



Date: 14/08/2020

To: Chair and Directors, Cariboo Chilcotin Regional Hospital District

And To: John MacLean, Chief Administrative Officer

From: Kevin Erickson, Chief Financial Officer

Date of Meeting: Cariboo Chilcotin Regional Hospital District_Aug21_2020

File: Hospital

Short Summary:

Update on Impacts to the CCRHD 2020–2025 Five-Year Financial Plan from Changes in Market Conditions

Voting:

Corporate Vote - Unweighted

Memorandum:

Since adoption of the five-year financial plan in March, events have occurred that have impacted some of the assumptions that were used in formulating the 2020 Budget and forecast for 2021 to 2024. In light of these changes, it was felt prudent to look at the year to date results and update the 2020 forecast for current market conditions. The financial plan was then revised to reflect the expected changes into future years. The revised financial projection is attached.

To assess overall impact to the operations of the CCRHD the model was extended out to 2027. Forecasting future events requires certain assumptions to be made. The assumptions used are:

- Rate per \$100k remains unchanged at \$70.00 per
- Interest rates will remain low throughout the budget duration
- Assessment growth will stagnate in 2022 and future years
- Major projects currently on the books will proceed as scheduled
- Borrowing at MFA 15-year analytic rate of 2.13% (August 10th, 2020)
- Somewhere in 2021-2022 all MFA Investments have been cashed out
- Interest on cash reserves drops to 0.65% in 2021 and subsequent years

The biggest impact to the 2020 budget is the dramatic drop in interest rates since March 2020. Due to this decline, ending cash reserves are now expected to be \$1,200,000 less than what was projected in March.

Interest earned in future years is expected to drop due to a lower interest rate paid on cash balances and as contributions to major capital projects at GR Baker and Cariboo Memorial Hospital reduce the amount of cash on hand.

The reduction in interest earnings will necessitate borrowing an extra \$500,000 over what was already budgeted for in 2024. This increase is not of great consequence as the increase in borrowing is offset to a great extent by the reduction in borrowing costs.

Attachments:

2020 budget revised for current market conditions - August 14th, 2020

Financial Implications:

This fiscal update is to keep the Board apprised of the impacts current financial conditions are having on the CCRHD. Due to the Board's previous taxation policy, the Cariboo Chilcotin Regional Hospital District is in a strong and highly liquid financial position. This update is based on conservative, one might even say pessimistic, assumptions. Even so, the current tax rate of \$70.00 per \$100,000 of residential assessed value is appropriate to maintain operations for the near future.

Policy Implications:

[Click here to enter text.](#)

CAO Comments:

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Options:

Receipt

Recommendation:

That the agenda item summary from Kevin Erickson, Chief Financial Officer, dated August 14, 2020, regarding an update on impacts to the Cariboo Chilcotin Regional Hospital District 2020–2025 Five-Year Financial Plan, be received.