

**ADMINISTRATIVE REPORT**

**TO:** Okanagan-Similkameen Regional Hospital Board

**FROM:** J. Zaffino, Chief Administrative Officer

**DATE:** January 23, 2025

**RE:** Okanagan-Similkameen Regional Hospital District 2025-2029 Five Year Financial Plan  
Bylaw No. 172, 2025

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**Administrative Recommendation:**

**THAT** Bylaw No. 172, 2025, being a bylaw of the Okanagan-Similkameen Regional Hospital District to adopt the 2025-2029 Five Year Financial Plan, be read a first and second time; and

**THAT** the Board of the Okanagan-Similkameen Hospital District only authorize to pay 30% of the requested capital project costs to the Interior Health Authority.

**Reference:**

- Bylaw No.172 (including Schedule A)
- Interior Health 2025 Capital Funding Request Letter
- Alternative 1 & 2

**Background**

The Interior Health Authority presented their 2025 capital funding requests to the Board at the November 21<sup>st</sup>, 2024 meeting. The Board will need to consider several options that may affect the 2025-2029 Financial Plan.

The preferred option anticipates that requisitions will be increased to a level that supports capital funding requests for 2025, sustains debt servicing of existing long-term borrowing while building up the capital reserve balance.

Increases to future annual requisitions affecting the financial plan, such as changes to Interior Health's annual capital funding requests, interest rates, and inflation will have to be taken into account as well.

The analysis below will discuss items with the biggest impact on the 2025 Five Year Financial Plan and suggest a level of taxation considered appropriate to address those concerns.

To comply with legislation, the Board must approve & adopt the budget by March 31<sup>st</sup>.

**Analysis:****IHA Capital Funding Request**

The 2025 capital funding request by IHA, detailed in the attached letter, is \$3,984,400 (2024 - \$6,146,450), representing OSRHD's share at 40% of total estimated project costs.

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The current year ask was reduced by \$145,712 to \$3,838,688 to accurately reflect prior year commitments.

The cash flow for future years was estimated based on the assumption that we will continue to fund 30% of project costs presented by IHA.

#### Capital Reserve

The current year planning process considered the capital reserve balance and how to replenish it after some larger draws in recent years. As capital request amounts and other related costs increase year over year, it is important to have sufficient reserves in order to keep taxation amounts for our clients at affordable levels.

#### Debt Servicing Costs

In 2020, we took out a loan of \$68M with the Municipal Finance Authority to help finance the PRH Tower Project. The initial interest rate of 1.99% is going to be reset to approximately 4.44% in 2025 based on indicative market rates. That means that the semi-annual interest payments of \$678,409 will increase to \$1,267,712.

There are also a number of projects that have been approved for long-term borrowing in prior years totaling \$4.52M, that will have an impact on future cash flows:

- Primary Care Network projects in Keremeos (\$520,000) and Princeton (\$800,000), amortized over 15 years. Carried forward from 2023.
- Penticton Regional Hospital Relocation of Oncology Department (\$3,200,000), amortized over 20 years. Carried forward from 2022.

#### Recommended Five Year Financial Plan

The staff recommended 2025-2029 Five Year Financial Plan suggests the following:

- Funding paid to IHA: \$2,842,588, 30% cost share (2024 - \$4,609,838).
- Assume future level of IHA cost share will remain at 30%.
- 2025 requisition amount: \$8,032,618, an increase of \$1,032,618 or 14.75% compared to 2024 (after adjusting for the 2025 non-market change of 1.47% the net requisition increase is 13.28%).
- Estimated average residential property tax levy will increase by \$14.09 to \$138 (2024 - \$123.91).
- The estimated capital reserve ending balance in 2029 will be \$16,114,384 (2024 closing balance \$8,580,922).

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Alternative 1

This scenario was calculated reducing IHA's current ask by 5% to 35% of the cost share while keeping the tax increase close to 15% or \$1,000,000, similar to the recommended financial plan. The financial impact is summarized below:

- Funding paid to IHA: \$3,340,638 (35% cost share).
- Assume future level of IHA cost share will remain at 35%.
- 2025 requisition amount: \$7,990,343, an increase of \$990,343 or 14.15% compared to 2024 (after adjusting for the 2025 non-market change of 1.47% the net requisition increase is 12.68%).
- Estimated average residential property tax levy \$137.27 (2024 - \$123.91).
- Estimated capital reserve ending balance in 2029 \$13,764,384 (2024 closing balance \$8,580,922).

Alternative 2

This scenario was calculated using the full 40% cost share for IHA's capital projects while keeping the tax increase close to 15% or \$1,000,000, similar to the recommended financial plan. The financial impact is summarized below:

- Funding paid to IHA: \$3,838,688 (2024 - \$6,146,450).
- Assume future level of IHA cost share will remain at 40%.
- 2025 requisition amount: \$7,998,068, an increase of \$998,068 or 14.26% compared to 2024 (after adjusting for the 2025 non-market change of 1.47% the net requisition increase is 12.79%).
- Estimated average residential property tax levy \$137.40 (2024 - \$123.91).
- Estimated capital reserve ending balance in 2029 \$12,364,384 (2024 closing balance \$8,580,922).

**Alternatives:**Alternative 1

**THAT** Bylaw No. 172, 2025, being a bylaw of the Okanagan-Similkameen Regional Hospital District to adopt the 2025-2029 Five Year Financial Plan, be read a first and second time; and

**THAT** the Board of the Okanagan-Similkameen Hospital District only authorize to pay 35% of capital project costs requested to the Interior Health Authority.

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Alternative 2

**THAT** Bylaw No. 172, 2025, being a bylaw of the Okanagan-Similkameen Regional Hospital District to adopt the 2025-2029 Five Year Financial Plan, be read a first and second time; and

**THAT** the Board of the Okanagan-Similkameen Hospital District only authorize to pay 40% of capital project costs requested to the Interior Health Authority.

**Respectfully submitted:**

*“Katharina Ernst”*

K. Ernst, Manager of Financial Operations

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