

## **2.6 Debt Policy**

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### A) Financing Alternatives

There are three financing alternatives to be used for capital investment:

- Use of existing funds – If the District has uncommitted funds available, it can be used for capital expenditures.
- Borrowing – If the District does not have uncommitted capital or it chooses not to use it, it may finance capital expenditures through borrowing as allowed by State Constitution or Statute.
- Capital Leasing – The District may acquire capital assets by entering into lease purchase/capital lease agreements as allowed by State Constitution or Statute.

### B) Use for Long Term vs. On-going/General Capital

The District confines borrowing to long-term capital projects or assets. It may be advantageous to the District to use long-term debt to finance long-term its capital needs. The term of the borrowings shall be tied to the anticipated life of the assets.

On-going/general capital is financed through current year surpluses or accumulated reserves.

### C) Fixed vs. Variable Rates

The District seeks to acquire debt at the lowest possible cost. The decision to incur fixed or variable rate debt shall be based on sound economic principles.

ADOPTED: May 10, 2010