

TOWN OF BEDFORD
OPERATING POLICY MANUAL

Chapter: Finance

Issue (Effective) Date: July 1, 2017

Approval Date: June 13, 2017

Approved By: Town Council

DEBT MANAGEMENT

Section 1. PURPOSE

This policy is to document general guidance for the issuance and management of all debt of the Town of Bedford ("Town"). The primary objective of this policy is to establish criteria that will protect the Town's financial integrity while providing a funding mechanism to meet the Town's capital needs. It is the standard of the Town to borrow only for capital improvements that cannot be funded on a pay-as-you-go basis. The Town will not issue long-term debt to finance current operations.

Section 2. POLICY

- A. The Town will follow any state or federal law, by-law or covenant that sets debt limits. In addition, Town Council will evaluate acceptable debt service levels and develop public policy on fund debt limits since issuing debt will commit the Town's revenues several years into the future. Best practices and standards of Commonwealth of Virginia Public Finance Act of 1991, Government Accounting Standards Board (GASB), Government Finance Officers Association (GFOA) and the Town Charter will also be followed.
- B. The Town will confine long-term borrowing to capital improvement needs that cannot be financed from current revenue sources.
- C. If needed, the Town may use short-term debt for bond anticipation purposes and tax anticipation purposes only with a maturity of one year or less. Short-term debt may include inter-fund loans which will be repaid to the source fund within a specified period of time.
- D. The maturity of any debt will not exceed the expected useful life of the project for which the debt is issued.
- E. Town Council shall be committed to addressing the level of indebtedness the Town can reasonably expect to incur without jeopardizing its existing financial position and operational capabilities. Council will adopt a maximum annual debt service payment level of no more than 10% of approved expenditures/expenses per fund and will seek to maintain debt service within those limits. In establishing its target maximum debt service percentages, the Town will consider the strength of its long-term capital plan. If the long-term capital plan is nonexistent or ineffective, a lower maximum percentage may be necessary to offset any future unpredictable capital losses.
- F. Town Council may undertake refinancing of outstanding debt if it allows the Town to realize significant debt service savings without lengthening the term of the refinanced debt. In addition, the benefits of replacing such debt must outweigh the costs associated with the new issuance.
- G. General obligation debt will not be used for enterprise activities.

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Section 3. OBJECTIVES

- A. The primary objectives of the Debt Management Policy shall be as follows:
 - 1. To provide guidelines in the decision-making and budgetary process.
 - 2. To enhance the quality of decisions.
 - 3. To show a commitment to long-range, financial planning.
 - 4. To improve credit quality amongst rating agencies, capital markets, and constituents.

Section 4. PROCEDURES

- A. Town Council:
 - 1. Approve Debt Management Policy.
 - 2. Approve resolutions issuing debt parameters including borrowing limitations and debt structure.
- B. Town Staff:
 - 1. Select an outside consultant and bond counsel to assist in issuing bonds and other debt.
 - 2. Ensure that debt is issued through the competitive bidding process unless otherwise instructed by Town Council.
 - 3. Ensure that investments of bond proceeds shall at all times be in compliance with the Town's Investment Policy and relevant debt covenants, with consideration of potential arbitrage.
 - 4. Follow a policy of full disclosure on every financial report and bond prospectus.
 - 5. Maintain records retention policy for bond documents and records associated with the use of bond proceeds and interest earnings.
 - 6. Ensure post issuance compliance.

Section 5. REVISIONS

- A. This policy was approved and adopted by the Town Council on June 13, 2017.

Revisions

Original-July, 2017