

**REPORT TO CAPITAL REGIONAL HOSPITAL DISTRICT BOARD
MEETING OF WEDNESDAY, MARCH 13, 2024**

SUBJECT **Capital Regional Hospital District Bylaw No. 424 Annual Budget 2024**

ISSUE SUMMARY

This report summarizes final updates to the 2024 annual budget, and requests approval of Bylaw No. 424 regarding the Capital Regional Hospital District (CRHD) budget.

BACKGROUND

On October 25, 2023, the CRHD Board approved the 2024 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, 2024.

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 2024 Annual Budget Bylaw, CRHD Bylaw No. 424, is included in Appendix A.

ALTERNATIVES

Alternative 1

1. That Bylaw No. 424, “Annual Budget Bylaw, 2024”, be introduced and read a first, second and third time; and
2. That Bylaw No. 424 be adopted.

Alternative 2

1. That Bylaw No. 424, “Annual Budget Bylaw, 2024”, be introduced and read a first and second time;
2. That Bylaw No. 424 be amended as directed;
3. That Bylaw No. 424 be read a third time; and
4. That Bylaw No. 424 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, administration costs and property management costs such as insurance and security. 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	2024 Final	2023 Final	\$ Change	% Change
Requisition (\$M)	\$26.5	\$26.5		0%
Cost / Average Household	\$137.29	\$139.86	(\$2.57)	(1.8%)

The final 2024 CRHD requisition is \$26.5 million, with no increase from 2023. 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 2025 through 2028.

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 (\$2.57) or (1.8%).

Appendix C includes 2024 to 2028 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 2023 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 increase of \$0.2 million or 0.6%. Table 2 summarizes the changes.

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

Expense Type	2024 Final	2024 Provisional	\$ Change	% Change
Debt Servicing	17.5	17.3	0.2	1.2%
Capital Grants	3.0	3.0	-	-
Operations	2.2	2.2	-	-
Transfers to Reserves	10.9	10.9	-	-
Total	\$33.6	\$33.4	\$0.2	0.6%

The change consists of an increase in debt servicing of \$0.2 million.

The increase in debt servicing costs is a result of changes to the 2024 to 2033 10-Year Capital Plan since approval by the Board on October 25, 2023. Changes are a result of the Island Health prioritization process and remediation costs identified for a CRHD property. The most significant changes to the capital plan include advancing to 2024 cash flows previously planned in 2025 to 2028 for the following projects:

- New Long-Term Care Development Project at Royal Bay (\$2.8 million)
- The Victoria General Hospital (VGH) High Performance Controls Upgrade (\$0.8 million)
- The Royal Jubilee Hospital Diagnostic Treatment Controls Upgrade (\$0.8 million)
- The Summit Fire Suppression System Remediation (\$0.7 million)

These increases are partially offset by the early completion, removal, or deferral of the following projects previously cash flowed in 2024:

- Relocate Mental Health and Substance Use Assertive Community Treatment Teams – completed in 2023 (\$1.5 million)
- Administrative Building Decant / Eric Martin Pavilion Asbestos Abatement – removed from capital plan (\$1.5 million)
- The VGH Energy Centre Replacement – deferred to later years (\$1.0 million)

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	2024 Final	2024 Provisional	\$ Change	% Change
Tax Requisition	26.5	26.5	-	-
PILT	0.7	0.7	-	-
Lease and Other Property Revenue	4.6	4.4	0.2	4.5%
Other Revenue	1.1	1.1	-	-
Transfer from Reserve	0.6	0.6	-	-
Surplus - Operating	0.1	0.1	-	-
Total	\$33.6	\$33.4	\$0.2	0.6%

Other property revenue is forecasted to increase \$0.2 million or 4.5% in 2024 due to higher cost recovery from Island Health for operating expenses at The Summit.

Requisition

Requisition has not changed over prior year, or since provisional budget approval. However, with updated assessment information, the cost per average household decreased by (\$2.57). This is a result of assessment growth of +0.8% and folio growth +1.0% 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	2024 Final	2024 Provisional	\$ Change	% Change
Requisition (\$M)	\$26.5	\$26.5	-	-
\$ Cost / Average HH	\$137.29	\$139.86	(\$2.57)	(1.8%)

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 between provisional and final budget for all existing accounts on December 31, 2023.

Table 5: Changes in Reserves

Description (\$ millions)	2023 Final Ending	2023 Provisional Ending	\$ Change	% Change
Admin and Feasibility Studies Reserve	2.0	2.0	-	-
Non-Traditional Projects Reserve	1.1	1.1	-	-
Minor Capital Project Reserves	7.0	8.8	(1.8)	(20.5%)
Land Holdings Management Reserve	1.7	1.4	0.3	21.4%
Summit Management Reserve	1.3	0.9	0.4	44.4%
Regional Housing First Program (RHFP) Reserve	11.3	0.4	10.9	2,725%
Debt Management Reserve	7.2	6.9	0.3	4.3%

Appendix D reflects the 2024 to 2028 future projections for all reserves based on these revised opening balances.

Minor Capital Project (MCP) reserves were reduced by (\$1.8) million due to the accelerated timing of Island Health spending on eligible projects.

The Land Holdings Management Reserve increased by \$0.3 million due to savings at the Oak Bay Lodge, Royal Bay and The Summit combined with increased interest revenue earned on reserve funds.

The Summit Management Reserve increased by \$0.4 million due to the revision of the timing scheduled capital replacements and Chiller Modifications.

The RHFP Reserve increased by \$10.9 million as the planned \$10.0 million contribution to the RHFP has been deferred from 2023 to 2024 and as a result of interest earned. The deferral is reflected in the amended 2024 to 2033 10-Year Capital Plan.

The Debt Management Reserve increased by \$0.3 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 2024 to 2028 while mitigating impact to requisition.

CRHD Bylaw No. 424 includes Schedule A and Schedule B. Schedule A reflects all changes over prior year, and payments in lieu of taxes. Schedule B reflects the 2024 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 2024. The 2024 budget received provisional approval by the Board on October 25, 2023. The annual budget for 2024 has been prepared in alignment with Board decisions and committee direction. Staff recommends approving the Annual Budget Bylaw, 2024, as presented.

RECOMMENDATION

1. That Bylaw No. 424, “Annual Budget Bylaw, 2024”, be introduced and read a first, second and third time; and
2. That Bylaw No. 424 be adopted.

Submitted by:	Rianna Lachance, BCom, CPA, CA, Sr. Mgr., Financial Services / Deputy CFO
Concurrence:	Nelson Chan, MBA, FCPA, FCMA, Chief Financial Officer
Concurrence:	Kevin Lorette, P. Eng., MBA, General Manager, Planning & Protective Services
Concurrence:	Stephen Henderson, B.Sc., MBA, Acting General Manager, Corporate Services
Concurrence:	Ted Robbins, B. Sc., C. Tech., Chief Administrative Officer

ATTACHMENTS

- Presentation: CRHD Presentation
- Appendix A: CRHD Bylaw No. 424, inclusive of Schedule A and Schedule B
- Appendix B: Capital Regional Hospital District 2024 Provisional to Final Budget Comparison
- Appendix C: Capital Regional Hospital District 2024 to 2028 Future Budget Projections
- Appendix D: Capital Regional Hospital District 2024 to 2028 Reserve Schedule