

Municipal Debt Types

General Fund Debt – Debt service that is paid for by taxes within the tax levy limit. Impacts the General Fund Operating Budget.

Self Supporting Debt – Debt service is paid for by a dedicated revenue stream instead of by taxes.

Examples:

- Water projects (paid by water billing charges/fees)
- Community Preservation Act (paid by CPA collections)

Debt Exclusions – Debt service that is paid for by a temporary tax increase outside of the tax levy limit. Does not impact the General Fund Operating Budget. Also known as a “Proposition 2 ½ Debt Exclusion” or “Excluded Debt”

- Can only be used for Capital Asset or Capital Project spending
- Involves a temporary tax increase above Proposition 2 ½ limits for the life of the borrowing.
- There is no limit in any given year on the number of exclusions undertaken or dollar amount to be borrowed.
- Where borrowing is needed, the Orleans Select Board policy is to fund major capital assets or projects by Debt Exclusion whenever possible in order to minimize the impact on the General Fund Operating Budget. This frees up the tax levy for exclusive use in supporting ongoing day-to-day operations.