



CAMBRIA COMMUNITY HEALTHCARE DISTRICT
BOARD AGENDA STAFF REPORT – 07

TO: Board of Directors
FROM: Linda Hendy, Administrator/Finance
DATE: January 28, 2025
DESCRIPTION: Establish a Debt Management Policy

RECOMMENDATION

Recommendation to establish Policy 2170 - Debt Management.

FISCAL IMPACT

None at this time.

DISCUSSION

A debt management policy provides a structured framework for managing debt, ensuring responsible borrowing practices, promoting long-term financial stability, and minimizing risks. It allows the District's Board of Directors to make informed decisions about when and how to take on debt, ultimately protecting the District's creditworthiness and financial health.

Proposed Policy 2170 - Debt Management clearly outlines goals and limits for debt levels, ensuring fiscal responsibility.

ATTACHMENT(S)

1. Policy 2170 - Debt Management

BOARD ACTION

Motion to approve Policy 2170 - Debt Management.

UNANIMOUS: __

MONTALVO __ MILEUR __ FEDOROFF __ MUMPER __ KULESA __

CAMBRIA COMMUNITY HEALTHCARE DISTRICT
DEBT MANAGEMENT POLICY 2170

This Debt Management Policy shall govern the issuance and administration of debt issued by the Cambria Community Healthcare District (the "District"). To provide for the appropriate issuance and responsible use of debt, the District has adopted this Debt Policy.

1. Findings

This Debt Policy is intended to comply with Government Code Section 8855(i), and shall govern all debt undertaken by the District. The District hereby recognizes that a fiscally prudent debt policy is required in order to: (1) Maintain the District's sound financial position; (2) Ensure the District has the flexibility to respond to changes in future service priorities, revenue levels, and operating expenses; (3) Protect the District's credit-worthiness; (4) Ensure that all debt is structured in order to protect both current and future taxpayers, ratepayers and constituents of the District; and (5) Ensure that the District's debt is consistent with the District's planning goals and objectives and capital improvement program or budget, as applicable.

2. Policies

A. Purposes For Which Debt May Be Issued

Long-Term Debt. Long-term debt may be issued to finance the construction, acquisition, and rehabilitation of capital improvements and facilities, equipment and land to be owned and operated by the District, as well as management of other long-term obligation such as pension and OPEB obligations. Long-term debt financings are appropriate when the following conditions exist: (1) When the project to be financed is necessary to provide basic services; (2) When the project to be financed will provide benefit to constituents over multiple years; (3) When total debt does not constitute an unreasonable burden to the District and its taxpayers and/or ratepayers, as applicable; (4) 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.

Long-term debt financings will not generally be considered appropriate for current operating expenses and routine maintenance expenses. The District may use long-term debt financings subject to the following conditions: (1) The project to be financed must be approved by the Board of Directors; (2) 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%; (3) The District estimates that sufficient revenues will be available to service the debt through its maturity; and (4) The District determines that the issuance of the debt will comply with all applicable state and federal law.

Short-term debt. Short-term debt may be issued to provide financing for the District's operational cash flows in order to maintain a steady and even cash flow balance. Short-term debt may also be used to finance short-lived capital projects; for example, the District may undertake lease-purchase financing for equipment.

B. Types of Debt

The following types of debt are allowable under this Debt Policy: general obligation bonds (GO Bonds); loan agreements and revenue bonds; lease revenue bonds, certificates of participation (COPs) and lease-purchase transactions; pension obligation bonds; grant anticipation notes; tax and revenue anticipation notes (TRANs); Land-secured financings, such as special tax revenue bonds issued under the Mello-Roos Community Facilities Act of 1982, as amended; and limited obligation bonds issued under applicable assessment statutes; state revolving loan funds; and lines of credit or interim borrowings.

The Board of Directors 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. Debt shall be issued as fixed rate debt unless the District makes a specific determination as to why a variable rate issue would be beneficial to the District in a specific circumstance.

C. Relationship of Debt to Capital Improvement Program and Budget

The District is committed to long-term capital planning. 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 the 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. As applicable, 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 long-term 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 operations budget. It is a policy goal of the District to protect taxpayers, ratepayers (if applicable) 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. 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 3.0% of the refunded principal amount.

The District shall strive for good communications with bond rating agencies, bond counsel, banks, financial advisors, and other involved in debt issuance and management. Comprehensive annual financial reports and official statements will reflect the District's commitment to full and open disclosure concerning debt

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. Without limiting the foregoing, the District will periodically review the requirements of and will endeavor to remain in compliance with the following: (1) Any continuing disclosure undertakings entered into by the District in accordance with SEC Rule 15c2-12; (2) Any federal tax compliance requirements, including, without limitation, arbitrage and rebate compliance; and (3) The District's investment policies as they relate to the use and investment of bond proceeds.

Proceeds of debt will be held either (1) by 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 Director of Administrative Services (or his or her written designee), or (2) by 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.