

SUBJECT: DEBT MANAGEMENT POLICY

This document sets forth the Debt Management Policy (the "Debt Policy") of the Eden Township Healthcare District (the "District") as approved by the District Board of Directors. This Debt Policy fulfills the requirement of Government Code Section 8855(i) which became effective on January 1, 2017. This Policy shall govern all debt obligations issued by the District. The District 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 inflows, and/or cost structures;
- Protect the District's short-term and long-term credit rating; and
- Protect both current and future taxpayers from being made responsible for the repayment of poorly structured and/or overly costly capital financings.

Furthermore, the District recognizes that a binding commitment to the full and timely repayment of all debt is an intrinsic requirement for entry and participation in the capital markets. As such, the parameters for issuing and managing debt set forth herein seek to provide guidance to decision makers concerning the timing and purposes for which debt may be issued, the types of debt that may be issued, the amount and structure of such debt, and the preferred method of sale.

1. Purposes for which debt proceeds may be used:

a. The District may issue debt for either of the two purposes:

- i. Debt that finances the construction, acquisition, and rehabilitation of District facilities, equipment and sites; and
- ii. Debt that provides financing for the District's operational cash flows in order to maintain a steady and even cash balance.

2. Types of debt that may be used:

- a. It shall be the policy of the District that the following types of debt shall be allowable under this Debt Policy:
 - i. General Obligation Bonds
 - ii. Bond Anticipation Notes
 - iii. Certificates of Participation
 - iv. Lease Revenue Bonds

- v. Tax and Revenue Anticipation Notes
- vi. Bank or other Lender Financings

b. The District may from time to time find that other forms of debt shall be beneficial to support strategic initiatives or to strengthen its long-term financial condition. There shall be no prohibition to amending this Debt Policy to allow for other forms of debt so long as such forms of debt adhere to the provisions of this Debt Policy.

3. Characteristics of debt:

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 per 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 useful life 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 District will prudently use 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, in converting variable rated debt to fixed rate debt.

- a. 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.
 - i. 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.
 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.

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

Short-term borrowings, such as commercial paper and lines of credit, will be considered as an interim source of funding in anticipation of long-term borrowings or another source of repayment. 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 the issuance of the short-term debt, a reliable revenue source shall be identified to secure repayment of the debt. The final maturity of the debt issued to finance the 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 ten 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 other personal property, and such equipment leases may be longer than ten years.

4. Policy goals:

The District is committed to financial planning, maintaining appropriate reserve 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 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 1, when refinancing debt, it shall be the policy or business of the District to realize, whenever possible, positive net present value debt service savings, however, subject to any overriding nonfinancial policy considerations.

5. 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, where applicable.

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

- Any existing covenants imposed in connection with the District's presently outstanding debt;
- 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 debt issues; and
- The District's investment policies as they relate to the investment of debt proceeds.

Whenever prudent, 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 requisitions only after obtaining the signature of the Chief Executive Officer or Chief Financial Officer.

6. Debt limits:

The District will comply with applicable law as it pertains to the maximum indebtedness incurred by the District, including, without limitation, the debt limits set forth in The Local Healthcare District Law, California Health and Safety Code, Sections 32000 – 32499.4, California Government Code Section 53852 and California Government Code Section 53859 et seq.

APPROVED BY THE BOARD OF DIRECTORS

Pamela Russo (Date)
Chair, Board of Director

Roxann Lewis (Date)
Secretary, Board of Directors

Adopted: 10/18/17
Reviewed: 04/17/24
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