



## Board Policy

### **BOARD DESIGNATED FUNDS**

**POLICY:** The Board of Directors is committed to exercising its fiduciary duties of Care and Loyalty in providing oversight and direction to the management of all District assets. The Board Designated Funds Policy, along with the Investment Policy, Strategic Financial Policy, Internal Controls Policy and Annual Budget are critical in defining how that responsibility will be carried out to ensure that the best interests of the District are served.

The Board Designated Funds Policy and the Strategic Long Term Financial Policy are designed to balance three ongoing, competing priorities identified through the Board's Strategic Planning Process:

- 1) **Long-term:** Building a strategic fund and/or asset portfolio to assure that the District can meet its responsibilities to preserve Mills-Peninsula Medical Center and certain core services both during the term of the 50-year Sutter Health/Mills-Peninsula Health Services lease and at the lease end.
- 2) **Short-term:** Making a meaningful current impact on improving the health status of District residents and meeting critical healthcare needs of the communities served by the District.
- 3) **Future:** Carrying out the Board's vision and plan for creating the "Peninsula Wellness Community" (PWC) on 8-acres of District-owned land. This plan engages all ages and levels of wellness with services and activities. The PWC will offer housing for older adults, health support across generations, and working spaces for professionals and researchers. Construction of individual buildings and open spaces will take place over 5-20 years through partnerships with public and private developers.

#### **OBJECTIVES OF THE POLICY:**

- 1) To provide adequate funding to meet the District's short-term and long-term plans as outlined in the Board's strategic plan
- 2) To ensure compliance with the District's Strategic Finance Policy, Investment Policy, as well as, any applicable federal, state, and local legal and reporting requirements.
- 3) To position the District as a desirable development partner to potential partners to create the PWC.
- 4) To ensure compliance with any debt covenants

## **PROCEDURAL DIRECTIVES:**

1. Board Designated Funds may be used for any legal purpose that is consistent with the District's legislative mandate and that carries out the strategic initiatives of the District Board.
2. The District will maintain at least \$10 million in the Board Designated Fund.
3. If an investment opportunity arises that, in the judgement of the Board, would justify drawing down the Fund below the \$10 million level, a plan to return to the \$10 million level will be developed and implemented with the goal to achieve the required level as soon as reasonably possible.
4. Under certain circumstances, the District will explicitly build Board Designated Funds in excess of \$10 million by reducing discretionary expenses. These circumstances include:
  - a. Increased risk of Paramount Default (For example, if Sutter Health's financial performance deteriorates)
  - b. Evidence that the District's end-of-lease obligations (to purchase the hospital assets at book value) are increasing or becoming more imminent (or incur greater losses) than anticipated
  - c. External threats to the District's financing capacity emerge, such as greatly tightened credit conditions
5. All Board Designated Funds will be invested in accordance with the Peninsula Health Care District's Investment Policy and California law with at least \$5million in US treasuries to provide reasonable liquidity.
6. The District will conduct an annual review of this policy (or periodically as deemed prudent) and adjust the cash reserves requirement.