Town of Newcastle
Debt Management Policy

Purpose:

This policy establishes guidelines for the prudent use of debt by the Town of Newcastle. Its purpose is to minimize the cost of issuance and debt service, maintain the highest practical credit rating, ensure full and transparent financial disclosure, and protect the Town's long-term financial stability. The policy applies to all general obligation debt issued or guaranteed by the Town, including leases and other forms of indebtedness.

Objectives:

The Town seeks to maintain strong credit ratings while continuing to deliver essential services. Full and timely disclosure will be provided to bondholders, regulators, and the public, in compliance with state and federal requirements. Systematic capital planning, through the adoption and periodic adjustment of multi-year Capital Improvement Plans (CIP), is a core element of the Town's financial management. Debt levels and service ratios will be kept at responsible and sustainable levels to support continued fiscal health.

Debt Limits and Benchmarks:

Outstanding debt will not exceed two-thirds of the statutory limit, which equals approximately five percent of the state-assessed property value of the Town. Net debt below three percent of valuation and annual debt service between two and seven percent of expenditures are considered "low burden" and represent the Town's targets. Debt will not be used to fund operating costs and will normally be issued only for capital assets with a useful life of at least five years.

Standards for Issuance and Structure:

Debt will be structured to minimize cost, avoid backloading of payments, and preserve borrowing capacity for future needs. Repayment schedules should generally retire 30 to 50 percent of principal within five years and at least 60 percent within ten years. Bonds longer than ten years should include optional redemption features to preserve flexibility. Low cost options, including but not limited to the Maine Bond Bank, should be explored whenever possible.

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Approvals:

The option to borrow, through loan or bond, requires approval of the Select Board and majority vote at a Town Meeting.

Management Practices:

All official statements and reports will meet standards established by GASB, GAAP, and the SEC. Bond proceeds will be invested in accordance with state law and the Town's investment policies, with an emphasis on safety and liquidity. Issuance costs will be paid from bond proceeds..

Professional Services:

The Town will retain Bond Counsel for all issuances of bonds to review all documentation and confirm legal authority, compliance with state law, and federal tax status. An independent Financial Advisor may be engaged to provide market expertise and pricing guidance. Additional service providers, such as trustees or escrow agents, may be appointed by Town Staff as needed.

Oversight:

The Finance Director is responsible for monitoring compliance with this policy, recommending refunding opportunities, ensuring arbitrage compliance, and reviewing any proposals that involve the pledge or extension of the Town's credit.

Extraordinary Circumstances:

While this policy provides a framework for responsible borrowing, exceptions may be made in extraordinary conditions such as emergencies or economic disruptions, when alternative approaches may be necessary. Any such exceptions from the policy must be presented to and approved by the Select Board.

By adopting this policy, the Town of Newcastle affirms its commitment to responsible borrowing, disciplined financial management, and the protection of its long-term fiscal health.

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Date of Adoption: 10-14-2025

Tor Glendinning, Chair ______________________

Thomas Kostenbader, Vice Chair ______________________

Karen Paz ______________________

Rufus Percy ______________________

Ben Frey ______________________

Legislative History
10-14-2025 - Debt Management Policy Adopted