

**REPORT TO CAPITAL REGIONAL HOSPITAL DISTRICT BOARD
MEETING OF WEDNESDAY, MARCH 16, 2022**

SUBJECT **Capital Regional Hospital District Bylaw No. 410: Annual Budget 2022**

ISSUE SUMMARY

This report summarizes final updates to the 2022 annual budget, and requests approval of Bylaw No. 410 regarding the Capital Regional Hospital District budget.

BACKGROUND

On October 27, 2021, the CRHD Board approved the 2022 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 2022 Annual Budget Bylaw, CRHD Bylaw No. 410, is included in Appendix A.

ALTERNATIVES

Alternative 1

1. That Bylaw No. 410, "Annual Budget Bylaw, 2022", be introduced and read a first, second and third time; and
2. That Bylaw No. 410 be adopted.

Alternative 2

1. That Bylaw No. 410, "Annual Budget Bylaw, 2022", be introduced and read a first and second time;
2. That Bylaw No. 410 be amended as directed;
3. That Bylaw No. 410 be read a third time; and
4. That Bylaw No. 410 be adopted.

IMPLICATIONS

Financial Implications

The bylaw includes detailed estimates of expenses, revenues, annual surplus and planned annual capital expenditures. Expenses include grants, debt servicing, property management, and administration costs. 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	2022 Final	2021 Final	\$ Change	% Change
Requisition (\$M)	\$26.4	\$28.1	(\$1.7)	(6.0%)
Cost / Average Household	\$140.50	\$146.75	(\$6.25)	(4.3%)
Average Household (\$M)	\$1.0	\$0.8	\$0.2	23.5%

The final 2022 CRHD requisition is \$26.4 million, a net decrease of (\$1.7) million or (6.0%) from 2021. The decrease is driven primarily by changes to reserve transfers, and lower debt servicing costs. The reduction in reserve transfers is a result of having achieved a target balance of \$10 million in 2021; CRHD's funding commitment to the Regional Housing First Program.

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 assessments. This calculation is most directly impacted by changes in folios and assessed values.

In 2022, folios grew by 1.2% while the converted assessment growth rate was 21.6%. As a result of assessments growing faster than folios, the average household will have a diluted requisition impact as shown above in Table 1.

Appendix C includes 2022-2026 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 revised to reflect updated assumptions, 2021 year-end results and payments in lieu of taxes (PILT). Appendix B details all changes since provisional approval.

Expenses

Since provisional approval, the total change in operating expenses was an increase of \$0.1 million or 0.3%. Table 2 summarizes these changes, where \$0.3 million was in operations and (\$0.2) million in transfers to reserves. The increase in operating expenses is primarily driven by increased costs in planning and schematic design for the Oak Bay Lodge site. This increase has been partially offset by an adjustment in transfers to the Debt Management Reserve.

In Appendix A, Schedule B to the bylaw details planned capital expenditures by project and the related cost sharing commitment. There were no changes to the 2022-2031 Ten Year Capital Plan approved at provisional; resulting in no change to debt servicing costs.

Table 2: Changes in Operating Expenses (\$ millions)

Expense Type	2022 Final	2022 Provisional	\$ Change	% Change
Operations	3.0	2.7	0.3	11.1%
Debt Servicing	20.8	20.8	-	-
Capital Grants	3.0	3.0	-	-
Transfers to Reserves	7.1	7.3	(0.2)	(2.7%)
Total	\$33.9	\$33.8	\$0.1	0.3%

Operating Revenue

The change in operating revenue was driven by changes in expenses, year-end results, and PILT. The changes are summarized in table 3 below.

Table 3: Changes in Revenue (\$ millions)

Revenue Type	2022 Final	2022 Provisional	\$ Change	% Change
Tax Requisition	26.4	26.4	-	-
Payments in Lieu of Taxes (PILT)	0.8	0.9	(0.1)	(11.1%)
Lease and Other Property Revenue	4.4	4.4	-	-
Other Revenue	0.5	0.5	-	-
Transfers in from Reserve	1.7	1.5	0.2	13.3%
Surplus – MCP Bylaw Expiry	0.1	0.1	-	-
Total	\$33.9	\$33.8	\$0.1	0.3%

PILT are monies recovered from tax exempt parcels owned by federal, provincial and Crown agencies in the region. PILT payments can vary, as the requirement to pay is discretionary to the Minister, Lieutenant Governor, and heads of Crown Corporations. PILT is budgeted at provisional based on prior year actuals and revised for final budget based on actuals received. PILT received since provisional was lower than estimated by (\$0.1) million or (11%).

Transfers from reserves increased by \$0.2 million or 13% to fund the increased cost anticipated for planning and design studies related to the Oak Bay Lodge site.

Requisition

Requisition did not change from provisional to final. However, with updated assessment information, the cost per average household increased. This is a result of assessment growth outpacing folio growth 21.6% vs 1.2% 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 requisition decrease of (4.3%).

Table 4: Changes in Requisition (\$ millions)

Description	2022 Final	2022 Provisional	\$ Change	% Change
Requisition (\$M)	\$26.4	\$26.4	-	-
\$ Cost / Average HH	\$140.50	\$137.97	\$2.53	1.8%
Average Household (\$M)	\$1.0	\$0.8	\$0.2	23.5%

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, 2021.

Table 5: Changes in Reserves

Description (\$ millions)	2021 Ending	2021 Provisional	\$ Change	% Change
Administration and Feasibility Studies	1.6	1.3	0.3	23%
Non-Traditional Projects Reserve	1.1	1.1	-	-

Description (\$ millions)	2021 Ending	2021 Provisional	\$ Change	% Change
Minor Capital Project Reserves	4.6	4.8	(0.2)	(4%)
Land Holdings Management Reserve	1.3	1.1	0.2	19%
Debt Management Reserve	-	-	-	-
RHFP Program Reserve	10.1	10.0	0.1	1%
Summit Management Reserve	0.5	0.8	(0.3)	(39%)

The change in the Administration and Feasibility Studies reserve was driven by year end surplus transfers to fund future studies planned for Oak Bay Lodge, 950 Kings and the newly acquired land at Royal Bay.

Minor Capital Project (MCP) reserves were reduced due to timing of Island Health spending on eligible projects. The Land Holdings Management Reserve increased due to utility bill credits received for Oak Bay Lodge.

CRHD Bylaw No. 410 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 2022 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 2022. The 2022 budget received provisional approval by the Board on October 27, 2021. The annual budget for 2022 has been prepared in alignment with Board decisions and committee direction. Staff recommends approving the Annual Budget Bylaw, 2022, as presented.

RECOMMENDATION

1. That Bylaw No. 410, "Annual Budget Bylaw, 2022", be introduced and read a first, second and third time; and
2. That Bylaw No. 410 be adopted.

Submitted by:	Rianna Lachance, BCom, CPA, CA, Senior Manager, Financial Services
Concurrence:	Nelson Chan, MBA, FCPA, FCMA, Chief Financial Officer
Concurrence:	Kevin Lorette, P. Eng., MBA, General Manager, Planning & Protective Services
Concurrence:	Kristen Morley, J.D., General Manager, Corporate Services & Corporate Officer
Concurrence:	Robert Lapham, MCIP, RPP, Chief Administrative Officer

ATTACHMENT(S)

Presentation: CRHD Presentation
Appendix A: CRHD Bylaw No. 410, inclusive of Schedules A and B
Appendix B: Capital Regional Hospital District 2022 Provisional to Final Comparison
Appendix C: Capital Regional Hospital District 2022–2026 Future Budget Projections