

**REPORT TO CAPITAL REGIONAL HOSPITAL DISTRICT BOARD
MEETING OF WEDNESDAY, MARCH 15, 2023**

SUBJECT **Capital Regional Hospital District Bylaw No. 415: Annual Budget 2023**

ISSUE SUMMARY

This report summarizes final updates to the 2023 annual budget, and requests approval of Bylaw No. 415 regarding the Capital Regional Hospital District (CRHD) budget.

BACKGROUND

On September 21, 2022, the CRHD Board approved the 2023 provisional budget. Now, under the provisions of Section 23(5) of the *Hospital District Act*, the CRHD budget for the current year must be adopted by bylaw on or before March 31, 2023.

Once approved, subject to Section 25(1) of the *Hospital District Act*, on or before April 20 in each year, the CRHD will deliver to each member municipality a requisition amount required from that member for the calendar year.

The 2023 Annual Budget Bylaw, CRHD Bylaw No. 415, is included in Appendix A.

ALTERNATIVES

Alternative 1

1. That Bylaw No. 415, “Annual Budget Bylaw, 2023”, be introduced and read a first, second and third time; and
2. That Bylaw No. 415 be adopted.

Alternative 2

1. That Bylaw No. 415, “Annual Budget Bylaw, 2023”, be introduced and read a first and second time;
2. That Bylaw No. 415 be amended as directed;
3. That Bylaw No. 415 be read a third time; and
4. That Bylaw No. 415 be adopted.

IMPLICATIONS

Financial Implications

The bylaw includes detailed estimates of expenses, revenues, annual surplus and planned annual capital expenditures. Expenses include grants, debt servicing, property management and administration costs. Table 1 summarizes the year over year change in requisition and the estimated cost per household.

Table 1 – Change in Requisition Year over Year

Description	2023 Final	2022 Final	\$ Change	% Change
Requisition (\$M)	\$26.5	\$26.5	-	-
Cost / Average Household	\$139.86	\$140.50	(\$0.64)	(0.5%)

The final 2023 CRHD requisition is \$26.5 million, with no increase from 2022. Based on timing of debt issues to pay for capital grants and capital expenditures, no increase in requisition is required. However, requisition in the five-year plan in Appendix C is expected to increase each year between 2024 through 2027.

The cost per average residential household is a theoretical calculation that provides an indicative cost to individual households in the region. The actual cost per household will differ from this estimate based on the individual property assessments. This calculation is most directly impacted by changes in folios and assessed values. The cost per average residential household decreased slightly by (\$0.64) or (0.5%).

Appendix C includes 2023 to 2027 Future Budget Projections, based on the revisions to the final budget for bylaw purposes.

Updates Following Provisional Budget Approval

Since provisional approval, the budget has been revised to reflect updated assumptions, the 2022 year-end results and payments in lieu of taxes (PILT). Appendix B details all changes since provisional approval.

Expenses

Since provisional approval, the total change in operating expenses was an overall decrease of (\$0.1) million or (0.3%). Table 2 summarizes the changes.

Table 2: Changes in Operating Expenses (\$ millions)

Expense Type	2023 Final	2023 Provisional	\$ Change	% Change
Operations	2.1	2.0	0.1	5.0%
Debt Servicing	20.1	20.4	(0.3)	(1.5%)
Capital Grants	3.0	3.0	-	-
Transfers to Reserves	7.5	7.4	0.1	1.4%
Total	\$32.7	\$32.8	(\$0.1)	(0.3%)

The change consisted of a decrease in debt servicing of (\$0.3) million and offsetting increases of \$0.1 million in operations and \$0.1 million in transfers to reserves.

The decrease in debt servicing costs is a result of changes to the 2023 to 2032 Ten-Year Capital Plan since approval by Board on September 21, 2022. Capital plan changes are a result of the Island Health prioritization process and the most significant changes to the capital plan include deferral of 2023 cash flows to 2024 to 2025 for the following projects:

- New Long-Term Care development project at Royal Bay (\$3.5 million)
- High Acuity Unit project at the Royal Jubilee Hospital (\$1.7 million)
- Inpatient and Outpatient Rehabilitation Program at the Victoria General Hospital (\$1.1 million)

Increases in operating expense is primarily driven by increased costs in administration due to the settlement of the collective agreement and associated changes to exempt employee wages. Transfers to the Debt Management Reserve have increased in order to reduce future borrowing and mitigate revenue requirements.

In Appendix A, Schedule B to the bylaw details planned capital expenditures by project and the related cost sharing commitment.

Operating Revenue

The change in operating revenue was driven by changes in expenses and PILT. The changes are summarized in Table 3 below.

Table 3: Changes in Revenue (\$ millions)

Revenue Type	2023 Final	2023 Provisional	\$ Change	% Change
Tax Requisition	26.5	26.5	-	-
PILT	0.7	0.8	(0.1)	(12.5%)
Lease and Other Property Revenue	4.4	4.4	-	-
Other Revenue	0.7	0.7	-	-
Transfers in from Reserve	0.4	0.4	-	-
Total	\$32.7	\$32.8	(\$0.1)	(0.3%)

PILT are monies recovered from tax exempt parcels owned by federal, provincial and Crown agencies in the region. PILT payments can vary, as the requirement to pay is discretionary to the Minister, Lieutenant Governor and heads of Crown Corporations. PILT is budgeted at provisional based on prior year actuals and revised for final budget based on actuals received. PILT received since provisional was lower than estimated by (\$0.1) million or (12.5%).

Requisition

Requisition did not change from provisional to final. However, with updated assessment information, the cost per average household decreased by (\$0.77). This is a result of increased assessment growth and increased folio growth over the prior year. The net result drives a decrease to the cost per average household from the provisional estimate. As previously shown in Table 1, the requisition has not changed over prior year, or since provisional budget approval.

Table 4: Changes in Requisition (\$ millions)

Description	2023 Final	2023 Provisional	\$ Change	% Change
Requisition (\$M)	\$26.5	\$26.5	-	-
\$ Cost / Average HH	\$139.86	\$140.63	(\$0.77)	(0.5%)

Reserves

Under the *Hospital District Act*, Section 20(4), the CRHD is able to maintain reserve accounts. Table 5 summarizes the change in reserve opening balances from provisional to final for all existing accounts at December 31, 2022.

Table 5: Changes in Reserves

Description (\$ millions)	2022 Final Ending	2022 Provisional Ending	\$ Change	% Change
Administration and Feasibility Studies	1.7	1.0	0.7	70%
Non-Traditional Projects Reserve	1.1	1.1	-	-
Minor Capital Project Reserves	6.8	6.9	(0.1)	(1.4%)
Land Holdings Management Reserve	1.4	1.1	0.3	27.3%
Summit Management Reserve	0.9	0.9	-	-
RHFP* Program Reserve	10.4	10.3	0.1	1.0%
Debt Management Reserve	3.4	2.9	0.5	17.2%

*Regional Housing First Program (RHFP)

Appendix D reflects the 2023 to 2027 future projections for all reserves based on these revised opening balances.

The change in the Administration and Feasibility Studies reserve was driven by year end surplus transfers to fund future studies planned for Oak Bay Lodge.

Minor Capital Project (MCP) reserves were reduced by (\$0.1) million due to timing of Island Health spending on eligible projects.

The Land Holdings Management Reserve increased by \$0.3 million primarily due to savings at the Oak Bay Lodge and Royal Bay sites. The Oak Bay Lodge demolition project completed in July 2022, resulting in savings of \$0.14 million on security, maintenance and utilities. Royal Bay realized savings of \$0.11 million due to the developer continuing to cover site costs until construction at the adjacent property is completed.

The Debt Management Reserve increased by \$0.5 million in response to revised timing of Island Health’s capital priorities. The Debt Management Reserve will be used to help fund capital investments in years 2025 to 2027 while mitigating impact to requisition.

CRHD Bylaw No. 415 includes Schedule A and Schedule B. Schedule A reflects all changes over prior year, and payments in lieu of taxes. Schedule B reflects the 2023 estimated capital annual expenditures.

CONCLUSION

The CRHD Board must adopt a bylaw for the annual budget each year by March 31. The attached bylaw includes the annual budget for 2023. The 2023 budget received provisional approval by the Board on September 21, 2022. The annual budget for 2023 has been prepared in alignment with

Board decisions and committee direction. Staff recommends approving the Annual Budget Bylaw, 2023, as presented.

RECOMMENDATION

1. That Bylaw No. 415, “Annual Budget Bylaw, 2023”, be introduced and read a first, second and third time; and
2. That Bylaw No. 415 be adopted.

Submitted by:	Rianna Lachance, BCom, CPA, CA, Senior Manager, Financial Services
Concurrence:	Nelson Chan, MBA, FCPA, FCMA, Chief Financial Officer
Concurrence:	Kevin Lorette, P. Eng., MBA, General Manager, Planning & Protective Services
Concurrence:	Kristen Morley, J.D., General Manager, Corporate Services & Corporate Officer
Concurrence:	Ted Robbins, B. Sc., C. Tech., Chief Administrative Officer

ATTACHMENTS

- Presentation: CRHD Presentation
- Appendix A: CRHD Bylaw No. 415, inclusive of Schedules A and B
- Appendix B: Capital Regional Hospital District 2023 Provisional to Final Comparison
- Appendix C: Capital Regional Hospital District 2023–2027 Future Budget Projections
- Appendix D: Capital Regional Hospital District 2023-2027 Reserve Schedule