



Capital Regional Hospital District

## REPORT TO CAPITAL REGIONAL HOSPITAL DISTRICT BOARD MEETING OF WEDNESDAY, OCTOBER 30, 2024

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**SUBJECT**     2025 Capital Regional Hospital District Provisional Budget

### **ISSUE SUMMARY**

This report presents the 2025 Capital Regional Hospital District (CRHD) Provisional Budget for review and approval.

### **BACKGROUND**

The CRHD is mandated by the Hospital District Act to prepare an annual financial plan that encompasses capital expenditures, operating costs, revenues and any surpluses or deficits from the prior year. In accordance with *Regulation B.C. 406/82*, the CRHD Board must approve a provisional budget for the upcoming calendar year by December 31, with final approval required before March 31 of the following year.

The 2025 Provisional Budget is closely aligned with the CRHD's 10-year Capital Plan, which serves as the key driver for capital expenditures. This plan identifies both CRHD-managed and Island Health-managed projects, with the goal of supporting regional healthcare infrastructure. CRHD-managed initiatives focus on land development, new healthcare facilities, asset replacement and maintenance. These projects address the evolving needs of the region's healthcare system and reflect the CRHD's commitment to ensuring high-quality health services for its residents. The 10-year Capital Plan is presented in detail for approval in an accompanying staff report.

In addition to the 10-year Capital Plan, the 2025 Provisional Budget reflects initiatives outlined in the 2023-2026 Corporate Plan, which sets the strategic direction for the CRHD. The four-year planning cycle is designed to ensure alignment and implementation of the board's strategic objectives.

To guide the budget's development, the Executive Leadership Team conducted a comprehensive review of service plans and business cases in September 2024, considering organizational capacity and financial constraints. This provisional budget is subject to updates based on year-end financial results, revised property assessment data and potential amendments by the Board prior to final approval.

### **ALTERNATIVES**

#### *Alternative 1*

That the 2025 Capital Regional Hospital District Provisional Budget be approved as submitted.

#### *Alternative 2*

That the 2025 Capital Regional Hospital District Provisional Budget be given provisional approval with specific directions on amendments.

**IMPLICATIONS**

*Financial Implications*

A projected year-end surplus of \$0.75 million (2.2%) in 2024 is primarily driven by key expense and revenue factors:

Revenue

- \$351k - Cost recovery from Island Health for insurance expenses at The Summit
- \$45k - Additional Debt Reserve Fund (DRF) recovery on retiring debt
- \$52k - Interest earnings generated on cash on hand
- \$400k - Smaller transfer from reserves due to deferred feasibility studies and a vacant term position

Expense

- \$151k - Lower debt servicing costs due to reduced capital activity at Island Health
- \$73k - Administration and overhead costs
- \$535k - Feasibility studies deferred to 2025
- \$87k - Savings on property maintenance expenses at 950 Kings, Oak Bay Lodge, Royal Bay and The Summit

The surplus will be transferred to the Debt Management Reserve at year-end to ensure an optimal reserve balance for funding future capital investments.

**Expenditures**

The 2025 Provisional Budget includes \$33.0 million in total expenditures, a decrease of \$0.6 million (1.8%) from 2024. Appendix A provides a detailed comparison to the 2024 Final Budget. Table 1 summarizes the year-over-year change in operating expenditures.

*Table 1: Change in Operating Expenditures (\$ millions)*

Expense Type	2025 Provisional	2024 Final	\$ Change	% Change
Debt Servicing	14.4	17.5	(3.1)	(17.7%)
Capital Equipment Grants	3.0	3.0	-	-
Operations	2.0	2.2	(0.2)	(9.1%)
Transfers to Reserves	13.6	10.9	2.7	24.8%
<b>Total</b>	<b>\$33.0</b>	<b>\$33.6</b>	<b>(\$0.6)</b>	<b>(1.8%)</b>

- **Debt Servicing:** 2025 debt servicing totals \$14.4 million, down \$3.1 million (17.7%) from 2024. This decline is due to the net reduction in historical debt issuances, and fluctuations in short-term and long-term lending rates on new and renewing issuances. This encompasses both existing obligations and new debt required for capital expenditures planned under the 2025 10-year Capital Plan.
- **Capital Equipment Grants:** The CRHD’s annual \$3.0 million contribution for medical equipment remains unchanged from 2024.

- **Operations:** This encompasses administration, feasibility studies and property management costs. 2025 operations costs total \$2.0 million, down \$0.2 million (9.1%) from 2024, mainly due to a planned decrease in the budget allocated for feasibility studies.
- **Transfers to Reserves:** \$13.6 million will be transferred to reserves in 2025, an increase of \$2.7 million (24.8%). This is largely due to \$9.4 million allocated to the Debt Management Reserve to help fund future capital investments from the CRHD’s \$497 million 10-year capital plan, reducing the need for increased future requisitions.

**Revenue**

The 2025 Provisional Budget estimates total revenue at \$33.0 million, reflecting a decrease of \$0.6 million (1.8%) from 2024. Appendix A provides a detailed comparison to the 2024 Final Budget. Table 2 summarizes the year-over-year change in operating revenue.

*Table 2: Changes in Revenue (\$ millions)*

Revenue Type	2025 Provisional	2024 Final	\$ Change	% Change
Requisition	26.5	26.5	-	-
Payments in Lieu of Taxes	0.7	0.7	-	-
Lease and Other Property Revenue	4.6	4.6	-	-
Other Revenue	0.6	1.1	(0.5)	(45.5%)
Transfers from Reserve	0.6	0.6	-	-
Operating Surplus	-	0.1	(0.1)	(100.0%)
<b>Total</b>	<b>\$33.0</b>	<b>\$33.6</b>	<b>(\$0.6)</b>	<b>(1.8%)</b>

The \$0.6 million (1.8%) decrease in revenue is due to lower recoveries from the DRF following the retirement of existing debt, along with the impact of a one-time surplus carry-forward in 2024.

**Requisition**

The 2025 CRHD requisition is \$26.5 million, unchanged from the prior year. Table 3 illustrates the cost per average household based on the current average residential assessment of \$1,102,040 as provided by BC Assessment.

*Table 3: Change in Requisition*

Description	2025 Provisional	2024 Final	\$ Change	% Change
Requisition (\$ millions)	\$26.5	\$26.5	-	-
Cost / Average Household	\$137.29	\$137.29	-	-
Average Household (\$M)	\$1.1	\$1.1	-	-

The estimated cost per average household for 2025 is \$137.29, reflecting no change from the 2024 Final Budget. This cost is subject to change based on updates to the average residential assessed value. Table 4 provides a summary of the CRHD’s forecasted requisition per average household for the previous and upcoming five years.

*Table 4: Forecast Requisition per Average Household*

Budget Year	Residential Assessment <sup>1</sup>	2024	2025	2026	2027	2028	2029
2020 <sup>f</sup>	\$778,883	\$128.02	-	-	-	-	-
2021 <sup>f</sup>	\$811,623	\$129.47	\$130.62	-	-	-	-
2022 <sup>f</sup>	\$1,002,606	\$144.30	\$145.88	\$151.09	-	-	-
2023 <sup>f</sup>	\$1,115,965	\$142.18	\$145.43	\$149.49	\$154.94	-	-
2024 <sup>f</sup>	\$1,102,040	\$137.29	\$141.59	\$148.81	\$156.26	\$166.57	-
2025 <sup>P</sup>	\$1,102,040	n/a	\$137.29	\$145.61	\$152.91	\$163.03	\$173.60

<sup>1</sup> Residential assessment data provided by BC Assessment

<sup>f</sup> Final Budget

<sup>P</sup> Provisional Budget using 2024 revised assessed value

In the 10-year Capital Plan, Island Health has identified several significant projects set to commence in the next five years. If all projects advance as forecasted by Island Health, the cost per average household is expected to increase significantly. Beginning in 2025, transfers from the Debt Management Reserve will be utilized to reduce borrowing and mitigate revenue requirements.

For additional detail regarding future budget projections, refer to Appendix B, 2025-2029 Future Budget Projections.

### Capital Plan

The CRHD 10-year Capital Plan serves as the primary driver of debt servicing costs and capital reserve transfers in the provisional budget. The capital expenditures for 2025 are projected to be \$34.4 million, reflecting an increase of \$8.0 million (30.3%) from 2024. Table 5 summarizes the capital expenditures, which include major capital initiatives from Island Health, CRHD-managed initiatives and minor capital and equipment expenses.

*Table 5: Capital Plan Summary (\$ millions)*

Description	2025 Provisional	2024 Final	\$ Change	% Change
Island Health Initiatives	24.3	5.5	18.8	341.8%
CRHD Initiatives	3.4	14.2	(10.8)	(76.1%)
Island Health Minor Capital and Equipment	6.7	6.7	-	-
<b>Total</b>	<b>\$34.4</b>	<b>\$26.4</b>	<b>\$8.0</b>	<b>30.3%</b>

Appendix C details planned capital expenditures by project, along with related cost sharing commitments.

**Reserves**

Appendix D provides a detailed five-year cashflow analysis by reserve fund, while Table 6 summarizes the planned activity through the end of 2025. The \$30.9 million opening balance is projected to increase by \$7.2 million, reaching \$38.1 million by the end of 2025.

*Table 6: Changes in Reserves (\$ millions) (in order of Appendix D)*

Description	2025 Opening (Estimate)	2025 Plan Activity		2025 Ending (Projection)
		Funding	Expenses	
Operating Reserves	2.0	-	(0.4)	1.6
Capital Grant Reserves	8.4	3.8	(4.0)	8.2
CRHD Capital Reserves	3.5	0.6	(0.4)	3.7
Financing Reserve	17.0	10.6	(3.0)	24.6
<b>Total</b>	<b>\$30.9</b>	<b>\$15.0</b>	<b>(\$7.8)</b>	<b>\$38.1</b>

- **Operating Reserves:** Operating reserves are projected to decrease to \$1.6 million due to \$0.4 million in expenses for feasibility studies deferred to 2025 for property developments at Oak Bay Lodge and 950 Kings. Contributions are paused as current funding levels are sufficient to support operating activities.
- **Capital Grant Reserves:** Capital grant reserves are estimated to decrease to \$8.2 million, a \$0.2 million net decrease, reflecting a \$3.8 million annual contribution to the Minor Capital Projects Reserve, and \$4.0 million in expenditures directed by Island Health.
- **CRHD Capital Reserves:** Capital reserves are expected to increase to \$3.7 million, a \$0.2 million net increase, reflecting \$0.6 million in reserve contributions and interest earnings on reserve balances, and \$0.4 million in transfers to 950 Kings, Oak Bay Lodge, Royal Bay and The Summit.
- **Financing Reserve (Debt Management Reserve):** The financing reserve, or Debt Management Reserve, is anticipated to grow to \$24.6 million, a net increase of \$7.6 million, as the CRHD continues to implement a financing strategy aimed at mitigating future requisition impacts driven by the 10-year Capital Plan.

**CONCLUSION**

In accordance with the Hospital District Act *Regulation B.C. 406/82*, the CRHD Board is required to approve a provisional budget for the upcoming calendar year by December 31. The 2025 CRHD Provisional Budget is primarily based on the 10-year Capital Plan, which includes projects identified by Island Health alongside CRHD-led capital initiatives. This plan is presented to the Board for approval in an accompanying staff report. The provisional budget is subject to revision based on the final 2024 surplus or deficit, updated assessment data and any amendments directed by the Board prior to the adoption of the final budget as part of the annual budget bylaw by March 31, 2025.

**RECOMMENDATION**

That the 2025 Capital Regional Hospital District Provisional Budget be approved as submitted.

Submitted by:	Varinia Somosan, CPA, CGA, Sr. Mgr., Financial Services / Deputy CFO
Concurrence:	Nelson Chan, MBA, FCPA, FCMA, Chief Financial Officer, GM Finance & IT
Concurrence:	Kevin Lorette, P. Eng., MBA, General Manager, Planning & Protective Services
Concurrence:	Ted Robbins, B. Sc., C. Tech., Chief Administrative Officer

**ATTACHMENTS**

- Presentation: 2025 Provisional Budget - CRHD
- Appendix A: CRHD 2025 Provisional Budget
- Appendix B: CRHD 2025-2029 Future Budget Projections
- Appendix C: CRHD 2025 Capital Expenditures
- Appendix D: CRHD Reserve Schedule 2025-2029