

NOCSRHD BOARD REPORT

TO: Chair and Directors

File No: 8900 42

SUBJECT: 2019 NOCSRHD Five Year Financial Plan

DESCRIPTION: Report from Jodi Pierce, Manager, Financial Services, dated January 31, 2019.
For discussion and direction.

SHORT SUMMARY:

Staff requires direction in order to prepare the final budget for the Regional Hospital District.

BACKGROUND:

On December 18, 2018, the North Okanagan Columbia Shuswap Regional Hospital District received the 2019/2020 annual capital requests from the Interior Health Authority (attached per Item 5.2 of the agenda). This document detailed a significantly increased request in the amount of \$6,813,300 (2018 - \$2,658,400). Given the significant increase, staff requires direction in order to prepare the final budget for the Regional Hospital District, and to that end have presented 3 options for the Board to consider (see attached documents).

Option 1

To fund this entire amount by way of taxation would represent an average tax increase of 62.5% or approximately \$150 per average residential property valued at \$381,737 (2018 - \$92). For obvious reasons, this is not a palatable increase.

Option 2

There are 3 large projects that are in excess of \$800,000. I have provided this option that those 3 projects would be funded via long-term debt. The interim borrowing interest would be funded through taxation but the capital cost of the projects would be funded with debt. The amortization would be for 15 years on the all projects. We could look at a 20 year term for the generator but it would not result in significant savings. This option would have an average tax increase of 13.1% or approximately \$104 per average residential property and a further increase of 13.4% in 2020 or approximately \$118 per average residential property.

Option 3

The final option presented is Option 2 plus utilizing \$650,000 from reserves to bring the tax rate down to an average increase of 4.7% or \$96 per average residential property. The concern with this option is that using the reserves would result in a 22.5% projected increase in 2020; or have to use additional reserves in 2020 to keep the increase at 6.5% and at that point, the accumulated cash reserves would be almost fully depleted. Using all the reserves would then not provide any flexibility for emergency funding or anomalies in the annual ask in future years.

A planning letter dated February 29, 2018 indicated the 2019/2020 ask would be \$4 million dollars. This is the second year in a row where the final request was significantly more than the planning letter indicated it would be. Last year, staff requested that IHA review the capital request and reduce the request, which was accommodated. Preliminary information from IHA indicates that the ask for the next two years will be approximately \$3 million dollars annually which is close to what was projected in the

five year plan provided by staff but another deviation from the planning letter would leave no cash reserves to deal with requests that are higher than projected.

Also, the Board should be aware that the Vernon Jubilee Inpatient Psychiatric Unit development will likely be coming within the next 5 years and that project is estimated to be between \$60 to \$70 million dollars. The Regional Hospital District share of that project would be between \$24 to \$28 million dollars. Obviously a project of that magnitude would have to be funded with long term debt but the financing costs become part of the annual requisition for many years and will have a significant impact. The current existing debt has the following expiration dates:

- Issue 106 - October 2019 - annual financing and repayment costs \$81,158
- Issue 102 – December 2022 – annual financing and repayment costs \$130,512
- Issue 124 - April 2023 - annual financing and repayment costs \$172,186
- Issue 106 - October 2029 - annual financing and repayment costs \$286,265
- Issue 146 - September 2033 - annual financing and repayment costs \$290,220
- Issue 106 - October 2034 - annual financing and repayment costs \$1,781,726
- Issue 112 - October 2035 - annual financing and repayment costs \$458,613
- Issue 116 - April 2036 - annual financing and repayment costs \$2,019,078
- Issue 117 - October 2036 - annual financing and repayment costs \$593,376

This does not include the outstanding temporary borrowing for the MRI project that is currently under construction.

Other options:

1. The Board could request the Interior Health Authority to refine their annual request again for the current year.
2. Some other combination of the above options.

POLICY:

In accordance with the Hospital District Act, the 2019-2023 Five Year Financial Plan must be approved by March 31, 2019. The current options have been provided using the 2019 Completed Roll for assessment purposes.

FINANCIAL:

To be determined upon direction from the Board.

KEY ISSUES/CONCEPTS:

To identify a course of action for the preparation of the 2019 Five Year Financial Plan.

DESIRED OUTCOMES:

That the Board determine a preferred option for staff to use in finalizing the 2019 Five Year Financial Plan.

Report Approval Details

Document Title:	2019-02-05_NOCSRHD_2019 Five Year Plan Discussion.docx
Attachments:	<ul style="list-style-type: none">- NOCHRHD Estimated Tax Requisition Summaries.pdf- NOCHRHD Five Year Planning Document - Option 1.pdf- NOCHRHD Five Year Planning Document - Option 2.pdf- NOCHRHD Five Year Planning Document - Option 3.pdf
Final Approval Date:	Feb 1, 2019

This report and all of its attachments were approved and signed as outlined below:

No Signature - Task assigned to Lynda Shykora was completed by assistant Jennifer Sham

Lynda Shykora - Feb 1, 2019 - 9:58 AM



Charles Hamilton - Feb 1, 2019 - 10:23 AM