



Capital Regional Hospital District

**REPORT TO CAPITAL REGIONAL HOSPITAL DISTRICT BOARD  
MEETING OF WEDNESDAY, MARCH 24, 2021**

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**SUBJECT**     **Capital Regional Hospital District Bylaw No. 403: Annual Budget 2021**

**ISSUE SUMMARY**

This report summarizes final updates to the 2021 annual budget, and requests approval of Bylaw No. 403 regarding the Capital Regional Hospital District budget.

**BACKGROUND**

On October 28, 2020, the CRHD Board approved the 2021 provisional budget. Now, under the provisions of Section 23(5) of the *Hospital District Act*, the Capital Regional Hospital District (CRHD) budget for the current year must be adopted by bylaw on or before March 31.

Once approved, subject to Section 25(1) of the *Hospital District Act*, on or before April 20 in each year, the CRHD will deliver to each member municipality a requisition amount required from that member for the calendar year.

The 2021 Annual Budget Bylaw is shown as Schedule A of the attached CRHD Bylaw No. 403.

**ALTERNATIVES**

*Alternative 1*

1. That Bylaw No. 403, "Annual Budget Bylaw, 2021", be introduced, read a first, second and third time; and
2. That Bylaw No. 403 be adopted.

*Alternative 2*

1. That Bylaw No. 403, "Annual Budget Bylaw, 2021", be introduced, read a first and second time;
2. That Bylaw No. 403 be amended as directed;
3. That Bylaw No. 403 be read a third time; and
4. That Bylaw No. 403 be adopted.

**IMPLICATIONS**

*Financial Implications*

The Annual Budget Bylaw includes detailed estimates of expenses, revenues, annual surplus and planned annual capital expenditures. Expenses include the grants, debt servicing, property management, and administration costs.

The final 2021 CRHD requisition is \$28.1 million, a decrease of (\$1.2) million or (4.2%) from 2020. The decrease is driven primarily by a reduction in debt servicing costs due to debt maturities and low interest rates. Debt servicing costs are primarily driven by aligning financing with Island Health capital projects, as presented in the amended 10-Year Capital Plan (a separate Board agenda

item on March 24). Table 1 summarizes the year over year change in requisition and the estimated cost per household.

**Table 1 – Change in Requisition Year over Year**

Description	2021 Final	2020 Final	\$ Change	% Change
Requisition (\$ millions)	\$28.1	\$29.4	(\$1.2)	(4.2%)
Cost / Average Household	\$146.75	\$152.25	(\$5.50)	(3.6%)

The cost per average residential household is a theoretical calculation that provides an indicative cost to individual households in the region. The actual cost per household will differ from this estimate based on the individual property assessment. This calculation is most directly impacted by changes in folios and assessed values.

In 2021, folios grew by 1.3%, while converted assessments growth rate was 3.8%. As a result of assessments growing faster than folios, the average household will realize a diluted impact on a decreasing requisition, as shown in Table 1.

Appendix C includes 2021-2025 Future Budget Projections, based on the revisions to the final budget for bylaw purposes.

**Updates Following Provisional Budget Approval**

Since provisional approval, the budget has been updated to reflect the most recent assumptions, amended capital expenditures, year-end results and payments in lieu of taxes. Appendix C details all changes since the provisional approval.

**Expenses**

The total change in operating expenses, from provisional, is a decrease of (\$0.2) million or (0.6%). Table 2 summarizes changes of (\$0.1) million in operations and (\$0.1) million in debt servicing expenses.

The decrease in operations expenses is driven by a reduction from previous estimates on insurance and security costs for Oak Bay Lodge. Changes to debt servicing costs are the result of revisions to capital projects.

**Table 2: Changes in Operating Expenses**

Expense Type (\$ millions)	2021 Final	2021 Provisional	\$ Change	% Change
Operations	1.7	1.8	(0.1)	(7.6%)
Debt Servicing	21.3	21.4	(0.1)	(0.6%)
Capital Funding	4.3	4.3	-	-
Transfers to Reserves	8.8	8.8	-	-
<b>Total</b>	<b>\$36.1</b>	<b>\$36.3</b>	<b>(\$0.2)</b>	<b>(0.6%)</b>

### Operating Revenue

As operating expenses change, the revenue requirements to fund are also impacted. These changes are summarized in table 3.

**Table 3: Changes in Revenue**

Revenue Type (\$ millions)	2021 Final	2021 Provisional	\$ Change	% Change
Tax Requisition	28.1	28.3	(0.1)	(0.5%)
Payments in Lieu of Taxes (PILT)	0.9	0.9	-	-
Lease and Other Property Revenue	4.4	4.4	-	-
Other Revenue	0.5	0.3	0.1	1.2%
Transfers in from Reserve	1.8	2.0	(0.2)	(8.2%)
Surplus – MCP Bylaw Expiry	0.4	0.4	-	-
<b>Total</b>	<b>\$36.1</b>	<b>\$36.3</b>	<b>(\$0.2)</b>	<b>(0.6%)</b>

A decrease of (\$0.2) million in transfers from reserves is related to property management estimates for Oak Bay Lodge through to the demolition process. A reduction of (\$0.1) million in requisition is driven by lower debt servicing costs.

### Requisition

Change in requisition decreased compared to the provisional budget by (\$0.1) million or (0.2%). However, with updated assessment information, the cost per average household increases. This is a result of assessment growth outpacing folio growth with 4.2% vs 1.3% respectively. The net result drives an increase to the cost per average household from the provisional estimate. As previously shown in Table 1, the change in cost per average household year over year is a reduction of (3.6%).

**Table 4: Changes in Requisition**

Description	2021 Final	2021 Provisional	\$ Change	% Change
Requisition (\$M)	\$28.1	\$28.2	(\$0.1)	(0.2%)
\$ Cost / Average HH	\$146.75	\$146.54	\$0.21	0.1%
Average Household	\$811,623	\$778,883	\$32,740	4.2%

### Reserves

Under the *Hospital District Act*, Section 20(4), the CRHD is able to maintain reserve accounts. Table 5 summarizes the reserve balances for all existing accounts at December 31, 2020.

**Table 5: Changes in Reserves**

Description	2020 Ending Actuals (\$M)	2020 Ending Provisional Estimate (\$M)	\$ Change (\$M)	% Change
Administration and Feasibility Studies	1.4	1.3	0.1	4%
Non-Traditional Projects Reserve	2.0	2.0	-	-
Minor Capital Project Reserves	3.4	5.7	(2.3)	41%
Land Holdings Management Reserve	1.2	1.0	0.2	15%
Land Development Reserve	6.2	6.2	-	-
RHFP Program Reserve	5.8	5.8	-	-
Summit Management Reserve	0.3	0.3	-	-

Minor Capital Project (MCP) Reserves consist of project funds carried forward for active MCP expenditure bylaws years 2016 through 2020. Annually, the CRHD reserves \$3.75 million of the tax requisition to support minor capital projects which are identified and prioritized by Island Health. MCP are defined as projects from \$0.1 to \$2.0 million. The balance of MCP reserves at December 31, 2020, was \$3.4 million, \$2.3 million less than the provisional estimate due to increased Island Health spending on MCP projects. Projects with largest spending in 2020 include minor capital at urgent and primary care centres, facility roof replacements, and mechanical system upgrades across various locations, for bylaw years 2018 to 2020.

CRHD Bylaw No. 403 includes Schedule A and Schedule B. Schedule A reflects all changes over prior year, the final surplus and payments in lieu of taxes. Schedule B reflects the 2021 estimated capital annual expenditures.

**CONCLUSION**

The CRHD Board must adopt a bylaw for the annual budget each year by March 31. The attached bylaw includes the annual budget for 2021. The 2021 budget received provisional approval by the Board on October 28, 2020. The annual budget for 2021 has been prepared in alignment with Board decisions and committee direction. Staff recommends approving the Annual Budget Bylaw, 2021 as presented.

**RECOMMENDATION**

1. That Bylaw No. 403, “Annual Budget Bylaw, 2021”, be introduced, read a first, second and third time; and
2. That Bylaw No. 403 be adopted.

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Concurrence:	Nelson Chan, MBA, FCPA, FCMA, Chief Financial Officer
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**ATTACHMENT(S)**

- Presentation: CRHD Presentation
- Appendix A: CRHD Bylaw No. 403, inclusive of Schedule A & Schedule B
- Appendix B: Capital Regional Hospital District 2021 Provisional to Final Comparison
- Appendix C: Capital Regional Hospital District 2021–2025 Future Budget Projections