

Debt management

Prudent use of debt financing is an important part of the Town's overall fiscal planning. The central objective of any debt management approach is to borrow at the least cost over the term of repayment of the debt. Pursuit of this objective requires clear strategies regarding what purposes to borrow for, when to schedule debt-financed projects and how long to stretch out the repayment. Borrowing is a means of distributing part of a current cost to future taxpayers, and therefore should be utilized only when such cost allocation is deemed equitable and the long-term interest costs do not outweigh the short-term advantages.

All debt of the Town is issued as *general obligation debt*. This means that the full faith and credit of the Town, its promise to repay from any source, is pledged to the bondholder. Debt issued on behalf of the Town's enterprise operations (water, sewer, light) is, however, fully supported by the revenues of the respective enterprise when this is stipulated by the authorizing vote of Town Meeting. The basic rules of debt issuance are set forth in the General Laws of the Commonwealth. Municipalities have no independent authority to develop their own rules or innovations.

Capital financing and debt management policy for town debt supported by taxation *within* the levy limit is subject to the following guidelines:

- the total budget allocation for capital needs should be in the range of 7% to 8% of the total budget (town and K-8 schools);
- approximately one-third of capital needs should be met from current resources; the repayment of principal and interest, together with related issuance costs and short-term financing costs (i.e., debt service) should be capped at approximately 5% of the total budget;
- a rapid debt repayment schedule should be maintained, with a goal of 60% principal repayment within five years and 90% repayment within 10 years.

These guidelines are modified for major projects supported by debt exclusion votes. For example, the Alcott School bond was issued in September 2004 as a 20-year level-principal maturity schedule. The Thoreau School bond was issued in September 2006 with an 18-year level principal maturity schedule.

The guidelines for debt to be financed within the levy limit serve several important purposes:

- capital needs are not displaced by the fiscal demands of current operations;
- the Town's approach to borrowing decisions is disciplined;

- the amount of debt service dollars expended for interest cost is minimized (about 23% of the total current year debt service will be expended for interest);
- the capacity to address ongoing capital needs is quickly and continuously restored.

Revenue-supported debt (water, sewer, light) is subject to different guidelines that consider the useful life of the project and the current interest rates in the marketplace (generally, debt issued for longer periods bears a higher interest rate).

February 20, 2007, Moody's Investors Service reaffirmed the Town's credit rating of Aaa, its highest rating category. This rating had first been obtained in November 1987. Concord is one of thirteen Massachusetts municipalities to hold Moody's highest rating. The Town's credit rating is a measure of its overall fiscal health. It is, however, only an expression of the relative ease with which the town can be expected to support its debts, not a statement about the quality of life in Concord. The benefit of a strong credit rating is realized in lower interest costs on the Town's long-term debt issues. Thus, to the extent that the Town plans to borrow in support of its capital needs, a strong credit rating is a benefit to the taxpayers.

Debt Service Schedule

for debt issued through March 1, 2007

Fiscal Year	Total Annual Debt Service		Total Principal Outstanding at June 30th	Tax Supported Annual Debt Service									
				Town (within levy limit)		Town (outside levy limit)		School (within levy limit)		School (outside levy limit)			
				Principal Matured	Interest Payment	Principal Matured	Interest Payment	Principal Matured	Interest Payment	Principal Matured	Interest Payment		
2006			29,542,533										
2007	4,151,377	1,237,601	55,091,156	1,545,000	243,442	285,810	94,777	690,000	94,473	385,000	433,963		
2008	5,585,980	1,870,542	49,505,176	1,560,000	256,152	293,934	69,688	740,000	90,271	1,070,000	706,051		
2009	4,852,442	1,646,589	44,652,734	1,255,000	199,203	270,326	60,753	525,000	63,446	1,070,000	663,226		
2010	4,450,403	1,481,628	40,202,331	1,080,000	156,085	171,747	52,675	415,000	46,036	1,065,000	623,845		
2011	4,103,390	1,330,740	36,098,941	870,000	117,617	173,196	48,717	285,000	31,693	1,065,000	585,656		
2012	3,837,094	1,188,505	32,261,847	795,000	83,341	174,675	44,253	145,000	21,841	1,065,000	547,944		
2013	3,355,858	1,061,037	28,905,989	510,000	58,566	176,184	39,631	145,000	16,604	1,060,000	509,375		
2014	3,319,899	947,490	25,586,090	460,000	40,716	177,723	34,726	145,000	11,491	1,060,000	469,657		
2015	2,954,223	840,297	22,631,867	405,000	23,951	179,293	29,539	120,000	6,206	1,060,000	428,607		
2016	2,633,837	742,060	19,998,030	200,000	8,625	180,895	24,067	45,000	1,813	1,060,000	387,301		
2017	2,028,746	614,342	17,969,284	0	0	82,529	18,560	0	0	1,060,000	344,226		
2018	2,013,956	549,549	15,955,328	0	0	84,196	16,767	0	0	1,060,000	304,956		
2019	2,029,474	481,997	13,925,854	0	0	85,897	14,939	0	0	1,060,000	261,638		
2020	2,045,305	415,390	11,880,550	0	0	87,632	13,073	0	0	1,060,000	219,625		
2021	2,061,677	347,597	9,818,873	0	0	89,403	11,170	0	0	1,060,000	177,225		
2022	2,067,104	279,432	7,751,769	0	0	91,209	9,229	0	0	1,060,000	134,825		
2023	1,928,915	210,713	5,822,854	0	0	93,052	7,248	0	0	905,000	92,250		
2024	1,946,065	147,456	3,876,789	0	0	94,932	5,227	0	0	905,000	55,525		
2025	1,963,562	83,543	1,913,227	0	0	96,850	3,165	0	0	905,000	18,538		
2026	1,076,411	37,677	836,816	0	0	98,806	1,062	0	0	0	0		
2027	836,816	13,793	0	0	0	0	0	0	0	0	0		
total	59,242,534	15,527,978		8,680,000	1,187,698	2,988,289	599,266	3,255,000	383,874	19,035,000	6,964,433		

Interest expense as % of total debt service, FY07: 23.0%

Interest expense as % of total debt service to final maturity: 20.8%

Projected as of June 30, 2007:

Debt Retirement - all 41.4% 67.4%

Debt Retirement - tax supported only 45.4% 71.5%

Revenue Supported Annual Debt Service							
Water		Sewer		Betterment (WPAT loans)		Light	
Principal Matured	Interest Payment	Principal Matured	Interest Payment	Principal Matured	Interest Payment	Principal Matured	Interest Payment
505,000	103,623	100,000	38,100	105,567	80,041	535,000	149,182
630,000	226,033	533,827	302,256	118,219	51,671	640,000	168,420
510,000	198,331	561,727	272,859	120,389	49,339	540,000	139,432
485,000	177,940	571,055	262,004	122,601	46,961	540,000	116,082
475,000	159,075	580,572	250,929	124,622	44,534	530,000	92,519
475,000	140,525	590,280	239,631	127,139	42,058	465,000	68,912
275,000	121,775	600,185	228,105	129,489	39,532	460,000	47,449
275,000	111,275	610,290	216,346	131,886	36,955	460,000	26,324
275,000	100,675	620,598	204,349	134,332	34,326	160,000	12,644
275,000	90,050	631,116	192,110	136,826	31,644	105,000	6,450
175,000	76,300	541,845	145,148	139,372	28,908	30,000	1,200
175,000	69,300	552,791	132,410	141,969	26,116	0	0
175,000	62,738	563,959	119,414	144,618	23,268	0	0
175,000	56,175	575,352	106,155	147,321	20,362	0	0
175,000	49,175	586,975	92,629	150,299	17,398	0	0
175,000	42,175	598,833	78,829	142,062	14,374	0	0
175,000	35,175	610,931	64,751	144,932	11,289	0	0
175,000	28,175	623,273	50,388	147,860	8,141	0	0
175,000	21,175	635,865	35,735	150,847	4,930	0	0
175,000	14,175	648,710	20,786	153,895	1,654	0	0
175,000	7,175	661,816	6,618				
6,105,000	1,891,040	12,000,000	3,059,552	2,714,245	613,501	4,465,000	828,614

subtotals		
Tax-supported		Revenue-supported
within Limit	Excluded	
2,572,915	1,199,550	1,616,513
2,646,423	2,139,673	2,670,426
2,042,649	2,064,305	2,392,077
1,697,121	1,913,267	2,321,643
1,304,310	1,872,569	2,257,251
1,045,182	1,831,872	2,148,545
730,170	1,785,190	1,901,535
657,207	1,742,106	1,868,076
555,157	1,697,439	1,541,924
255,438	1,652,263	1,468,196
0	1,505,315	1,137,773
0	1,465,919	1,097,586
0	1,422,474	1,088,997
0	1,380,330	1,080,365
0	1,337,798	1,071,476
0	1,295,263	1,051,273
0	1,097,550	1,042,078
0	1,060,684	1,032,837
0	1,023,553	1,023,552
0	99,868	1,014,220
0	0	850,609
13,506,572	29,586,988	31,676,952

CONCORD'S LONG-TERM DEBT STATISTICS

June 30, 1994 to June 30, 2006 actual, and projected to June 30, 2007

@ June 30	Assessed Value	Outstanding Long-term Debt		Population US census 2000	per capita income US census 2000	% of Assessed value		Debt per capita		Debt per capita as % of per capita income	
		Gross	Net			Gross debt	net debt	Gross debt	net debt	Gross debt	net debt
1994	\$1,842,884,146	\$17,915,000	\$5,024,000	17,076	\$31,655	0.97%	0.27%	\$1,049	\$294	3.31%	0.93%
1995	\$1,853,888,132	\$17,110,000	\$5,673,000	17,076	\$31,655	0.92%	0.31%	\$1,002	\$332	3.17%	1.05%
1996	\$2,246,615,332	\$18,990,000	\$6,603,000	17,076	\$31,655	0.85%	0.29%	\$1,112	\$387	3.51%	1.22%
1997	\$2,273,535,628	\$17,895,000	\$6,418,000	17,076	\$31,655	0.79%	0.28%	\$1,048	\$376	3.31%	1.19%
1998	\$2,288,809,124	\$18,570,000	\$8,018,000	17,076	\$31,655	0.81%	0.35%	\$1,087	\$470	3.44%	1.48%
1999	\$2,704,003,171	\$19,120,000	\$9,533,000	17,076	\$31,655	0.71%	0.35%	\$1,120	\$558	3.54%	1.76%
2000	\$2,742,122,055	\$18,500,000	\$9,647,000	16,993	\$51,477	0.67%	0.35%	\$1,089	\$568	2.11%	1.10%
2001	\$2,783,643,972	\$15,260,000	\$7,865,000	16,993	\$51,477	0.55%	0.28%	\$898	\$463	1.74%	0.90%
2002	\$3,974,434,046	\$16,185,000	\$5,770,000	16,993	\$51,477	0.41%	0.15%	\$952	\$340	1.85%	0.66%
2003	\$4,408,301,807	\$18,605,000	\$11,020,000	16,993	\$51,477	0.42%	0.25%	\$1,095	\$649	2.13%	1.26%
2004	\$4,411,852,520	\$19,019,237	\$12,569,237	16,993	\$51,477	0.43%	0.28%	\$1,119	\$740	2.17%	1.44%
2005	\$5,117,100,515	\$25,138,385	\$19,515,000	16,993	\$51,477	0.49%	0.38%	\$1,479	\$1,148	2.87%	2.23%
2006	\$5,207,535,371	\$29,542,533	\$19,758,290	16,993	\$51,477	0.57%	0.38%	\$1,739	\$1,163	3.38%	2.26%
proj. 2007	\$5,309,253,833	\$55,091,156	\$31,052,480	16,993	\$51,177	1.04%	0.58%	\$3,242	\$1,827	6.33%	3.57%

"Net debt" is net of self-supporting debt issued for the water, sewer and electric funds.

