



HALIFAX HEALTH

Board of Commissioners Meeting FY 2019 Budget Update

July 9, 2018
4:00 p.m. - France Tower
Conference Room A



HALIFAX HEALTH

TO: Jeff Feasel, President and Chief Executive Officer
FROM: Eric M. Peburn, Executive Vice President and Chief Financial Officer
DATE: July 3, 2018
RE: Fiscal Year 2019 Budget Update and Proposed Not to Exceed Millage Rate

It is recommended that the Halifax Health Board of Commissioners establish the Not to Exceed Rolled Back Millage Rate of 0.3546. This is based on the information provided from the preliminary tax value.

The Fiscal Year 2019 Budget Update presentation (attached) highlights the key factors in setting the budget, the preliminary operating budget schedule, the budget status, next steps, and the ad valorem tax schedules.

Fiscal Year 2019 Budget Update

Eric M. Peburn
Chief Financial Officer

Board of Commissioners
July 9, 2018



HALIFAX HEALTH

FY 2019 Budget Update Agenda

- Key Factors in Setting Budget
- Preliminary Operating Budget Schedule
- Budget Status and Next Steps
- Ad valorem tax schedules



FY 2019 Budget Update

Key Factors in Setting Budget

- Achieve positive cash flow after capital and pension funding
- Targeting a 2% operating margin adjusted for interest costs
- Continuation of critical community services and benefits



Halifax Health
Statements of Revenues, Expenses and Changes in Net Position
FY 2019 Operating Budget - Draft for Review
(\$ in thousands)

	COL A	COL B	COL C = A + B	COL D	COL E	COL F = C + D + E	COL G	COL H = G + F
	FY 2019 Budget		Baseline Budget	Proposed New Expenses	Margin Improvements Identified	Preliminary Budget	Margin Improvements Needed	Proposed Budget
	Initial Budget	New Programs						
Operating revenues:								
Net patient service revenue	\$535,985	\$506	\$536,491	\$0	\$600	\$537,091	\$0	\$537,091
Ad valorem tax revenue	6,129	-	6,129	-	-	6,129	-	6,129
Other revenue	30,450	-	30,450	-	-	30,450	-	30,450
Total operating revenues	572,565	506	573,070	-	600	573,670	-	573,670
Operating expenses:								
Salaries and Benefits	296,347	255	296,603	1,058	(1,650)	296,011	(6,715)	289,296
Purchased Services	82,845	(392)	82,453	305	-	82,758	-	82,758
Supplies	102,725	109	102,834	-	(250)	102,584	-	102,584
Depreciation and Amortization	26,322	-	26,322	-	-	26,322	-	26,322
Interest Expense	20,717	-	20,717	-	-	20,717	-	20,717
Ad valorem tax related expenses	6,329	-	6,329	-	-	6,329	-	6,329
Lease/Rentals	9,147	-	9,147	-	-	9,147	-	9,147
Other	28,938	6	28,944	-	-	28,944	-	28,944
Total operating expenses	573,370	(21)	573,349	1,363	(1,900)	572,812	(6,715)	566,097
Income (loss) from operations	(805)	527	(278)	(1,363)	2,500	859	6,715	7,574
Nonoperating revenues, expenses, and gains/(losses)								
Investment income	9,615	-	9,615	-	-	9,615	-	9,615
Donation revenue	707	-	707	-	-	707	-	707
Nonoperating gains (losses), net	-	-	-	-	-	-	-	-
Total Nonoperating revenues, expenses, and gains/(losses)	10,322	-	10,322	-	-	10,322	-	10,322
Increase/(decrease) in net position	\$9,517	\$527	\$10,043	(\$1,363)	\$2,500	\$11,180	\$6,715	\$17,895
Additional Margin Improvements Needed						\$6,715		(\$0)
Operating Margin			0.0%			0.1%		1.3%
Operating Margin adjusted for Interest costs			0.6%			0.8%		2.0%
Total Margin			1.7%			1.9%		3.1%

Halifax Health
Statements of Revenues, Expenses and Changes in Net Position
FY 2019 Operating Budget - Draft for Review
(\$ in thousands)

	Draft Operating Budget	Series 2018A Bonds	HMS Indebtedness	Total
Operating revenues:				
Net patient service revenue	\$537,091	\$0	\$0	\$537,091
Ad valorem tax revenue	6,129	-	-	6,129
Other revenue	30,450	-	-	30,450
Total operating revenues	<u>\$573,670</u>	<u>\$0</u>	<u>\$0</u>	<u>\$573,670</u>
Operating expenses:				
Salaries and Benefits	296,011	-	-	296,011
Purchased Services	82,758	-	-	82,758
Supplies	102,584	-	-	102,584
Depreciation and Amortization	26,322	-	-	26,322
Interest Expense	16,663	2,700	1,354	20,717
Ad valorem tax related expenses	6,329	-	-	6,329
Lease/Rentals	9,147	-	-	9,147
Other	28,944	-	-	28,944
Total operating expenses	<u>568,758</u>	<u>2,700</u>	<u>1,354</u>	<u>572,812</u>
Income (loss) from operations	\$4,913	(\$2,700)	(\$1,354)	\$859
Nonoperating revenues, expenses, and gains/(losses)				
Investment income	6,568	1,693	1,354	9,615
Donation revenue	707	-	-	707
Nonoperating gains (losses), net	-	-	-	-
Total Nonoperating revenues, expenses, and gains/(losses)	<u>7,275</u>	<u>1,693</u>	<u>1,354</u>	<u>10,322</u>
Increase/(decrease) in net position	\$12,187	(\$1,007)	\$0	\$11,180
Additional Margin Improvements needed for 2% Operating margin	\$6,715			
Operating Margin	0.8%	0.0%	0.0%	0.1%
Total Margin	2.1%	-59.5%	0.0%	1.9%

FY 2019 Budget Update

Current Status and Next Steps

- Current budget gap has been identified at \$6.7M in order to meet the operating margin targeted
- Management is currently working through the following improvements and will be focused on the following strategies:
 - Throughput efficiency
 - Continued focus on reducing the Length of Stay
 - Continued focus on Core Measures and improving these targets for maximum reimbursement (HCAHPS)
 - Attrition – not filling jobs as Team Members exit with the exception of direct patient care positions such as nursing
 - More effectively flexing staff on volumes and acuity – even in non-flex, overhead departments
 - Reduced supply expense
 - Reduce costs in overhead, non-clinical areas
 - Evaluation of non essential programs and services

Halifax Health Medical Center
Preliminary Tax Base, Millage Rate and Estimated Tax Levies
FY 2019 Budget
(\$ in thousands)

	Tax Base	Millage Rate, per 1,000			
		0.5000	Current Rate 0.3781	Rolled back Rate 0.3546	0.2500
FY 2018	\$17,285,583	\$8,643	\$6,536	\$6,129	\$4,321

Halifax Hospital Medical Center
Schedule of Tax Bases, Tax Levies, and Millage Rates
FY 2006 - 2019
(\$ in thousands)

	Actual													Initial Budget
	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019 *
Tax Base (DR 420)	\$15,227,582	\$19,152,904	\$20,292,636	\$18,481,578	\$15,359,834	\$13,403,649	\$12,487,804	\$12,207,295	\$12,431,762	\$13,149,276	\$13,876,457	\$14,854,990	\$15,996,279	\$17,285,583
Gross Tax Levy	\$45,682	\$52,735	\$50,732	\$41,584	\$34,560	\$26,807	\$21,854	\$15,259	\$12,432	\$13,149	\$13,252	\$11,232	\$6,048	\$6,129
Millage Rate	3.000	2.750	2.500	2.250	2.250	2.000	1.750	1.250	1.000	1.000	0.9550	0.7561	0.3781	0.3546

* FY 2019 Millage rate is estimated based on the information provided from the preliminary tax value.

**Halifax Health Medical Center
Impact of Millage Rate
Non-Homesteaded Homeowner or Commercial/Investment Property
FY 2019 Preliminary Budget ¹**

	<u>Prior Year</u>	<u>FY 2019 Budget</u>	<u>Percent Change</u>
Millage rate, per 1,000	0.3781	0.3546	-6.2%
Property value ²	\$175,000	\$187,163	7.0%
Exemptions	\$0	\$0	0.0%
Property taxes	\$66	\$66	0.3%
Tax Levy impact to homeowner		\$0	

¹ FY 2019 Millage rate is estimated based on the information provided from the preliminary tax value.

² FY 2019 Property Value increased 6.95% based on the average increase within the Halifax Taxing District excluding new construction.

**Halifax Health Medical Center
Impact of Millage Rate
Homesteaded Homeowner
FY 2019 Preliminary Budget ¹**

	<u>Prior Year</u>	<u>FY 2019 Budget</u>	<u>Percent Change</u>
Millage rate, per 1,000	0.3781	0.3546	-6.2%
Homestead Property value ²	\$175,000	\$178,675	2.1%
Exemptions	(\$50,000)	(\$50,000)	0.0%
Property taxes	\$47	\$46	-3.5%
Tax Levy impact to homeowner		(\$2)	

¹ FY 2019 Millage rate is estimated based on the information provided from the preliminary tax valuation.

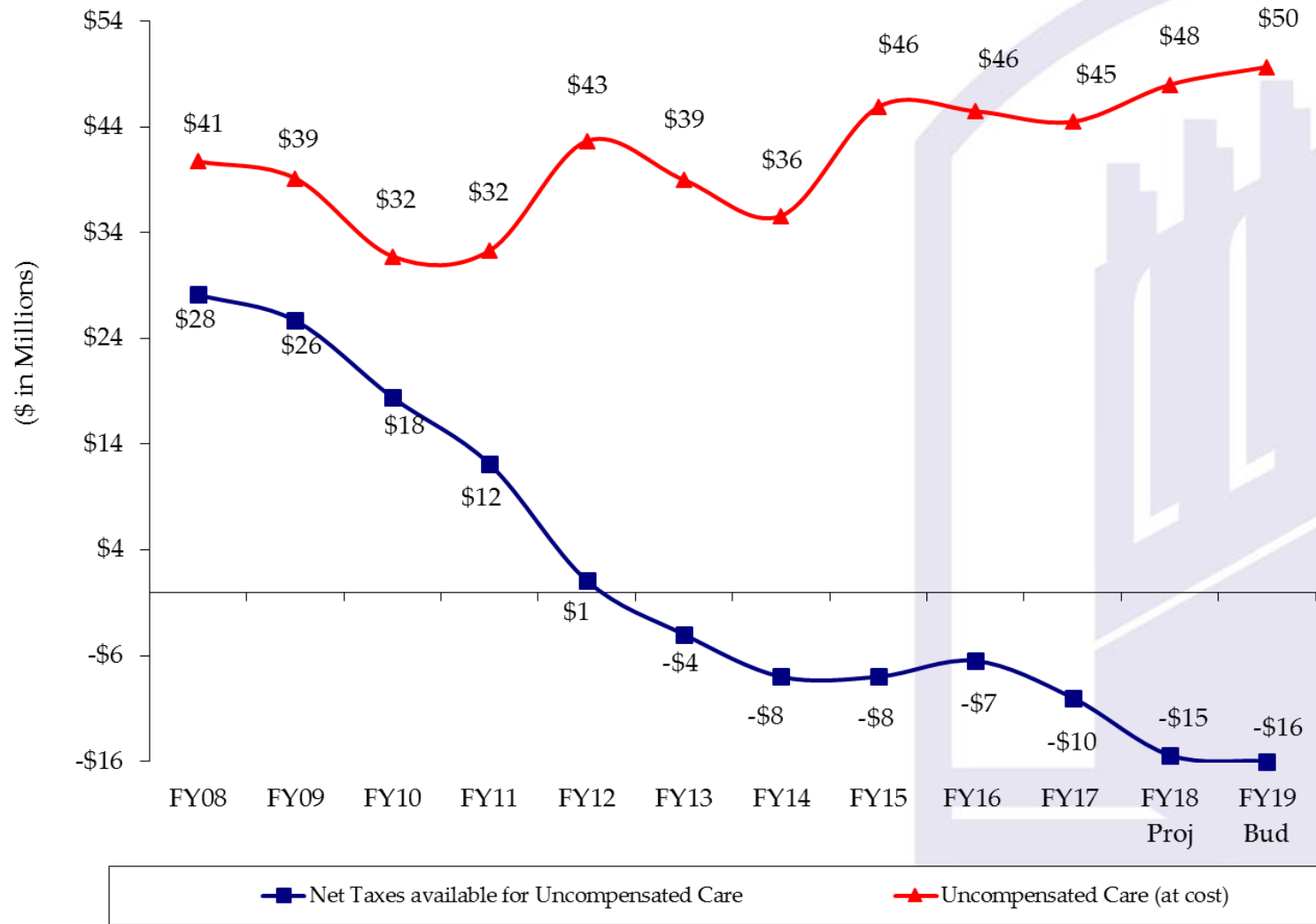
² FY 2019 Property Value (Assessed value) increased 1.021% due to the Consumer Price Index being lower than the Save Our Homes max cap of 3%.

**Halifax Hospital Medical Center
Schedule of Uses of Property Taxes
FY 2019 Preliminary Budget ***

	FY 2018 Actual/Projected 0.3781 Mill	FY 2019 Budget 0.3546 Mill
Gross property tax levy	\$6,048,194	\$6,129,468
Tax discounts and uncollectible taxes	(162,000)	(164,000)
Net property taxes collected	5,886,194	5,965,468
Amounts paid to Volusia County and Cities:		
Tax collector and appraiser commissions	(201,000)	(204,000)
Volusia County Medicaid matching assessment	(2,954,636)	(3,000,000)
Redevelopment taxes paid to Cities	(440,982)	(360,000)
Subtotal	(3,596,618)	(3,564,000)
Net taxes available for community health, wellness and readiness	2,289,576	2,401,468
Amounts paid for community health and wellness services:		
Preventive health services (clinics, Healthy Kids, etc.)	(926,790)	(930,000)
Physician services	(8,378,348)	(8,500,000)
Trauma services	(7,233,462)	(7,300,000)
Pediatric and neonatal intensive care services	(377,556)	(475,000)
Child and adolescent behavioral services	(795,266)	(800,000)
Subtotal	(17,711,422)	(18,005,000)
Deficiency of net taxes available to fund hospital operating expenses	(15,421,846)	(15,603,532)
Uncompensated care provided by Halifax Health, <i>at cost</i>	(48,004,356)	(49,685,000)
Total deficiency of net taxes available to fund hospital operating expenses and uncompensated care provided by Halifax Health, <i>at cost</i>	(\$63,426,202)	(\$65,288,532)

* FY 2019 Millage rate is based on the information provided from the preliminary tax value.

Halifax Health Medical Center
 Uses of Tax Dollars FY08 - FY19
 FY19 Preliminary Budget @ 0.3546 Mill



Halifax Health Medical Center
 Uses of Tax Dollars FY07 - FY19
 FY19 Preliminary Budget @ 0.3546 Mill

