

Central Okanagan Regional Hospital District

Draft 2022 – 2026 Five-year Financial Plan

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Purpose

- Presentation of the Draft 2022 – 2026 Central Okanagan Regional Hospital District (CORHD) Five-year Financial Plan.

Background

- CORHD must develop a Five-year Financial Plan bylaw detailing expenses and revenues for the upcoming calendar year.
- The CORHD Board must approve the annual budget before March 31 each year.
- The Draft 2022-2026 CORHD Financial Plan (Appendix A) is derived from Interior Health's capital priorities
- Significant new projects in the Draft 2022-2026 CORHD Financial Plan (greater than \$1 million) include:

Description	Facility	Total Project Cost (\$ millions)	CORHD Share (\$ millions)
MRI Replacement and Addition	Kelowna General Hospital	30.00	10.28
CT Scanner	Kelowna General Hospital	3.19	1.27
Equipment between \$5,000 and \$100,000	All Facilities	2.95	1.18
IH-Wide Digital Health	Regional	2.58	1.03
Total		\$ 38.72	\$ 13.76

Draft 2022 – 2026 Financial Plan

	2022 Draft Budget	2023 Budget	2024 Budget	2025 Budget	2026 Budget
REVENUE					
Tax Requisition:					
City of Kelowna	\$ 13,867,985	\$ 14,284,024	\$ 14,712,545	\$ 15,153,921	\$ 15,608,539
District of Peachland	\$ 539,389	\$ 555,571	\$ 572,238	\$ 589,405	\$ 607,087
District of Lake Country	\$ 1,434,022	\$ 1,477,042	\$ 1,521,353	\$ 1,566,994	\$ 1,614,004
City of West Kelowna	\$ 3,152,791	\$ 3,247,374	\$ 3,344,796	\$ 3,445,140	\$ 3,548,494
Electoral Area Central Okanagan West	\$ 380,675	\$ 392,096	\$ 403,858	\$ 415,974	\$ 428,453
Electoral Area Central Okanagan East	\$ 346,549	\$ 356,945	\$ 367,653	\$ 378,683	\$ 390,044
Total Requisition	\$ 19,721,410	\$ 20,313,052	\$ 20,922,444	\$ 21,550,117	\$ 22,196,621
Transfer from Reserve	\$ 11,535,782	\$ -	\$ -	\$ -	\$ -
Surplus	\$ 8,038,449	\$ -	\$ -	\$ -	\$ -
TOTAL REVENUE	\$ 39,295,641	\$ 20,313,052	\$ 20,922,444	\$ 21,550,117	\$ 22,196,621
OPERATING EXPENSES					
Debt Servicing	\$ 6,591,534	\$ 6,591,534	\$ 6,591,534	\$ 6,591,534	\$ 6,591,534
Administration	\$ 41,000	\$ -	\$ -	\$ -	\$ -
Temporary Borrowing Interest	\$ -	\$ -	\$ -	\$ -	\$ -
Audit & Contract Services	\$ 9,555	\$ 9,765	\$ 9,975	\$ 10,175	\$ 10,378
Total Operating Expense	\$ 6,642,089	\$ 6,601,299	\$ 6,601,509	\$ 6,601,708	\$ 6,601,912
Transfer to Reserve	\$ -	\$ 3,711,754	\$ 4,320,935	\$ 4,948,409	\$ 5,594,709
TOTAL OPERATING EXPENDITURES	\$ 6,642,089	\$ 10,313,052	\$ 10,922,444	\$ 11,550,117	\$ 12,196,621
CAPITAL EXPENDITURES					
Carry Forward Projects	\$ 14,627,252	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000
Construction Projects over \$100,000	\$ 2,541,600	\$ -	\$ -	\$ -	\$ -
Construction Projects under \$100,000	\$ 56,000	\$ -	\$ -	\$ -	\$ -
IH-Wide Digital Health	\$ 1,032,000	\$ -	\$ -	\$ -	\$ -
Equipment over \$100,000	\$ 13,215,700	\$ -	\$ -	\$ -	\$ -
Equipment under \$100,000	\$ 1,181,000	\$ -	\$ -	\$ -	\$ -
Total Capital Expenditures	\$ 32,653,552	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000
TOTAL EXPENDITURES	\$ 39,295,641	\$ 20,313,052	\$ 20,922,444	\$ 21,550,117	\$ 22,196,621
Total Net Surplus (Deficit)	\$ -	\$ -	\$ -	\$ -	\$ -
Tax impact on 2022 Average Home (\$804,308)	\$ 169.48	\$ 174.57	\$ 179.81	\$ 185.20	\$ 190.76
Tax impact on \$100,000 of 2022 Residential Assessment	\$ 21.07	\$ 21.70	\$ 22.36	\$ 23.03	\$ 23.72
Tax requisition increase/-decrease	3.00%	3.00%	3.00%	3.00%	3.00%

Operating Expenditures

- The total debt servicing cost for 2022 is \$6.59 million, a decrease of \$0.69 million from 2021 due to a rate reset on historical issuances.
- The Administration budget recognizes resources provided by RDCO staff in supporting the CORHD throughout the year.
- Staff do not anticipate borrowing to fund projects in 2022; therefore, temporary borrowing interest has not been budgeted.
- Audit and Contract Service fees reflect the contract awarded to BDO by the Board to perform the 2022 Financial Audit.
- Transfers to reserve will not commence until 2023 due to a significant increase (\$7.78 million or 75.63%) in funding requests from the IHA.
- The 2022 - 2026 draft Financial Plan includes \$6.64 million in operating expenditures, a decrease of \$0.72 million or 9.75% from the prior year.
- The detailed 2022 Draft Budget compared to the 2021 Final Budget is included in Appendix A.
- The following table summarizes the year over year change in operating expenditures;

Expense Type	2022 Draft Budget	2021 Budget	\$ Change	% Change
Total	\$ 6,642,089	\$ 7,359,713	-\$ 717,624	-9.75%

2022 Draft Budget

	2022 Draft Budget	2023 Budget	2024 Budget	2025 Budget	2026 Budget
<u>REVENUE</u>					
Tax Requisition:					
City of Kelowna	\$ 13,867,985	\$ 14,284,024	\$ 14,712,545	\$ 15,153,921	\$ 15,608,539
District of Peachland	\$ 539,389	\$ 555,571	\$ 572,238	\$ 589,405	\$ 607,087
District of Lake Country	\$ 1,434,022	\$ 1,477,042	\$ 1,521,353	\$ 1,566,994	\$ 1,614,004
City of West Kelowna	\$ 3,152,791	\$ 3,247,374	\$ 3,344,796	\$ 3,445,140	\$ 3,548,494
Electoral Area Central Okanagan West	\$ 380,675	\$ 392,096	\$ 403,858	\$ 415,974	\$ 428,453
Electoral Area Central Okanagan East	\$ 346,549	\$ 356,945	\$ 367,653	\$ 378,683	\$ 390,044
Total Requisition	\$ 19,721,410	\$ 20,313,052	\$ 20,922,444	\$ 21,550,117	\$ 22,196,621
Transfer from Reserve	\$ 11,535,782	\$ -	\$ -	\$ -	\$ -
Surplus	\$ 8,038,449	\$ -	\$ -	\$ -	\$ -
TOTAL REVENUE	\$ 39,295,641	\$ 20,313,052	\$ 20,922,444	\$ 21,550,117	\$ 22,196,621
<u>OPERATING EXPENSES</u>					
Debt Servicing	\$ 6,591,534	\$ 6,591,534	\$ 6,591,534	\$ 6,591,534	\$ 6,591,534
Administration	\$ 41,000	\$ -	\$ -	\$ -	\$ -
Temporary Borrowing Interest	\$ -	\$ -	\$ -	\$ -	\$ -
Audit & Contract Services	\$ 9,555	\$ 9,765	\$ 9,975	\$ 10,175	\$ 10,378
Total Operating Expense	\$ 6,642,089	\$ 6,601,299	\$ 6,601,509	\$ 6,601,708	\$ 6,601,912
Transfer to Reserve	\$ -	\$ 3,711,754	\$ 4,320,935	\$ 4,948,409	\$ 5,594,709
TOTAL OPERATING EXPENDITURES	\$ 6,642,089	\$ 10,313,052	\$ 10,922,444	\$ 11,550,117	\$ 12,196,621
<u>CAPITAL EXPENDITURES</u>					
Carry Forward Projects	\$ 14,627,252	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000
Construction Projects over \$100,000	\$ 2,541,600	\$ -	\$ -	\$ -	\$ -
Construction Projects under \$100,000	\$ 56,000	\$ -	\$ -	\$ -	\$ -
IH-Wide Digital Health	\$ 1,032,000	\$ -	\$ -	\$ -	\$ -
Equipment over \$100,000	\$ 13,215,700	\$ -	\$ -	\$ -	\$ -
Equipment under \$100,000	\$ 1,181,000	\$ -	\$ -	\$ -	\$ -
Total Capital Expenditures	\$ 32,653,552	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000
TOTAL EXPENDITURES	\$ 39,295,641	\$ 20,313,052	\$ 20,922,444	\$ 21,550,117	\$ 22,196,621
Total Net Surplus (Deficit)	\$ -	\$ -	\$ -	\$ -	\$ -
Tax impact on 2022 Average Home (\$804,308)	\$ 169.48	\$ 174.57	\$ 179.81	\$ 185.20	\$ 190.76
Tax impact on \$100,000 of 2022 Residential Assessment	\$ 21.07	\$ 21.70	\$ 22.36	\$ 23.03	\$ 23.72
Tax requisition increase/-decrease	3.00%	3.00%	3.00%	3.00%	3.00%

Revenue

- Total revenue is \$39.30 million, increasing \$8.78 million or 28.78% from the prior year. The detailed 2022 Draft Budget is included in Appendix A. The change in revenue from the preceding year is shown in the table below:

Expense Type	2022 Draft Budget	2021 Budget	\$ Change	% Change
Tax Requisition:				
<i>City of Kelowna</i>	\$ 13,867,985	\$ 13,617,493	\$ 250,491	1.84%
<i>District of Peachland</i>	\$ 539,389	\$ 498,561	\$ 40,828	8.19%
<i>District of Lake Country</i>	\$ 1,434,022	\$ 1,361,003	\$ 73,018	5.37%
<i>City of West Kelowna</i>	\$ 3,152,791	\$ 2,990,355	\$ 162,435	5.43%
<i>Electoral Area Central Okanagan West</i>	\$ 380,675	\$ 353,531	\$ 27,145	7.68%
<i>Electoral Area Central Okanagan East</i>	\$ 346,549	\$ 326,056	\$ 20,492	6.28%
Transfer from Reserve	\$ 11,535,782	\$ 2,865,852	\$ 8,669,930	302.53%
Surplus	\$ 8,038,449	\$ 8,500,000	-\$ 461,551	-5.43%
Total	\$ 39,295,641	\$ 30,512,852	\$ 8,782,789	28.78%

- The increase in revenue requirements is primarily driven by increased transfers from the reserve of \$8.67 million or 302.53%. If any funding is not needed, it will not be taken out of the reserve.

Requisition

- The 2022 requisition is budgeted at \$19.72 million, increasing \$0.57 million (3.00%) from the prior year.
- The table below illustrates the cost per average home and year-over-year change based on the current residential assessment of \$804,308 for an average home.

Description	2022 Draft Budget	2021 Budget	\$ Change	% Change
Requisition (\$ millions)	\$19,721,410	\$19,147,000	\$ 574,410	3.00%
Cost / Average Household (\$804,308)	\$ 169.48	\$ 188.93	-\$ 19.45	-10.29%

- The cost per average residential home is a theoretical calculation that provides an indicative cost to individual homes in the region.

Requisition continued

- Table 4 presents the Annual Cost per Average Home and Reserve Balance changes based on escalating tax increases. As the tax increase rises, so does the balance in reserve due to increased transfers to reserve. The cost to the average home also rises due to increased taxation and a static assessment assumption.

Tax Increase	Indicator	2022	2023	2024	2025	2026

Capital Projects

- 2022 capital project expenditures total \$32.65 million, an increase of \$9.50 million from 2021.

Description	2022 Draft Budget	2021 Final	\$ Change	% Change
Previously Approved Projects	\$ 14,627,252	\$ 12,907,099	\$ 1,720,153	13.33%
Construction Projects over \$100,000	\$ 2,541,600	\$ 1,798,000	\$ 743,600	41.36%
Construction Projects under \$100,000	\$ 56,000	\$ -	\$ 56,000	
Equipment over \$100,000	\$ 13,215,700	\$ 6,119,000	\$ 7,096,700	115.98%
Equipment under \$100,000	\$ 1,181,000	\$ 1,012,140	\$ 168,860	16.68%
IH-Wide Digital Health	\$ 1,032,000	\$ 1,316,900	-\$ 284,900	-21.63%
Total	\$ 32,653,552	\$ 23,153,139	\$ 9,500,413	41.03%

- Appendix C details planned capital expenditures by project and the related cost-sharing commitment.

Previously Approved Capital Projects

Capital Borrowing Bylaw	Year	Project Description	Facility	Total Projct Cost	Total CORHD Share	Cost Share %	Funded in Prior Years	Amount Remaining	2022 Funding		
									Requisition	Reserves	Surplus
Previously Approve Projects											
200	2017	KGH-MEDSTATIONS,IH WIDE RPLMT PH. 2	Kelowna General Hospital	4,221,000	1,688,400	40%	1,610,505	77,895	-	77,895	-
211	2017	KGH-SURFACE PARKING	Kelowna General Hospital	1,350,000	540,000	40%	345,602	194,398	-	194,398	-
217	2018	REGIONAL-IH WIDE IMIT	Various	5,099,000	2,039,600	40%	1,399,850	639,750	-	639,750	-
221	2018	RHC-WIRELESS INFRASTR EXPANSION	Rutland Health Centre	25,000	10,000	40%	9,445	555	-	555	-
225	2019	KGH-SURGICAL EXPANSION STRATEGY	Kelowna General Hospital	4,530,000	1,812,000	40%	1,455,130	356,870	-	356,870	-
226	2019	KGH-BOILER ROOM UPGRADE	Kelowna General Hospital	630,000	252,000	40%	155,834	96,166	-	96,166	-
228	2019	KGH-2019 REGIONAL IH WIDE IMIT	Kelowna General Hospital	2,479,000	991,600	40%	698,649	292,951	-	292,951	-
229	2019	KELOWNA WIRELESS INFRASTR REFRESH	Various	95,000	38,000	40%	36,765	1,235	-	1,235	-
230	2019	KGH-SPECT CT	Kelowna General Hospital	1,823,000	729,200	40%	688,724	40,476	-	40,476	-
234	2019	KGH-LABORATORY MIDDLEWARD	Kelowna General Hospital	317,500	127,000	40%	-	127,000	-	127,000	-
239	2020	REGIONAL-IH WIDE IMIT	Various	2,512,000	1,004,800	40%	629,701	375,099	-	375,099	-
240	2020	KGH - UNIFIED COMMUNICATIONS TELEPHONY	Kelowna General Hospital	1,456,000	582,400	40%	33,220	549,180	-	549,180	-
241	2020	KGH - IH WIDE IMIT	Kelowna General Hospital	150,000	60,000	40%	-	60,000	-	60,000	-
242	2020	KGH - CATH LAB	Kelowna General Hospital	1,554,000	621,600	40%	594,885	26,715	-	26,715	-
243	2020	KGH - MEAL DELIVERY SYSTEM	Kelowna General Hospital	1,496,000	598,400	40%	50,654	547,746	-	547,746	-
246	2020	KGH - BLOOD CULTURE SYSTEM	Kelowna General Hospital	389,000	119,000	31%	103,711	15,289	-	15,289	-
247	2020	KGH - REMOTE PATIENT OBSERVATION SYSTEM	Kelowna General Hospital	309,000	123,600	40%	-	123,600	-	123,600	-
249	2021	Pre approval of KGH Parkade for 2021 \$4,600,000	Kelowna General Hospital	20,000,000	4,600,000	23%	2,761,414	1,838,586	-	1,838,586	-
250	2020	LONG-TERM CARE BUSINESS PLAN (REP OF COTTONWOODS)	Cottonwoods Replacement	250,000	100,000	40%	-	100,000	-	100,000	-
251	2020	KELOWNA COMMUNITY HEALTH & SERV 5TH FLOOR COMPLETION	Kel Community Health	300,000	120,000	40%	117,928	2,072	-	2,072	-
252	2021	CAPITAL TENANT IMPROVEMENTS	West Kel UPCC & PCN	3,100,000	1,200,000	39%	939,549	260,451	-	260,451	-
254	2021	SPRINKLER PIPE REPLACEMENT	Kelowna General Hospital	500,000	200,000	40%	-	200,000	-	200,000	-
255	2021	IH - WIDE IMIT	Various	3,292,250	1,316,900	40%	-	1,316,900	-	1,316,900	-
256	2021	OPERATING ROOMS #15 & #16 EQUIPMENT	Kelowna General Hospital	6,900,000	2,760,000	40%	-	2,760,000	-	2,760,000	-
257	2021	ENDOVASCULAR TREATMENT EQUIPMENT	Kelowna General Hospital	6,500,000	1,847,000	28%	-	1,847,000	-	1,532,847	314,153
258	2021	MULTI-DOSE PACKAGING EQUIPMENT	Kelowna General Hospital	815,000	326,000	40%	-	326,000	-	-	326,000
259	2021	ULTRASOUND (X3) AND ULTRASOUND CARDIAC	Kelowna General Hospital	767,000	306,800	40%	86,400	220,400	-	-	220,400
260	2021	C-ARM WITH VASCULAR	Kelowna General Hospital	298,000	119,200	40%	108,235	10,965	-	-	10,965
261	2021	AUTOMATED CHEMISTRY/IMMUNO CHEM ANALYZER SYSTEM	Kelowna General Hospital	1,122,000	448,800	40%	138,048	310,752	-	-	310,752
262	2021	HOLMIUM LASER	Kelowna General Hospital	210,000	84,000	40%	-	84,000	-	-	84,000
263	2021	GLOBAL EQUIPMENT GRANT (UNDER \$100K)	Various	2,530,350	1,012,140	40%	1,012,140	-	-	-	-
264	2021	Outreach Urban Health	Leased - Pandosy Street	1,995,000	798,000	40%	-	798,000	-	-	798,000
265	2021	Regional Warehouse - Inventory Carousel Upgrade	Regional Warehouse	568,000	227,200	40%	-	227,200	-	-	227,200
		TBD Kelowna/Rutland Primary Care Network			800,000		-	800,000	-	-	800,000
Subtotal Previously Approved Projects				77,583,100	27,603,640		12,976,388	13,827,252		11,535,782	2,291,470

New Approved Capital Projects

Capital Borrowing	Year	Project Description	Facility	Total Project Cost	Total CORHD Share	Cost Share %	Funded in Prior Years	Amount Remaining	2022 Funding Requisition	Reserves	Surplus
2022 New Project Request											
		Construction Projects over \$100,000									
		Pharmacy Upgrade	Kelowna General Hospital	1,950,000	780,000	40%	-	780,000	780,000	-	-
		Boiler Replacement and Building Automation System Upgrade	Brookhaven Care Centre	1,910,000	764,000	40%	-	764,000	764,000	-	-
		Strathcona Heating Plant Replacement	Kelowna General Hospital	1,400,000	560,000	40%	-	560,000	560,000	-	-
		Chiller	Brookhaven Care Centre	644,000	257,600	40%	-	257,600	257,600	-	-
		West Parkade Remediation	Kelowna General Hospital	300,000	120,000	40%	-	120,000	120,000	-	-
		Downtown First Nations Health Centre - Planning	TBD	150,000	60,000	40%	-	60,000	60,000	-	-
		Construction Projects under \$100,000									
		Heat Exchanger Replacement	Brookhaven Care Centre	80,000	32,000	40%	-	32,000	32,000	-	-
		Autopsy Entrance Upgrade	Kelowna General Hospital	60,000	24,000	40%	-	24,000	24,000	-	-
		IH-Wide Digital Health									
		IH-Wide Digital Health	Regional	2,580,000	1,032,000	40%	-	1,032,000	1,032,000	-	-
		Equipment over \$100,000									
		MRI Replacement and Addition	Kelowna General Hospital	30,000,000	10,280,000	34%	-	10,280,000	5,871,470		4,408,530
		CT Scanner	Kelowna General Hospital	3,185,000	1,274,000	40%	-	1,274,000	1,274,000	-	-
		Equipment Management System	Kelowna General Hospital	1,200,000	480,000	40%	-	480,000	480,000	-	-
		General Radiographic System	Kelowna General Hospital	750,000	300,000	40%	-	300,000	300,000	-	-
		Laboratory Middleware	Various	621,000	248,400	40%	-	248,400	248,400	-	-
		Three Links Mannor	Nurse Call	550,000	220,000	40%	-	220,000	220,000	-	-
		Medstation - Additional	Kelowna General Hospital	404,250	161,700	40%	-	161,700	161,700	-	-
		Ultrasound, Cardiac	Kelowna General Hospital	232,000	92,800	40%	-	92,800	92,800	-	-
		Monitoring System, Physiological	Kelowna General Hospital	216,000	86,400	40%	-	86,400	86,400	-	-
		Five-Ton Truck	Regional Warehouse	181,000	72,400	40%	-	72,400	72,400	-	-
		Equipment under \$100,000									
		Equipment between \$5,000 and \$100,000	All Facilities	2,952,500	1,181,000	40%		1,181,000	642,551	-	538,449
Subtotal New Project Request				49,365,750	18,026,300		-	18,026,300	13,079,321	-	4,946,979
Total				126,948,850	45,629,940		12,976,388	32,653,552	13,079,321	11,535,782	8,038,449

Debt

- One of the current debt issues for the Kelowna General Hospital (KGH) Ambulatory Care project experienced a rate reset in 2021, significantly lowering future-year payments (\$0.57 million or 12%).
- The same issue included a portion of existing debt for the KGH Interior Heart and Surgical Centre project. This will lower future-year payments (\$0.13 million or 4.94%) for this project.

Project	2022 Payment	2021 Payment	\$ Change	% Change	Balance Outstanding	Term	Maturity Date
Total	\$ 6,591,534	\$ 7,285,465	-\$ 693,931	-9.52%	\$ 67,415,828		

Reserve

- The table below details the five-year cash flow and summarizes planned activity through the end of 2026 assuming a 3% requisition increase.
- The \$11.73 million opening balance is projected to decrease by \$11.54 million to \$0.2 million through 2022.
- The significant decrease is driven by funding \$14.63 million in previously approved capital projects.
- The funds will not be transferred out unless needed.

Activity	2021	2022	2023	2024	2025	2026
Opening Balance	11,638,751	11,732,226	198,408	3,912,146	8,272,202	13,303,333
Transfer To	-	-	3,711,754	4,320,935	4,948,409	5,594,709
Interest	93,475	1,964	1,984	39,121	82,722	133,033
Transfer From	-	11,535,782	-	-	-	-
Closing Balance	11,732,226	198,408	3,912,146	8,272,202	13,303,333	19,031,075

Recommendation

- THAT the Regional Hospital District Board receive the draft 2022 – 2026 Financial Plan Bylaw for information;
- AND FURTHER THAT the 2022 – 2026 Financial Plan presented be forwarded to the March 28, 2022, Board meeting for final adoption.