

Debt Overview



April 6, 2023

Agenda

- Debt Service Overview
- Debt Limit
- Exempt Debt Service

Debt Service

- The town's debt service are payments related to principal and interest for borrowing. It is projected that **13%** of the 2024 average single family tax bill will be allocated to debt service. General Fund Debt Service represents **5.98%** of General Fund Revenue for FY2024.
- Debt service can be classified into three categories
 - Non-Exempt Debt (General Fund)
 - Exempt Debt
 - Enterprise Fund Debt
- Governed by Massachusetts General Laws Chapter 44
 - What a municipality may borrow for
 - Maximum borrowing terms
 - Long term and short-term borrowing
 - Disposition of unused proceeds
- The town issues debts once or twice per year depending on projects, and works with a financial advisor and bond counsel
- The town is rated AAA by Standard and Poor's

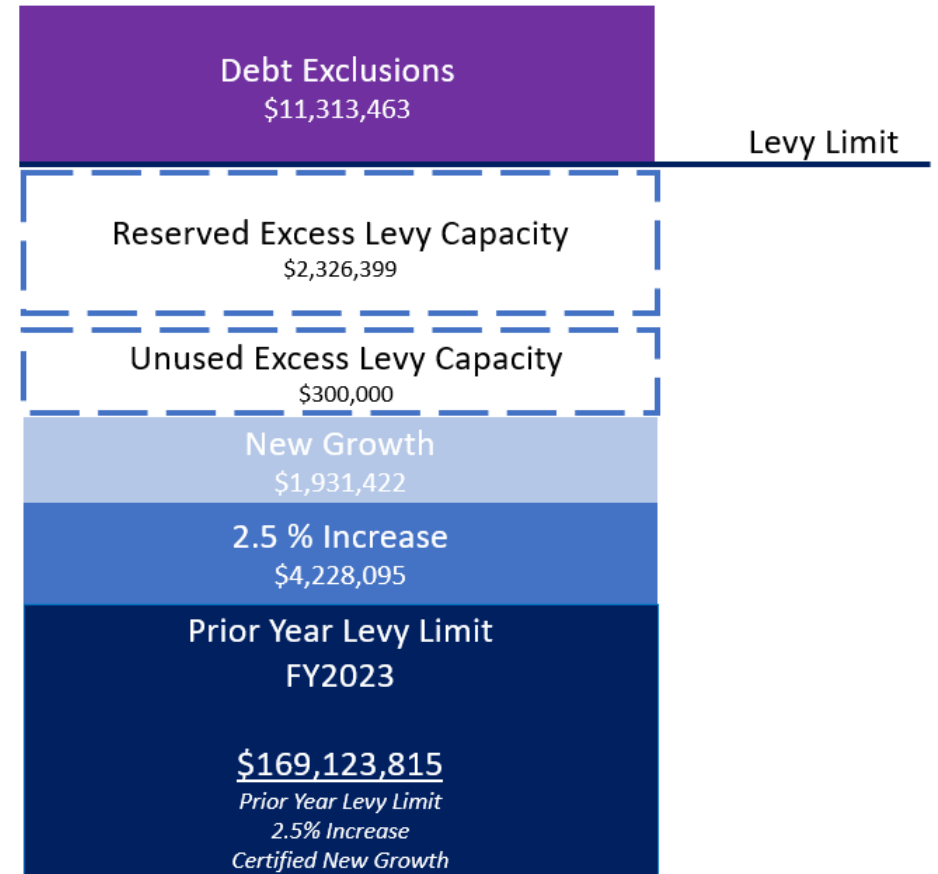
Debt Limit

- MGL Chapter 44, section 10 limits a town's authorized indebtedness to 5% of the full and fair cash value of property in a community
- Andover's current debt limit is \$510M – with \$101M in qualified debt outstanding, for a balance of \$409M in debt capacity
- Certain debt is considered *outside* the debt limit (MGL Ch. 44, sec. 8)
 - Water and sewer projects/construction
 - Landfill capping
 - School building projects in partnership with the MSBA
 - Debt as otherwise specified by legislation to be outside the debt limit (pension obligation bonds)

Exempt Debt Service

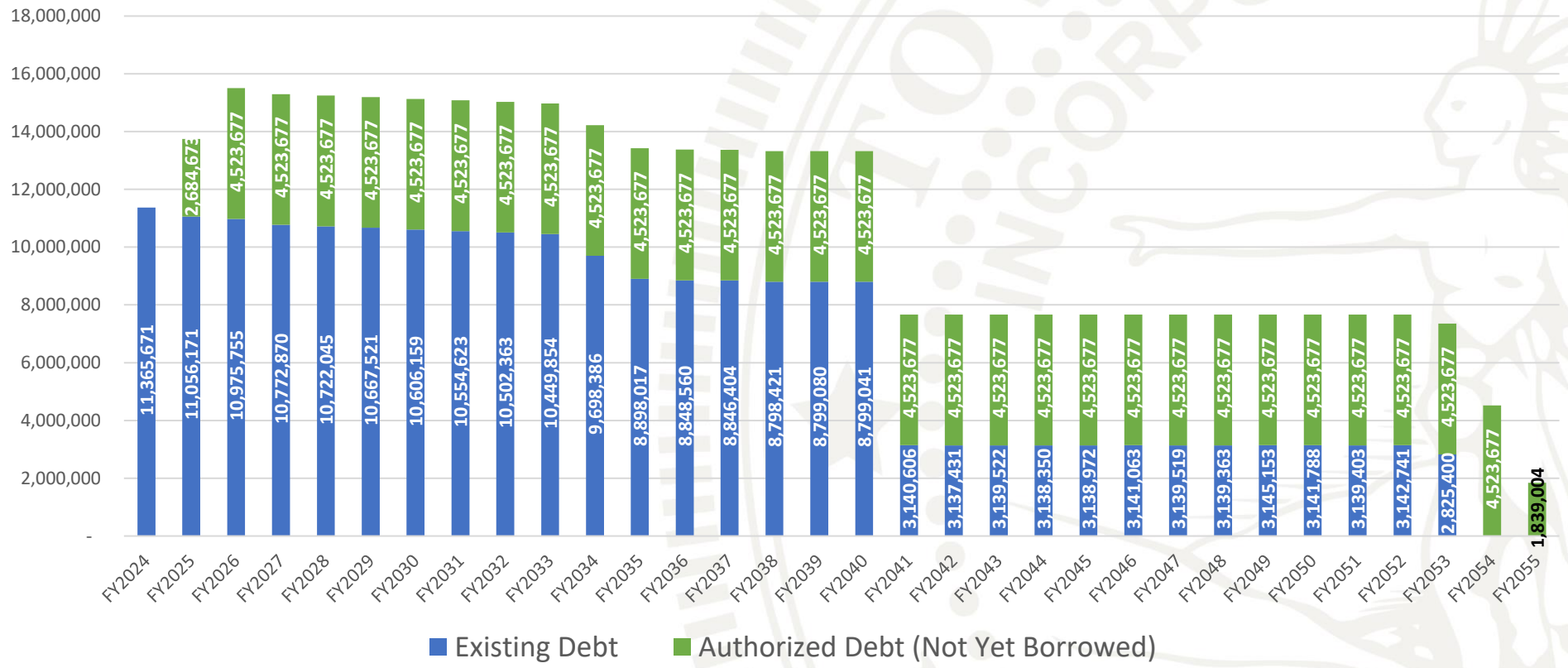


- Exempt Debt is debt that has been excluded from the limits of Proposition 2 ½ by a referendum vote. Exempt debt has a dedicated funding source from property taxes. This dedicated funding source expires when the debt is fully amortized.
- Debt Exclusions require the approval of Town Meeting and at the Ballot Box
- Debt Exclusions are typically used for larger projects or initiatives that cannot be funded through the Capital Improvement Program or other funding sources
 - West Elementary School
 - Pension Obligation Bond (50%)
 - Bancroft Elementary
 - Wood Hill/High Plain
 - Public Safety Center





Exempt Debt Service Schedule



FY24-FY29	FY30-FY37	FY38-FY40	FY40-FY55
Wood Hill/High Plain Public Safety Center Bancroft Elementary West Elementary Pension Obligation	Bancroft Elementary West Elementary Pension Obligation	West Elementary Pension Obligation	West Elementary

Exempt Debt Service – Average Single Family Tax Bill

