

bae urban economics

**IMPERIAL COUNTY HOSPITAL
FISCAL ANALYSIS**

Imperial Valley Healthcare
District
Special Meeting
February 22, 2024

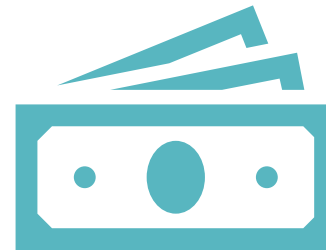
PRESENTATION OUTLINE

- Purpose of Analysis
- Existing Annual Funding Gaps – PHMD and ECRMC
- Consolidation Scenarios Analyzed
- Data Sources
- Key Assumptions
- Estimated Annual Funding Gap, Option 1
- Estimated Annual Funding Gap, Option 2
- Estimated Annual Parcel Levies, Options 1 and 2



PURPOSE OF ANALYSIS

- Estimate annual parcel tax levy necessary to fill hospital system funding shortfall and sustain operations



EXISTING ANNUAL FUNDING GAPS (APPENDIX A)

- Based on Annual Change in Net Position, FY 2016/17 to 2023/24
- From PMHD and ECRMC Published Budget Documents
- Actuals for 16/17 through 21/22
- Unaudited Figures for 22/23
- Budgeted for 23/24
- PMHD 7-Year Average Deficit: \$991,000
- ECRMC 7-Year Average Deficit: \$9.7 million

CONSOLIDATION SCENARIOS ANALYZED

Option 1:
Countywide
Consolidation of
PMHD, ECRMC and
HMHD

Option 2:
Countywide
Consolidation Less
ECRMC/City of El
Centro

KEY DATA SOURCES



Hospital budget documents



Discussions with PMHD and ECRMC staff



Kaufman-Hall 2023 Executive Summary
(Consultant working with ECRMC)



Steve Clark & Associates
(Consultant working with PMHD)



County of Imperial
(Taxable Parcel data)

KEY ASSUMPTIONS, OPTION 1 (TABLE 2)

- **Potential economies of scale and creation of countywide taxing district**
- Administrative Costs – 25% savings on existing PMHD and ECRMC expenditures
- Savings/efficiencies identified by KH - \$13.3 million/year
- New Long-term debt service (seismic, IT upgrades) - \$12.2 million/year
- DH Loan repayment - \$9.3 million/year (6 years)
- Reduction in Supplemental Payments - \$2.2 million/year
- Revenue Increase due to single hospital system - \$5.0 million/year
- Transfer of HMHD Property Tax base - \$850,000/year

KEY ASSUMPTIONS, OPTION 2 (TABLE 3)

- **No new economies of scale, creation of countywide taxing district less City of El Centro**
- Administrative Costs – no savings
- Savings/efficiencies – no savings
- New Long-term debt service (seismic upgrades) - \$10.1 million/year
- DH Loan repayment - \$4.7 million/year (6 years)
- Reduction in Supplemental Payments – not applic.
- Revenue Increase due to single hospital system – not applic.
- Transfer of HMHD Property Tax base - \$850,000/year

ESTIMATED ANNUAL FUNDING GAP — OPTION 1 (TABLE 2)

▪ Existing Annual Deficit	
• Pioneers	\$1.0 million
• ECRMC	\$10.0 million
▪ Potential Annual Cost Savings/Revenue Increases	
• Combined Administrative Savings	\$4.4 million
• Combined Operating Efficiencies	\$13.3 million
▪ Increased Annual Debt Service	
• Pioneers New Debt Service	\$12.2 million
• DH Loan Repayment (6 yrs)	\$9.3 million
▪ Potential Annual Revenue Losses	
• Reduction in Supplemental Payments	\$2.2 million
▪ Potential Annual Revenue Increases	
• Consolidated District Revenue Increase	\$5.0 million
• Transfer of HHMD Property Tax Base	\$850,000
▪ Total Annual Funding Gap (Years 1-6)	~\$11.2 million
▪ Total Annual Funding Gap (Years 7+)	~\$1.9 million

ESTIMATED ANNUAL FUNDING GAP — OPTION 2 (TABLE 3)

<ul style="list-style-type: none"> ▪ Existing Annual Deficit 	
<ul style="list-style-type: none"> • Pioneers 	\$1,000,000
<ul style="list-style-type: none"> • ECRMC 	not applic.
<ul style="list-style-type: none"> ▪ Potential Annual Cost Savings/Revenue Increases 	
<ul style="list-style-type: none"> • Combined Administrative Savings 	not applic.
<ul style="list-style-type: none"> • Combined Operating Efficiencies 	not applic.
<ul style="list-style-type: none"> ▪ Increased Annual Debt Service 	
<ul style="list-style-type: none"> • Pioneers New Debt Service 	\$10.1 million
<ul style="list-style-type: none"> • DH Loan Repayment (6 yrs) 	\$4.7 million
<ul style="list-style-type: none"> ▪ Potential Annual Revenue Losses 	
<ul style="list-style-type: none"> • Reduction in Supplemental Payments 	not applic.
<ul style="list-style-type: none"> ▪ Potential Annual Revenue Increases 	
<ul style="list-style-type: none"> • Consolidated District Revenue Increase 	not applic.
<ul style="list-style-type: none"> • Transfer of HHMD Property Tax Base 	\$850,000
<ul style="list-style-type: none"> ▪ Total Annual Funding Gap (Years 1-6) 	~\$15.0 million
<ul style="list-style-type: none"> ▪ Total Annual Funding Gap (Years 7+) 	~\$10.3 million

ESTIMATED ANNUAL PARCEL LEVY, OPTION 1 (TABLE 4)

- Years 1-6 (Until Distressed Hospital Loan Repayments Complete)
 - Estimated Annual Deficit ~\$11.2 million
 - Total Taxable Parcels ~80,000
 - Average Annual Tax Per Parcel \$140

- Years 7+
 - Estimated Annual Deficit ~\$1.9 million
 - Total Taxable Parcels ~80,000
 - Average Annual Tax Per Parcel \$24

ESTIMATED ANNUAL PARCEL LEVY, OPTION 2 (TABLE 4)

- Years 1-6 (Until Distressed Hospital Loan Repayments Complete)
 - Estimated Annual Deficit ~\$15.0 million
 - Total Taxable Parcels ~70,000
 - Average Annual Tax Per Parcel \$215

- Years 7+
 - Estimated Annual Deficit ~\$10.3 million
 - Total Taxable Parcels ~70,000
 - Average Annual Tax Per Parcel \$148

DISCUSSION