Approved
2003

UTILITIES' DEBT POLICY

1. Debt is to be used for capital items only.

2. Capital items should be of a non-reoccurring nature. (That is, they are not normal expenditures made every year but, rather, are made intermittently with several years between purchases).

3. The capital item for the Electric Utility should have a life of no less than 10 years.

4. The capital item for the Water Utility should have a life of no less than 20 years.

5. For the Electric Utility, the capital item should cost at least $100,000 before it's included in a debt issuance.

6. For the Water Utility, the capital item should cost at least $50,000 before it's included in a debt issuance.

7. The debt service coverage ratio (net revenues vs. annual debt payments) should be maintained at between 1.50x to 1.75x (Example: An annual debt payment of $100,000 would require net revenue of between $150,000 and $175,000. The Utilities are currently required, by outstanding bond resolutions, to maintain a coverage ratio of 1.25x.

8. Debt to Equity ratios of 50% maximum should be our goal for both the Electric and Water Utilities. (This will help to maintain a proper balance between debt and cash reserves.)

9. Wherever appropriate, in terms of efficiency and economy, multiple-year capital budgets should be incorporated into one debt issuance.

10. When appropriate, the Utilities should adopt reimbursement resolutions for all capital items being funded with cash, so that a future determination can be made for inclusion in a revenue bond issue.

11. Every future revenue bond issue proposal will be accompanied by an analysis provided by the Utilities' Director and City Finance Director showing how it conforms with this debt policy. The Utilities' auditing firm and/or financial advisor will review and comment on each bond issue proposal, especially in regard to conformance with existing debt policies.

12. Any exceptions to this policy must be approved by the Utilities Committee and the Common Council.