



Staff Report

DATE: January 28, 2019

FILE: H-FIN

TO: Chair and Directors
Regional Hospital District Board

FROM: Russell Dyson
Chief Administrative Officer

Supported by Russell Dyson
Chief Administrative Officer

R. Dyson

RE: Tax requisition reduction

Purpose

To present, for consideration, a recommendation to reduce the tax requisition for the Comox Strathcona Regional Hospital District (CSRHD) from \$17 million to \$15 million.

Recommendation from the Chief Administrative Officer:

THAT the tax requisition for the Comox Strathcona Regional Hospital District be reduced from \$17 million to \$15 million in the 2019 recommended budget, and to be reviewed annually as part of the financial planning process.

Executive Summary

- The Comox Strathcona Regional Hospital District board has historically cost shared up to 40 per cent towards capital projects and equipment for acute care facilities (hospitals) and named facilities pursuant to the *Hospital District Act*.
- In 2011, the CSRHD approved a financial strategy of establishing a sustainable tax rate in order to place funds into a capital project reserve fund to fund the CSRHD's 40 per cent contribution towards the North Island Hospitals Project (NIHP).
- The tax rate strategy enabled \$151 million of the CSRHD's \$240 million contribution, plus interest, to be funded from reserves and operations, with the remaining \$89 million funded in 2018 through long term debt with a 10 year term.
- In 2015, the Board considered a ten year financial strategy to gradually reduce the tax requisition from \$17 million to \$14 million. This strategy was not adopted at the time due to ongoing uncertainty relating to the long-sought modernization of the *Hospital District Act* and deliberations concerning expanded future service delivery models/mandate. Additionally, the construction of the NIHP was in the early stages and the final debt servicing costs and term were unknown.
- With the NIHP now completed and the debt servicing costs set for the 10 year term, the current tax requisition of \$17 million can be reduced to \$15 million and still provide sufficient funding for Island Health's annual funding envelope of \$1,850,000 and the debt servicing costs.
- The target balance for the reserve fund is \$10 million plus committed projects (\$3.1 million). At the \$17 million requisition level, the CSRHD would have a balance of approximately \$14 million at the end of 2019 – an excess of \$2.6 million over the target.
- With the recent completion of the NIHP, it is anticipated that Island Health's annual capital project and capital equipment requests should be very manageable over the next 10 years.

Prepared by:

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Corporate Financial Officer

Concurrence:

K. Douville

Kevin Douville,
Manager of Financial Planning

Options

- To reduce the 2019 tax requisition from \$17 million to \$15 million in the 2019 recommended financial plan.
- To not reduce the 2019 tax requisition from \$17 million

Financial Factors

The current requisition level of \$17 million funds an annual allocation of \$1,880,000 for capital projects/equipment to Island Health and six small named facilities, long term annual debt servicing costs as well as contributions to the future expenditure reserve.

The target balance for the future expenditure reserve fund is \$10 million plus committed funds for previously approved Island Health projects, totaling \$4,527,506 at the end of 2018. This includes the NIHP project reserve of \$3.0M of which it is anticipated that less than \$2 million will be requested.

The provisional 2019 budget, prepared with a \$17 million requisition, results in a further \$4.2 million contribution to reserves, bringing the estimated balance at the end of 2019 to \$14 million.

Having a reserve fund that is tied to future needs is a prudent financial strategy. For the 10 year horizon of the debt repayment term, there are no potential expenditures that would exceed the funds held in the reserve.

A \$2 million reduction in the tax requisition would not impact the 10 year payout of the NIHP borrowing nor affect the annual Island Health and named facility grant thresholds set by policy.

For capital projects exceeding \$1,500,000, Island Health is required to make a presentation to the CSRHD Board well in advance. This policy requirement provides ample opportunity for staff to review and present funding options to the Board.

Citizen/Public Relations

A \$2 million reduction in the tax requisition would equate to a decrease in 2019 CSRHD taxes payable of \$27 (from \$231 to \$204) for a household assessed at \$400,000 in the region and would assist in offsetting some of the increased financial pressures being experienced by the residents.