

DEBT FINANCING:

Introduction:

This policy establishes provisions for financing to meet the Facilities Master Plan and Equipment Master Plan. The Sisters-Camp Sherman Fire District has been an infrequent user of long-term debt instruments. The District has a fundamental philosophy of funding its programs, including capital outlay programs, through the use of General Fund dollars whenever possible. Nevertheless, the District recognizes that at times long- or short-term funding may be necessary to maximize the value that the District provides to its stakeholders.

Comprehensive Planning and Financing System

The District shall develop a capital planning and financing system for use in preparing multi-year Facilities and Equipment Master Plans for (1) real estate purchases and improvements and (2) purchasing and improving apparatus and other equipment. These Plans shall be reviewed at least annually by the Board of Directors and will be used in preparing the District's annual budget. Responsibility for adopting the Master Plans resides with the Board of Directors.

The Plans shall at least include an overview of planned projects, a description of the sources of funds, the timing of capital projects, the effect of the projects on future debt sales, the annual debt outstanding, and debt service requirements. The plan shall also analyze the conformance of planned debt financings with policy targets regarding the (1) magnitude and composition of the District's indebtedness and (2) the economic and fiscal resources of the District to bear such indebtedness over the life of the debt.

1. Debt Calendar and Financing Priorities. The Finance Manager shall be responsible to oversee and coordinate the timing, process of issuance, and marketing of the District's borrowing and capital funding activities required in support of the Plans. In this capacity, the Finance Manager shall make recommendations to the District Board regarding necessary and desirable actions and shall keep it informed through regular and special reports as to the progress and results of current-year activities under the Plan.
2. Funding of Capital Outlays. As part of its capital financing philosophy, the District shall not finance through debt more than 90 percent of the total costs of each capital project unless authorized by the Board of Directors. The remaining 10 percent of the total capital cost may be contributed from the District's current revenues, restricted funds, or outside funding sources such as state or federal grants.
3. Maintenance, Replacement, and Renewal. Consistent with its philosophy of keeping its capital facilities and infrastructure systems in good repair and to

maximize the capital stock's useful life, the District should set aside sufficient current revenues to finance ongoing maintenance needs and to provide reserves for periodic replacement and renewal.

4. Debt Authorization. No District debt issued for the purpose of funding capital projects shall be authorized by the District Board of Directors unless it has been included in the Master Plans or until the Board has modified the Plans. Such modification shall occur only after the Board has received a report of the impact of the contemplated borrowing on the existing Master Plans and recommendations as to the financing arrangements from the Finance Manager.

Long-term Debt

Sisters-Camp Sherman Fire District shall only use long term debt for capital projects that cannot be financed out of current revenues within the Revenue Policy guidelines for rate increases.

Debt financing shall generally be limited to one-time capital improvement projects and only under the following circumstances:

1. When the project's useful life is greater than or equal to the term of the financing;
2. When the project's revenue or specific resources will be sufficient to service the debt; and,
3. When the project will benefit the citizens of Sisters-Camp Sherman Fire District.

Debt financing shall not be considered appropriate for:

1. Current operating and maintenance expenses (except for issuing short-term instruments such as revenue anticipation notes or tax anticipation note); and
2. Any recurring purpose (except as indicated above).

Short-term Debt

Short-term debt outstanding at the end of the budget year will not exceed 5% of net operating revenues (including tax anticipation notes but excluding bond anticipation notes.) Tax and revenue anticipation debt will be retired within the fiscal year issued, and bond anticipation notes will be retired no later than six months after completion of the project.

General Obligation Debt

Outstanding general obligations indebtedness of the District, other than enterprise

revenue backed bonds, shall not exceed 3% of the true cash value of the taxable property within the District. The issuance of general obligation bonds requires an affirmative vote of a majority of electors voting any special or general election.

Leasing

Lease purchase financing shall be considered only when the life of the item is equal to or greater than the length of the lease, and a lease purchase is the most economical method of purchasing available. If the item may become technologically obsolete or is likely to require major repair during the lease purchase period, then the item should be either purchased with cash or placed on an operating lease.

Rating Agency Relationship

The District shall maintain good communication with bond rating agencies about its financial condition. The District will provide full disclosure on every financial report and bond prospectus. The District will comply with all aspects of the Securities and Exchange Commission rule 15c2-12 pertaining to secondary market disclosure.

Debt Management Plan

A Comprehensive Debt Management Plan shall be developed and updated prior to the issuance of any additional debt. The District Board shall review the Comprehensive Debt Plan prior to the issuance of new debt and any recommendations made therein.

The Comprehensive Debt Management Plan shall encompass all debt of the District including, but not limited to:

1. Detail of the sources of funding for all debt,
2. Current and future debt capacity analysis,
3. Issues to be addressed for sound debt management,
4. A contingency debt plan should any of the funding sources become unavailable in the foreseeable future, and
5. Reporting as to the District's compliance with its debt policies.