

ELKHORN RURAL PUBLIC POWER DISTRICT

POLICY #1210

DEBT PORTFOLIO MANAGEMENT

I. Objective

To set forth policy relating to management of the district's debt portfolio in order to minimize the costs of its capital while assuring access to debt financing.

II. Policy

A. Commitment to Debt Portfolio Management

It is the policy of the Board of Directors of this district to guide active management of choices among equity, debt and other forms of financing and careful selection of the interest-rate modes, principal amortization and other features of its debt portfolio.

B. Foundations of the District's Debt Portfolio Management

The district's management of its debt portfolio shall be based upon careful consideration of its:

1. Present debt portfolio structure including mix of variable- and fixed-rate interest modes, interest rate adjustment periods, covenant requirements and other features.
2. Forecast future needs for capital, including both debt and equity for utility plant, and such other uses as the board may recognize from time to time.
3. Current and prospective business conditions that may have an impact on the availability and cost of alternative forms of financing.
4. Diligent analysis of risks and rewards of allowing debt interest rates to vary or be fixed.

C. Policy Implementation Guidance

The district shall develop and implement debt portfolio management, generally, as follows.

1. Staff will be assigned to maintain understanding of capital markets and interest rate trends, regularly update forecasts of the district's capital needs, operate financial models and keep documentation of alternative debt sources current.
2. The district's debt portfolio will be carefully monitored to identify and execute savings opportunities from conversions between interest rate modes.

3. The board will provide periodic guidance regarding its financing cost reduction goals, risk tolerance, rate conversion trigger points and cost-recovery-period guidelines.

D. Monitoring and Correction of Debt Portfolio Management

Management shall be held accountable for achievement of the district's debt cost reduction and availability objectives and will routinely report to this board regarding progress toward objectives as well as opportunities to improve the district's plans and this policy.

Adopted: April 12, 2005
Revised: October 13, 2009