

## PACIFIC COMMUNITIES HEALTH DISTRICT BUDGET MESSAGE

### Fiscal Year 2019-2020

The following is the budget for fiscal year 2019-2020. To develop the budget documents, projected income and expense levels have been based upon historical information and estimated bond debt structure as currently outlined by our advisor groups. The amounts presented for the 2019-2020 budget are based on estimated 2018-2019 fiscal year results as projected from year to date activity. In the preparation of the 2019-2020 budget, careful consideration was given to the projected financial results for the current fiscal year and known facts for the upcoming year.

#### **Projected Total 2018-2019 Income by Fund**

**General Fund**-Total Property tax income for the period July 1, 2018 to June 30, 2019 is projected to be approximately \$1,309,768. Net Tax Levy income is projected to be \$392,387 (\$1,309,768 less \$917,381) for the year after payment of 70% of the operating levy to Samaritan Pacific Health Services. Details of projected 2018-2019 revenue and expense are contained in Exhibit A.1 and A.2.

**Capital Fund**-This fund is established for the construction of the new hospital. Total investment activities for the period July 1, 2018 to June 30, 2019 are projected to be approximately \$410,276. Details of projected 2018-2019 investment activities is contained in Exhibit A.3.

**Debt Service Fund**-The District's Debt Service Fund projected income is from a tax levy to repay the General Obligation bonds estimated to be \$3,104,768 and interest income estimated to be \$29,863. Details of the projected 2018-2019 income are contained in Exhibit A.4.

#### **Projected Total 2018-2019 Expense**

**General Fund**-Projected total expense for the fiscal year 2018-2019 is expected to be \$1,082,054. The most significant of these is Special Services at \$917,381. Details of projected 2018-2019 revenue and expense are contained in Exhibit A.1.

**Capital Fund**-Projected capital outlay relating to the construction of the new hospital for the fiscal year 2018-2019 is expected to be \$18,822,637. Details of projected 2018-2019 investment activities and capital outlay are contained in Exhibit A.3.

**Debt Service Fund**-Projected interest expense and principal payment for the General Obligation bonds are estimated to be \$3,104,816. Details of the projected 2018-2019 income and payments are contained in Exhibit A.4.

#### **Fiscal Year 2019-2020 Budget (see Exhibit A)**

##### **Projected Total Income by Fund**

**General Fund**-The District's General Fund projected income is comprised of four major components; tax

revenues, interest on the District's investments, rent income from the District's rental property and equipment sale revenue. For 2019-2020 tax funds will arise from the District's operating levy proceeds remaining after amounts paid to Samaritan Pacific Health Services.

Tax revenues are dependent on the property tax receipts within the District's service area and are statutorily limited by Measure 50. In accordance with the January 2002 Lease and Operating Agreement between the District and Samaritan Health Services, 70% of the operating levy is passed on to Samaritan Pacific Health Services to partially offset their expense for Special Services, primarily un-reimbursed health care. Gross tax revenue is budgeted at \$1,327,103. In 2019-2020 Lincoln County expects to collect approximately 96% of assessed taxes.

Interest rates have increased in 2018-2019 and will likely improve in the next fiscal year so interest income on the District's investments is budgeted for 2019-2020 at \$78,200.

The Pacific Communities Health Foundation has pledged \$1,000,000 in equipment for the New Hospital. This equipment will then be gifted to the District and budgeted as a contribution. Samaritan Pacific Communities Hospital has received a \$1,500,000 grant for the seismic upgrade of the 88 building. The assets purchased with the grant funds will then be gifted to the District and budgeted as additional contributions.

The District purchased the Bayview Building on September 30, 2011 and has leased the building to Samaritan Pacific Health Services for approx 21 years for an amount that covers repayment plus an interest rate of 4.75%, this source of rental income is in the amount of \$51,600.

The District is receiving income for 904 Bay St. improvements in the amount of \$20,755 and equipment sale revenue of the MRI machine in the amount of \$191,288 from Samaritan Pacific Health Services.

**Debt Service Fund**-The District's Debt Service Fund projected tax income is from a tax levy to repay the General Obligation bonds estimated to be \$3,144,300. Projected interest income is \$39,520.

**Capital Fund**-The District's Capital Fund projected income is from bank interest from the bond funds estimated to be \$170,000 for budget year 2019-2020.

#### Projected Total Expense by Fund

**General Fund**-The largest expense in the General Fund is for the reimbursement for special services paid to Samaritan Pacific Health Services, budgeted at \$982,056. Other items of expense include professional services at \$79,266, and all other remaining expenses amount to \$133,172.

**Debt Service Fund**-The budget for the Debt Service fund is derived from the debt service schedule provided by bond advisors. The debt requirement for 2019-2020 budget year is \$3,174,300 comprising of a \$1,190,000 principal payment and \$1,984,300 in interest payments.

#### Capital Budget

As part of Pacific Communities Health District affiliation agreement with Samaritan Health Services, the

District agreed to pursue implementation of the District's Master Plan. Under terms of the affiliation agreement, the District may not draw its reserves below \$2,000,000 plus earnings on that amount. The Voters approved a ballot measure to issue General Obligation bonds to develop and upgrade the hospital campus, in the amount of \$57,000,000.

**General Fund**-The District is proposing to spend \$1,000,000 relating to campus expansion. The District has also committed \$800,900 to assist in the seismic upgrade of the 88 building. The District will be gifted \$1,000,000 in equipment assets from the Pacific Communities Health Foundation and \$1,500,000 in seismic upgrades of the 88 building from Samaritan Pacific Communities Hospital.

**Capital Fund**-The District is estimating to spend \$10,034,000 to continue the new hospital project. For the budget year 2019-2020, the first construction phase has been completed with operating departments moved in and contractors have started the next phase of the project remodeling the 88 building and constructing new parking lots.

### **Governmental Budget (Forms LB 1 to LB 35)**

The presentation of the 2019-2020 budget for local government purposes varies from the accounting basis used for financial reporting which uses Generally Accepted Accounting Principals (GAAP). Under Governmental Accounting Standards Board (GASB) reporting, local governments must report on a fund by fund basis. The second significant difference between GAAP and GASB is the elimination of depreciation for governmental purposes and the inclusion of principle payments in the budget. Therefore, under governmental accounting, the budget projects the source and use of cash.

**General Fund**-Contains the financial results of the District's day to day operating activities including tax receipts from the District's operating levy. The general fund is an unrestricted fund. Details of budgeted activities for the fund appear on Forms LB-20 and LB -30. LB-20 itemizes the resources for the General Fund, including available cash, tax levies estimated to be collected from prior years (based on historical collections), anticipated interest income and gross rents. LB-30 shows requirements for the General Fund, primarily materials and services as detailed in **Exhibit A.1**.

**Capital Project Fund**-Contains the anticipated financial data for construction of the new hospital. LB-11 shows the anticipated interest income, expected capital outlay and the ending fund balance for future expenditures as detailed in **Exhibit A.3**. The prior year column shows the interest income, proceeds from the bond sale and capital outlay.

**Debt Service Fund**-Contains the anticipated financial data for servicing the debt from the General Obligation Bonds, Series 2016. LB-35 shows the income from the taxes levied, interest income, expenses for the General Obligation Bonds, Series 2016 debt payment and the ending fund balance for future expenditures as detailed in **Exhibit A.4**.

Form LB-1 is a summary of the total budget.

See **Exhibit B** for all regulatory budget schedules.

**SUMMARY**

In conclusion, the budget process has been based upon an analysis of activities of the past fiscal year and plans for the coming year. The regulatory budget presentation includes the 2019-2020 year's proposed budget and the 2018-2019 approved budget as well as actual results for the prior two years (2016-2017 and 2017-2018). It is management's opinion that the budget for fiscal year 2019-2020 is a reasonable projection of the Pacific Communities Health District's revenue and expenses for that period.