



HALIFAX HEALTH

TO: Jeff Feasel, President and Chief Executive Officer
FROM: Eric Peburn, Executive Vice President and Chief Financial Officer
DATE: June 29, 2017
RE: Fiscal Year 2018 Budget Update and Proposed Not to Exceed Millage Rate

It is recommended that the Halifax Health Board of Commissioners establish the Not to Exceed Millage Rate of 0.3781. This is 50% of the millage rate approved by the Board of Commissioners for Fiscal Year 2017 and is based on the information provided from the preliminary tax value.

The Fiscal Year 2018 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 2018 Budget Update

Eric M. Peburn
Chief Financial Officer

Board of Commissioners
July 10, 2017

FY 2018 Budget Update Agenda

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

FY 2018 Budget Update

Key Factors in Setting Budget

- Achieve positive cash flow after capital and pension funding
- Improvement in operating margin with a long-term target of 3%
- Continuation of critical community services and benefits

Halifax Health
Statements of Revenues, Expenses and Changes in Net Position
FY 2018 Operating Budget - Draft for Review
(\$ in thousands)

	COL A	COL B	COL C	COL D
	FY 2018 Budget			= A + B + C
	Initial Budget	Margin Improvements	New Programs	Baseline Budget
Operating revenues:				
Net patient service revenue	\$520,394	\$4,598	\$3,395	\$528,387
Ad valorem tax revenue	6,048	-	-	6,048
Other revenue	24,670	-	-	24,670
Total operating revenues	551,112	4,598	3,395	559,105
Operating expenses:				
Salaries and Benefits	290,614	1,217	2,167	293,998
Purchased Services	73,421	375	631	74,427
Supplies	99,190	621	730	100,540
Depreciation and Amortization	23,991	-	89	24,081
Interest Expense	16,697	-	-	16,697
Ad valorem tax related expenses	6,921	(518)	-	6,403
Lease/Rentals	9,554	-	34	9,588
Other	28,290	-	68	28,359
Total operating expenses	548,679	1,694	3,721	554,094
Income (loss) from operations	2,433	2,904	(326)	5,011
Nonoperating revenues, expenses, and gains/(losses)				
Investment income	4,367	-	-	4,367
Donation revenue	692	-	-	692
Nonoperating gains (losses), net	-	-	-	-
Total Nonoperating revenues, expenses, and gains/(losses)	5,060	-	-	5,060
Increase/(decrease) in net position	\$7,493	\$2,904	(\$326)	\$10,070
Operating Margin				0.9%
Additional Margin Improvement Needed for 3% Operating Margin				\$11,762

FY 2018 Budget Update

Current Status and Next Steps

- Management has been working diligently over the last several weeks and has identified \$5m from the initial budget gap of \$11.8m
- Budget improvements 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 positions 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-direct patient care positions

Halifax Hospital Medical Center
 Schedule of Tax Bases, Tax Levies, and Millage Rates
 FY 2006 - 2018
 (\$ 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 *
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
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
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

* FY 2018 Millage rate is estimated based on the information provided from the preliminary tax value.

**Halifax Health Medical Center
Impact of Millage Rate
Homesteaded Homeowner
FY 2018 Preliminary Budget ¹**

	<u>Prior Year</u>	<u>FY 2018 Budget</u>	<u>Percent Change</u>
Millage rate, per 1,000	0.7561	0.3781	-50.0%
Homestead Property value ²	\$175,000	\$178,675	2.1%
Exemptions	(\$50,000)	(\$50,000)	0.0%
Property taxes	\$95	\$49	-48.5%
Tax Levy impact to homeowner		(\$46)	

¹ FY 2018 Millage rate is estimated based on the information provided from the preliminary tax value.

² FY 2018 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 Health Medical Center
Impact of Millage Rate
Non-Homesteaded Homeowner or Commercial/Investment Property
FY 2018 Preliminary Budget ¹

	<u>Prior Year</u>	<u>FY 2018 Budget</u>	<u>Percent Change</u>
Millage rate, per 1,000	0.7561	0.3781	-50.0%
Property value ²	\$175,000	\$188,445	7.7%
Exemptions	\$0	\$0	0.0%
Property taxes	\$132	\$71	-46.2%
Tax Levy impact to homeowner		(\$61)	

¹ FY 2018 Millage rate is estimated based on the information provided from the preliminary tax value.

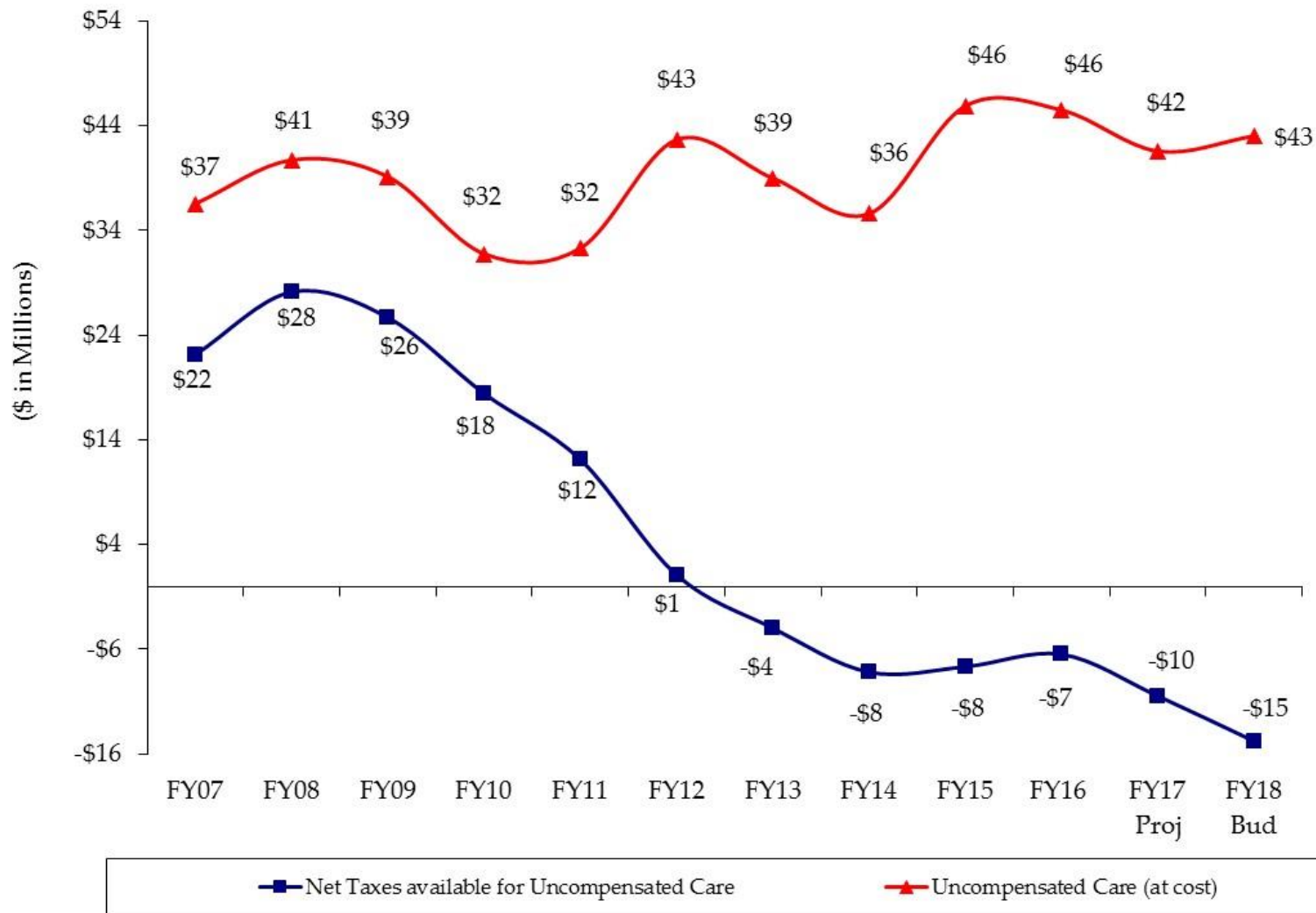
² FY 2018 Property Value increased 7.68% based on the average increase within the Halifax Taxing District excluding new construction.

**Halifax Hospital Medical Center
Schedule of Uses of Property Taxes
FY 2018 Preliminary Budget ***

	FY 2017 Actual/Projected 0.7561 Mill	FY 2018 Budget 0.3781 Mill
Gross property tax levy	\$11,251,944	\$6,048,193
Tax discounts and uncollectible taxes	(350,508)	(188,000)
Net property taxes collected	10,901,436	5,860,193
Amounts paid to Volusia County and Cities:		
Tax collector and appraiser commissions	(374,316)	(201,000)
Volusia County Medicaid matching assessment	(2,907,758)	(3,000,000)
Redevelopment taxes paid to Cities	(601,270)	(360,000)
Subtotal	(3,883,344)	(3,561,000)
Net taxes available for community health, wellness and readiness	7,018,092	2,299,193
Amounts paid for community health and wellness services:		
Preventive health services (clinics, Healthy Kids, etc.)	(1,333,040)	(800,000)
Physician services	(9,565,065)	(9,600,000)
Trauma services	(5,566,720)	(5,600,000)
Pediatric and neonatal intensive care services	(735,672)	(750,000)
Child and adolescent behavioral services	(297,977)	(350,000)
Subtotal	(17,498,474)	(17,100,000)
Deficiency of net taxes available to fund hospital operating expenses	(10,480,382)	(14,800,807)
Uncompensated care provided by Halifax Health, <i>at cost</i>	(41,572,340)	(43,027,000)
Total deficiency of net taxes available to fund hospital operating expenses and uncompensated care provided by Halifax Health, <i>at cost</i>	(\$52,052,722)	(\$57,827,807)

* FY 2018 Millage rate is based on the information provided from the preliminary tax value.

Halifax Health Medical Center
 Uses of Tax Dollars FY07 - FY18
 FY18 Preliminary Budget @ 0.3781 Mill



Halifax Health Medical Center
 Uses of Tax Dollars FY07 - FY18
 FY18 Preliminary Budget @ 0.3781 Mill

