

NOCSRHD BOARD REPORT

TO: Chair and Directors

SUBJECT: Interest Rate and Surplus Analysis

DESCRIPTION: Report from Jodi Pierce, General Manager, Financial Services dated April 14, 2025. For information only.

SHORT SUMMARY:

Staff were directed to look at the historical interest budgeted and earned since 2018 and report back to the Board.

BACKGROUND:

Staff have reviewed the financial statements from 2018 to current to compare actual interest versus budgeted interest and have prepared the following information.

		Budgeted Interest	Actual Interest	Prior IHA Projects Carried Forward
2018	1.65%	35,000	76,233	6,160,665
2019	1.86%	50,000	98,836	3,986,314
2020	0.85%	50,000	52,722	3,250,045
2021	0.15%	50,000	20,163	7,393,402
2022	1.93%	25,000	368,521	11,492,766
2023	5.07%	100,000	1,089,592	11,674,989
2024	4.83%	300,000	1,271,944	12,508,243

Staff have included both the annual rates of return earned in each of the years plus the projects carried forward by the Interior Health Authority (IHA) because if the projects carried forward were to have decreased in any given year, it could have had a significant effect on the annual interest earned. Also, since 2020 the interest rates have been very volatile and staff could not predict a decrease of 70 basis points in 2021 nor the significant increases from 2021 to 2022 or from 2022 to 2023. While budgeted increase for interest revenue did more than triple from \$100,000 to \$300,000 in 2024, there is no way of knowing when IHA will be submitting invoices for the significant outstanding projects which led to the large surplus in 2024. The large variances in budget versus actual interest can also be tied to the growth in prior projects carried forward.

Further staff also examined the annual surplus as it has been suggested that the budgets presented by staff and approved by Board may be overtaxing the residents due to the discrepancy between budgeted

and actual interest. It should be noted that the annual surplus on the financial statements does not include the principal debt payments nor any approved transfers to or from reserves.

	Annual Surplus per Income Statement	Debt Payments & Actuarial	Budgeted Transfer to Reserve	Cash surplus/deficit
2018	2,853,786	2,875,578	-	-\$ 21,792
2019	2,815,750	3,172,536	- 125,000	-\$ 231,786
2020	5,866,808	3,217,309	1,204,000	\$ 1,445,499
2021	5,586,248	3,520,040	800,000	\$ 1,266,208
2022	7,893,966	3,709,304	2,300,000	\$ 1,884,662
2023	6,145,015	3,723,693	750,000	\$ 1,671,322
2024	5,632,368	4,392,884	1,850,000	-\$ 610,516

As this table shows, there has been an annual surplus every year since 2018. While the large surpluses in 2020 through 2023 can be tied to the large increase in projects carried forward by IHA, there have been years when the annual surplus becomes a deficit after the principal debt payments and budgeted transfers to reserves have been taken into account.

Overall, staff have felt the need to budget interest conservatively due to the lack of cash flow management information from IHA. The surpluses generated from this conservative approach has been a tax-free way to increase the much-needed reserves for the major projects that may be on the horizon.

POLICY:

N/A

KEY ISSUES/CONCEPTS:

Analysis of interest and surplus at the request of the Board

IMPLEMENTATION:

N/A

COMMUNICATIONS:

N/A

Report Approval Details

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



Jennifer Sham



John MacLean