



GRAND RAPIDS PUBLIC UTILITIES

Service is Our Nature

Debt Management Policy

GRAND RAPIDS PUBLIC UTILITIES
COMMISSION

August 2023

Grand Rapids Public Utilities Commission (GRPUC)

Debt Management Policy

A. Introduction

This Debt Management Policy is intended to provide clear guidelines and a framework for defining when the Grand Rapids Public Utilities Commission (GRPUC) has the ability to finance debt. Debt will be considered when the projects to be funded are essential to achieve strategic goals and result in significant, short or long-term benefits to the ratepayers of the GRPUC. It is the GRPUC's intent to recognize intergenerational equity as the actual users of the capital asset pay for its cost over time, rather than one group of users paying in advance for the costs of the asset.

B. Policy Statement

Financing long-term capital improvements or purchasing major pieces of equipment often requires the issuance of debt. Short-term debt may be issued when determined appropriate based on the type of capital improvement or purchase.

Periodic reviews of all outstanding debt shall be performed to determine refunding opportunities. Debt shall generally be structured for the shortest period of time to allow for the fair allocation of costs to current and future beneficiaries or users of the asset. Interfund Borrowing may be considered for loans for capital improvements for purchases.

The GRPUC will first attempt to utilize "pay-as-you-go" capital financing before using short-term or long-term debt. Debt financing shall be considered after all non-debt sources of funds (e.g. cash, grants, loans, etc.) have been considered.

Use of debt financing for a capital project or purchase must be part of the capital improvement plan, which maintains appropriate capital assets for present and future needs; and/or long-term financing or budget plan approved by the GRPUC in furtherance of the strategic plan.

Long-term debt shall not be used to fund ongoing operations since this would shift the burden for funding current services to future taxpayers. In special circumstances, the GRPUC may approve a borrowing or debt to eliminate an operating deficit as part of a corrective action plan to address a structural budget deficit.

C. Authorization

The General Manager (GM) shall consider and present the benefits and costs of funding GRPU operations and capital with financing options such as pay-as-you-go, short-term debt, inter-fund loans, and long-term debt. The General Manager has the authority to use debt financing to fund operations goods or services and capital projects or assets per Minnesota State Statues, authorized by the GRPUC, identified in this debt policy. The GRPUC will

approve the issuance of debt and request the Grand Rapids City Council to issue the debt and use of General Obligation bonds, if appropriate.

President

Date

Secretary

Date

Adopted Date: July 14, 2021 (Resolution 07-14-21-5)

Revised Date: _____ (Resolution 09-18-23-13)