# Capital Financing and the Role of the Board

December 12, 2026 | Board and Management Workshop

## Combined printing packet

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Use the workshop agenda on packet page 4 to follow the session. The District-number exercise is on page 7; the Board worksheet is on page 8.

### Source notes

The memorandum is the October 1, 2026 discussion draft. Its estimates and assumptions retain that date. The original agenda retains its date-TBD label; the training guide retains some Q3 footer labels. The December 12 workshop packet provides the session agenda.

Printing: US Letter, double-sided, flip on long edge, with automatic page orientation and Fit enabled. The two wide memo pages retain landscape orientation. Each source begins on a new sheet. Original page numbers are retained; use Packet page numbers for this compilation.

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# Capital Financing and the Role of the Board

Topic Background and Preparation Packet
Saturday, December 12, 2026
Board of Directors and Management Team

**Purpose:** *Prepare the Board and management to evaluate campus capital commitments, protect existing healthcare services, and identify the evidence needed before the next major decision. This is a learning and preparation packet; it does not recommend a financing transaction or establish borrowing capacity.*

**What participants should be ready to do**

- Separate project cost, funding availability, borrowing capacity, and operating affordability.
- Ask clear questions about assumptions, alternatives, timing, and consequences.
- Distinguish Board direction from management and advisor responsibilities.
- Identify missing information, assign follow-up, and define the next decision point.

**Preparation at a glance**

| Participant | Preparation before December 12 |
|---|---|
| Every participant | Read this packet and the October 1 municipal advisor memo. Allow approximately 45–60 minutes. Review the detailed training guide as needed. |
| Board members | Complete the reflection worksheet on page 6. Bring one priority, one concern, and one question about a consequential assumption. |
| Management team | Prepare the concise exhibits on page 7. Identify each figure's date, source, status, and responsible owner. Mark missing items openly. |
| CEO | Confirm attendance, start time, location, advisor participation, and session length. Circulate the reconciled data before the workshop. |

**Workshop agenda and responsibilities**

Proposed duration: 180 minutes, including a 10-minute break. Times below are elapsed minutes from the confirmed start time. No presenter attendance is assumed.

| Minutes | Topic and suggested lead | Expected product |
|---|---|---|
| 9:00 | Purpose and service priorities — Board Chair and CEO | Shared definition of what the District must protect. |
| 9:15 | Campus baseline and dependencies — CEO and project team | Agreed list of dated facts, changes, and unresolved items. |
| 9:40 | Funding and financing — Finance and municipal advisor | Common vocabulary; questions requiring capacity analysis or counsel. |
| 10:10 | Board oversight and decision gates — facilitator | Evidence needed before the next commitment. |
| 10:30 | Break | |
| 10:40 | Scenario exercise — mixed Board and management groups | Recommendation with conditions, risks, and an off-ramp. |
| 11:15 | Report back and test assumptions — all participants | Comparison of choices and their service impacts. |
| 11:40 | Follow-up and next decision — Chair and CEO | Owners, deliverables, due dates, and return-to-Board items. |

**Who does what**

| Role | Responsibility in capital decisions |
|---|---|
| Board as a body | Set mission priorities and affordability limits; approve major commitments; require exceptions to return for review. |
| CEO and management | Develop options, coordinate advisors, validate data, recommend a course, and execute within approved authority. |
| Finance and municipal advisor | Prepare cash-flow and repayment analyses; test financing structures and downside cases; explain assumptions and limitations. |
| Project team and operating managers | Validate scope, estimate maturity, dependencies, procurement readiness, staffing, and ongoing operating costs. |
| District and bond counsel | Confirm legal authority, eligible uses, approval requirements, financing documents, and election procedures. |

***Working principle:*** *Directors test the decision and its consequences. Management develops and carries out the work. Requests for follow-up should be consolidated through the CEO. The workshop should identify matters requiring later formal Board action. [1, 3]*

**District background and facts to reconcile**

The financing memo describes a near-term program much larger than the District's annual operating revenue. Its main conclusion is that development-based revenues are supplemental and that a dependable additional revenue source is likely needed. The memo does not rank options or calculate borrowing capacity. [2, pp. 1–2, 6]

| October 1 memo baseline | Amount or timing | Preparation question |
|---|---|---|
| Ambulance and Administration Center | $41.5 million | What scope, estimate date, design maturity, and contingencies are included? |
| Land financing refinance allowance | $11.0 million | Reconcile to $9.9 million outstanding par, interest, fees, reserves, and other uses. |
| Community Clinic | $69.2 million | Which facilities and shared costs are included? Reconcile naming with the Combined Clinic. |
| **Total near-term program** | **$121.7 million** | **Refresh all three components; do not substitute this for the total campus budget.** |
| Series 2025 Bonds | $9.9 million par; 4.39%; interest only; maturity March 15, 2028 | Confirm against executed documents, repayment resources, and refinancing milestones. |
| FY 2025 financial context | $8.2 million operating revenue; $0.86 million operating loss; $1.9 million general-purpose property tax | Update with reconciled FY 2026 results and the current forecast; distinguish operating results from total change in net position. |

**Capital finance in plain language**

A revenue source generates money. A financing tool advances money that must be repaid. Calling a project "funded" should identify the source, legal availability, timing, and remaining conditions—not merely an anticipated borrowing. [2–3]

| Term | What the Board needs to understand |
|---|---|
| Total project cost | Construction plus site work, infrastructure, professional fees, equipment, technology, financing costs, escalation, and contingency. State exclusions. |
| Sources and uses | A reconciliation of all eligible funding sources to all project costs. A balanced total can still hide a cash-timing gap. |
| Liquidity | Cash available when needed, after restrictions and commitments. Preserve the ability to meet payroll and sustain services. |
| Debt service and coverage | Debt service is required principal and interest. Coverage compares the revenues defined in the financing documents with debt service; the definition and required ratio vary. |
| Estimate maturity and contingency | Early estimates are ranges. Contingency is an allowance for uncertainty, not money available for unrelated scope additions. |
| Operating affordability | The continuing cost of staffing, supplies, maintenance, insurance, technology, and debt after opening, compared with realistic ongoing revenue. |

**Options in the municipal advisor memo**

| Potential source or tool | Who pays or provides cash | Question that must be answered |
|---|---|---|
| Developer impact fees | New development, one time | What amount is collectible, eligible, and reliable under current conditions? |
| New-development CFD | Owners within the new-development area, annually | What development pace and concentration risk support repayment? |
| Parcel tax | Parcels covered by an authorized measure | Does the District have the required authority? What rate and purposes could be proposed? |
| District-wide CFD | Owners within the defined CFD | Who may form it, what may it fund, and what would the rate formula mean for taxpayers? |
| GO bonds and related levy | Taxable property through an assessed-value levy | What uses qualify, what tax burden is acceptable, and what remains for a future hospital? |
| Existing revenues or reserves | District resources; debt may pledge those revenues | What remains after service needs, reserves, existing obligations, and downside risk? |

*NOTE: The memo generally describes two-thirds voter approval for broad-based measures and flags District-specific authority for counsel. Do not assume school bond rules apply. CDIAC explains that Proposition 46 GO proceeds generally support real-property acquisition and improvement; eligibility of equipment, fixtures, and refinancing must be resolved for the actual proposal. No tax rate, financing option, or debt amount is recommended here.*

### Risk and decision points

### Four checks before a commitment

| Decision point | Evidence to bring forward |
|---|---|
| Define the next phase | Public purpose, scope, alternatives, current estimate, dependencies, and a realistic schedule. |
| Authorize further development | Bounded spending, deliverables, funding eligibility, procurement approach, and a pause point. |
| Approve financing or construction commitments | Confirmed authority and sources; full cost; cash timing; operating plan; downside analysis; and documented approvals. |
| Monitor and move to the next phase | Baseline versus forecast, remaining contingency, change approvals, liquidity, and readiness to operate. |

These are proposed oversight checkpoints, not a statement of the District's existing delegation policy. Management should identify the exact approval required for each upcoming item. [3]

### Changes that should prompt Board review

Discuss triggers for cost growth, lost or delayed funding, additional infrastructure obligations, liquidity pressure, reduced operating revenue, or a scope change affecting future phases. Set measurable thresholds before commitments; no threshold is established by this packet.

### Workshop exercise using District figures

Use the District figures reported in the October 1, 2026 Wulff, Hansen & Co. memo [2, pp. 1–2]. These are dated project estimates and reported debt terms, not new bids or confirmed borrowing capacity.

| District commitment | Memo amount | What the group must resolve |
|---|---|---|
| Ambulance and Administration Center | $41.5 million | Scope, full cost, funding, and readiness to proceed. |
| Land financing refinance allowance | $11.0 million | Reconcile to $9.9 million bond principal and other refinance uses. |
| Community Clinic | $69.2 million | Eligible grants, remaining cost, and operating affordability. |
| Total near-term program | $121.7 million | Identify confirmed sources and the remaining funding requirement. |
| Series 2025 Bonds | $9.9 million at 4.39%; due March 15, 2028 | Repayment or refinancing plan; funding must be available by maturity. |

Check the arithmetic: $41.5M + $11.0M + $69.2M = $121.7M. Deferring the clinic leaves $52.5M of estimated ambulance-center and refinancing uses, not a funded plan. The $11.0M allowance exceeds bond principal by $1.1M; that difference must be explained, not treated as available cash. At the stated principal and rate, annual interest is approximately $434,610 before fees; principal remains due at maturity.

- First 10 minutes: Map each component to verified grants, legally available cash, and supported financing. Record restrictions and timing. Leave unverified sources unquantified; the memo does not establish a net funding gap or borrowing capacity.
- Next 15 minutes: Compare advancing the full $121.7M program, prioritizing the $52.5M ambulance-center/refinancing components, or limiting work while resolving the bond maturity. What service, grant, shared-infrastructure, and operating consequences would each choice create?
- Final 10 minutes: Recommend the next bounded commitment or a pause. State the evidence required, responsible owner, return date, and condition that would change the recommendation. Do not assume deferral removes shared costs or that current operating revenue is available for debt service.

**Board member preparation worksheet**

Complete before the workshop. Focus on the quality of the decision, not on designing the project. Bring this page and the financing memo.

**1. Protecting existing services**

What service or financial capability must remain protected as the campus develops? What evidence would show it is protected?

**2. Testing the most consequential assumption**

Choose one: project scope, construction cost, grant timing, impact fee collections, borrowing capacity, operating revenue, workforce, or City infrastructure obligations. What would you need to verify?

**3. Knowing when to act**

What decision should be made next? What can wait? What would justify a pause or a smaller commitment?

**4. Asking an effective question**

Write one question that asks management to explain evidence, alternatives, or consequences. Example: “If this source is delayed six months, what happens to cash and existing services?”

**Capital Decision Summary to request with future items**

The detailed guide recommends a one-page summary. Use the following content as a proposed standard for discussion, subject to Board direction. [3]

| Required element | Information management should provide |
|---|---|
| Decision and authority | Action requested, why now, delegated authority, and what may wait. |
| Scope and total exposure | Phase, baseline, proposed change, total cost, estimate range, exclusions, and contingency. |
| Funding and cash | Confirmed versus conditional sources, restrictions, remaining gap, cash timing, and effect on liquidity. |
| Operations and downside | Staffing and recurring costs; repayment capacity; delayed-source and higher-cost scenarios. |
| Alternatives and follow-up | Recommendation, top three risks, practical off-ramp, next decision, and return triggers. |

**Reading list and workshop follow through**

**Required and supporting reading**

1 Capital Financing Board Ed Session Agenda

Required overview. Q4 theme: Financial Oversight and Capital Readiness. The source leaves the date TBD; December 12 is used here at the CEO's direction.

2 Wulff Hansen and Co Financing Strategy Memo dated October 1 2026

Required reading, six pages. Focus on pp. 1–2 for program scale and timing, pp. 3–4 for legal and election questions, and pp. 5–6 for the comparison. It is expressly a discussion draft, not a financing recommendation, capacity analysis, or legal opinion.

3 Capital Financial Oversight Training Agenda and Appendix

Supporting detail. Read the main guide; use Appendices A and F for roles and decision questions, B and E for dependencies, and C and D for finance and risk. Filename retains Q3; content is used here as background for the December workshop.

4 CDIAC California Debt Financing Guide section 3 3 1

Optional technical reference on local GO bonds, general eligible uses, and approval planning. District and bond counsel should apply the relevant authority to any actual transaction.

5 Stanislaus County table of available election dates

Reference for planning only. Includes 2027 special dates and the March 7, 2028 presidential primary. Confirm the appropriate election, deadlines, cost, and certification schedule with counsel and the Registrar of Voters.

**Workshop closeout record**

| Follow-up or unresolved question | Owner | Due date | Board return needed |
|---|---|---|---|
| | | | |
| | | | |
| | | | |
| | | | |

**Expected outputs**

Leave with a short list of agreed service protections, the evidence needed for the next capital decision, a reconciled list of unknowns, and assigned follow-up. Record proposals separately from adopted policy or formally authorized commitments.

# DEL PUERTO HEALTH CARE DISTRICT

**BOARD EDUCATION Q4 2026 – December 12, 2026**

## Capital Decisions: What the Board Needs to Know

A plain-language guide to protecting the District during campus development

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**Training frame.** The development impact fee ruling and the City's expanding role may change funding, timing, infrastructure responsibilities, and project sequencing. The Board still needs a disciplined way to evaluate each major commitment.

## 1. Session Purpose

The Board does not need to become expert in construction, financing, or project delivery. It must be able to recognize risk, test assumptions, protect existing healthcare services, and determine whether enough reliable information is available to act.

Use these four questions throughout the campus project:

- What are we committing to?
- Can the District afford it without weakening existing services?
- What could change or go wrong?
- What decision must the Board make now, and what can wait?

## 2. The Board's Role

The Board governs the decision framework. Management and advisors develop and carry out the work.

- Confirm alignment with the District's mission and long-term sustainability.
- Set limits for scope, affordability, liquidity, and acceptable risk.
- Approve major commitments at clearly defined decision points.
- Require material changes in cost, funding, schedule, or risk to return to the Board.

**Reference:** *See Appendix A, Governance Roles and Boundaries.*

## 3. The Campus Capital Picture

Directors should keep three distinctions clear:

- **Current work versus future phases:** Near-term planning and decisions should be separated from longer-term campus concepts.
- **District decisions versus external dependencies:** City approvals, infrastructure requirements, and development impact fee issues may affect timing and affordability.
- **Project cost versus operating impact:** A facility that can be constructed must also be staffed, maintained, insured, equipped, and supported after opening.

**Reference:** *See Appendix B, Campus Workstreams and Project Dependencies.*

## 4. Construction Finance Fundamentals

| Board concept | Plain-language meaning |
|---|---|
| **Total project cost** | Construction is only one part. The complete cost also includes site work, infrastructure, professional fees, equipment, technology, financing costs, escalation, and contingency. |
| **Estimate confidence** | Early estimates are ranges, not bids. The Board should know the estimate date, design maturity, stated range, exclusions, and contingency. |
| **Funding certainty** | Expected, restricted, disputed, or uncollected funding is not the same as cash available for commitment. |
| **Affordability** | The District must preserve operating cash, debt capacity, and the ability to |

| Board concept | Plain-language meaning |
|---|---|
| | continue existing healthcare services under a downside scenario. |

**Three financial truths.** Construction cost is not total project cost. Expected funding is not cash available. A building that can be constructed is not automatically affordable to operate.

**Reference:** *See Appendix C, Detailed Construction Finance Fundamentals, and Appendix D, Capital Financing and Risk.*

## 5. The Required Oversight Standard

Every campus capital item should include a one-page Capital Decision Summary (Appendix F) with:

- Decision requested and why it is needed now.
- Current phase, scope, and changes since the last report.
- Total cost, estimate confidence, and contingency.
- Funding that is confirmed, restricted, uncertain, or uncollected.
- Effect on cash, debt capacity, and operations.
- Top three risks, alternatives, next decision, and practical off-ramp.

## 6. Five Questions Before Every Major Vote

1. What exactly are we being asked to approve?
2. What is the full financial commitment, and how confident are we in the estimate?
3. Which funding sources are confirmed, and which remain uncertain?
4. What happens if the project costs more, takes longer, or funding is delayed?
5. Can we pause, redesign, rephase, or exit if assumptions materially change?

**Reference:** *See Appendix D for the detailed risk framework and Appendix F for the complete question set.*

## 7. Six-to-Twelve-Month Board Look-Ahead

| Window | Board-level focus |
|---|---|
| **0-3 months** | Establish a common status report; clarify District, City, and advisor roles; and update funding and cost assumptions. |
| **3-6 months** | Review master planning, approvals, procurement progress, integrated schedule, capital budget, and major risks. |
| **6-12 months** | Consider clearly defined decision gates only after affordability, funding, operating impact, and practical off-ramps are stated. |

**Reference:** *See Appendix E, Detailed Capital Readiness Look-Ahead.*

## 8. Trustee Reflection

- What information would I need before approving a major commitment?
- Which financial or project risk concerns me most?
- What change should automatically cause the matter to return to the Board?

**Training outcome.** A consistent Board framework for evaluating campus capital decisions without moving into project management.

# DEL PUERTO HEALTH CARE DISTRICT

**BOARD EDUCATION Q4 2026 – December 12, 2026**

## Appendix Reference Guide

| When directors need more detail | Use |
|---|---|
| Governance roles and decision boundaries | Appendix A |
| Campus workstreams, project components, and dependencies | Appendix B |
| Cost, estimates, cash flow, and affordability | Appendix C |
| Funding sources, financing principles, and risk | Appendix D |
| Six-to-twelve-month readiness activities | Appendix E |
| Board questions, exhibits, and participants | Appendix F |

## Appendix A | Governance Roles and Boundaries

### Board responsibilities

- Confirm alignment with mission, strategic plan, community benefit, and long-term sustainability.
- Set parameters for scope, phasing, affordability, liquidity, and acceptable risk.
- Approve capital budgets, financing actions, and major commitments within applicable law, policy, and delegated authority.
- Test assumptions and alternatives; monitor performance against approved scope, schedule, budget, and funding baselines.
- Require material exceptions, changed assumptions, and corrective actions to return at the appropriate decision gate.

### Management and advisor responsibilities

Management and professional advisors develop project options, estimates, schedules, cash-flow forecasts, financing analyses, procurement recommendations, approval packages, and risk responses; coordinate with the City and project partners; and execute within Board-approved direction and delegated authority.

> Governance boundary: The Board governs the decision framework and authorizes commitments; it does not select technical means, supervise consultants, or manage day-to-day project delivery.

## Appendix B | Campus Workstreams and Project Dependencies

**External conditions**

- **Development impact fee ruling:** Reassess the amount, timing, reliability, and permitted use of anticipated resources rather than treating them as available cash.
- **City role:** Map approval points and responsibilities for entitlement, infrastructure, development impact fees, utilities, roadways, stormwater, and related conditions.
- **Decision continuity:** Continue readiness work so informed choices can be made as funding, approvals, and sequencing change.

**Project workstreams**

- Master planning package status, submittal process, entitlement pathway, approvals, and dependencies.
- DPAC and Combined Clinic progressive design-build delivery, RFQ process, evaluation and selection of firms, and schedule implications.
- Integrated schedule for master planning, City approvals, procurement, design, construction, and District decision points.
- High-level cash flow by phase and campus component, including DPAC, Combined Clinic, senior care, medical office, hospital, parking garage, campus pavilion, and campus infrastructure.
- Projected capital budgets for near-term projects with estimate basis, range, accuracy, escalation, exclusions, and contingency.
- Sources and uses matched to project phase, eligible uses, restrictions, and timing.

## Appendix C | Detailed Construction Finance Fundamentals

| Concept | Why it matters to the Board |
|---|---|
| **Sources and uses** | Every dollar of project cost must have an identified, eligible, and sufficiently reliable funding source. Restrictions and timing matter as much as the total. |
| **Construction vs. operations** | Construction and equipment are only part of affordability. New facilities create staffing, utilities, maintenance, technology, insurance, and start-up costs. |
| **Total project cost** | Include construction, site and infrastructure, professional fees, permits, escalation, furniture/fixtures/equipment, technology, financing costs, owner costs, and contingency. |
| **Estimate maturity** | Early estimates are ranges, not bids. Contingency should reflect design completeness, market conditions, unknowns, and allocation of owner, design, and construction risk. |
| **Cash flow** | Timing determines when funds are needed, how much liquidity must be preserved, when debt may be drawn, and whether delay creates added cost. |
| **Affordability** | The District must fund the project while maintaining operating liquidity, debt-service capacity, and resilience under a downside case. |

**Information expected with a capital decision**

- The decision requested now, why it is needed, and what may be deferred.
- The approved baseline and any change in scope, schedule, budget, source, or risk.
- Alternatives considered, including phasing, delay, redesign, or no action when relevant.
- Near-term cash requirement, total exposure, operating impact, and effect on liquidity and debt capacity.
- Key assumptions, estimate maturity, contingency, external dependencies, and downside scenarios.
- The next Board decision and conditions that would trigger an earlier return.

## Appendix D | Capital Financing and Risk

### Potential source categories

- Development impact fee and other public capital resources, subject to authority, collection, timing, and eligible-use requirements.
- Grants and awards, with match, expenditure, milestone, reporting, reimbursement, and recapture conditions.
- District cash and reserves, with minimum operating-liquidity and emergency-reserve protections.
- Long-term debt, leases, or other financing matched to the asset's useful life and evaluated for debt-service capacity.
- Partnership, land, philanthropic, or other sources supported by enforceable terms.

### Financing principles

- Do not treat an uncertain, restricted, or uncollected source as unrestricted cash.
- Protect core service operations and liquidity before making an irreversible capital commitment.
- Match the duration and restrictions of each source to the asset and phase it supports.
- Preserve contingency appropriate to estimate maturity and identify who controls it.
- Test affordability under delay, higher cost, lower funding, higher interest rates, and slower operating ramp-up.
- Phase commitments so practical off-ramps remain available if assumptions change.

| Risk | Board-level oversight focus |
|---|---|
| **Legal / revenue** | Development impact fee authority, collection, restrictions, disputes, and replacement-source scenarios. |
| **City / approvals** | Entitlements, infrastructure responsibilities, utility capacity, conditions, sequencing, and decision ownership. |
| **Scope / estimate** | Design maturity, completeness of uses, escalation, contingency, market capacity, and scope growth. |
| **Schedule** | Approval and procurement dependencies, delay cost, compressed decisions, and realistic float. |
| **Financing** | Interest-rate and market exposure, draw timing, debt-service coverage, covenants, and liquidity. |
| **Grant / compliance** | Eligibility, deadlines, match, reporting, reimbursement timing, and recapture exposure. |
| **Operating readiness** | Workforce, start-up, reimbursement, volume ramp, technology, maintenance, and sustained subsidy risk. |
| **Campus phasing** | Interfaces among near-term facilities, future projects, shared infrastructure, parking, and land-use assumptions. |

## Appendix E | Detailed Capital Readiness Look-Ahead

> This sequence is an illustrative Board-training framework. Management and the project team should confirm dates, dependencies, and matters requiring separate Board action.

| Window | Readiness focus |
|---|---|
| **0-3 months** | Establish a common status package; map District, City, and advisor roles; refresh approval and infrastructure dependencies; confirm estimate bases; and update sources-and-uses scenarios. |
| **3-6 months** | Advance master-plan and submittal work; refine the integrated schedule and high-level cash flow; progress the DPAC/Combined Clinic RFQ; update capital budgets and the risk register. |
| **6-12 months** | Bring defined decision gates to the Board; confirm affordability before irreversible commitments; update financing and operating-readiness plans; and report deviations from approved baselines. |

**Conditions that should trigger an earlier Board return**

- A material increase in total cost or reduction in estimate confidence.
- Delay, restriction, dispute, or loss affecting a major funding source.
- A significant change in City approval, infrastructure responsibility, or project sequencing.
- A material change in operating cost, workforce requirements, reimbursement, or debt capacity.
- A scope or phasing change that affects future campus components or shared infrastructure.

## Appendix F | Board Decision Checklist and Recommended Exhibits

**Questions that add value**

- What decision is requested today, and what can wait for better information?
- Which assumptions most affect the decision, and how have they been validated?
- What are the complete uses, how certain is each source, and where is the gap?
- What happens to cash flow and liquidity if the project takes longer, costs more, or a source is delayed?
- What is the estimate's maturity, stated range, escalation basis, and contingency?
- What City approvals, infrastructure decisions, or development impact fee dependencies control the next step?
- What are the trade-offs among scope, phasing, timing, financing, and operating readiness?
- What is the next Board decision, and what information will be available then?
- What is the pause, exit, redesign, or rephasing strategy if assumptions materially change?

**WULFF, HANSEN & CO.**
Municipal Advisor | 100 Smith Ranch Road, Suite 320, San Rafael, CA 94903

# MEMORANDUM

*Draft for Discussion*

**TO:** Karin Freese, Ph.D., Chief Executive Officer, Del Puerto Health Care District

**FROM:** Wulff, Hansen & Co., Municipal Advisor to the District

**DATE:** October 1, 2026

**RE:** Revenue and Financing Options for the District's Near-Term Capital Program

## 1. Purpose and Summary

This memorandum introduces the revenue sources and financing tools the District could use for its near-term capital program of approximately $121.7 million. It explains how each tool works and compares them side by side in Section 8. It does not recommend or rank any option, and it does not estimate borrowing capacity. That analysis will follow once we receive the District's assessed valuation history and related information. Nothing in this memorandum is a legal opinion; several items require confirmation by District counsel and or bond counsel.

### Key Observations

**1. A new dedicated revenue source is likely needed.** In FY 2025 the District reported total operating revenue of about $8.2 million, an operating loss of about $0.86 million, and general-purpose operating ad valorem property tax revenue of about $1.9 million (about $2.112 million in FY 2026). The capital program is roughly 15 times FY 2025 operating revenue ($121.7 million / $8.2 million = 14.8x).

**2. The options fall into two groups.** Developer impact fees and a new-development CFD are paid only by new development. A parcel tax, a District-wide CFD, and/or a GO property tax are paid by existing property owners broadly and normally require a two-thirds vote.

**3. Development-based sources are strictly supplemental.** They grow only as development occurs, and impact fees may fund only the share of facilities needed for new residents.

**4. The District's parcel tax authority must be confirmed.** State law grants health care districts special tax authority where the district owns and operates a hospital. A CFD may be an alternative route to a broad-based special tax. Bond Counsel to determine if a plain-vanilla parcel tax is legally defensible under the Health and Safety Code.

**5. Timing matters.** The District's $9.9 million Series 2025 Bonds mature March 15, 2028, and Ambulance Center site work is planned for November 2027. The earliest calendared election is March 7, 2028, so further interim financing may be required if a special, mail-in election is not considered.

## 2. Capital Program and Current Position

| Project | Estimated Cost | Status / Timing |
|---|---|---|
| Del Puerto Ambulance and Administration Center | $41.5 million | Design phase; site work November 2027; construction February 2028 |
| Refinancing of land acquisition financing | $11.0 million | Series 2025 Revenue Bonds ($9.9 million par, 4.39%, interest only, maturing March 15, 2028) |
| Community Clinic | $69.2 million | Timing to be confirmed |
| **Total** | **$121.7 million** | **Calculation: $41.5M + $11.0M + $69.2M = $121.7M** |

## 3. How the Pieces Fit: Revenue Sources and Financing Tools

A revenue source is what generates cash for debt service. A financing tool is how the District borrows against that source. The table below pairs each potential source with the type of debt it could support.

| Revenue Source | Who Pays | How It Secures Debt | Financing Tool | Nature of Security |
|---|---|---|---|---|
| **Developer impact fees** | New development (one-time) | Pledge of all fee receipts, usually alongside other revenues | Revenue bonds, bank loan, or pay-as-you-go | Limited; depends on building activity |
| **New-development CFD special tax** | Owners of newly developed parcels (annually) | Lien on each taxed parcel | CFD special tax bonds | Parcel liens; strengthens as development is completed |
| **Parcel tax** | All parcels in the District (annually) | Pledge of special tax receipts | Special tax revenue bonds | Fixed charge per parcel on the tax roll |
| **District-wide CFD special tax** | All parcels within the CFD (annually) | Lien on each taxed parcel | CFD special tax bonds | Diversified parcel liens with foreclosure remedy |
| **GO property tax** | All taxable property, by assessed value (annually) | Levy set each year at the amount needed | General obligation bonds | Strongest; levy adjusts to pay debt service |
| **Existing District revenues** | Existing tax and service revenues | Pledge of operating taxes and gross revenues | Revenue bonds, bank loan, lease financing | District's general credit (limited capacity) |

## 4. Developer Impact Fees

A developer impact fee is a one-time charge paid by new residential, commercial, or industrial projects, usually per home or per square foot. It funds new development's fair share of the facilities needed to serve it. It is not a tax and does not require a vote.

- **Who adopts it.** The District does not issue building permits, so the City of Patterson (and the County for unincorporated areas) would adopt and collect the fee and pass it to the District. The City is supportive. The District's recent fee effort is being challenged in court, with resolution expected in 12 to 18 months.
- **Nexus study.** The fee must be supported by a study showing a reasonable relationship between each type of development and the District's facility needs. Healthcare facilities are a less common fee category than roads or parks, which makes showing this relation more demanding.
- **Growth share only.** A fee is restricted to funding only the portion of a facility needed to serve new residents. The portion serving the existing community must be paid from other sources. Because these projects largely serve today's population, fees would likely cover only a limited part of their cost.
- **Unpredictable timing.** Receipts depend on the pace of building, and residential fees are often collected at occupancy rather than at permit. Lenders therefore are rarely willing to rely on fees alone.
- **How fees are typically used.** Fees can be spent as collected (pay-as-you-go), used to pay part of debt service on bonds secured by a stronger source, or included in a broader revenue pledge. Fees are best viewed as a supplemental source for this program.

## 5. Community Facilities Districts (CFDs)

A CFD levies an annual special tax on property within a defined area, based on a rate formula approved at formation (for example, per home, per acre, or per square foot, by land use). CFD bonds are secured by a lien on each taxed parcel, with a covenant to foreclose on delinquent parcels. A CFD can finance facilities with a useful life

of five years or more that the District is authorized to own, which may include equipment. Two very different versions are relevant:

- **New-development CFD.** Formed to contain land planned for development, usually with the landowner (typically the developer) voting in favor. Only owners of the new homes and buildings pay, much like an impact fee. Unlike a fee, it produces an annual revenue stream that can support bonds once development is under way. It can be structured so that future projects join as they are approved. The City and/or County could form it and share proceeds with the District through a joint agreement.
- **District-wide CFD.** Formed to include all property within the District, developed and otherwise, with approval by two-thirds of registered voters in the CFD. All owners pay, much like a GO or parcel tax, but the tax is based on the rate formula rather than on assessed value. It is permitted to fund a much broader range of costs than is a GO bond. Counsel should confirm that the District (or the City and/or County, under a joint agreement) may form a CFD for these facilities. A broad-based CFD may also be an alternative route if the District's parcel tax authority is limited, as discussed in Section 6.

## 6. Voter-Approved Parcel Tax

A parcel tax is a special tax levied at a flat amount per parcel (or per unit or per square foot), not based on property value, and is collected on the county tax roll. It typically requires approval by two-thirds of voters and must be used for the purposes stated in the measure.

**Threshold Question for Counsel**

State law (Government Code Section 53730.01) grants special tax authority to a health care district whose hospitals are wholly owned and operated by the district. The District operates an ambulance service and a rural health clinic, not a hospital. Counsel should determine whether the District has special tax authority from another source (for example, a CFD) before a parcel tax is pursued.

- **Supporting revenue bonds:** If authorized, the parcel tax produces a fixed, predictable annual amount that can be pledged to special tax revenue bonds. Borrowing capacity is roughly the annual net tax divided by the required coverage, converted to principal at prevailing rates and term.
- **Investor view:** Generally well regarded for stability. Investors focus on the number and mix of parcels, delinquencies, whether the County's Teeter Plan covers the tax, and whether the tax lasts at least as long as the bonds.
- **Design choices:** Rate per parcel or per unit, any annual escalator to offset cost inflation, treatment of agricultural and vacant parcels, exemptions, and a sunset date.

These property-based charges are often confused, but each has a different legal basis and vote requirement:

| Charge | Basis | Approval | Typical Debt |
|---|---|---|---|
| **General property tax (1%)** | Value-based; District receives an allocated share | None | Revenue bonds or loans (e.g., 2025 Land Purchase Financing) |
| **GO property tax** | Value-based, above the 1% levy, only for voter-approved bonds | Two-thirds of voters | General obligation bonds |
| **Parcel tax** | Flat or non-value basis per parcel | Two-thirds of voters | Special tax revenue bonds |
| **CFD special tax** | Rate formula by land use; parcel lien | Two-thirds of registered voters, or landowners if fewer than 12 voters in CFD boundary map | CFD special tax bonds |
| **Special assessment** | Proportional to special benefit to each parcel | Weighted property-owner ballot | Assessment bonds |

A special assessment can fund only the special benefit to individual parcels, not the general benefit to the community. Because healthcare facilities generally provide a broad community benefit, an assessment district appears poorly suited to this program.

## 7. Voter-Approved General Obligation Property Tax

With two-thirds voter approval, the District may issue GO bonds repaid from an ad valorem property tax levied on all taxable property in the District. Each year the County sets the rate needed to pay that year's debt service, so the rate adjusts to changes in assessed value. The District has historically wished to reserve a GO measure for a future hospital, so using a GO for this program would be a change in that approach.

- **Advantages:** the strongest credit available, generally the lowest interest cost, no coverage requirements, a burden spread across all property including commercial and industrial, and a tax rate that tends to decline as AV grows.
- **Limitations:** a two-thirds vote; proceeds may be used only for acquiring and improving real property, so equipment and vehicles may need another source (to be confirmed by counsel); and the levy may be used only for debt service, not operations or reserves.
- **Tax rate and capacity.** The rate per $100,000 of assessed value (AV) equals annual debt service divided by net AV per $100,000. Capacity depends on AV and on the rate the Board and voters would accept. [PLACEHOLDER: 10-year AV history and AV composition, to be inserted when received.]
- **Series issuance.** Voters approve a maximum amount, and the District may issue bonds in one or more series as needed.
- **Voter materials.** The measure must be accompanied by a tax rate statement estimating the first-year, highest, and average tax rates, which makes the long-term cost visible to voters.
- **Questions for bond counsel:** which cost categories are eligible, and whether GO bonds could refinance the land acquired with the Series 2025 Bonds.

## 8. Conceptual Comparison

The table groups the options by who pays. The first two are paid only by new development; the last three are paid broadly by existing property owners. Entries marked "confirm" require review by counsel.

| Consideration | Developer Impact Fee | New-Development CFD | Parcel Tax | District-Wide CFD | GO Property Tax |
|---|---|---|---|---|---|
| **Who pays?** | Developers of new projects, one time | Owners of newly developed parcels, annually | All parcels in the District, annually | All parcels within the CFD, annually | All taxable property in the District, annually |
| **Requires voter approval?** | No; adopted by City/County after nexus study and public hearing | Yes, typically by landowners (usually the developer) where fewer than 12 voters reside | Yes; two-thirds of voters | Yes; two-thirds of registered voters in the CFD | Yes; two-thirds of voters in the District |
| **How the charge is set** | Per home or square foot, based on nexus study | Rate formula by land use; fixed maximum, may escalate | Flat per parcel or unit; not value-based | Tax rate formula by land use; fixed maximum, may escalate; not value-based | Rate per $100,000 of AV, set annually to meet debt service, will decline with increased AV |
| **Type of debt supported** | Revenue bonds only as a supplemental pledge; often pay-as-you-go | CFD special tax bonds secured by parcel liens only on newly developed parcels | Special tax revenue bonds | CFD special tax bonds secured by parcel liens on all parcels in District | General obligation bonds |
| **What it can fund** | Limited to portion of facilities/costs made necessary by growth | District-owned facilities with 5+ year life, possibly including equipment (confirm with counsel) | Purposes stated in the measure | Facilities with 5+ year life, possibly including equipment (confirm) | Real property only; excludes equipment |
| **Revenue predictability** | Low to moderate; tied to building activity | Low early; high once development is complete | High; fixed amount, potentially with annual inflation increases | High; diversified base | Very high; rate adjusts to AV |
| **Relationship to development** | Direct; only new development pays | Direct; only new development pays; new areas can join over time | Indirect; new parcels add revenue | Indirect; new parcels pay under the rate formula | Indirect; new construction raises AV |
| **Taxpayer impact** | None on existing owners; cost reflected in new home prices | New owners pay an annual tax on top of other levies | Same amount per parcel regardless of value | All owners; allocated by land use or size, not value | Proportional to assessed value |
| **Fit for this capital program** | Supplemental; litigation pending; growth share only | Supplemental; depends on the development pipeline | Possible primary source if authority is confirmed; 2028 election at earliest (or earlier special, mail-in election) | Possible primary source; 2028 election at earliest (or special, mail-in election) | Primary source for real property; 2028 election at earliest |
| **Long-term capacity** | Grows with development; ends at buildout | Grows as new areas join | Fixed unless an escalator is approved | Fixed maximum rates; optional escalator; bonds in series | Grows with AV; bonds in series |
| **Key legal considerations** | Nexus and proportionality; City/County adoption; pending litigation; existing-resident share excluded | District authority to own facilities; possible City joint agreement; landowner consent | District's special tax authority (hospital requirement) is a threshold question | Confirm District (or City/County) may form a CFD for these facilities; possible alternative to parcel tax | Real property limit; measure and tax rate statement requirements |
| **Key credit considerations** | Volatile; requires other revenues | Developer concentration and buildout risk; value-to-lien | Coverage, parcel mix, delinquencies | Diversified base; value-lien ratio, foreclosure covenant; delinquencies | Strongest; AV size, growth, and concentration |

| Consideration | Developer Impact Fee | New-Development CFD | Parcel Tax | District-Wide CFD | GO Property Tax |
|---|---|---|---|---|---|
| **Key political considerations** | No election; driven by City/County and development community relationships | No public election; negotiated with developers; housing cost effects | Two-thirds threshold; fairness across parcel types | Two-thirds threshold; rate formula fairness; less familiar to voters | Two-thirds threshold; size of measure; departs from reserving GO voter appetite for a hospital |

## 9. Conclusion

The District's capital program is large relative to its current resources, so it will likely depend on a new, broad-based revenue source approved by two-thirds of voters: a GO property tax, a District-wide CFD, or a parcel tax if the District's authority is confirmed. Developer impact fees and new-development CFDs can supplement that source and grow over time, but are unable to carry the program on their own. The immediate next steps are legal confirmation of the District's authority for each option and a debt capacity analysis once the assessed valuation data is received.

*This memorandum was prepared by Wulff, Hansen & Co. in its capacity as municipal advisor to the District. It is provided for discussion purposes. It is not a legal opinion and should not be relied upon as legal or tax advice. Statements regarding California law summarize our understanding of publicly available authorities and must be confirmed by District counsel and bond counsel. The memorandum does not recommend any particular financing option.*

# Del Puerto Health Care District

**BOARD EDUCATION SESSION**
**CY 2026 Q4 – December 12, 2026**
**Theme: Financial Oversight & Capital Readiness**

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**1. Session Purpose**

This session strengthens the Board's ability to exercise fiduciary oversight during a period of increasing financial complexity—without shifting into operational management.

**2. Governance Context**

Capital development introduces:

- Long-term financial commitments
- Increased risk exposure
- Heightened public accountability

The Board's role is to ensure:

- Assumptions are sound
- Risks are understood
- Decisions align with long-term sustainability

**3. DPHCD Financial Context**

**Key Factors**

- Development Impact Fees
- Capital financing strategies
- Operating impacts of new facilities
- Workforce cost pressures

**4. What to Watch / What to Ask**

**What to Watch**

- Over-optimistic revenue assumptions
- Underestimated operating impacts
- Compressed timelines

**Questions That Add Value**

- "What are the trade-offs?"
- "What happens if this takes longer or costs more?"
- "What is the exit strategy if assumptions change?"

**5. Trustee Reflection**

- Where do I feel most uncertain about financial decisions?
- How do I balance caution with progress?
- What does responsible stewardship look like *right now*?