

**REPORT TO HOSPITALS AND HOUSING COMMITTEE
MEETING OF OCTOBER 25, 2017**

SUBJECT **2018 Capital Regional Hospital District Provisional Budget**

ISSUE

Approval of the 2018 Capital Regional Hospital District (CRHD) Provisional Budget.

BACKGROUND

The *Hospital District Act* requires the 2018 CRHD Provisional Budget for the coming fiscal year be adopted by the Board on or before December 31, 2017. The Budget is comprised of the debt servicing charges on funds borrowed for CRHD capital projects as well as grants for medical equipment and Minor Capital Projects (MCPs), and the administration budget for the CRHD functions performed by the Health and Capital Planning Strategies Division.

ALTERNATIVES

Alternative 1

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

That the 2018 Capital Regional Hospital District Provisional Budget be approved as submitted.

Alternative 2

That the 2018 Capital Regional Hospital District Provisional Budget be referred back to staff for revision based on Committee direction.

FINANCIAL IMPLICATIONS

The 2018 Provisional Budget summary and the 2018-2022 5-year plan are included in Appendix A and B. The five year outlook is positive with tax requisition expected to decrease beginning in 2020 as revenue from Summit lease payments begin. Tax requisitions are expected to decrease starting in 2020 as lease revenue from VIHA through the Summit project commence. The following summarize primary components of the Budget:

Total 2018 Budget

There is a change in the expected requisition from 5.3% (estimated in last year's 5 year plan for 2018) to 3.1% or a decrease of (2.1%) as a result of an increase in revenue and decreases in expenses. The decrease in expenses is primarily attributable to debenture charges on Municipal Finance Authority (MFA) debt maturities and new debt not exceeding maturities. The increase in revenue is attributable to higher returns than budgeted related to the CRHD piloting a new investment product offering from the MFA.

Debt Servicing

This represents principal and interest payments for Board-approved projects. The Board approved major projects are explained as part of the accompanying CRHD 10-year Capital Plan staff report. CRHD 10-year Capital Plan and related approved capital bylaws are the basis of future debt servicing cost projections. The total debt servicing for 2018 is \$24.6 million.

Section 20

Administration Expenditures:

The 2018 CRHD portion of the budget for the Health and Capital Planning Division is \$669,000; made up of Division staff, other administration costs, and charges for other corporate allocations.

Equipment & Planning/Research:

The *Hospital District Act* Section 20(3) enables Regional Hospital Districts to grant aid to hospitals and designated health care facilities for diagnostic and medical equipment purchases. The District also retains an amount under this category for Divisional activities such as healthcare related research and studies. The \$2.955 million proposed for 2018 Section 20(3) expenditures remains unchanged from 2017.

Land Holdings Management:

In 2018, a net annual cost of \$40,000 for the management of 950 Kings Road is anticipated. An additional reserve of \$50,000 is provided in anticipation of future land holdings related expenses.

Land Development:

As per CRHD legislation the net proceeds from the sale of 3810 Carey Road (\$5.831 million) will be placed into a land development reserve for future CRHD land acquisition and development.

Minor Capital Projects:

Under the *Hospital District Act* Section 20(4), the CRHD maintains a MCP Reserve account. The 2018 beginning balance in the reserve is \$3.28 million with \$2 million being applied in 2018 to Island Health's MCPs. We anticipate \$1.28 million in reserve at the end of 2018. The \$3.75 million proposed for 2018 expenditures is the same amount as 2017. Details on approved minor capital projects can be found in the accompanying CRHD 10-year Capital Plan staff report.

Hospital District Act Section 20(4) Reserve Account Balances:

CRHD is able to maintain reserve accounts for various purposes; Appendix D shows the estimated 2018-2022 Section 20(4) reserve account balances. These reserves have been set aside for fixed purposes as detailed below:

Reserve Account	Purpose	Estimated Balance at December 31, 2018
Administration & Feasibility Studies Reserve	For future studies or special projects.	\$1.14 million
Non-traditional Projects Reserve	The estimated reserve balance at December 31, 2017 is \$2.150 million. The money has been committed to Nigel House (\$1 million) and Galiano Health Care Society (\$150,000). The remaining \$1 million has been notionally committed to the Victoria Hospice Society. It is anticipated this reserve will be spent in 2018.	\$0.00
2017 Minor Capital Projects Stabilization Reserve	For minor capital projects that are cash flowed over three years.	\$1.28 million
Land Holdings Management Reserve	For CRHD properties expenses and land acquisition.	\$105,000
Land Development Reserve	For future development expenses.	\$5.831 million

Tax Requisition:

The 2018 CRHD tax requisition is estimated at \$30.65 million or a 2.2% decrease over the 2017 requisition. For 2018, the tax impact on the average household will be \$166.45 (2017 Revised Converted Assessment of \$624,243).

Table 1 compares the forecasted tax impact of the CRHD's overall requisition on assessed residential values. It illustrates the downward trajectory of peak tax impacts resulting from significant debt management and control established in previous years. For example, the 2013 CRHD final budget anticipated a peak requisition of \$180.28 in 2017 and the 2018 provisional budget anticipates a peak requisition of \$147.59 in 2022. The household requisition increase in 2019 is due to debt servicing costs associated with the summit project. Lease payments will begin in 2020, which will result in a reduction in the overall requisition on residential values.

Table 1 Requisition Peak

Budget Year	Residential Assessment	2017	2018	2019	2020	2021	2022
2013 ^a	\$523,386	180.28					
2014 ^a	\$505,233	180.19					
2015 ^a	\$511,185		163.70				
2016 ^a	\$530,059		163.97				
2017 ^a	\$529,136		160.57				
2018 ^b	\$624,243		166.45	169.65	155.33	150.74	147.59

^a Final Budget

^b Provisional Budget

CONCLUSION

The 2018 CRHD Provisional Budget must be adopted on or before December 31, 2017. The 2018 Provisional Budget presents the administrative costs of the Hospital District and a reasonable reflection of the actual costs for Board-approved and future year capital projects.

The 2018 CRHD Provisional Budget 5-year total projected expenditures are less than the prior year's 5-year forecast due to the project adjustments explained in the 2018-2027 Capital Plan staff report and lower than anticipated MFA borrowing rates. The overall budget proposes a requisition decrease of 2.2%. Alternative 1 is recommended.

RECOMMENDATION

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

That the 2018 Capital Regional Hospital District Provisional Budget be approved as submitted.

Submitted by:	Michael Barnes, MPP Manager, Health and Capital Planning Strategies
Concurrence:	Kevin Lorette, P.Eng., MBA, General Manager Planning & Protective Services
Concurrence:	Nelson Chan, MBA, CPA, CMA, Chief Financial Officer
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Attachments: Appendix A – CRHD 2018 Provisional Budget
Appendix B – CRHD 2018-2022 Future Budget Projections
Appendix C – CRHD 2018 Capital Expenditures
Appendix D – CRHD Reserve Summary Schedule 2018-2022