

Del Puerto Health Care District

RESOLUTION NO. 17-02

TO ESTABLISH THE DEL PUERTO HEALTH CARE DISTRICT RESERVE POLICY

WHEREAS, the Board of Directors wants to ensure that the District will always have sufficient funding available to meet its operating, capital, and debt service cost obligations,

WHEREAS, the Board of Directors recognizes the need to establish the finances necessary to secure additional health care services for the benefit of existing and future residents,

WHEREAS, the Board of Directors needs to include requirements imposed by law for the handling of developer related fees,

WHEREAS, the Board of Directors wants financial planning to address the planned needs for capital projects and equipment purchases,

WHEREAS, the Board of Directors wants some reserve for unanticipated and unforeseeable expenses,

WHEREAS, the Board of Directors recognizes a need for long term strategic financial policies,

WHEREAS, this action establishes the Del Puerto Health Care District Reserve Policy, to include:

Legally Restricted Reserves:

1. Mitigation Fees:

DPHCD will establish a Mitigation Fee (aka Impact Fee or Developer Fee) account and keep separate the funds collected from developers to pay for the mitigation of costs related to new facilities or equipment necessary to deliver health care to newly developed commercial and residential property. These funds are subject to the requirements of the Mitigation Fee Act (AB 1600). The funds may not be used to support ongoing operations of the District. The District is legally required to account for these funds separately. An annual report is required to show balance forward, fees collected, income earned, expenditures, and future comments. All funds collected must be committed or expended within five years of being collected or they must be refunded. These funds are restricted to the design and construction of capital facilities or capital equipment for health care delivery with the District boundaries.

2. USDA Debt Service Reserve:

DPHCD will maintain a Debt Service Reserve accounting on its balance sheet. This fund is governed by legal conditions required by the USDA for the District's loan financing. The loan conditions require that this fund be maintained at an amount at least equal to an average annual loan installment. This reserve will be accumulated at the rate of at least one-tenth of that average installment each year until the required level is reached which is one average annual loan installment.

Board Restricted Funds:

Board designated funds are set to accomplish systematic and strategic goals or provide for prudent management of operations. The Board of Directors has complete discretion in the management and designation of self-adopted funds. Such funds can be modified, transferred, or altered by Board action.

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4. Operating Reserve:

The Operating Reserve will vary over time with a goal of maintaining three-months average operating expenses excluding depreciation. This reserve is considered a working cash requirement. It bridges the gap between the time expenses are paid and the time revenues from services are collected.

5. Asset Replacement Fund:

The Asset Replacement Fund pays for the replacement of existing facilities and equipment as it reaches the end of its useful life or major repairs that extend the useful life of facilities and equipment. The FY 2016-17 budget shows depreciation of \$243,000 for the year, but no existing practice or financial policy exists on how to fund asset replacement. By June 26, 2017, the Board shall evaluate best practices on how to fund asset replacement or depreciation and adopt a corresponding policy by the end of Fiscal Year 2016-17.

6. Unrestricted Reserves:

Unrestricted Reserves represent a remainder balance of cash that is not yet designated for some use by the Board of Directors.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of Del Puerto Health District as follows:

The Del Puerto Health Care District Reserve Policy is hereby approve, and the Administrative Director is directed to follow this Reserve Policy in managing available funds and investments of the District. Each Fiscal Year Budget will report on the status of each reserve over the previous year and budget for proposed sources and uses for each reserve.

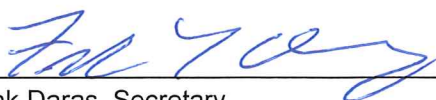
DULY PASSED AND ADOPTED by the Board of Directors of the Del Puerto Health Care District at a regular meeting held on this 27th day of February 2017 by the following vote:

AYE:	<u>FRANK DARAS</u>	NO:	<u>NONE</u>
	<u>ANNE STOKMAN</u>		
	<u>HAROLD HILL</u>		
	<u>DONNA SESOCK-MILLER</u>	ABSENT:	<u>NONE</u>
	<u>STEVEN PITTSO</u>	ABSTAIN:	<u>NONE</u>
		RECUSE:	<u>NONE</u>

ATTESTED BY:



Steven Pittson, President
Board of Directors, Del Puerto Health Care District



Frank Daras, Secretary
Board of Directors, Del Puerto Health Care District