



SENECA HEALTHCARE DISTRICT POLICY & PROCEDURE

DEPARTMENT: Finance

POLICY TITLE: Debt Management

POLICY/REFERENCE #: [Abstract]

COMPLIANCE REQUIREMENT: California Government Code
Section 8855(i)

PAGE 1 OF 3

EFFECTIVE DATE:
[Publish Date]

POLICY

The guidelines established by this Policy will govern the issuance and management of all debt funded for long-term and short-term financing needs and not for general operating functions. When used herein, “debt” refers to all forms of indebtedness, including but not limited to, bonds, notes, loans, certificates of participation, installment sale agreements, and lease obligations.

The District recognizes that changes in the capital markets and other unforeseen circumstances may require action that deviates from this Policy. In cases that require exceptions to this Policy, approval from the Board of Directors (the “Board”) is necessary for implementation.

PROCEDURE

1. **Purpose**

The purpose of this debt management policy (the “Policy”) is to establish and maintain parameters for the Seneca Healthcare District (the “District”) debt issuances and is intended to comply with California Government Code Section 8855(i). The Policy shall govern all debt issued by the District.

2. **Responsibilities**

The SHD Finance Department is responsible for maintaining the integrity of the outlined policy and will present any exceptions to the Board for their approval.

3. **Policy for Debt Management**

a. ***PURPOSES FOR WHICH DEBT PROCEEDS BY BE USED***

- i. Long-term debt may be issued to finance and refinance the acquisition of land and/or easements, the capital cost of planning, pre-design, construction, acquisition and rehabilitation of capital improvements and facilities, equipment acquisition, and other costs as permitted by law.

- ii. Short-term debt may be issued as permitted by law, including to provide financing for the District's operational cash flows in order to maintain a steady and even cash flow balance and to finance short-lived capital projects (for example, the district may undertake lease-purchase financing for equipment).
- iii. The proceeds of any debt obligation shall be expended only for the purpose for which it was authorized. Debt may only be issued under the Board of Directors authorization and when the District has identified sufficient funds to pay the obligation of principal and interest. No debt shall be issued with a maturity date greater than the expected useful life of the facilities or improvements being financed.

b. *THE TYPES OF DEBT THAT MAY BE ISSUED*

Debt is to be issued pursuant to the authority of and in full compliance with provisions, restrictions and limitations of the Constitution and the laws of the State of California (the "State"). Various types of debt may be issued, including, but not limited to revenue bonds, revenue refunding bonds, general obligation bonds, all refunding obligations, lease financing obligations, installment sale agreements, and certificates of participation. There may be special circumstances when other forms of debt are appropriate and may be evaluated on a case-by-case basis. Such other forms include, but are not limited to, bond anticipation notes, grant anticipation notes, etc. In addition, the District may utilize federal loans or loan guarantees. Debt shall be issued as fixed rate debt unless the District makes a specific determination as to why variable rate debt would be beneficial to the District in a specific circumstance.

c. *RELATIONSHIP OF DEBT TO CAPITAL BUDGET*

- i. The District shall issue debt for the purposes set forth in this Policy and to implement policy decisions incorporated in the District's capital budget. 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.
- ii. The District may enter into credit enhancement agreements such as municipal bond insurance, surety bonds, letters of credit, and lines of credit with commercial banks, municipal bond insurance companies, or other financial entities when their use is judged to lower borrowing costs, eliminate restrictive covenants, or have a net economic benefit to the financing.

d. *POLICY GOALS RELATING TO PLANNING GOALS AND OBJECTIVES*

The District is committed to following sensible practices in governance, management and budget administration. The District will issue debt for the purposes stated in this Policy and to implement policy decisions incorporated into the District's budget. It is a policy goal of the District to protect taxpayers by utilizing conservative financing methods and techniques. The District will comply with applicable State and federal law as it pertains to the maximum term of debt and the procedures for imposing any related rates and charges.

e. INTERNAL CONTROL PROCEDURES

- i. When issuing debt, in addition to complying with the terms of this Policy, the District shall comply with any other applicable policies regarding initial bond disclosure, continuing disclosure, post-issuance compliance, and investment and expenditure of debt proceeds. The District will periodically review the requirements of and remain in compliance with the following: (i) any federal tax compliance requirements; (ii) any State requirements related to debt issuance; (iii) any continuing disclosure undertakings entered into by the District in accordance with Securities and Exchange Commission Rule 15c2-12; and (iv) the District's investment policies as they relate to the use and investment of debt proceeds.
- ii. The Chief Executive Officer or his designee shall establish internal control procedures to ensure that the proceeds of any debt issuance are directed to the intended use. Such procedures shall assist the District in maintaining the effectiveness and efficiency of operations, properly expending funds, reliably reporting debt incurred by the District and the use of the proceeds, complying with all laws and regulations, preventing fraud, and avoiding conflict of interests.
- iii. The District shall be vigilant in using bond proceeds in accordance with the stated purposes at the time such debt was incurred as defined in the text of the voter-approved bond measure.
- iv. Proceeds of tax-exempt debt will be held either by (a) a third-party trustee or fiscal agent, which will disburse such proceeds to or upon the order of the District upon the submission of one or more written requisitions by the District, or (b) the District, to be held and accounted for in a separate fund or account, the expenditure of which will be carefully documented by the District. Proceeds of taxable debt may be held by any means which the District determines are convenient or necessary.
- v. Any provisions of this Policy may be waived by the Board of Directors for a particular financing.

4. Enforcement

Violation of this policy may result in disciplinary action, up to and including termination as outlined in the Sanctions Policy/Procedure, CMPL-005.