

NOCSRHD BOARD REPORT

TO: Chair and Directors

File No: 8900 42; BL 7

SUBJECT: 2018 NOCSRHD Five Year Financial Plan

DESCRIPTION: Report from Jodi Pierce, Manager, Financial Services, dated March 16, 2018.

RECOMMENDATION #1: THAT: Bylaw No. 70, cited as "2018 North Okanagan/Columbia Shuswap Regional Hospital District Bylaw No. 70", be read a first, second and third time this 27th day of March, 2018.

RECOMMENDATION #2: THAT: Bylaw No. 70, cited as "2018 North Okanagan/Columbia Shuswap Regional Hospital District Bylaw No. 70", be adopted this 27th day of March, 2018.

SHORT SUMMARY:

Attached is the proposed 2018 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 February 14, 2018 in the amount of \$2,658,400, and further amended via email on March 16, 2018.

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|----------------|-------------------------|--------------------------|-----------------------|-------------------------------------|---------------------------|--------------------------|
| VOTING: | Unweighted Corporate | <input type="checkbox"/> | Weighted Corporate | <input checked="" type="checkbox"/> | Stakeholder (Weighted) | <input type="checkbox"/> |
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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 2018 Five Year Financial Plan serves as both documents.

FINANCIAL:

The 2018 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.

On December 12, 2017, a Capital Funding request letter was submitted in the amount of \$4,401,600. This request was substantially higher than the \$2.7 million indicated in the planning letter received in February 2017 and contrary to the letter issued by the Board dated June 26, 2017 which requested that Interior Health "be very mindful of its capital request submissions in future years, particularly in the years 2018 through 2020." Staff responded to the initial request letter and asked that an amended Capital Funding request letter be submitted that would be within the \$2.7 million dollars as per the planning letter received in February. The amended request was received and is the document on which this Five Year Financial Plan was based. Year two of this budget currently uses the \$2.8 million as per the planning letter of February 2017, however, subsequent to the development of this budget a new planning letter was received (and included in the agenda) that indicates the funding request for 2019/2020 may be \$4 million. This represents a 48% increase over the current year budget and the Board will have to determine: 1) if those increases can be accommodated; 2) whether long-term borrowing will be a possible

source of funding for any projects; or 3) if they wish staff to communicate with Interior Health that these increases to funding requests are not sustainable and request that Interior Health further fine tune the funding requests to a sustainable level.

For the purposes of the five year plan, staff has projected increases in funding requests for years 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 2018 is due primarily to the completion of two capital projects that are to be funded using borrowing as the source of funding. Borrowing is not considered a revenue stream and these projects have 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 2018 tax requisition is a 1.5% increase over 2017 which when applied across jurisdictions can range from -0.5% in Sicamous to 8% in the City of Revelstoke due to changes in assessments. This financial plan is projecting to eliminate the use of excess cash reserves over the next four years as current taxation does not cover all expenditures, including debt payments.

The tax rate implication is a decrease in the mill rate from \$0.2741/\$1,000 assessment in 2017 to \$0.2619/\$1,000 in 2018. The average residential tax would increase from \$87.03 per average residence assessed at \$317,500 in 2017 to \$91.87 per average residence assessed at \$350,765 in 2017.

KEY ISSUES/CONCEPTS:

The 2018 Five Year Financial Plan includes the following:

1. Total Tax Requisition has increased by 1.5% to \$7,771,656 (2017 - \$7,654,858).
2. The financial plan includes annual IHA capital expenditure request of \$2,658,400 for the current year. Prior approved capital expenditures carried over from previous years to 2018 is \$6,160,665 which includes completion of the Polson Tower project and the MRI project.
3. Transfer from reserves in the amount of \$1,750,000.
4. Budget indicates a deficit of \$3,774,122 (2017 – deficit of \$4,137,467) 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 2017 Tax Requisition will change slightly utilizing BC Assessment 2018 Revised Roll (and 2017 Final roll) due March 31st 2018 (current rates have been calculated using the 2018 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 2018 NOCSRHD Five Year Financial Plan in the amount of \$12,353,140 be approved.

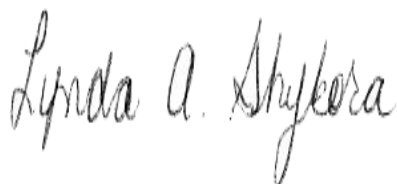
BOARD'S OPTIONS:

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

Report Approval Details

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| Document Title: | 2018-03-27_NOCSRHD_2018 Five Year Financial Plan.docx |
| Attachments: | <ul style="list-style-type: none">- Five Year Financial Plan Bylaw No. 70.pdf- Adjusted Requisition.pdf- Status of Approved and Proposed Projects.pdf |
| Final Approval Date: | Mar 20, 2018 |

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



Lynda Shykora - Mar 19, 2018 - 4:00 PM



Charles Hamilton - Mar 20, 2018 - 8:34 AM