

Board of Directors Policy

Subject: Financial Goals			Policy No: 201
Original Issue: 9/18/85	Last Revised: 6/15/22	Last Reviewed: 1/30/23	Page 1 of 2

I. OBJECTIVE

To provide guidelines and direction from the Board of Directors (Board) of La Plata Electric Association, Inc. (Cooperative) in order to maintain a sound financial position and provide security for the financial resources of the Cooperative.

II. POLICY

- A. The Board will, periodically, set short-term and long-term financial goals for the Cooperative, consistent with the strategic direction, 10 year financial forecasts, cost of service studies and other reports, and in consultation with the Chief Executive Officer (CEO), the VP Finance, and other staff members and third party consultants as may be needed. Goals shall take into consideration cash-equivalent reserves, debt and equity levels, and operating margins relative to operating revenue.
- B. The Board shall not approve financial forecasts or goals which fail to meet minimum financial loan covenant requirements.
- C. The Cooperative will:
 - 1. Maintain cash and cash-equivalent reserves equal to 12-20% of budgeted annual operating expenses.
 - 2. The Cooperative will maintain an equity level that is between 40% and 55% of total assets.
 - 3. The Cooperative will maintain a debt level that is lower than the amount of equity.
 - 4. The Cooperative will budget to achieve an operating margin that is at least 1% of operating revenues in 2021 and increase that percentage by 0.5% each year until achieving a long-term operating margin goal of 3% of operating revenues.
- D. The Cooperative shall not borrow money for the purpose of retiring capital credits.

III. RESPONSIBILITY

The CEO is responsible for the administration of this policy.

LA PLATA ELECTRIC ASSOCIATION, INC.
DURANGO, COLORADO

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Date



Secretary