

CATEGORY: BOARD POLICY - ADMINISTRATIVE PARAMETERS	
TITLE: BORROWING	REFERENCE NUMBER: FIN-150
APPROVED BY: PHSA BOARD OF DIRECTORS	LAST APPROVED: DECEMBER 11, 2009 LAST REVIEWED: DECEMBER 11, 2009

1 PURPOSE AND SCOPE

- 1.1. The purpose of this policy is to establish the purposes for which the Provincial Health Services Authority may borrow and the authority required for borrowings.
- 1.2. This policy applies to borrowings of the Provincial Health Services Authority and its related members "PHSA".
- 1.3. Borrowing includes all financial borrowing arrangements such as finance loans, finance facilities, capital leases and guarantees for indebtedness of other parties.
- 1.4. This policy does not apply to:
 - i) borrowing by way of normal buyer's trade credit where such credit is generally commercially available and that is wholly payable within one year, including credit cards; or
 - ii) operating leases.

2 TERMINOLOGY

- 2.1. *Short-term borrowings* are wholly repayable within one year.
- 2.2. *Long-term borrowings* are not wholly repayable within one year.
- 2.3. Capital leases and operating leases are distinguished in accordance with the application of generally accepted accounting principles.
- 2.4. A debenture is an instrument, secured or unsecured, that is:
 - i) in bearer or registered form;
 - ii) of a kind commonly traded on financial markets; and
 - iii) evidence of an obligation of indebtedness.

3 POLICY PRINCIPLES

Purpose

- 3.1. Short-term borrowings may be undertaken for the purpose of meeting operating expenses.

- 3.2. Short-term or long-term borrowings may be undertaken for the purpose of financing capital programs.

Approval

- 3.3. Borrowings must be sanctioned by a resolution of the Board of Directors and approved by the Minister of Health Services.
- 3.4. Notwithstanding section 3.3, in accordance with the British Columbia Financial Management Policy for Health Authorities, management is authorized to enter into capital leases for administrative and office equipment subject to the limitations of the financial signing authority administration policy and the requirements of the capital assets policy.
- 3.5. Debentures will not be issued without the sanction of a special resolution of the Board of Directors.

Security and Guarantees

- 3.6. Borrowings to finance capital acquisitions may be secured by charges on capital assets financed by those borrowings. Previously existing capital assets, including real property, may not be pledged as security for borrowings except when approved by the Board of Directors.
- 3.7. Mortgages of real property require approval by the Minister of Health Services.
- 3.8. The guarantee of the indebtedness of others is treated as a form of borrowing and is subject to the approval requirements established by this policy.

General

- 3.9. All borrowing agreements must be reviewed by the Chief Financial Officer or the Chief Financial Officer's delegate.
- 3.10. Borrowing activities with any director, officer, or employee are prohibited.

Policy created on: May 21, 2004 Revision dates: <ul style="list-style-type: none">• December 11, 2009
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