



CORPORATE REPORT

To: Fraser Valley Regional Hospital District Board

Date: February 29, 2024

From: Melanie Jones, Accountant

File No:

Subject: 2024 Hospital District Annual Budget – Key Assumptions

RECOMMENDATION

THAT the Fraser Valley Regional Hospital District direct staff to prepare the 2024 Annual Budget to include one of the following options:

Option 1 - Capital funding for Fraser Health Authority in the amount of \$3.224 million funded by an increase to taxation revenue 6% higher than 2023.

Option 2 - Capital funding for Fraser Health Authority in the amount of \$6.509 million funded by an increase to taxation revenue 28.9% higher than 2023.

AND THAT the Fraser Valley Regional Hospital District direct staff to discontinue contributions to the early debt retirement reserve.

BACKGROUND

As part of the *Hospital District Act*, the Board adopted a Provisional Budget in December 2023 and must adopt the Annual Budget by March 31st. In advance of bringing forward the annual budget for adoption, this report is seeking direction on the key assumptions supporting tax revenue levels and the level of funding to provide to Fraser Health Authority ("FHA") for their annual Capital Funding Request for minor/medium capital projects.

DISCUSSION

There are two options for the board to consider. The variables within the options are:

- a) The level of funding to provide FHA for their annual Capital Funding Request; and
- b) The level of increases to total taxation revenue.

The Provisional Budget approved in December 2023 had assumed an increase in tax revenue of 3.5% as compared to 2023 budgeted tax revenue. After performing a review of the 2024 Property Assessment Data, shifts in property assessment classes were observed. The options presented include increases in revenue of 6% or 28.9%. A minimum of 6% increase in tax revenue has been proposed since it will have a minimal impact on the average residential taxpayer (10 cents) but will help to ensure the FVRHD is continuing to allocate sufficient funds into savings in order to support future capital projects.

Table 1 highlights the taxation impact each option would have on an average property in the Fraser Valley Regional Hospital District compared to the prior year (2023).

Table 1: Taxation Impacts of 2024 Options compared to 2023 actual values

	2023	2024	
		Option 1	Option 2
Average residential property value	\$ 868,217	\$ 848,236	
Tax Requisition	\$12,922,900	\$13,698,300	\$16,660,200
Tax Revenue % Increase		6%	28.90%
Tax dollars on an average property	\$75.60	\$75.70	\$92.07
\$ Increase on an average property		\$0.10	\$16.47

Details of the Options

Option 1 - \$3.224 million to FHA, Tax revenue increase of 6%

- a) Contributions to FHA have been assumed at \$3.224 million and have not changed from the provisional budget.
- b) Tax revenue is assumed as \$13,698,300, which is a 6% increase from 2023.
- c) Contributions to FHA are assumed to be funded from tax revenue.

Option 2 - \$6.509 million to FHA, Tax revenue increase of 28.9%

- a) Contributions to FHA have been assumed for the full funding request of \$6.509 million.
- b) Tax revenue is assumed as \$16,660,200, which is a 28.9% increase from 2023.
- c) Contributions to FHA are assumed to be funded from tax revenue.

The assumptions discussed in the section below have been updated since the provisional budget but have remained consistent in both options. Assumptions that have remained unchanged from the provisional budget are not discussed below but are available in Appendix A for reference.

REVENUES

Debenture Proceeds

- Debenture Proceeds have been assumed at \$11.5 million in 2024 to provide the FVRHD's portion of funding from new borrowing for the Abbotsford long-term care project.

EXPENSES

Long-term Debt

- Principal and interest on existing debt is approximately \$3.3 million per year in 2024. For 2025, the amount increases by \$902,060 assuming that a loan is taken out in 2024 to fund the Abbotsford long-term care project.

Major Capital Projects

- The provisional budget assumed disbursements from reserve funds (savings) for both the Abbotsford and Chilliwack long-term care projects in 2024, the new borrowing for both projects in 2025.
- The final budget would assume all disbursements for the Abbotsford long-term care project (funding from savings and new borrowing) to occur in 2024 and all disbursements for the Chilliwack long-term care project to occur in 2025.

As noted above, only the timing of the assumptions relating to major capital projects has changed since the Provisional Budget. The committed values have remained the same and have been included below for reference.

- **The details of the Board's financial commitments to Fraser Health for long-term healthcare projects are as follows:**
 - For the Abbotsford long-term care project, this represents a total commitment of \$31.6 million (\$20.1 million from reserves and \$11.5 million in new borrowing in 2024).
 - For the Chilliwack long-term care project, this represents a total commitment of \$28 million (\$14.9 million from reserve funds and \$13.1 million in new borrowing in 2025). In addition to the capital contribution, the Board committed to the contribution of land valued at \$6.6 million, which FHA no longer requires. The property will continue to be owned by the FVRHD as an asset at this time.

Staff will return to the Board with a finalized budget by March 31, 2024, based upon the assumptions contained within this report.

COST

There are no direct costs associated with this report.

CONCLUSION

The assumptions in this report will be used in the development of the Annual Budget that will be brought forward in March 2024, in accordance with the Hospital District Act.

COMMENT BY:

Kelly Lownsbrough, Director of Corporate Services/CFO: Reviewed and supported.

COMMENT BY:

Jennifer Kinneman, Chief Administrative Officer: While funding has been committed to a future Chilliwack long-term care project, that project has not yet received approval from the Province and the actual start date is unknown.