



## Board of Directors Policies

<b>Policy Number:</b> 201	<b>Subject:</b> Finance Objectives, Goals, Planning, & Forecasting
<b>Effective Date:</b> 03/24/2026	<b>Previous Version:</b> 11/19/2024

### OBJECTIVE

To provide guidelines and direction for the Board of Directors (Board) to ensure the financial integrity of Delta-Montrose Electric Association (DMEA), while delivering safe, reliable and affordable electric service at the lowest possible long-term cost, consistent with prudent business practices.

### ACCOUNTABILITY

The Board and Chief Executive Officer (CEO)

### POLICY

- 1. Planning Documents.** To maintain a sound financial position and ensure the effective management of DMEA's financial resources, the Board directs the CEO to oversee the creation, updating, and review of essential planning documents as listed below. All documents must be regularly reviewed and approved by the Board according to the schedule below to align with DMEA's strategic and financial goals.

Description	Frequency
Cooperative Strategic Plan	Annually
Wholesale Power Contract	As Necessary
Construction Work Plan	Annually
Cost of Service Study	3 Years
Financial Forecast	Annually
Annual Budget	Annually
Long-Term Debt	Annually

- 2. Financial Goals.** The Board directs the CEO to operate DMEA in a manner that ensures all financial obligations are met (e.g., equity and debt service coverage ratios) while adhering to all applicable loan agreements. The CEO shall review these goals and parameters annually and recommend adjustments to the Board as needed:

- a. Short-Term Debt.** The CEO is authorized to establish the following short-term lines of credit:

- i.** Line(s) of credit for short-term operating purposes in an aggregate amount not to exceed \$10,000,000;
- ii.** Emergency line(s) of credit as necessary to support justifiable, unplanned events; and



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iii. Other line(s) of credit in amounts necessary to comply with grant and other specialized funding requirements.

b. **Long-Term Debt.** The aggregate amount of all outstanding long-term loans drawn and available to be drawn by DMEA shall be recorded in and subject to the limits established by DMEA's mortgage agreements and shall not exceed the consolidated Total Plant balance of DMEA and its subsidiaries. "**Total Plant**" means, on a consolidated basis, the summary of DMEA's total utility plant and the total plant, property, and equipment of DMEA's subsidiaries (according to the financial statement of DMEA and its subsidiaries).

c. **Cash & Cash Equivalents.** DMEA shall strive to maintain an unrestricted cash and cash equivalents balance to support DMEA's operational and financial stability, aligning with the strategic objectives of the organization. DMEA shall strive to maintain a minimum unrestricted cash and cash equivalents balance of no less than 2% of net utility plant.

d. **Deferred Revenue.** DMEA shall maintain available cash, cash equivalents, and/or credit facilities to fund the full amount of deferred revenue.

3. **Financial Planning.** The Board directs the CEO to develop comprehensive financial plans to ensure DMEA's stability and growth in accordance with strategic objectives. These plans include annual and long-term forecasts, which are guided by the following key components:

a. **Annual Budget.** The annual financial budget integrates both the capital and operating budgets. It outlines significant financial activities and projects planned for the upcoming year, ensuring alignment with DMEA's strategic objectives and financial targets. The budget includes assumptions, a statement of operations, and capital expenditures, and shall be made available to the Board for approval prior to the end of the current calendar year.

b. **Cost of Service Study.** The CEO and the Board shall strive to maintain a fair, equitable, and risk-rated balance between the revenue collected and expenses incurred across all revenue classes. This balance may be determined by a cost-of-service study performed in accordance with industry standards, conducted periodically as outlined in Section 1.

 Board of Directors President	<u>3/24/26</u> Date
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