



Notice of Meeting and Meeting Agenda Capital Regional Hospital District Board

Wednesday, March 22, 2017

1:30 PM

6th Floor Boardroom
625 Fisgard Street
Victoria, BC

Special Meeting

1. APPROVAL OF THE AGENDA

2. ADOPTION OF MINUTES

3. REPORT OF THE CHAIR

4. PRESENTATIONS/DELEGATIONS

4.1 Presentations

4.2 Delegations

5. SPECIAL MEETING MATTERS

5.1. [17-240](#) 2017 Capital Regional Hospital District (CRHD) Budget Bylaw

Recommendation: 1. That Bylaw No. 391 cited as "Annual Budget Bylaw, 2017" be introduced and read a first and second time;
2. That Bylaw No. 391 be read a third time; and
3. That Bylaw No. 391 be adopted.
(WA)

Attachments: [Staff Report: 2017 Capital Regional Hospital District Budget Bylaw](#)
[Attachment: Bylaw 391](#)
[Schedule A: Final 2017 Budget](#)
[Schedule B: 2017 Capital Expenditures](#)
[Appendix 1: 2017-2021 Future Budgets](#)

6. BYLAWS

7. NEW BUSINESS

8. MOTION TO CLOSE THE MEETING

9. ADJOURNMENT

Voting Key:

NWA - Non-weighted vote of all Directors

NWP - Non-weighted vote of participants (as listed)

WA - Weighted vote of all Directors

WP - Weighted vote of participants (as listed)



Making a difference...together

REPORT TO CAPITAL REGIONAL HOSPITAL DISTRICT BOARD MEETING OF WEDNESDAY, MARCH 22, 2017

SUBJECT 2017 CAPITAL REGIONAL HOSPITAL DISTRICT (CRHD) BUDGET BYLAW

ISSUE

Approval of Bylaw No. 391 to adopt the Capital Regional Hospital District 2017 Annual Budget.

BACKGROUND

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. In addition, Section 25(1) of the *Hospital District Act* requires that on or before April 20 in each year, the CRHD delivers to each member municipality, a requisition stating the amount required from that member during the year.

On November 30, 2016 the CRHD Board approved the 2017 *Provisional Budget*. The final budget is shown as Schedule A and Schedule B of the attached CRHD Bylaw No. 391.

ALTERNATIVES

1. That Bylaw No. 391 cited as "Annual Budget Bylaw, 2017" be introduced and read a first and second time, read a third time, and adopted.
2. That Bylaw No. 391 be amended and then introduced and read a first and second time, read a third time, and adopted.

FINANCIAL IMPLICATIONS

The final CRHD budget reflects all year-end adjustments related to prior year surplus/deficits and payments in lieu of taxes as shown in Schedule A of the Bylaw.

Overall the 2017 CRHD requisition of \$29,731,244 is an increase of 0.3% from the 2017 provisional budget approved in November 2016 or 3.4% from the 2016 requisition. The 2017 budget represents a total cost of \$161.27 per 2017 average residential assessment. The average residential assessment for the region based on 2017 completed assessments is \$625,883.

The main driver of the 0.3% increase from the approved provisional budget and 3.4% increase from 2016 is debt servicing and debt reserve fund costs associated with the upfront, long-term borrowing for the Summit at Quadra Village project ("Summit"). The CRHD Board approved long-term borrowing for this project, executed in January 2017, of which there is a two year principal holiday. The 2017 budget includes actual interest payments, debt reserve fund, commission fee, and estimated interest earnings.

In November 2016, the CRHD Board approved the financial strategy for Summit financing. The structured financing model (25 year fixed fee loan) enabled CRHD to capitalize on market conditions and allowed for continuity of funding for the project while minimizing interest rate risk. Following a due diligence and loan vetting process, the execution of terms was finalized in January 2017 and associated upfront expenses were recognized in 2017. Through the strategic investment of capital funds, based on Summit cash flow requirements, the impact of the debt

issuance has been greatly reduced. Without the estimated interest income, the increase in 2017 requisition would have been approximately 5.5% (2.1% higher than budget or an extra \$590k).

Project design work on Summit was completed in Q3 2016 and construction began in the early Q4; foundation tops and concrete frames are currently being fabricated. In 2016, the CRHD acquired 950 Kings Road, which adjoins 955 Hillside Avenue; it is currently being used for Summit's site staging and project management office. The property also has existing tenants. This property has strategic merit for long term use by the CRHD. Funds from the Land Holdings Management Reserve have been allocated to supplement property management expenses, which include maintenance and operating costs associated with this property.

The CRHD Board has provided policy direction to staff to ensure effective management of taxation, debt financing and cash flow. In light of all potential development opportunities and the Board's policy direction, a land holdings management reserve has been created. This reserve will be used to fund site development costs related to existing land holdings and future projects.

2016 resulted in a surplus of \$561,532, primarily related to decreased debt servicing costs and debenture maturity cash funds received by the CRHD when debt matures. The CRHD Board has previously directed surpluses to be applied against unfunded liabilities or be used to offset requisition in future years. The 2016 surplus has been used to offset the 2017 requisition increase. Under the Hospital District Act Section 20(4), CRHD is able to maintain reserve accounts. Below are the reserve balance schedules for all the existing accounts at December 31, 2016:

CRHD Section 20(4) Reserve Account Balances

Administration and Feasibility Studies Reserve	\$ 1,368,359
Minor Capital Project 2015 Reserve	\$ 1,134,553
Minor Capital Project 2016 Reserve	\$ 2,646,366
Minor Capital Project Stabilization Reserve	\$ 250,000
Non-Traditional Projects Reserve	\$ 2,150,000
Land Holdings Management Reserve	\$ 36,185
Housing First Health Projects Reserve	\$ 200,000

These reserves have been set aside for a specific purpose. The Housing First Health Projects reserve is being used to offset 2017 requisition increase; the balance at the end of 2017 will be zero. The administration and feasibility reserve funds are typically feasibility studies and or special projects.

The 2013 budget approved Minor Capital Project (MCP) grants to be expensed rather than debt serviced. A transition period of 2013-2016 was established with a 2013 and 2014 combined transfer of \$1.5M to the Section 20(4) reserve to be used as an offset in 2015-2017 to ease the transition to expensing MCP grant funding. The final installment in 2017 is 250k; the balance at the end 2017 will be zero. The intent is to match the funding of the project according to its lifecycle. Due to Island Health cash flowing the minor capital projects over three years, the reserve accounts need to be maintained for a three year cycle. The CRHD staff regularly track the reserves and if after five years the grant funding has not been claimed by Island Health these funds will be reclaimed from the reserve by CRHD to pay down other unfunded liabilities or stabilize the requisition.

CONCLUSIONS

The 2017 CRHD requisition is \$29,731,244, is an increase of 0.3% from the 2017 provisional budget approved in November 2016 or 3.4% from the 2016 requisition. The 2017 budget includes increases for debt servicing and debt reserve fund costs related to long-term borrowing associated with the Summit project.

RECOMMENDATION

1. That Bylaw No. 391 cited as “Annual Budget Bylaw, 2017” be introduced and read a first and second time;
2. That Bylaw No. 391 be read a third time;
3. That Bylaw No. 391 be adopted.

Submitted By:	Amber Donaldson, MA, CPA, CMA, A/Senior Manager, Financial Services
Concurrence:	Nelson Chan MBA, CPA, CMA, Chief Financial Officer
Concurrence:	Kevin Lorette, P.Eng., MBA, General Manager, Planning & Protective Services
Concurrence:	Robert Lapham, MCIP, RPP, Chief Administrative Officer

Attachments: CRHD Bylaw No. 391 and corresponding Schedule A & B, and Appendix I

CAPITAL REGIONAL HOSPITAL DISTRICT

BYLAW No. 391

A BYLAW TO ADOPT THE ANNUAL BUDGET FOR THE YEAR 2017

WHEREAS pursuant to Section 23(5) of the *Hospital District Act*, the Regional Hospital District Budget for the current year shall be adopted by bylaw on or before the 31st day of March;

NOW THEREFORE, the Board of the Capital Regional Hospital District, in open meeting assembled enacts as follows:

1. Schedule A and B attached hereto and made part of this bylaw comprises the Annual Budget for the Capital Regional Hospital District for the year ending the 31st day of December 2017.
2. This bylaw may be cited as the "Annual Budget Bylaw, 2017".

READ A FIRST TIME THIS	day of	2017.
READ A SECOND TIME THIS	day of	2017.
READ A THIRD TIME THIS	day of	2017.
ADOPTED THIS	day of	2017.

CHAIR

SECRETARY

SCHEDULE A

**CAPITAL REGIONAL HOSPITAL DISTRICT
2017 ANNUAL BUDGET**

	2016 BOARD BUDGET	2017 ANNUAL BUDGET	2015 - 2016 BUDGET VARIANCE
REVENUE			
Tax Requisition Total	28,744,710	29,731,244	986,534
Payments in Lieu of Taxes	1,042,980	1,021,429	(21,551)
	<u>29,787,690</u>	<u>30,752,673</u>	<u>964,983</u>
Debt Reserve Fund Recovery	-	124,800	124,800
Interest	50,000	50,000	-
Interest - Summit Structured Financing (100% draw)	-	590,000	590,000
Transfer in from Housing First Health Projects Reserve	-	200,000	200,000
Surplus Previous Year	686,000	561,532	(124,468)
TOTAL REVENUE	<u><u>30,523,690</u></u>	<u><u>32,279,005</u></u>	<u><u>1,755,315</u></u>
EXPENDITURES			
Debt Servicing			
Debenture Debt Charges	22,246,590	22,673,971	427,381
Debeture Debt Charges - related to Summit Lease only	-	1,073,406	1,073,406
Debenture Debt - Accrued Interest to Dec 31	174,000	482,298	308,298
Paydown Portion of Kings Land from Surplus Carry Forward	650,000	-	(650,000)
Temporary Borrowing Interest	40,480	10,000	(30,480)
Debenture Issue Expense - no longer required effective 2016	-	-	-
Debt Reserve Fund/fees - Summit (one time)	-	734,500	734,500
Debt Reserve Fund	171,710	49,000	(122,710)
Total Debt Servicing	<u>23,282,780</u>	<u>25,023,175</u>	<u>1,740,396</u>
HD Act Section 20 Expenditures			
Administration	575,910	590,830	14,920
Studies	120,000	120,000	-
Property Management	40,000	40,000	-
	<u>735,910</u>	<u>750,830</u>	<u>14,920</u>
HD Act Section 20 Expenditures - Capital Grants			
Capital Equipment Grants	2,955,000	2,955,000	-
Annual Transfer to Minor Capital Projects Reserve	3,750,000	3,750,000	-
Transfer to/(from) Minor Capital Projects Stabilization Reserve	(500,000)	(250,000)	250,000
	<u>6,205,000</u>	<u>6,455,000</u>	<u>250,000</u>
HD Act Section 20 Expenditures - Reserves			
Transfer to/(from) Land Holdings Management Reserve	100,000	50,000	(50,000)
Transfer to/(from) Housing First Health Projects Reserve	200,000	-	(200,000)
	<u>300,000</u>	<u>50,000</u>	<u>(250,000)</u>
TOTAL EXPENDITURES	<u><u>30,523,690</u></u>	<u><u>32,279,005</u></u>	<u><u>1,755,316</u></u>
Surplus/(Deficit)			
Tax impact on 2017 average residence (\$625,883)	155.92	161.27	
Tax impact on \$100,000 of 2017 residential assessments	24.91	25.77	
Tax requisition increase/(decrease)		3.4%	

SCHEDULE B

CAPITAL REGIONAL HOSPITAL DISTRICT
2017 CAPITAL EXPENDITURES

Capital Borrowing Bylaw#	Project Description	2017 Capital Expenditures
158	VIHA - 2013 Minor Capital Projects	390,000
160	Summit - Residential Care Replacement Project	20,877,030
161	VIHA - 2014 Minor Capital Projects	980,000
163	RJH - Boiler Plant Replacement	560,000
165	VGH - Endoscopy Unit Renovation	109,500
168	RJH - Unit Dose Medication Distribution Hub (UDMD)	1,930,000

24,846,530

Capital Expenditure Bylaw#	Project Description	2017 Capital Expenditures
TBA	Sec 20 - 2017 Minor Capital Projects	3,750,000
TBA	Sec 20 - 2017 Capital Equipment Projects	2,955,000

6,705,000

Total 2017 Capital Expenditures

31,551,530

APPENDIX I

**CAPITAL REGIONAL HOSPITAL DISTRICT
2017 - 2021 FUTURE BUDGET PROJECTIONS**

	2017 PROVISIONAL BUDGET	2018 BUDGET	2019 BUDGET	2020 BUDGET	2021 BUDGET
REVENUE					
Tax Requisition Total	29,731,244	31,319,716	30,413,645	28,273,813	27,636,036
Payments in Lieu of Taxes	1,021,429	1,021,429	1,021,429	1,021,429	1,021,429
Summit Lease Payments	-	-	2,169,089	4,338,178	4,338,178
	<u>30,752,673</u>	<u>32,341,145</u>	<u>33,604,163</u>	<u>33,633,420</u>	<u>32,995,643</u>
Debt Reserve Fund Recovery	124,800	-	-	-	-
Interest	50,000	50,000	50,000	50,000	50,000
Interest - Summit structured financing (100% draw)	590,000	370,000	30,000		
Transfer in from Housing First Health Projects Reserve	200,000				
Surplus Previous Year	561,532	-	-	-	-
TOTAL REVENUE	<u><u>32,279,005</u></u>	<u><u>32,761,145</u></u>	<u><u>33,684,163</u></u>	<u><u>33,683,420</u></u>	<u><u>33,045,643</u></u>
EXPENDITURES					
Debt Servicing					
Debt Servicing					
Debenture Debt Charges	22,673,971	22,707,158	22,631,630	21,642,589	20,856,651
Debenture Debt Charges - related to Summit Lease only	1,073,406	2,146,813	3,024,001	3,901,190	3,901,190
DRF - summit (one time)	734,500	-	-	-	-
Debenture Debt - Accrued Interest to Dec 31	482,298	-	-	-	-
Paydown Portion of Capital Initiatives - Summit Financing	-	-	-	-	-
Temporary Borrowing Interest	10,000	10,000	50,000	50,000	50,000
Debenture Issue Expense	-	-	-	-	-
Debt Reserve Fund	49,000	9,525	2,140	29,990	65,540
Total Debt Servicing	<u>25,023,175</u>	<u>24,873,495</u>	<u>25,707,771</u>	<u>25,623,768</u>	<u>24,873,381</u>
HD Act Section 20 Expenditures					
Administration	590,830	602,650	617,440	630,700	643,310
Studies	120,000	120,000	120,000	120,000	120,000
Property Management	40,000	40,000	40,000	40,000	40,000
	<u>750,830</u>	<u>762,650</u>	<u>777,440</u>	<u>790,700</u>	<u>803,310</u>
HD Act Section 20 Expenditures - Capital Grants					
Capital Equipment Grants	2,955,000	2,955,000	2,955,000	2,955,000	2,955,000
Annual Transfer to Minor Capital Projects Reserve	3,750,000	3,750,000	3,750,000	3,750,000	3,750,000
Transfer to/(from) Minor Capital Projects Stabilization Reserve	(250,000)	-	-	-	-
	<u>6,455,000</u>	<u>6,705,000</u>	<u>6,705,000</u>	<u>6,705,000</u>	<u>6,705,000</u>
HD Act Section 20 Expenditures - Reserves					
Transfer to/(from) Summit Management Reserve	-		263,952	263,952	263,952
Transfer to/(from) Land Holdings Management Reserve	50,000	50,000	200,000	300,000	400,000
Transfer to/(from) Housing First Health Projects Reserve	-	-	-	-	-
	<u>50,000</u>	<u>50,000</u>	<u>463,952</u>	<u>563,952</u>	<u>663,952</u>
TOTAL EXPENDITURES	<u><u>32,279,005</u></u>	<u><u>32,391,145</u></u>	<u><u>33,654,163</u></u>	<u><u>33,683,420</u></u>	<u><u>33,045,643</u></u>
Tax impact on 2016 average residence (\$625,883)	161.27	169.89	164.97	153.36	149.91
Tax impact on \$100,000 of 2016 residential assessments	30.08	31.69	30.77	28.61	27.96
Tax requisition increase/(decrease)	3.4%	5.3%	-2.9%	-7.0%	-2.3%