



# Finance Committee Debt & Capital Policy

August 2018

**The Finance Committee (FINCOM) of the Town of Reading hereby establishes and adopts a Debt & Capital Policy that a minimum of 5% of Revenue** shall be devoted to construct and replace the capital plant of the community, both as debt repayment and annual payments as part of the budget for capital items.

The FINCOM recognizes that a prudent Capital Improvement Program (CIP) will serve to avoid excessive maintenance and repair costs, and reduce the need for sudden and unexpected capital expenses that may have an adverse impact on the Town's operating budgets.

The FINCOM also recognizes that from time to time additional capital expenses over this 5% minimum will be beneficial for the long term financial health of the Town. These additional expenses may be funded either by use of excess Reserves (as described in the FINCOM Cash Reserves Policy), from the general fund (by way of a budget increase above this 5% minimum Policy), or through other methods outside of the tax levy.

The FINCOM encourages a prudent use of debt so as to spread out the cost of large capital assets over a period of time that should not exceed the expected useful life of the asset. The FINCOM also encourages issuing debt for the shortest practical term in order to minimize interest costs. Exclusion from the tax levy should always be considered for capital projects over \$5.0 million.

The FINCOM encourages the Treasurer to consider refunding and advance refunding any eligible outstanding debt when the savings net of issuance costs exceed \$50,000 annually.

The **Capital Improvement Program** will be a minimum of five years of projected capital projects that reflect the prioritized needs of the Town, subject to the anticipated funding provided by this Policy. This CIP will be presented at least twice each year to the FINCOM by the Town's financial staff, in advance of both the Annual and Subsequent Town Meetings.