Rangi Ruru
Girls' School

Financing Major Capital Works

Policy

This policy provides guidance in the uptake of commercial financing of major capital works by the Board.

Detail

The Board wishes to:

- manage its exposure to volatility in interest rates, and
- minimise interest expenditure, and
- set a level of surety for budget and cashflow projection purposes.

It will do this by having a spread of fixed (term) and variable (floating) rate loans, with a spread of maturity dates. Loans with a maturity of less than a year are classed as variable. The Board will not enter into any derivative arrangements such as swaps, options, caps or collars.
The Board will also set by resolution a maximum debt limit that may not be exceeded in any one year. This level will be reviewed at least annually.

Targets

1. At any time at least 60 % of the total term loan balance will be fixed for an average period of 3 years.
2. Total Term Debt will not exceed Total Income in any year. Total Income defined as Fees net of Scholarships and Bursaries plus Government Grants plus Boarding Fee Income. Total Debt will include revolving credit debt used for capital projects.
3. Times Interest Earned, defined as net income plus interest plus deprecation divided by interest, will exceed 2.5.
4. The total debt to equity ratio of the school will not exceed 25%

The Board acknowledges that there will be periods of non-compliance especially at the start of a drawdown period/program. In these instances, the non-compliance will be reported to and approved at the monthly Board meetings.

Reviewed: June 2015

Reviewed by: Finance & Audit