

STATE AND LOCAL GOVERNMENT FINANCE DIVISION

Module 6: Establishing a Debt Policy

- Debt is a tool that can be used to leverage available resources
- A mixture of debt and current resources should be used to finance projects







- An unreasonable or heavy debt burden will limit future opportunities that a local government can take advantage of.
- A heavy debt burden may be evidenced by a ratio of General Fund Debt Service to General Fund Total Expenditures exceeding 15% or exceeding that of similar units.



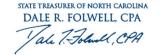




- Debt service must be included in the budget.
- LGC notifies local governments of debt service obligations for the upcoming fiscal year.
- Governing board should establish a debt management policy.
- A debt policy will help the government manage its finances and meet obligations.







A well written debt policy should include the following

- 1. Uses of debt (When should debt be used?)
- 2. Types of debt permitted (What types of debt should be used in different situations?)







- 3. Debt limitation (How much debt?)
- 4. Debt repayment (When should debt be paid off and payments structured over time?)







Resources

LGC Staff (919)-814-4300

LGC Website

https://www.sog.unc.edu

www.nclm.org

www.ncacc.org

https://www.gfoa.org/best-practices--resources







Module 6

- 1. What is a tool that can be used to leverage available resources?
- 2. Does debt service have to be included in the budget?
- 3. What is one thing a good debt policy should include?





