

**REPORT TO HOSPITALS AND HOUSING COMMITTEE  
MEETING OF WEDNESDAY, JUNE 03, 2026**

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**SUBJECT**     **Capital Regional Hospital District Capital Contribution Funding Model**

**ISSUE SUMMARY**

Staff to review the Capital Regional Hospital District (CRHD) capital contribution funding model.

**BACKGROUND**

On October 29, 2025, the CRHD Board passed the following motion:

*The Capital Regional Hospital District Board ask staff to review the 30% contribution for major capital and 40% contribution for minor capital and make a recommendation on a potential lower percentage based on a Consolidated Capital Regional District Budget and evolving costs for newly-established services.*

In 2007, the Board completed a comprehensive review of the CRHD funding model and established the current contribution structure. The three categories of CRHD funding are:

1. **Major Capital Projects**  
Projects greater than \$2 million (M) generally cost-shared at a 30% contribution level and primarily financed through debt arranged through the Municipal Finance Authority.
2. **Minor Capital Projects**  
Projects valued between \$100,000 and \$2M where the CRHD contributes 40% of project costs, up to an annual maximum of \$3.75M.
3. **Medical Equipment**  
Annual contributions of \$2.925M to Island Health and \$30,000 to Mount Saint Mary Hospital for medical equipment replacement and acquisition.

The current contribution structure has remained largely unchanged since 2007. During this period, construction costs, population growth, healthcare demand, and broader CRD financial pressures have increased. Staff met with Ministry of Health and the Ministry of Infrastructure staff on February 20 and March 20, 2026, to discuss Hospital District(s) cost shares. Staff were informed that most hospital districts across British Columbia typically contribute up to 40% of eligible capital costs; however, contributions are voluntary and vary based on local circumstances and project funding arrangements. A review of major health capital projects identified in the Province's 2026/27–2028/29 Budget and Fiscal Plan indicates that Regional Hospital District contributions vary significantly between projects. Key observations indicate the historical 40% contribution model is a convention rather than a requirement and funding arrangements increasingly include provincial, foundation, and other funding sources.

Overall, while provincial funding arrangements demonstrate increasing flexibility, discussions with Island Health indicate that existing and planned projects within the CRHD have been developed based on current contribution assumptions and may not readily accommodate further reductions. Island Health advised that the current reduction from the conventional 40% contribution expectation to 30% for major capital projects already represents a significant reduction in CRHD participation.

## **ALTERNATIVES**

### *Alternative 1*

The Hospitals and Housing Committee recommends to the Capital Regional Hospital District Board:

That the Capital Regional Hospital District maintains the current capital contribution funding model as follows:

- Maintain a 30% contribution for major capital projects;
- Maintain a 40% contribution for minor capital projects; and
- Maintain current annual allocations for medical equipment.

### *Alternative 2*

The Hospitals and Housing Committee recommends to the Capital Regional Hospital District Board:

That the Capital Regional Hospital District staff work with Island Health and the Ministry of Health to understand the implications of reducing the major capital percentage contribution from CRHD to 25%.

### *Alternative 3*

That this report be referred back to staff for additional information based on Hospitals and Housing Committee direction.

## **IMPLICATIONS**

### *Financial Implications*

In the current capital environment, increasing construction costs and infrastructure requirements mean that even relatively small contribution changes can create significant funding impacts. Across current Island Health major projects within the existing CRHD Ten-Year Capital Plan, the previous reduction from a 40% to 30% contribution model represents approximately \$98M in reduced contributions. A further reduction to 25% would create an estimated additional \$49M in funding pressure. Island Health has indicated that additional funding pressures may require reassessment of project scope, timing, viability, and funding strategies (Appendix A).

Maintaining the current contribution model supports assumptions embedded within current and planned capital projects. While reducing contribution rates could improve CRHD financial flexibility, relatively small percentage reductions may create significant funding gaps for major projects. Future impacts would vary depending on the scale and timing of approved capital projects and would require project-specific analysis.

### *Intergovernmental Implications*

Funding arrangements for major capital projects are negotiated and variable. Changes to the CRHD contribution model would require discussions with Island Health and the Province regarding impacts on capital planning and could impact the viability of planned capital projects.

### *Governance/Legal Implications*

The CRHD is established under provincial legislation and letters patent. Authority for establishing, restructuring, or dissolving a regional hospital district rests with the Province through the Lieutenant Governor in Council. A preliminary review of the legislative framework indicates that any restructuring—particularly dissolution—would require provincial approval and would need to address a range of complex considerations, including existing assets and liabilities, debt and long-term financial obligations, taxation authority and requisitioning, ongoing capital funding

responsibilities, and alignment with health authority capital planning. There is no clear mechanism for unilateral dissolution of a regional hospital district by its Board. As such, any consideration of structural changes would represent a significant provincial policy and governance decision requiring coordination with the Province and Island Health. Discussions with Ministry staff indicate a strong opposition to dissolution of the CRHD. While this context is important, it does not directly impact the CRHD’s ability to adjust its contribution model within the existing legislative framework.

**CONCLUSION**

The current reduction from a conventional 40% contribution to 30% for major capital projects already represents a significant reduction in CRHD funding participation. Information provided by Island Health indicates that additional reductions could create material funding pressures that may affect project viability, scope, timing, and overall capital planning assumptions. Maintaining the existing contribution model supports continued partnership with Island Health and the Province and provides stability for current and future healthcare infrastructure planning.

**RECOMMENDATION**

The Hospitals and Housing Committee recommends to the Capital Regional Hospital District Board:

That the Capital Regional Hospital District maintains the current capital contribution funding model as follows:

- Maintain a 30% contribution for major capital projects;
- Maintain a 40% contribution for minor capital projects; and
- Maintain current annual allocations for medical equipment.

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**ATTACHMENT**

Appendix A: May 25, 2026 letter from Island Health