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MENDOCINO COAST HEALTH CARE DISTRICT
MCHCD provides a hospital and fosters leadership, advocacy and collaboration for our community health and well-being.

TO: BOARD OF DIRECTORS **BOD Meeting: 11/19/2026**

FROM: Katharine Wylie, Administrator, Wayne Allen, CFO **Item: 3a)**

SUBJECT: STAFF REPORT - RESOLUTION 2026-5, Approving and Adopting a Debt Management Policy (Policy 22)

RECOMMENDATION

Staff recommends that the Board adopt Resolution 2026-5, approving and adopting the Debt Management Policy, designated as Policy 22, in the form presented to the Board.

BACKGROUND

Senate Bill 1029 (SB 1029), effective January 1, 2017, amended California Government Code Section 8855 to add new requirements applicable to the issuance and administration of debt by local agencies, including special health care districts such as the Mendocino Coast Health Care District (the "District"). Among other things, Section 8855 now requires that, before issuing debt, an issuer certify to the California Debt and Investment Advisory Commission (CDIAC), as part of its report of final sale, that it has adopted a local debt policy meeting the content requirements of Section 8855.

The District is proceeding with the issuance of Certificates of Participation (2026 Seismic Improvements Project), described elsewhere on this agenda. Because that issuance is subject to Section 8855, the District must have a Board-adopted debt policy meeting the statutory requirements in place in connection with that financing. The policy presented for adoption tonight, Policy 22 – Debt Management (the "Debt Policy"), is intended to satisfy that requirement and to govern the issuance and administration of all District debt going forward, not only the current financing.

GOVERNMENT CODE SECTION 8855 REQUIREMENTS

Under Government Code Section 8855(i), a local debt policy must address each of the following:

- The purposes for which the debt proceeds may be used.
- The types of debt that may be issued.
- The relationship of the debt to, and its integration with, the issuer's capital improvement program or budget, if applicable.
- Policy goals related to the issuer's planning goals and objectives.

- The internal control procedures that the issuer has implemented, or will implement, to ensure that the proceeds of the proposed debt issuance will be directed to the intended use.

The Debt Policy addresses all five of these required elements, as summarized below.

THE DEBT MANAGEMENT POLICY (POLICY 22)

The Debt Policy was developed for the District's particular circumstances. Unlike many special health care districts, the District does not itself operate the hospital or other health care facilities it owns; those facilities are leased to and operated by Adventist Health Mendocino Coast. The Debt Policy reflects that structure throughout, including in its description of the revenues (such as lease and property tax revenues, rather than net patient service revenue) that are available to secure District debt.

In addition to the statutory findings and the five required elements above, the Debt Policy addresses the following:

- Findings regarding the purpose and applicability of the Debt Policy.
- Method of Sale – the process for selecting between competitive, negotiated, and private placement sale methods.
- Waivers of the Debt Policy – the limited circumstances and approval process for any waiver.
- Disclosure Procedures for Public Debt Issuances – written procedures, key participant roles (including the Agency Administrator, CFO, Disclosure Coordinator, and Disclosure Working Group), and continuing disclosure compliance practices under SEC Rule 15c2-12, applicable to the District's outstanding and future publicly offered debt.

The Disclosure Procedures are not independently required by Section 8855, but are included as a matter of good practice and are consistent with current market and rating agency expectations for issuers with outstanding or anticipated public debt.

RESOLUTION 2026-5

Resolution 2026-5 is the Board's formal action approving and adopting the Debt Policy. Section 1 of the Resolution approves and adopts the Debt Policy in the form presented to the Board and provides that it will apply to the issuance and administration of District debt going forward. Section 2 provides that the Resolution is effective as of the date of its adoption. Adoption requires a roll call vote of the Board, recorded as part of the

Resolution, followed by execution by the Board Chair and attestation by the Board Secretary.

FISCAL IMPACT

There is no direct fiscal impact to the District from adopting the Debt Policy itself; it does not authorize or obligate the District to issue any debt, and it does not affect the District's current debt service, cash flow, or balance sheet. Adoption is, however, a prerequisite to the District's ability to complete the 2026 Certificates of Participation financing described elsewhere on this agenda, and to any future District debt issuance subject to Government Code Section 8855.