

**REPORT TO CAPITAL REGIONAL HOSPITAL DISTRICT BOARD
MEETING OF WEDNESDAY, NOVEMBER 12, 2025**

SUBJECT **Revenue Anticipation Borrowing Resolution for Current Capital Regional Hospital District Operating Expenditures**

ISSUE SUMMARY

Approval of a revenue anticipation borrowing resolution authorizing borrowing up to \$11 million, if required, in advance of 2026 requisition and other anticipated receipts.

BACKGROUND

Under Section 31 of the Hospital District Act, the Board may adopt a revenue anticipation borrowing resolution to secure short-term funding needed to meet financial obligations in advance of expected revenues. The section requires that all borrowed funds be repaid within nine (9) months of the date of borrowing.

The Capital Regional Hospital District (CRHD) receives funds annually from multiple revenue sources, primarily requisition and lease revenue. While lease revenues are received monthly, requisition payments are typically received once per year in August. As a result, the timing of revenue receipts varies and, in some periods, expenditures may precede incoming revenues.

Annually, both the CRD and the Capital Regional Hospital District (CRHD) present revenue anticipation borrowing bylaws for Board approval. For the CRHD, the benchmark borrowing limit is set at four-twelfths (4/12) of the approved annual budgeted expenditures, while for the CRD, the benchmark is two-twelfths (2/12).

The higher ratio for the CRHD reflects the nature of its cashflow cycle. The Hospital District primarily funds capital commitments to Island Health and Municipal Finance Authority (MFA) debt payments, with its principal revenue inflow, the annual requisition, collected once per year in August. In contrast, the CRD has a much larger and more diversified budget, supported by steady inflows from user fees, service charges and grants received throughout the year. Consequently, while the CRHD's borrowing ratio is higher to bridge the longer revenue gap, the CRD's ratio is smaller given its access to multiple ongoing sources of working capital.

The proposed revenue anticipation resolution authorizes short-term borrowing of up to the equivalent of four (4) months of average budgeted expenditures, providing liquidity to ensure uninterrupted operations and cost-effective financing. For 2026, based on current cashflow forecasts, the recommended borrowing limit is \$11 million, equal to approximately one third (4/12) of the approved 2026 provisional operating budget of \$33 million.

When utilized, the CRHD will borrow funds through existing overdraft arrangements within current banking agreements or through the MFA. As of October 14, 2025, the Royal Bank of Canada's overdraft rate is 4.70%, while the MFA's short-term borrowing rate is 3.14% (both are variable rates).

ALTERNATIVES

Alternative 1

That the Revenue Anticipation Resolution be adopted to allow the temporary borrowing of up to \$11 million for current Capital Regional Hospital District operating expenditures.

Alternative 2

That this report be referred back to staff for additional information.

IMPLICATIONS

Financial Implications

Historically, staff have presented the revenue anticipation resolution as an annual fiscal risk management tool. The CRHD has only utilized this facility once in recent history, borrowing \$1.1 million in July 2017 to cover short-term interest payments that were repaid in August upon receipt of requisition revenue. The current economic environment and continued growth of the CRHD highlight an opportunity to optimize short-term financial management practices.

For this fiscal year, the CRHD plans to utilize revenue anticipation borrowing to enhance cash and working capital management. Short-term borrowing ensures liquidity, particularly during periods of revenue fluctuation, and it also stabilizes annual budget expenditures, enables timely access to capital project financing, and provides readiness for emergencies if required.

This approach remains cost-effective due to the brief borrowing duration and required payback period. Additionally, elevated short-term investment rates can make revenue anticipation borrowing advantageous by allowing the CRHD to maintain or, in some cases, increase interest earnings on reserves held for future use.

Effective January 1, 2026, the proposed revenue anticipation bylaw limit of \$11 million will allow the CRHD to leverage short-term borrowing to address working capital needs based on anticipated requisition and other revenue sources.

These funds will only be accessed when necessary and will be repaid within nine (9) months of borrowing, in compliance with Section 31 of the Hospital District Act. Adoption of this resolution will permit cost-effective borrowing to manage revenue timing variations and optimize working capital management for the upcoming fiscal year.

CONCLUSION

This resolution is brought forward annually for the Board's consideration as part of sound financial governance and fiscal risk management. Adoption of the resolution will authorize borrowing to cover short-term expenditures in 2026 if required, pending receipt of anticipated revenues.

RECOMMENDATION

That the Revenue Anticipation Resolution be adopted to allow the temporary borrowing of up to \$11 million for current Capital Regional Hospital District operating expenditures.

Submitted by:	Varinia Somosan, CPA, CGA, Senior Manager, Financial Services & Deputy Chief Financial Officer
Concurrence:	Nelson Chan, MBA, FCPA, FCMA, Chief Financial Officer & General Manager, Finance & Technology
Concurrence:	Ted Robbins, B. Sc., C. Tech., Chief Administrative Officer

ATTACHMENT

Appendix A: Revenue Anticipation Resolution