

NOCSRHD BOARD REPORT

TO: Chair and Directors

File No: 8900 42; BL 72

SUBJECT: 2019 NOCSRHD Five Year Financial Plan

DESCRIPTION: Report from Jodi Pierce, Manager, Financial Services, dated March 11, 2019.

RECOMMENDATION #1: THAT: Bylaw No. 72, cited as "2019 North Okanagan/Columbia Shuswap Regional Hospital District Bylaw No. 72", be read a first, second and third time this 26th day of March, 2019.

RECOMMENDATION #2: THAT: Bylaw No. 72, cited as "2019 North Okanagan/Columbia Shuswap Regional Hospital District Bylaw No. 72", be adopted this 26th day of March, 2019.

SHORT SUMMARY:

Attached is the proposed 2019 Five Year Financial Plan for the North Okanagan Columbia Shuswap Regional Hospital District. This financial plan includes all traditionally funded capital initiatives and all previously approved projects, in the amended Capital Funding request submitted March 6, 2019 in the amount of \$5,945,700.

VOTING:

Unweighted
Corporate ☐

Weighted
Corporate ☒

Stakeholder
(Weighted) ☐

BACKGROUND:

On December 10, 2018, a Capital Funding request letter was submitted in the amount of \$6,813,300. This request was substantially higher than the \$4.0 million indicated in the planning letter received in February 28, 2018. Consequently staff determined that a budget session was required of the Board and was held on February 5, 2019. At that meeting, a number of options were presented to the Board. Two resolutions were passed during that meeting. One was to communicate to Interior Health that the capital request would be funded to a maximum of \$6,000,000 and the second was that the budget include a 25% tax increase and that \$600,000 from reserve funds be used to reduce long-term borrowing.

During the budget meeting, three projects were anticipated to be funded potentially through long-term borrowing which totalled approximately \$4,000,000. One of the projects that Interior Health removed from the capital request budget was one of the projects that was to be funded through long term borrowing. The attached budget represents a 24.6% increase in taxation, long-term borrowing of \$1,980,000 and use of \$125,000 of reserves. Staff recommends decreasing the use of reserves to \$125,000 from the \$600,000 as it is more stream-lined to fund a major projects using either taxation or borrowing, rather than a combination of funding sources.

POLICY:

An annual budget must be approved by March 31st each year and a provisional budget must be approved by December 31st each year as required by section 23 of the Hospital District Act. The 2019 Five Year Financial Plan serves as both documents.

FINANCIAL:

The 2019 Five Year Financial Plan is produced in the same format as previous years and is compliant with PSAB requirements. The current year actuals, as per the Annual Financial statements, are compared to the related budget and are projected out based on reasonable estimates for five years to meet the requirement to approve a provisional budget by December 31st.

For the purposes of the five year plan, staff has projected increases in funding requests for years 3, 4 and 5 at 2.5% per year; these increases will be adjusted annually to agree to the actual requests received from Interior Health.

The annual deficit projected for 2019 is due primarily to the completion of the MRI capital projects that is to be funded using borrowing as the source of funding. Borrowing is not considered a revenue stream and this project has not yet been completed. In years following, the annual surplus component of the budget includes actuarial adjustments; but not transfers from reserves, debt payments nor proceeds from additional debt. These comparisons are necessary for internal financial reporting purposes. To arrive at a balanced financial plan per the Hospital District Act requirements, the transfers from reserves, debt payments and proceeds from additional debt are added or subtracted to the annual surplus or deficit as determined under PSAB requirements.

The overall proposed 2019 tax requisition is a 24.6% increase over 2018 which when applied across jurisdictions can range from 23.0% in Enderby to 32.7% in the City of Revelstoke due to changes in assessments. This financial plan is projecting a 10-11% increase in taxation in the next two years to allow the Hospital District to cover all expenditures, including debt payments and accumulate cash reserves as Interior Health has indicated that there are a number of significant projects on the horizon such as the Inpatient Psychiatric facility at Vernon Jubilee which could require funding of approximately \$25 million by the NOCSRHD.

The tax rate implication is an increase in the mill rate from \$0.2619/\$1,000 assessment in 2018 to \$0.3006/\$1,000 in 2019. The average residential tax would increase from \$91.87 per average residence assessed at \$350,765 in 2018 to \$115.15 per average residence assessed at \$381,737 in 2019.

KEY ISSUES/CONCEPTS:

The 2019 Five Year Financial Plan includes the following:

1. Total Tax Requisition has increased by 24.6% to \$9,682,547 (2018 - \$7,771,656).
2. The financial plan includes annual IHA capital expenditure request of \$5,945,700 for the current year. Prior approved capital expenditures carried over from previous years to 2019 is \$3,986,314 which includes completion of the MRI project.
3. Transfer from reserves in the amount of \$125,000.
4. Budget indicates a deficit of \$2,982,388 (2018 – deficit of \$3,882,122) largely as a result of projects that have been carried forward for completion that were budgeted and taxed for in prior years and/or using borrowing as a source of funding.
5. Final 2019 Tax Requisition will change slightly utilizing BC Assessment 2019 Revised Roll (and 2018 Final roll) due March 31st 2019 (current rates have been calculated using the 2019 Completed Roll)
6. The RHD does not fund Hospital operating expenditures which are the responsibility of IHA.

IMPLEMENTATION:

The approved budget will be implemented upon adoption and will provide the authority for expenditures.

COMMUNICATIONS:

The approved annual budget will be distributed to member Municipalities, Interior Health and various Provincial Ministries as well as posted on the CSRD website.

DESIRED OUTCOMES:

That the 2019 NOCSRHD Five Year Financial Plan in the amount of \$13,603,320 be approved.

BOARD'S OPTIONS:

1. *Endorse the Recommendation.*
2. *Deny the Recommendation.*
3. *Defer.*
4. *Any other action deemed appropriate by the Board.*

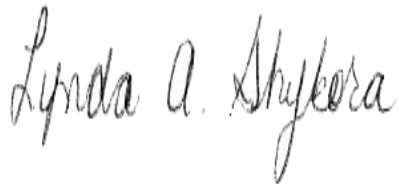
LIST NAME OF REPORT(S) / DOCUMENT(S) AVAILABLE FROM STAFF:

1. List reports

Report Approval Details

Document Title:	2019-03-26_NOCSRHD_2019 Five Year Financial Plan.docx
Attachments:	<ul style="list-style-type: none">- 2019 Five Year Financial Plan Bylaw 72 Schedule A.pdf- 2019 Summary of Requisition by Jurisdiction.pdf- Status of Approved and Proposed Projects.pdf
Final Approval Date:	Mar 14, 2019

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



Lynda Shykora - Mar 14, 2019 - 2:34 PM



Charles Hamilton - Mar 14, 2019 - 2:40 PM