



P. O. Box 95  
San Andreas, CA 95249  
(209) 754-4468 Phone  
(209) 754-2537 Fax

**Finance Committee Meeting  
Wed. Dec. 12, 2018  
9:00am  
Mark Twain Medical Center Education Center - Classroom 5  
San Andreas, CA**

## **Agenda**

### Mark Twain Health Care District Mission Statement

“Through community collaboration, we serve as the stewards of a community health system that ensures our residents have the dignity of access to care that provides high quality, professional and compassionate health care”.

1. **Call to order:**
2. **Roll Call:**
3. **Approval of Agenda:** Action
4. **Public Comment On Matters Not Listed On The Agenda:**

The purpose of this section of the agenda is to allow comments and input from the public on matters within the jurisdiction of the Mark Twain Health Care District not listed on the Agenda. (The public may also comment on any item listed on the Agenda prior to Committee action on such item.) **Limit of 3 minutes per speaker.** The Committee appreciates your comments however it will not discuss and cannot act on items not on the agenda.

5. **Consent Agenda:** Action

All Consent items are considered routine and may be approved by the Committee without any discussion by a single roll-call vote. Any Board Member or member of the public may remove any item from the Consent list. If an item is removed, it will be discussed separately following approval of the remainder of the Consent items.

#### **A. Un-Approved Minutes:**

- Un-Approved Finance Committee Meeting Minutes for November 13, 2018:

**This Institution is an Equal Opportunity Provider and Employer**

**B. Bank and Investment Statements:**

- Bank of Stockton:
- Umpqua Bank:
- Five-Star Bank:

6. **JWT Auditors Presentation:** Action.....Jeremy Ware

7. **Accountant’s Report:** Action.....Mr. Wood / Mr. Krieg

- Financial Status, Trends, Long-Term Views and Cashflow:
- November Financials Will Be Presented to The Committee:
- Investment – Update:

8. **Executive Director’s Report:**

- USDA Loan Draws:.....Dr. Smart

9. **Treasurer’s Report:**.....Ms. Atkinson

- New Debt Policy – Action:

10. **Comments and Future Agenda Items:**

11. **Next Meeting:**

- The next meeting will be January 9, 2019.

12. **Adjournment:** Action



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**Special Finance Committee Meeting**  
**Tuesday November 13, 2018**  
**1:00pm**  
**Mark Twain Medical Center Education Center - Classroom 1**  
**San Andreas, CA**

### **Un- Approved Minutes**

#### Mark Twain Health Care District Mission Statement

“Through community collaboration, we serve as the stewards of a community health system that ensures our residents have the dignity of access to care that provides high quality, professional and compassionate health care”.

#### **1. Call to order:**

The meeting was called to order by Treasurer Susan Atkinson at 1:01pm.

#### **2. Roll Call:**

Present for roll call was Ms. Atkinson, MSW and Ms. Radford, FNP.

#### **3. Approval of Agenda: Action**

Ms. Radford moved to approve the agenda. Ms. Atkinson provided her second and the motion passed 2-0.

#### **4. Public Comment On Matters Not Listed On The Agenda:**

Hearing none.

#### **5. Consent Agenda: Action**

##### **A. Un-Approved Minutes:**

- Un-Approved Finance Committee Meeting Minutes for October 10, 2018:

##### **B. Bank and Investment Statements:**

- Bank of Stockton Statement:

**This Institution is an Equal Opportunity Provider and Employer**

Minutes – November 13, 2018 MTHCD Special Finance Committee Meeting

- Umpqua Bank Statement:
- Five-Star Bank Statement:

Ms. Radford moved to approve the Consent Agenda. Ms. Atkinson provided her second and the motion passed 2-0.

## **6. JWT Auditors Presentation:**

Dr. Smart: Had just received the draft report and forwarded his thoughts to Mr. Ware at JWT. Mr. Ware will present at the Dec. 12<sup>th</sup> Finance Committee meeting.

## **7. Controller's Report: Action**

- **Financial Status, Trends, Long-Term Views and Cashflow:**
- **October Financials Were Presented to The Committee:**
- **Annual Audit – Update: Mr. Krieg and his Dept. forwarded audit items to Mr. Ware.**

Dr. Smart: It is expected the Attorney General will address the CHI merger and it will close by Dec. 31<sup>st</sup>. The District along with Dignity Health plan to complete their lease by late Jan. early Feb. 2019.

Mr. Krieg: His comments will focus on the prior year's figures instead of the budget since it reflects the lease which hasn't been completed; October's total revenues were 6% higher than last year; expenses were 35% lower than the prior year; the Minority Interest was down by \$119k (+/-).

Mr. Malcoun: Referring to the Renters & Leases statement will correct the Resource Connection Lease to show it is a 3-year lease not a 1-year. He will also prorate the accounting fees due from the District through the end of the contract which is Dec. 21<sup>th</sup>.

## **8. Executive Director's Report:**

- **USDA Loan Draws:**

Dr. Smart: Currently the District has received 3 of a possible 10 draws in the amount of \$346k (+/-). Diede Construction was paid \$316,727.11. Diede Construction is ahead of schedule and expects to pour the slab on Nov. 22<sup>nd</sup> (+/-). In addition, the first of two asphalt layers will be laid so construction can continue through the winter months. The District pays the construction costs i.e. permit fees which becomes an asset once the construction is complete. Once completed and in service the cost becomes a fixed asset and depreciates over the its life.

- **Credit Card – Update:**

Ms. Stout: The Umpqua Commercial Credit Cards have been received and put into use, so the District can start getting rebates. The current Umpqua credit card will be phased out.

## **9. Treasurer's Report:**

**This Institution is an Equal Opportunity Provider and Employer**

Minutes – November 13, 2018 MTHCD Special Finance Committee Meeting

- **Community Member Status:**

Ms. Atkinson: Community Member, Mr. Smith, has accepted a job in Stockton. Because of the holidays a replacement will be considered after the first of the year.

- **New Checking, Money Market and Credit Card accounts established:**

Ms. Atkinson: Funds have been transferred to new accounts at Five Star Bank.

- **Fund Transfers to new Account:**

Dr. Smart: Will be working with Mr. Wood to plan for managing the reserve fund and projecting expenses for the next two years.

- **New Debt Policy - Update:**

Dr. Smart: Will bring a draft debt policy to the Dec. 12<sup>th</sup> Finance Committee Meeting.

## **10. Comment and Future Agenda Items:**

Dr. Smart: A selection has been made for the part-time accounting position and will come before the Board at the Nov. 28<sup>th</sup> meeting.

Mr. Malcoun: Will research CPPA/PG&E charges that are likely at locations not in use any longer i.e. Stelte Park.

## **11. Next Meeting:**

- The next meeting will be December 12, 2018

## **12. Adjournment: Action**

Ms. Radford moved to adjourn the meeting at 2:21pm. Ms. Atkinson provided her second and the motion passed 2-0.

# Bank of Stockton

MARK TWAIN HEALTH CARE DISTRICT  
PO BOX 95  
SAN ANDREAS CA 95249

\*Page 1

11-30-18

QUESTIONS? PLEASE CALL 209-929-1600 OR 800-941-1494

## BUSINESS STANDARD CHECKING

SUMMARY \*\*\*\*\*  
Previous Balance 10-31-18 392,243.37  
+ Deposits/Credit 1 344,132.70  
Checks/Debits 3 316,727.11  
Service Charge .00  
Current Balance 419,648.96  
Days in Current Period 30

EFT ACTIVITY \*\*\*\*\*  
Date Description Amount  
11-01 USDA RD DCFO PAYMENT  
MARK TWAIN HEALTH CARE  
11-01 USDA RD DCFO PAYMENT  
MARK TWAIN HEALTH CARE  
11-08 RD TREAS 310 MISC PAY 344132.70  
MARK TWAIN HEALTH C

CHECKS PAID\*\*\*\*\*  
Serial No. Date Amount Serial No. Date Amount  
1002 11-09 316727.11

DAILY BALANCE SUMMARY \*\*\*\*\*  
Date Balance Date Balance Date Balance  
10-31 392243.37 11-08 736376.07 11-09 419648.96

OVERDRAFT CHARGES/REFUNDS SUMMARY\*\*\*\*\*  
This Cycle YTD  
Total Net Returned Item Fees .00 .00  
Total Net Overdraft Fees .00 .00  
Total Net Fees Charged .00 .00





PO Box 779000  
 Rocklin CA 95677  
 (800) 416-6117



██████████  
 Mark Twain Health Care District  
 P. O. Box 95  
 San Andreas CA 95249

Date 11/30/18 Page 1  
 Enclosures

Use Five Star Bank's mobile banking app on your smart device to check your balance or transaction history, deposit checks, activate your debit card, and more! Call (916) 626-5012 to enroll.

Public Money Market		Number of Enclosures	0
Account Number	Ending ██████████	Statement Dates	11/01/18 thru 12/02/18
Previous Balance	700,237.41	Days in the Statement Period	32
Deposits/Credits	.00	Average Ledger	598,674.91
2 Checks/Debits	250,000.00	Average Collected	598,674.91
Service Charge	.00	Interest Earned	1,083.83
Interest Paid	1,083.83	Annual Percentage Yield Earned	2.08%
Current Balance	451,321.24	2018 Interest Paid	1,321.24

**Deposits and Additions**

Date	Description	Amount
12/02	Interest Deposit	1,083.83

**Checks and Withdrawals**

Date	Description	Amount
11/14	Transf to Mark Twain HCD Chk To cover accounts payable	150,000.00-
	Confirmation number ██████████	
11/29	Transf to Mark Twain HCD Chk	100,000.00-
	Confirmation number ██████████	

**Daily Balance Information**

Date	Balance	Date	Balance
11/01	700,237.41	11/29	450,237.41
11/14	550,237.41	12/02	451,321.24

**Interest Rate Summary**

Date	Rate
10/31	2.063000%

We're launching a new website in October! Online account access will not be affected. New features will include security tips and more! Email feedback@fivestarb.com with any questions.





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Date 11/30/18 Page 1  
 Enclosures 37

Use Five Star Bank's mobile banking app on your smart device to check your balance or transaction history, deposit checks, activate your debit card, and more! call (916) 626-5012 to enroll.

Public Interest Checking		Number of Enclosures	37
Account Number	Ending ██████████	Statement Dates	11/01/18 thru 12/02/18
Previous Balance	50,007.19	Days in the Statement Period	32
5 Deposits/Credits	254,602.67	Average Ledger	102,877.43
39 Checks/Debits	201,474.50	Average Collected	102,877.43
Service Charge	.00	Interest Earned	22.55
Interest Paid	22.55	Annual Percentage Yield Earned	0.25%
Current Balance	103,157.91	2018 Interest Paid	29.74

**Deposits and Additions**

Date	Description	Amount
11/14	Trsf from Mark Twain HCD MMA To cover accounts payable Confirmation number ██████████	150,000.00
11/14	Checking Regular Deposit	4,601.23
11/29	Trsf from Mark Twain HCD MMA Confirmation number ██████████	100,000.00
11/30	QUICKBOOKS INTUIT PAYROLL S ██████████ 18/11/30 TRACE#-██████████ ██████████	.54
11/30	QUICKBOOKS INTUIT PAYROLL S ██████████ 18/11/30 TRACE#-██████████ ██████████	.90
12/02	Interest Deposit	22.55

**Checks and Withdrawals**

Date	Description	Amount
11/23	QUICKBOOKS INTUIT PAYROLL S ██████████ 18/11/23 TRACE#-██████████ ██████████	.54-
11/23	QUICKBOOKS INTUIT PAYROLL S ██████████ 18/11/23 TRACE#-██████████ ██████████	.90-
11/28	QUICKBOOKS INTUIT PAYROLL S ██████████ 18/11/28	6,122.85-





Date 11/30/18 Page 2  
Enclosures 37

Public Interest Checking Ending **8358** (Continued)

**Checks and Withdrawals**

Date	Description	Amount
	TRACE#-02100002242322 946003128	

**Checks in Serial Number Order**

Date	Check No	Amount	Date	Check No	Amount
11/27	15000	280.00	11/27	15022*	508.05
11/27	15002*	7,602.12	11/27	15023	528.76
11/23	15003	2,760.00	11/27	15024	229.99
11/19	15004	7,710.00	11/28	15025	175.92
11/19	15005	56.68	11/27	15026	8,254.08
11/16	15006	200.00	11/27	15027	21.08
11/19	15007	3,114.72	11/30	15028	120.28
11/27	15008	555.87	11/26	15030*	26.89
11/29	15009	39,161.33	11/29	15031	1,985.75
11/19	15010	59,495.27	11/27	15033*	467.62
11/20	15011	53.36	11/29	15035*	1,066.07
11/21	15012	141.44	11/28	15036	794.29
11/19	15013	87.48	11/28	15037	4.64
11/30	15014	327.33	11/28	15038	37.35
11/27	15016*	14.53	11/28	15039	3,790.18
11/29	15017	12,000.00	11/28	15040	19,331.89
11/27	15018	30.00	11/28	15042*	1,448.89
11/27	15019	238.26	11/27	15043	22,730.09

\* Denotes missing check numbers

**Daily Balance Information**

Date	Balance	Date	Balance
11/01	50,007.19	11/21	133,749.47
11/14	204,608.42	11/23	130,988.03
11/16	204,408.42	11/26	130,961.14
11/19	133,944.27	11/27	89,500.69
11/20	133,890.91	11/28	57,794.68
		11/29	103,581.53
		11/30	103,135.36
		12/02	103,157.91

**Interest Rate Summary**

Date	Rate
10/31	0.250000%

We're launching a new website in October! Online account access will not be affected. New features will include security tips and more! Email feedback@fivestarb.com with any questions.



FIVE STAR BANK CHECKING DEPOSIT

NAME Mark Twain Health

DATE

SIGNATURE

ACCOUNT NUMBER

NET DEPOSIT \$ 4601.23

Date 11/14/2018 Amount \$4,601.23

MARK TWAIN HEALTH CARE DISTRICT  
PO BOX 95  
SAN ANDREAS, CA 95249

15006

11/13/2018

PAY TO THE ORDER OF Streamline \$ 200.00

Two hundred and 00/100

Streamline  
2321 P Street, 1st Floor  
Sacramento, CA 95816

MEMO

Check 15006 Date 11/16/2018 Amount \$200.00

MARK TWAIN HEALTH CARE DISTRICT  
PO BOX 95  
SAN ANDREAS, CA 95249

15000

11/13/2018

PAY TO THE ORDER OF Best Best & Krieger, LLP \$ 280.00

Two hundred eighty and 00/100

Best Best & Krieger, LLP

MEMO

Check 15000 Date 11/27/2018 Amount \$280.00

MARK TWAIN HEALTH CARE DISTRICT  
PO BOX 95  
SAN ANDREAS, CA 95249

15007

11/13/2018

PAY TO THE ORDER OF The MSZ Resource Group, Inc. \$ 3,114.72

Three thousand one hundred fourteen and 72/100

The MSZ Resource Group, Inc.  
2037 West Bufiled Avenue, Ste 125  
Fresno, CA 93711

MEMO

Check 15007 Date 11/19/2018 Amount \$3,114.72

MARK TWAIN HEALTH CARE DISTRICT  
PO BOX 95  
SAN ANDREAS, CA 95249

15002

11/13/2018

PAY TO THE ORDER OF Condor Earth Technologies, Inc. \$ 7,602.12

Seven thousand six hundred two and 12/100

Condor Earth Technologies, Inc.  
PO Box 3905  
Sonoma, CA 95370-3905

MEMO

Check 15002 Date 11/27/2018 Amount \$7,602.12

MARK TWAIN HEALTH CARE DISTRICT  
PO BOX 95  
SAN ANDREAS, CA 95249

15008

11/14/2018

PAY TO THE ORDER OF PG&E 2306121143-1 ortho \$ 555.87

Five hundred fifty-five and 87/100

PG&E 2306121143-1 ortho  
Box 997300  
Sacramento, CA 95899-7300

MEMO

Check 15008 Date 11/27/2018 Amount \$555.87

MARK TWAIN HEALTH CARE DISTRICT  
PO BOX 95  
SAN ANDREAS, CA 95249

15003

11/13/2018

PAY TO THE ORDER OF California Special District Assn \$ 2,760.00

Two thousand seven hundred sixty and 00/100

California Special District Assn  
Attn: Membership  
1112 I Street, Suite 200  
Sacramento, CA 95814

MEMO Financial Services

Check 15003 Date 11/23/2018 Amount \$2,760.00

MARK TWAIN HEALTH CARE DISTRICT  
PO BOX 95  
SAN ANDREAS, CA 95249

15009

11/14/2018

PAY TO THE ORDER OF Calaveras Public Power Agency \$ 39,161.33

Thirty-nine thousand one hundred sixty-one and 33/100

Calaveras Public Power Agency  
Calaveras Public Power Agency  
Attention: Treasurer  
891 Mountain Ranch Rd  
San Andreas, CA 95249

MEMO

Check 15009 Date 11/29/2018 Amount \$39,161.33

MARK TWAIN HEALTH CARE DISTRICT  
PO BOX 95  
SAN ANDREAS, CA 95249

15004

11/13/2018

PAY TO THE ORDER OF JWT & Associates, LLP \$ 7,710.00

Seven thousand seven hundred ten and 00/100

JWT & Associates, LLP  
JWT & Associates, LLP  
1111 East Herndon, Suite 211  
Fresno, CA 93720

MEMO

Check 15004 Date 11/19/2018 Amount \$7,710.00

MARK TWAIN HEALTH CARE DISTRICT  
PO BOX 95  
SAN ANDREAS, CA 95249

15010

11/14/2018

PAY TO THE ORDER OF PG&E \$ 59,495.27

Fifty-nine thousand four hundred ninety-five and 27/100

PG&E  
P O Box 997340  
Sacramento, CA 95899-7340

MEMO

Check 15010 Date 11/19/2018 Amount \$59,495.27

MARK TWAIN HEALTH CARE DISTRICT  
PO BOX 95  
SAN ANDREAS, CA 95249

15005

11/13/2018

PAY TO THE ORDER OF Mark Smith \$ 56.68

Fifty-six and 68/100

Mark Smith  
664 Soyglass Rd  
Valley Springs, CA, 95252 USA

MEMO

Check 15005 Date 11/19/2018 Amount \$56.68

MARK TWAIN HEALTH CARE DISTRICT  
PO BOX 95  
SAN ANDREAS, CA 95249

15011

11/14/2018

PAY TO THE ORDER OF Calaveras First Company, Inc. \$ 53.36

Fifty-three and 36/100

Calaveras First Company, Inc.  
Calaveras First Company, Inc.  
Calaveras Enterprise  
P.O. Box 1197  
San Andreas, CA 95249-1197

MEMO

Check 15011 Date 11/20/2018 Amount \$53.36



Primary Account: 8358

MARK TWAIN HEALTH CARE DISTRICT  
PO BOX 85  
SAN ANDREAS, CA 95249

15027

11/15/2018

PAY TO THE ORDER OF PG&E 39918320076 Cancer \$ \*\*21.08

Twenty-one and 08/100

PG&E 39918320076 Cancer  
PG&E  
Box 997300  
Sacramento, CA 95899

MEMO

Check 15027 Date 11/27/2018 Amount \$21.08

MARK TWAIN HEALTH CARE DISTRICT  
PO BOX 85  
SAN ANDREAS, CA 95249

15036

11/15/2018

PAY TO THE ORDER OF AT&T 754-9362 \$ \*\*794.29

Seven hundred ninety-four and 29/100

AT&T 754-9362  
PO Box 5025  
Carol Stream, IL 60197-5025

MEMO

Check 15036 Date 11/28/2018 Amount \$794.29

MARK TWAIN HEALTH CARE DISTRICT  
PO BOX 85  
SAN ANDREAS, CA 95249

15028

11/15/2018

PAY TO THE ORDER OF PG & E \$ \*\*120.28

One hundred twenty and 28/100

PG & E  
PG&E 11452482708  
PO BOX 997300  
Sacramento, CA 95899-7300

MEMO

Check 15028 Date 11/30/2018 Amount \$120.28

MARK TWAIN HEALTH CARE DISTRICT  
PO BOX 85  
SAN ANDREAS, CA 95249

15037

11/15/2018

PAY TO THE ORDER OF AT&T 457-7 \$ \*\*4.64

Four and 64/100

AT&T 457-7  
PO BOX 5025  
ILL  
Carol Stream, IL 60197-5025

MEMO

Check 15037 Date 11/28/2018 Amount \$4.64

MARK TWAIN HEALTH CARE DISTRICT  
PO BOX 85  
SAN ANDREAS, CA 95249

15030

11/15/2018

PAY TO THE ORDER OF J.S. West Propane Gas \$ \*\*26.89

Twenty-six and 89/100

J.S. West  
J.S. West Propane Gas  
P.O. Box 742295  
Los Angeles, CA 90074-2295

MEMO

Check 15030 Date 11/26/2018 Amount \$26.89

MARK TWAIN HEALTH CARE DISTRICT  
PO BOX 85  
SAN ANDREAS, CA 95249

15038

11/15/2018

PAY TO THE ORDER OF AT&T \$ \*\*37.35

Thirty-seven and 35/100

AT&T  
PO Box 5025  
Carol Stream, IL 60197-5025

MEMO

Check 15038 Date 11/28/2018 Amount \$37.35

MARK TWAIN HEALTH CARE DISTRICT  
PO BOX 85  
SAN ANDREAS, CA 95249

15031

11/15/2018

PAY TO THE ORDER OF Calaveras Public Utility District \$ \*\*1,985.75

One thousand nine hundred eighty-five and 75/100

Calaveras Public Utility District  
Calaveras Public Utility District  
P.O. Box 868  
San Andreas, CA 95249

MEMO

Check 15031 Date 11/29/2018 Amount \$1,985.75

MARK TWAIN HEALTH CARE DISTRICT  
PO BOX 85  
SAN ANDREAS, CA 95249

15039

11/15/2018

PAY TO THE ORDER OF Aspen Street Architects \$ \*\*3,790.18

Three thousand seven hundred ninety and 18/100

Aspen Street Architects  
Aspen Street Architects  
PO Box 370  
Angels Camp, CA 95222

MEMO

Check 15039 Date 11/28/2018 Amount \$3,790.18

MARK TWAIN HEALTH CARE DISTRICT  
PO BOX 85  
SAN ANDREAS, CA 95249

15033

11/15/2018

PAY TO THE ORDER OF Calaveras Telephone \$ \*\*467.62

Four hundred sixty-seven and 62/100

Calaveras Telephone  
P.O. Box 37  
Copperopolis, CA 95228

MEMO

Check 15033 Date 11/27/2018 Amount \$467.62

MARK TWAIN HEALTH CARE DISTRICT  
PO BOX 85  
SAN ANDREAS, CA 95249

15040

11/15/2018

PAY TO THE ORDER OF Aramdo Bros., L.P. \$ \*\*19,331.89

Nineteen thousand three hundred thirty-one and 89/100

Aramdo Bros., L.P.  
3439 Brookside Road  
Suite 104  
Stockton, CA 95219

MEMO

Check 15040 Date 11/28/2018 Amount \$19,331.89

MARK TWAIN HEALTH CARE DISTRICT  
PO BOX 85  
SAN ANDREAS, CA 95249

15035

11/15/2018

PAY TO THE ORDER OF AT&T \$ \*\*1,066.07

One thousand sixty-six and 07/100

AT&T  
PO Box 5094  
Carol Stream, IL 60197-5094

MEMO

Check 15035 Date 11/29/2018 Amount \$1,066.07

MARK TWAIN HEALTH CARE DISTRICT  
PO BOX 85  
SAN ANDREAS, CA 95249

15042

11/17/2018

PAY TO THE ORDER OF Calaveras County Water District \$ \*\*1,448.89

One thousand four hundred forty-eight and 89/100

Calaveras County Water District  
Calaveras County Water District  
P.O. Box 608  
San Andreas, CA 95249

MEMO

Check 15042 Date 11/28/2018 Amount \$1,448.89



**Debt Management Policy:**

**Draft All New**

This Debt Management Policy (the “Debt Policy”) of the MARK TWAIN HEALTH CARE DISTRICT (the “District”) was approved by the Board of Directors of the District (the “Board”) on November \_\_, 2018. The Debt Policy may be amended by the Board as it deems appropriate from time to time in the prudent management of the debt of the District.

This Debt Policy will also apply to any debt issued by any other public agency for which the Board of the District acts as its legislative body.

The Debt Policy has been developed to provide guidance in the issuance and management of debt by the District or its related entities and is intended to comply with Section 8855(i) of the California Government Code effective on January 1, 2017. The main objectives are to establish conditions for the use of debt; to ensure that debt capacity and affordability are adequately considered; to minimize the District’s interest and issuance costs; to maintain the highest possible credit rating; to provide complete financial disclosure and reporting; and to maintain financial flexibility for the District.

Debt, properly issued and managed, is a critical element in any financial management program. It assists in the District’s effort to allocate limited resources to provide the highest quality of service to the public. The District understands that poor debt management can have ripple effects that hurt other areas of the District. On the other hand, a properly managed debt program promotes economic growth and enhances the vitality of the District for its residents and businesses.

**1. Findings**

This Debt Policy shall govern all debt undertaken by the District. The District hereby recognizes that a fiscally prudent debt policy is required in order to:

- Maintain the District’s sound financial position.
- Ensure the District has the flexibility to respond to changes in future service priorities, revenue levels and operating expenses.
- Protect the District’s credit-worthiness.
- Ensure that all debt is structured in order to protect both current and future taxpayers, ratepayers and constituents of the District.
- Ensure that the District’s debt is consistent with the District’s planning goals and objectives, capital improvement programs and budgets, as applicable.
- Encourage those that benefit from a facility/improvement to pay the cost of that facility/improvement without the need for the expenditure of limited resources.

## 2. Policies

### A. Purposes for Which Debt May Be Issued

The District will consider the use of debt financing primarily for Capital Improvement Projects ("CIP") when the project's useful life will equal or exceed the term of the financing and when resources are identified sufficient to fund the debt service requirements. An exception to this CIP driven focus is the issuance of short-term instruments such as tax and revenue anticipation notes or lines of credit, which are to be used for prudent cash management purposes and conduit financing, as described below. Bonded debt should not be issued for projects with minimal public benefit or support, or to finance normal operating expenses.

If a department has any project which is expected to use debt financing, the department director is responsible for expeditiously providing the Executive Director and the Chief Financial Officer/Controller with reasonable cost estimates, including specific revenue accounts that will provide payment for the debt service. This will allow an analysis of the project's potential impact on the District's debt capacity and limitations. The department director shall also provide an estimate of any incremental operating and/or additional maintenance costs associated with the project and identify sources of revenue, if any, to pay for such incremental costs.

(i) Long-Term Debt. Long-term debt may be issued to finance or refinance the construction, acquisition, and rehabilitation of capital improvements and facilities, equipment and land to be owned and/or operated by the District.

(a) Long-term debt financings are appropriate when the following conditions exist:

- When the project to be financed is necessary to provide basic services.
- When the project to be financed will provide benefit to constituents over multiple years.
- When total debt does not constitute an unreasonable burden to the District and its taxpayers and patients.
- When the debt is used to refinance outstanding debt in order to produce debt service savings or to realize the benefits of a debt restructuring.

(b) Long-term debt financings will not generally be considered appropriate for current operating expenses and routine maintenance expenses.

(c) The District may use long-term debt financings subject to the following conditions:

- The project to be financed has been or will be approved by the Board.
- The weighted average maturity of the debt (or the portion of the debt allocated to the project) will not exceed the average useful life of the project to be financed by more than 20%, unless specific conditions exist that would mitigate the extension of time to repay the debt and it would not cause the District to violate any covenants to maintain the tax-exempt status of such debt, if applicable.
- The District estimates that sufficient income or revenues will be available to service the debt through its maturity.

- The District determines that the issuance of the debt will comply with the applicable requirements of state and federal law.
- The District considers the improvement/facility to be a vital, time-sensitive need to the community and there are no plausible alternative financing sources available.

(d) Periodic reviews of outstanding long-term debt will be undertaken to identify refunding opportunities. Refunding will be considered (within federal tax law constraints, if applicable) if and when there is a net economic benefit of the refunding. Refundings which are non-economic may be undertaken to achieve District objectives relating to changes in covenants, call provisions, operational flexibility, tax status of the issuer, or the debt service profile.

(ii) Short-term debt. Short-term borrowings may be issued to generate funding for cash flow needs in the form of tax and revenue anticipation notes.

Short-term borrowings, such as tax and revenue anticipation notes, commercial paper, and lines of credit, will be considered as an interim source of funding in anticipation of a long-term borrowing. Short-term debt may be issued for any purpose for which long-term debt may be issued, including capitalized interest and other financing-related costs. Prior to issuance of the short-term debt, a reliable revenue source shall be identified to secure repayment of that debt. The final maturity of the debt issued to finance any project shall be consistent with the economic or useful life of the project and, unless the Board determines that extraordinary circumstances exist, should not exceed seven years.

Short-term debt may also be used to finance short-lived capital projects; for example, the District may undertake lease-purchase financing for equipment, and such equipment leases may be longer than seven years.

(iii) Financings on Behalf of Other Entities. The District may also find it beneficial to issue debt on behalf of other governmental agencies or private third parties in order to further the public purposes of the District. In such cases, the District shall take reasonable steps to confirm the financial feasibility of the project to be financed and the financial solvency of any borrower and that the issuance of such debt is consistent with the policies set forth herein. In no event should the District incur any liability or assume any responsibility for payment of debt service on such debt of another entity.

## **B. Types of Debt**

In order to maximize the financing options available to benefit the public, it is the policy of the District to allow for the consideration of issuing all generally accepted types of debt, including, but not exclusive to the following:

- General Obligation Bonds ("GOB"): General Obligation Bonds are suitable for use in the construction or acquisition of improvements to real property that benefit the public at large. All GOB debt shall be authorized by the requisite number of voters in order to receive approval to proceed.
- Revenue Bonds: Revenue Bonds are limited-liability obligations tied to a specific enterprise or special fund revenue stream where the projects financed clearly benefit or relate to the enterprise or are otherwise permissible uses of the special revenue. Generally, no voter approval is required to issue this type of obligation.



- Lease-Backed Debt/Certificates of Participation/Lease Revenue Bonds: Issuance of Lease-backed debt is a commonly used form of debt that allows a public entity to finance projects where the debt service is secured via a lease agreement and where the payments are budgeted in the annual operating budget of the District. Lease-Backed debt does not constitute indebtedness under the state or the District's constitutional debt limit and does not require voter approval.

The District may from time to time find that other forms of debt would be beneficial to further its public purposes and may approve such debt without an amendment of this Debt Policy.

To maintain a predictable debt service burden, the District will give preference to debt that carries a fixed interest rate. An alternative to the use of fixed rate debt is variable rate debt. The District may choose to issue securities that pay a rate of interest that varies according to a pre-determined formula or results from a periodic remarketing of securities. When making the determination to issue debt in a variable rate mode, consideration will be given in regards to the useful life of the project or facility being financed or the term of the project requiring the funding, market conditions, credit risk and third party risk analysis, and the overall debt portfolio structure when issuing variable rate debt for any purpose. The maximum amount of variable-rate debt should be limited to no more than 20% of the District's total debt portfolio.

The District will not employ derivatives, such as interest rate swaps, in its debt program. A derivative product is a financial instrument which derives its own value from the value of another instrument, usually an underlying asset such as a stock, bond, or an underlying reference such as an interest rate. Derivatives are commonly used as hedging devices in managing interest rate risk and thereby reducing borrowing costs. However, these products bear certain risks not associated with standard debt instruments.

### **C. Relationship of Debt to Capital Improvement Program and Budget**

The District intends to issue debt for the purposes stated in this Debt Policy and to implement policy decisions incorporated in the District's capital budget and its capital improvement plan.

The District shall strive to fund the upkeep and maintenance of its infrastructure and facilities due to normal wear and tear through the expenditure of available operating revenues. The District shall seek to avoid the use of debt to fund infrastructure and facilities improvements that are the result of normal wear and tear, unless a specific revenue source has been identified for this purpose.

The District shall integrate its debt issuances with the goals of its capital improvement program by timing the issuance of debt to ensure that projects are available when needed in furtherance of the District's public purposes.

The District shall seek to issue debt in a timely manner to avoid having to make unplanned expenditures for capital improvements or equipment from its general fund.

### **D. Policy Goals Related to Planning Goals and Objectives**

The District is committed to financial planning, maintaining appropriate reserves levels and employing prudent practices in governance, management and budget administration. The District intends to issue debt for the purposes stated in this Debt Policy and to implement policy decisions

incorporated in the District's annual operating budget.

It is a policy goal of the District to protect taxpayers, ratepayers and constituents by utilizing conservative financing methods and techniques so as to obtain the highest practical credit ratings (if applicable) and the lowest practical borrowing costs.

The District will comply with applicable state and federal law as it pertains to the maximum term of debt and the procedures for levying and imposing any related taxes, assessments, rates and charges.

Except as described in Section 2.A., when refinancing debt, it shall be the policy goal of the District to realize, whenever possible, and subject to any overriding non-financial policy considerations minimum net present value debt service savings equal to or greater than 5% of the refunded principal amount.

#### **E. Internal Control Procedures**

When issuing debt, in addition to complying with the terms of this Debt Policy, the District shall comply with any other applicable policies regarding initial bond disclosure, continuing disclosure, post-issuance compliance, and investment of bond proceeds.

The District will periodically review the requirements of and will remain in compliance with the following:

- Any continuing disclosure undertakings under SEC Rule 15c2-12.
- Any federal tax compliance requirements, including without limitation arbitrage and rebate compliance, related to any prior bond issues.
- The District's investment policies as they relate to the investment of bond proceeds.

Whenever reasonably possible, proceeds of debt will be held by a third-party trustee and the District will submit written requisitions for such proceeds. The District will submit a requisition only after obtaining the signature of the District Executive Director, Chief Financial Officer, Controller or other authorized officer of the District.

#### **F. Waivers of Debt Policy**

There may be circumstances from time to time when strict adherence to a provision of this Debt Policy is not possible or in the best interests of the District and the failure of a debt financing to comply with one or more provisions of this Debt Policy shall in no way affect the validity of any debt issued by the District in accordance with applicable laws.