



Origination Date 08/1985  
Last Approved 06/2024  
Last Revised 06/2024  
Next Review 06/2027

Department Board - ABD  
Applicabilities System

## Fiscal Policy, ABD-11

### RISK:

Failure to have a sound fiscal policy that requires the District to maintain strong financial performance and strong cash reserves may result in diminished access to capital markets, as well as limiting Tahoe Forest Hospital District's (District) ability to fund essential services, and programs.

### PURPOSE:

The purpose of this policy is to communicate the fiscal policy of the District as it relates to the operations of Tahoe Forest Hospital District and the various other services, programs and ventures which the District is or shall consider providing consistent with its Mission Statement and operating policies. It is the intention of the Board of Directors that this Fiscal Policy be disseminated to the hospital administrative and management team, as well as Medical Staff leadership, in order to achieve a broad based understanding of the fiscal goal of Tahoe Forest Hospital District. For the purposes of this policy statement, the term "services" shall apply to all hospital operations as well as other District services, programs or ventures.

### POLICY:

#### A. RATIONALE

In view of the ever-changing reimbursement environment in which health care providers exist, the Board of Directors recognizes the importance of financial stability. A sound Fiscal Policy is necessary to assure the continuation of needed services, and as appropriate, expansion into new health-related facilities and services. To assure access to capital markets, it is in the best interest of the District to maintain strong financial performance and strong cash reserves. This philosophy is based upon, and consistent with, the Mission Statement and operating policies of the District.

#### B. POLICY STATEMENT

Our Fiscal Policy is to ensure the availability of capital to meet the future costs of carrying out the hospital's mission and serves as a prudent reserve to offset unexpected external forces. It

will be the responsibility of the District's President & Chief Executive Officer (CEO) to implement policies and procedures consistent with the Fiscal Policy of the Board of Directors. The District shall put forth a strong effort in every fiscal year on achieving, at a minimum, the Standard and Poor's (S&P) A- rating, targeting the median ratios of the A- rating or better. At no time shall the District target financial performance that would drop the District below an investment grade rating.

## **PROCEDURE:**

### **A. OPERATING MARGIN AND EXCESS (NET INCOME) MARGIN**

The District, through approval by the Board of Director's, shall set an annual budget that seeks to target or maintain Operating and Excess Margins at the median S&P ratios of an A- rating or better. The President & CEO shall in turn endeavor, consistent with the President & CEO's authority under the annual budget and duly-adopted District policies, to direct District operations throughout the fiscal year so as to maintain Operating and Excess Margins at the median S&P ratios of an A- rating or better. Unusual circumstances may arise that could require setting the annual budget at ratios lower than A-, however, at no time shall the annual budget target median ratios below an investment grade rating. The President & CEO shall direct management and staff to operate the District in a manner that achieves the goals of the annual budget.

### **B. FUND BALANCES AND TRANSFER PROCEDURES**

The President & CEO shall, consistent with the President & CEO's authority under the annual budget, this Fiscal Policy, and duly-adopted District policies, authorize the movement of funds with the goal of achieving projected Days' Cash on Hand (the number of days of average expenses) at the median S&P ratios of an A- rating or better. There shall be a strong effort to maintain this minimum Days' Cash on Hand ratio to ensure appropriate cash reserves and to sustain sufficient funding for capital needs. Unusual circumstances may arise that could require setting the annual budget Days' Cash on Hand ratio lower than A-, however at no time shall the annual budget reflect a Days' Cash on Hand ratio below an investment grade rating. At least quarterly, a report of Day's Cash on Hand shall be presented to the Board of Directors.

### **C. MAINTENANCE AND OPERATING FUND**

All receipts and revenues of any kind from the operation of the hospital shall be paid daily into the treasury of the District and placed in the Maintenance and Operations Fund. Monies in the maintenance and Operation Fund may be expended for any of the purposes of the District. The President & CEO will direct the allocation of monies in excess of 30 days forecasted cash to Board designated funds or transfer sufficient monies from Board designated funds into Maintenance and Operations Fund so that a minimum of 30 days working capital is maintained for the upcoming quarter. Fund transfers into Maintenance and Operations Fund from other funds to cover the minimum 30 days working capital will be in the following priority:

1. Cash Reserve Fund
2. Projects Fund

### **D. BOARD DESIGNATED FUNDS**

Available funds will be funded in the priority order as listed. Bond Funds are held by the Bond Trustee until the fund reimburses the District for project expenditures. The reimbursed bond project expenditures will be deposited in the Maintenance and Operations Fund. Debt service is included in the Maintenance and Operations Fund.

1. Other Entity Funds:  
Funds held for other entities such as Medical Staff and Auxiliary. Interest income accrues to the specific fund.
2. Projects Fund:  
Board of Directors approved and designated projects. Fund to include, among others Building Funds and Capital Equipment Funds. Interest income will accrue to the Maintenance and Operations Fund.

**E. CASH RESERVE FUND**

Board of Directors approved funding to increase and provide sufficient reserves to sustain operational integrity; continued services at current levels; emergency purposes (safety net); credit worthiness; anticipated capital replacement needs. Interest income will accrue to the Maintenance and Operations Fund.

**F. RESTRICTED FUNDS**

Funds restricted to purchase assets or to fund program costs. These funds become unrestricted when the restriction is satisfied. Interest income accrues to the specific fund.

**G. DONATIONS**

Donated funds will be placed in the appropriate fund to be designated by the donor.



**All Revision Dates**

06/2024, 12/2021, 10/2018, 09/2016, 11/2015, 01/2014, 01/2012, 02/2010, 06/2007, 02/2006

**Approval Signatures**

Step Description	Approver	Date
	Louis Ward: COO & Acting CEO	06/2024
	Martina Rochefort: Clerk of the Board	06/2024