



Town of Nags Head
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Board of Commissioners Policy

Debt Management Policy

Adopted June 1, 2022

The Town of Nags Head's Finance Officer is charged with the responsibility for prudently and effectively managing any and all debt incurred by The Town of Nag Head.

The Town utilizes various financing techniques to assist in the funding of capital improvements and equipment purchases. Debt may be incurred for financing capital assets that, because of their long-term nature or because of budgetary restraints, cannot be acquired from current or budgeted resources. Debt will not be used for operational needs. This may include general obligation bonds, limited obligation bonds, revenue bonds, installment financings, or any other financing instrument allowed under North Carolina law.

The Town will seek to structure debt and to determine the best type of financing for each financing need based on the flexibility needed to meet project needs, the timing of the project, taxpayer or rate-payer equity, and the structure that will provide the lowest interest cost in the circumstances.

Debt service models are maintained which identify resources available for current and future payment of principal and interest on all outstanding debt. Projections must be made prior to the issuance of additional debt which will clearly identify the impact of future debt service and the adequacy of designated resources. Requirements for future increases of designated resources must be included in the decision-making process for authorization of additional debt. Debt financing will be considered in conjunction with the approval by the Local Government Commission.

New debt issued by the Town may be for varying maturity terms depending upon; first the expected life of the asset being financed; and second, the existence of cash and investment balances which may be used to reduce the overall cost of capital improvements.

- Debt will normally have a term of 20 years or less.
- USDA funded debt will normally have a term of 30 years or less.

Debt Affordability

- The net general obligation debt of the Town, as defined in NCGS 159-55, is statutorily limited to eight percent (8%) of the assessed valuation of the taxable property within the Town.
- Total General Fund debt service will not exceed any limits imposed by the Local Government Commission (LGC).

The Town will monitor for opportunities to obtain interest rate savings on outstanding debt. The Capital Investment Fund will contain all debt service payments and estimated future payments, consistent with the Capital Investment Fund policy.

Responsible for Update: Finance Officer