

RESOLUTION NO. 811

**A RESOLUTION OF THE BOARD OF COMMISSIONERS FOR THE APPROVAL AND ADOPTION OF A DEBT MANAGEMENT POLICY**

**WHEREAS**, Kittitas County Public Utility District No. 1 finds that it will be beneficial to update and replace the Debt Management Policy; and


**WHEREAS**, A Debt Management Policy provides guidelines, allowances and restrictions that guide debt issuance practices; and

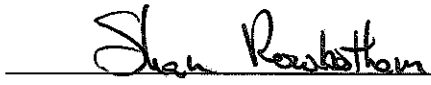
**WHEREAS**, The Commissioners of Kittitas County Public Utility District No. 1 rescind the Debt Management Policy adopted in June 2009.

**NOW, THEREFORE, BE IT RESOLVED** that the Commissioners of Kittitas County Public Utility District No. 1 approve and adopt the Debt Management Policy, as set forth in Exhibit A attached hereto.

**IN WITNESS WHEREOF**, the undersigned, being all the members of the Board of Commissioners of Kittitas County Public Utility District No. 1 have executed this Resolution of the Board of Commissioners on this \_\_\_\_ day of \_\_\_\_\_, 2014.

  
\_\_\_\_\_  
President, Paul Rogers

  
\_\_\_\_\_  
Vice President, Roger Sparks

  
\_\_\_\_\_  
Secretary, Shan Rowbotham

# Exhibit A

# DEBT MANAGEMENT POLICY

August 2014

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## **Policy Intent**

The Debt Management Policy is intended to provide guidelines, allowances, and restrictions that guide the debt issuance practices for Kittitas County Public Utility District No. 1 ("Utility"). The policy will guide the quality of decisions, articulate policy goals, provide guidelines for the structure of debt issuance, and demonstrate a commitment to long-term capital and financial planning. The Debt Management Policy will provide credibility, transparency and ensure that there is a common understanding among the District's elected officials and Management regarding the approach to debt financing.

The Finance Manager will ensure that an adequate system of internal control exists to provide a reasonable assurance of compliance with appropriate laws, rules, regulations, and covenants associated with outstanding debt.

## **Debt Limits**

The goals of the District are to maintain the general obligation debt at 50% or less of total assets and deferred outflows of resources. The District will follow all legal constraints in accordance with the Bond Covenants.

## **Debt Structuring Practices**

In order to maintain a stable debt service burden, the District will attempt to issue debt that carries a fixed interest rate.

All capital improvements financed through the issuance of debt will be financed for a period not to exceed the useful life of the improvements, but in no event to exceed 30 years

The Board has established a goal for capital expenditures to be funded 50% from debt and 50% from the general funds. This goal may be revised from time to time.

## **Debt Service Coverage Ratio**

Debt Service Coverage Ratio (DCSR) is the ratio of cash available for debt servicing to interest and principal payments. The Board has established a goal for DSCR of 1.5 for the District.

## **Debt Issuance Practices**

The District will continually strive to maintain its bond rating by improving financial policies, budget, forecasts and the financial health of the District so its borrowing costs are minimized and its access to credit is preserved.

The Board, General Manager, Finance Manager and bond counsel shall coordinate their activities and review all debt issuance to ensure that all securities are issued in compliance with legal and regulatory requirements. All debt issued by the District will include a written opinion by bond counsel affirming that the District is authorized to issue the proposed debt. The opinion

shall include confirmation that the District has met all constitutional and statutory requirements necessary for issuance.

An analytical review shall be conducted prior to the issuance of debt including, but not limited to, monitoring or market opportunities and structuring and pricing of the debt.

The District will issue debt only for the purposes of construction or acquiring capital improvements and for making major renovations to existing capital improvements.

The District will continually monitor its outstanding debt in relation to existing conditions in the debt market and will refund any outstanding debt when sufficient cost savings can be realized.

### **Debt Management Practices**

The Finance Manager is responsible for the investment of Bond Proceeds. The investments shall comply with all applicable Federal, State and Bond Covenant restrictions. The Finance Manager shall prepare a resolution for Board approval for the transfer of funds into investment accounts.

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