

DEBT POLICIES

Debt Policies

Debt financing for long-term capital projects or equipment items is based upon the "pay-as-you-use" method, which in its purest form means that every long-term item or project is financed by a serial debt issue with maturities arranged so that the retirement of debt coincides with the depreciated or expected life of that item or project. Under this "pay-as-you-use" method of financing, the interest and debt retirement charges paid by each generation of taxpayers should coincide with their use of the physical assets or improvements and parallel the productivity of the item or improvement.

In contrast to what often occurs under "pay-as-you-go" or "pay-as-you-acquire" financing methods, under "pay-as-you-use," desirable or urgently needed capital items or projects need not be delayed until sufficient funds can be accumulated. Moreover, no one is forced to provide what is essentially free use of capital projects or items for a future generation of users, or taxpayers, or to contribute funding to a governmental unit in which he or she will not live. Furthermore, new members to the District will not be able to enjoy the fruits of capital acquisitions without having contributed to their financing. In actual practice, the District has used a mix of these two basic methods to finance its capital program.

Specific **debt policies** are:

- 1) Long-term borrowing is confined to meet the needs outlined in the capital program.
- 2) Long-term capital projects may not be financed by the issuance of debt obligations for periods unless correlated with the projected useful life of the project or item.
- 3) Revenue sources that will be used to pay long-term debt will be conservatively forecasted to ensure that such debt is adequately financed.
- 4) Long-term debt will be used only when it has been determined that future generations of citizens and/or taxpayers will derive benefit from the improvement.
- 5) The District's total general obligation debt will not exceed 1.25% of the true cash value of assessed property.
- 6) The District will continue to maintain effective communications with bond rating agencies to keep them informed of its financed condition, and to obtain a review of its bond rating when it is indicated that a regard would be prudent.
- 7) The District will maintain its policy of full financial disclosure on financial reports and any bond prospectus.
- 8) A separate debt service fund will be maintained for the District's bonded obligations.