,325	655,325	630,325	605,325	580,325	551,825	646,250	\$5,781,511
New Debt - Budget Adjustment		151,302	63,096	0	231,541	231,541	231,541	231,541	231,541	231,541	231,541	0	\$1,620,787
<b>Total General Fund Long Term Debt</b>	<b>86,550,000</b>	<b>5,886,779</b>	<b>5,660,331</b>	<b>5,789,808</b>	<b>7,709,245</b>	<b>7,107,947</b>	<b>6,992,397</b>	<b>6,556,535</b>	<b>6,456,261</b>	<b>6,381,498</b>	<b>6,157,423</b>	<b>94,635,478</b>	<b>147,786,591</b>
<b>Total Non - Exempt Long Term Debt</b>													
<b>Total Non - Exempt Long Term Debt</b>	<b>25,106,500</b>	<b>3,249,167</b>	<b>3,206,038</b>	<b>3,339,704</b>	<b>3,339,704</b>	<b>3,094,303</b>	<b>2,992,253</b>	<b>2,567,641</b>	<b>2,491,617</b>	<b>2,428,854</b>	<b>2,231,404</b>	<b>14,043,240</b>	<b>\$36,528,720</b>
<b>Non - Exempt BAN Payments</b>		<b>63,000</b>	<b>89,000</b>										<b>\$0</b>
<b>Total Non - Exempt Debt</b>		<b>3,312,167</b>	<b>3,295,038</b>	<b>3,339,704</b>	<b>3,339,704</b>	<b>3,094,303</b>	<b>2,992,253</b>	<b>2,567,641</b>	<b>2,491,617</b>	<b>2,428,854</b>	<b>2,231,404</b>	<b>14,043,240</b>	<b>\$36,528,720</b>
<b>Change in non- Exempt Debt</b>		<b>0</b>	<b>(17,129)</b>	<b>44,666</b>	<b>0</b>	<b>(245,401)</b>	<b>(102,050)</b>	<b>(424,612)</b>	<b>(76,024)</b>	<b>(62,763)</b>	<b>(197,450)</b>		
<b>Total Exempt Debt Payments</b>	<b>61,443,500</b>	<b>2,637,613</b>	<b>2,454,293</b>	<b>2,450,104</b>	<b>4,369,541</b>	<b>4,013,644</b>	<b>4,000,144</b>	<b>3,988,894</b>	<b>3,964,644</b>	<b>3,952,644</b>	<b>3,926,019</b>	<b>80,592,238</b>	<b>\$111,257,871</b>
<b>Exempt BAN Payments</b>			<b>0</b>	<b>29,111</b>									<b>\$29,111</b>
<b>Total Exempt Debt</b>		<b>2,637,613</b>	<b>2,454,293</b>	<b>2,479,215</b>	<b>4,369,541</b>	<b>4,013,644</b>	<b>4,000,144</b>	<b>3,988,894</b>	<b>3,964,644</b>	<b>3,952,644</b>	<b>3,926,019</b>	<b>80,592,238</b>	<b>\$111,286,982</b>
<b>Change in Gross Exempt Debt</b>		<b>(107,000)</b>	<b>(183,320)</b>	<b>24,922</b>	<b>1,890,326</b>	<b>(355,898)</b>	<b>(13,500)</b>	<b>(11,250)</b>	<b>(24,250)</b>	<b>(12,000)</b>	<b>(26,625)</b>		
<b>Total all short and long term debt payments</b>		<b>5,949,779</b>	<b>5,749,331</b>	<b>5,818,919</b>	<b>7,709,245</b>	<b>7,107,947</b>	<b>6,992,397</b>	<b>6,556,535</b>	<b>6,456,261</b>	<b>6,381,498</b>	<b>6,157,423</b>	<b>94,635,478</b>	<b>\$147,815,702</b>
<b>State Reimbursement Being Received - for High School Project - will end in FY23</b>													
High School Project - FY06 - FY23		1,401,276	1,401,276	1,401,276								\$1,401,276	
High School Bond Premium		6,648	4,197	2,098								\$2,098	
Library Bond Premium/Hanlon BAN Premium		12,453	0	16,280								\$16,280	
<b>Total State/Bond Premium Annual payments</b>		<b>1,420,377</b>	<b>1,405,473</b>	<b>1,419,654</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,419,654</b>	
<b>Net annual Exempt Debt</b>		<b>1,217,236</b>	<b>1,048,820</b>	<b>1,059,561</b>	<b>4,369,541</b>	<b>4,013,644</b>	<b>4,000,144</b>	<b>3,988,894</b>	<b>3,964,644</b>	<b>3,952,644</b>	<b>3,926,019</b>	<b>80,592,238</b>	<b>109,867,327.83</b>
<b>Change in total Exempt Debt</b>		<b>(103,570)</b>	<b>(168,416)</b>	<b>10,741</b>	<b>3,309,980</b>	<b>(355,898)</b>	<b>(13,500)</b>	<b>(11,250)</b>	<b>(24,250)</b>	<b>(12,000)</b>	<b>(26,625)</b>		

# Sewer Total Principal and Interest Payments

Outstanding as of 30-Jun-23	FY22	FY23	FY24	FY25	FY26	FY27	Total	
<b>Principal and Interest payments for current Sewer Debt Outstanding</b>								<b>Total FY23-32</b>
Balance								\$0
MWRA no interest loans - 2022 ( FY32)	112,500	0	12,500	12,500	12,500	12,500	125,000	\$125,000
Sewer - \$1.5m bond 5/14 (ends FY24)	155,000	164,688	158,488	0	0	0	320,076	\$320,076
		0	0	0	0	0	0	\$0
<b>Total Sewer Debt</b>	<b>267,500</b>	<b>164,688</b>	<b>170,988</b>	<b>12,500</b>	<b>12,500</b>	<b>12,500</b>	<b>445,076</b>	
All debt funded by sewer user fees								

