

**REPORT TO CAPITAL REGIONAL HOSPITAL DISTRICT BOARD
MEETING OF WEDNESDAY, OCTOBER 29, 2025**

SUBJECT 2026 Capital Regional Hospital District Provisional Budget

ISSUE SUMMARY

This report presents the 2026 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 2026 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 2026 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 2025, 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 2026 Capital Regional Hospital District Provisional Budget be approved as submitted.

Alternative 2

That the 2026 Capital Regional Hospital District Provisional Budget be given provisional approval with specific directions on amendments.

IMPLICATIONS

Financial Implications

A projected year-end surplus of \$1.17 million (3.5%) in 2025 is primarily driven by the following factors:

Revenue:

- \$433k – increase in revenue from the Municipal Finance Authority's (MFA) holdback payment on long term debt
- (\$395k) – deferred transfers from reserve for feasibility studies
- (\$50k) – reduced transfer from Land Holdings Reserve for Oak Bay Lodge and Royal Bay
- (\$14k) – reduced interest earnings generated from cash on hand

Expense:

- (\$693k) – lower debt servicing costs due to reduced capital activity at Island Health with no holdbacks to MFA's Debt Reserve Fund (DRF) on new borrowings, and reduced short-term debt interest
- (\$294k) – feasibility studies deferred to 2026
- (\$112k) – reduction in expenses for property maintenance at 950 Kings Road, Oak Bay Lodge, Royal Bay and The Summit
- (\$105k) – reduction of administration and overhead costs mainly derived from vacant term position

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

Expenditures

The 2026 Provisional Budget includes \$32.8 million in total expenditures, a decrease of \$0.3 million (0.9%) from 2025. Appendix A provides a detailed comparison to the 2025 Final Budget. Table 1 summarizes the year-over-year change in operating expenditures.

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

Expense Type	2026 Provisional	2025 Final	\$ Change	% Change
Debt Servicing	12.2	14.1	(1.9)	(13.5%)
Capital Equipment Grants	3.0	3.0	-	-
Operations	2.0	2.0	-	-
Transfers to Reserves	15.6	14.0	1.6	11.4%
Total	\$32.8	\$33.1	(\$0.3)	(0.9%)

- **Debt Servicing:** 2026 debt servicing totals \$12.2 million, down \$1.9 million (13.5%) from 2025. 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 2026 10-year Capital Plan.

- **Capital Equipment Grants:** The CRHD's annual \$3.0 million contribution for medical equipment remains unchanged from 2025.
- **Operations:** This encompasses administration, feasibility studies and property management costs. 2026 operations costs total \$2.0 million, reflecting no change from 2025.
- **Transfers to Reserves:** \$15.6 million will be transferred to reserves in 2026, an increase of \$1.6 million (+11.4%). This is largely due to \$11.6 million allocated to the DMR to help fund future capital investments from the CRHD's \$351 million 10-year capital plan, reducing the need for increased future requisitions.

Revenue

The 2026 Provisional Budget estimates total revenue at \$32.8 million, reflecting a decrease of \$0.3 million (0.9%) from 2025. Appendix A provides a detailed comparison to the 2025 Final Budget. Table 2 summarizes the year-over-year change in operating revenue.

Table 2: Changes in Revenue (\$ millions)

Revenue Type	2026 Provisional	2025 Final	\$ Change	% Change
Requisition	26.5	26.5	-	-
Payments in Lieu of Taxes	0.8	0.8	-	-
Lease and Other Property Revenue	4.6	4.6	-	-
Other Revenue	0.3	0.6	(0.3)	(50.0%)
Transfers from Reserve	0.6	0.6	-	-
Total	\$32.8	\$33.1	(\$0.3)	(0.9%)

The \$0.3 million (0.9%) decrease in revenue is due to lower recoveries from the DRF following the retirement of existing debt.

Requisition

The 2026 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 \$1,089,507 as provided by BC Assessment.

Table 3: Change in Requisition

Description	2026 Provisional	2025 Final	\$ Change	% Change
Requisition (\$ millions)	\$26.5	\$26.5	-	-
Cost / Average Household	\$134.37	\$134.33	\$0.04	0.0%
Average Household (\$M)	\$1.1	\$1.1	-	-

The estimated cost per average household for 2026 is \$134.37, reflecting a \$0.04 increase from the 2025 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 ¹	2025	2026	2027	2028	2029	2030
2021 ^f	\$811,623	\$130.62	-	-	-	-	-
2022 ^f	\$1,002,606	\$145.88	\$151.09	-	-	-	-
2023 ^f	\$1,115,965	\$145.43	\$149.49	\$154.94	-	-	-
2024 ^f	\$1,102,040	\$141.59	\$148.81	\$156.26	\$166.57	-	-
2025 ^f	\$1,089,507	\$134.33	\$138.97	\$145.20	\$152.53	\$161.64	-
2026 ^p	\$1,089,507	n/a	\$134.37	\$137.30	\$142.90	\$147.56	\$152.35

¹ Residential assessment data provided by BC Assessment

^f Final Budget

^p Provisional Budget using 2025 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 as shown in Table 4. Beginning in 2025, transfers from the DMR will be utilized to reduce borrowing and mitigate revenue requirements.

For additional detail regarding future budget projections, refer to Appendix B, 2026-2030 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 2026 are projected to be \$34.8 million, reflecting an increase of \$0.4 million (1.2%) from 2025. 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	2026 Provisional	2025 Final	\$ Change	% Change
Island Health Initiatives	27.9	24.3	3.6	14.8%
CRHD Initiatives	0.2	3.4	(3.2)	(94.1%)
Island Health Minor Capital and Equipment	6.7	6.7	-	-
Total	\$34.8	\$34.4	\$0.4	1.2%

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 2026. The \$35.5 million opening balance is projected to increase by \$8 million, reaching \$43.4 million by the end of 2026.

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

Description	2026 Opening (Estimate)	2026 Plan Activity		2026 Ending (Projection)
		Funding	Expenses	
Operating Reserves	2.0	-	(0.4)	1.6
Capital Grant Reserves	6.4	3.8	(3.5)	6.7
CRHD Capital Reserves	4.1	0.5	(0.4)	4.2
Debt Management Reserve	23.0	12.9	(5.0)	30.9
Total	\$35.5	\$17.2	(\$9.3)	\$43.4

- **Operating Reserves:** Operating reserves are projected to decrease to \$1.6 million due to \$0.4 million in expenses for feasibility studies deferred to 2026 for property developments. Contributions are paused as current funding levels are sufficient to support operating activities.
- **Capital Grant Reserves:** Capital grant reserves are estimated to increase to \$6.7 million, a \$0.3 million net increase, reflecting a \$3.8 million annual contribution to the Minor Capital Projects Reserve and \$3.4 million in expenditures directed by Island Health.
- **CRHD Capital Reserves:** Capital reserves are expected to increase to \$4.2 million, a \$0.1 million net increase, reflecting \$0.5 million in reserve contributions and interest earnings on reserve balances and \$0.4 million in transfers to 950 Kings Road, Oak Bay Lodge, Royal Bay and The Summit.
- **Debt Management Reserve:** The DMR is anticipated to grow to \$30.9 million, a net increase of \$7.9 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 2026 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 2025 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, 2026.

RECOMMENDATION

That the 2026 Capital Regional Hospital District Provisional Budget be approved as submitted.

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:	Kevin Lorette, P. Eng., MBA, General Manager, Housing, Planning and Protective Services
Concurrence:	Ted Robbins, B. Sc., C. Tech., Chief Administrative Officer

ATTACHMENTS

Appendix A: CRHD 2026 Provisional Budget
Appendix B: CRHD 2026-2030 Future Budget Projections
Appendix C: CRHD 2026 Capital Expenditures
Appendix D: CRHD Reserve Schedule 2026-2030
Presentation: 2026 Provisional Budget - CRHD