

**NANAIMO REGIONAL HOSPITAL DISTRICT**

**REGULAR BOARD MEETING  
TUESDAY, DECEMBER 9, 2003  
7:00 PM**

*(RDN Board Chambers)*

**A G E N D A**

**PAGES**

**CALL TO ORDER**

**DELEGATION**

**MINUTES**

2-3 Minutes of the regular Hospital Board meeting held March 25, 2003.

**HOSPITAL**

4-10 2004 Provisional Budget for the Nanaimo Regional Hospital District.

**ADDENDUM**

**BUSINESS ARISING FROM DELEGATIONS OR COMMUNICATIONS**

**NEW BUSINESS**

**ADJOURNMENT**

**NANAIMO REGIONAL HOSPITAL DISTRICT**

**MINUTES OF THE SPECIAL MEETING OF THE BOARD  
OF THE NANAIMO REGIONAL HOSPITAL DISTRICT HELD ON  
TUESDAY, MARCH 25, 2003, AT 7:39 PM IN THE  
NANAIMO CITY COUNCIL CHAMBERS**

**Present:**

Director J. Stanhope Alternate	Chairperson
Director H. Kreiberg	Electoral Area A
Director G. Lund	Electoral Area B
Director E. Hamilton	Electoral Area C
Director D. Haime	Electoral Area D
Director P. Bibby	Electoral Area E
Director L. Biggemann	Electoral Area F
Director D. Bartram	Electoral Area H
Director R. Longmuir Alternate	City of Parksville
Director A. Kruyt	Town of Qualicum Beach
Director G. Korpan	City of Nanaimo
Director R. Cantelon	City of Nanaimo
Director T. Krall	City of Nanaimo
Director L. Sherry	City of Nanaimo
Director L. McNabb	City of Nanaimo
Director B. Holdom	City of Nanaimo

**Also in Attendance:**

K. Daniels	Chief Administrative Officer
C. Mason	Gen. Mgr. of Corporate Services
B. Lapham	Gen. Mgr. of Development Services
N. Connelly	Gen. Mgr. of Community Services
J. Finnie	Gen. Mgr. of Environmental Services
P. Shaw	Manager of Community Planning
S. Schopp	Manager of Inspections & Enforcement
N. Tonn	Recording Secretary

**MINUTES**

MOVED Director Sherry, SECONDED Director Cantelon, that the minutes of the regular Hospital Board meeting held March 11, 2003 and the minutes of the Nanaimo Regional Hospital District Subcommittee meeting held March 11, 2003 be adopted.

CARRIED

**HOSPITAL**

**Vancouver Island Health Authority – Memorandum of Understanding.**

MOVED Director Holdom, SECONDED Director Bibby, that the Nanaimo Regional Hospital District not sign the Memorandum of Understanding with the Vancouver Island Health Authority in its current form and propose alternative language for clause 4 of the Agreement.

CARRIED

**Support of Oceanside Health Facility.**

MOVED Director Bartram, SECONDED Director Longmuir, that staff prepare a letter for the Chairperson's signature to the Minister of Health Services, Honourable Colin Hansen, Minister of Health Planning, Honourable Sindi Hawkins, MLA for Nanaimo-Parksville, Honourable Judith Reid, MLA for Alberni-Qualicum, Ms. Gillian Trumper, CEO of the VI Health Authority Executive, Mr. Rick Roger and the Chair of the VI Health Authority Board of Directors, Jac Kreut, stating that the RDN fully supports the Oceanside Community proposal for an urgently needed enhanced Primary Health Care Facility in Oceanside.

CARRIED

**ADMINISTRATOR'S REPORT**

**Annual Budget Bylaw No. 134.**

MOVED Director Holdom, SECONDED Director Krall, that "Nanaimo Regional Hospital District Annual Budget Bylaw No. 134, 2003" be introduced for first three readings.

CARRIED

MOVED Director Kruyt, SECONDED Director Holdom, that "Nanaimo Regional Hospital District Annual Budget Bylaw No. 134, 2003" having received first three readings, be adopted.

CARRIED

**Temporary Borrowing Resolution.**

MOVED Director Holdom, SECONDED Director Hamilton, that a short term borrowing authority to a maximum of \$2,000,000 in the form of the resolution attached to the staff report, be adopted.

CARRIED

**ADJOURNMENT**

MOVED Director Sherry, SECONDED Director Bartram, that this meeting terminate.

CARRIED

TIME: 7:43 PM

\_\_\_\_\_  
CHAIRPERSON

\_\_\_\_\_  
GENERAL MANAGER, CORPORATE SERVICES

PAGE  
3



REGIONAL  
DISTRICT  
OF NANAIMO

REGIONAL DISTRICT OF NANAIMO			
DEC 4 2003			
CHAIR		GMCFS	
CAO		GMDS	
G/CMS		GMES	
		RHD	✓

MEMORANDUM  
REGIONAL HOSPITAL  
DISTRICT

TO: C. Mason  
General Manager, Corporate Services

DATE: December 3, 2003

FROM: N. Avery  
Manager, Financial Services

FILE:

SUBJECT: 2004 Provisional Hospital Budget

**PURPOSE:**

To introduce the 2004 Provisional Budget for the Regional Hospital District.

**BACKGROUND:**

The Regional Hospital District pays for capital equipment and projects for local facilities. Capital items costing more than \$100,000 are generally paid for by debt financing and are cost shared 60% by the Vancouver Island Health Authority and 40% by the Regional Hospital District. Additionally, for major items the Health Authority solicits funds from the Hospital Foundation.

A capital grant allowance from current taxes is provided for items costing less than \$100,000, with the funds being used 100% for those items.

At this time one major capital project is underway - the construction of surgical and obstetric facilities at the Nanaimo Regional General Hospital (Phase II). The Regional Hospital District share of this project is \$9,517,340. The debt cost of this one project will be approximately \$1,000,000 per year. In anticipation the Board has raised taxes by 4.5% in 2001 and by 4% in 2003, to soften the eventual impact of this project. At the Board meeting June 10<sup>th</sup> staff were asked to examine the option of taxing in advance of the required borrowing to reduce the overall debt cost of the project.

The Health Authority recently met with staff and the appointed Health Authority capital planning committee Board members and presented its 2004 capital plan requests. Very briefly, the Health Authority has requested \$1,773,575 for capital equipment under \$100,000 and an allowance of \$360,000 for equipment costing more than \$100,000. Two summary schedules are attached to this report illustrating the process by which the Health Authority developed its final proposal.

Schedule A shows each Regional Hospital District in the Central Island and the amount of capital requested for 2004. From an initial stage showing a requirement of \$14.5 million dollars for this Regional District, the total was reduced to \$8 million dollars for "Top Priorities". Schedule B shows how the Authority applied funding sources to the top priorities. It is seeking \$2,133,576 from the Nanaimo Regional Hospital District, with the balance of funds coming from its Provincial budget envelope, the Federal government and the Foundation.

**ALTERNATIVES:**

1. Approve the 2004 Hospital Budget with no change to the overall tax requisition.
2. Approve the 2004 Hospital Budget with a 2.5% increase to the overall tax requisition.
3. Approve the 2004 Hospital Budget with a 3.5% increase to the overall tax requisition.

**FINANCIAL IMPLICATIONS:**

To provide some context for the options above the following table is provided. The upper section of the table shows a snapshot of the capital funding provided by the Regional District from 2000. The lower section of the table shows the annual debt servicing costs, accumulated surplus and tax cost for that time period. Debt servicing represents the largest component of the budget – in the range of 70% of the tax requisition is committed for debt servicing.

	2000	2001	2002	2003	2004 (requested)
Tax Requisition	\$4,322,335 2.4%	\$4,516,840 4.5%	\$4,605,000 2%	\$4,789,200 4%	\$4,908,930 2.5%
Equipment < \$100,000	\$1,379,085 0%	\$1,380,000 0%	\$1,449,000 5%	\$1,477,980 2%	\$1,773,575 20%
Equipment > \$100,000	\$ 410,000	\$ 62,750	\$ 316,800	\$0	\$ 360,000
Capital projects		\$10,477,200			
Total capital support	\$1,789,495	\$11,919,951	\$1,765,800	\$1,477,980	\$2,133,575
Debt servicing	\$3,109,850	\$3,267,120	\$3,053,350	\$3,239,830	\$2,981,905
Cumulative surplus	\$ 6,640	\$ 174,870	\$ 359,090	\$ 701,915	\$1,077,710
Tax cost per \$100,000	\$ 36.50	\$ 37.58	\$ 37.74	\$ 37.64	\$ 38.58

The driving force behind the last four years of hospital budgets has been the timing of the Phase II project. Additionally a number of other project commitments made in 2001, are now coming close to completion and debt servicing would begin to be a budget item in the near future. Timing has been good to the budget in this regard, allowing about \$1,000,000 in savings to be accumulated to offset the impact of assuming a new debt cost of \$1,000,000. Debt servicing is expected to peak at \$3.9 million dollars in 2006 and thereafter will decline fairly rapidly, as old debt is retired. Depending on the alternative chosen for 2004 and given the progress in ramping up the tax requisition to date, only modest if any, increases would be required to meet the existing commitments over the next few years.

2004 Funding Alternatives				
	2003	2004 Alt #1	2004 Alt #2	2004 Alt #3
Tax Requisition	\$4,789,200 4%	\$4,789,200 0%	\$4,908,930 2.5%	\$4,956,820 3.5%
Equipment < \$100,000	\$1,477,980 2%	\$1,514,930 2.5%	\$1,773,575 20%	\$1,514,930 2.5%
Equipment > \$100,000 (by borrowing)	\$0	\$0	\$ 360,000	\$ 360,000
Prepay Phase II capital costs				\$1,000,000
Total capital support	\$1,477,980	\$1,514,930	\$2,133,575	\$2,874,930
Debt servicing	\$3,239,830	\$2,981,905	\$2,981,905	\$2,981,905
Cumulative surplus	\$ 701,815	\$1,216,630	\$1,077,710	\$384,250
Tax cost per \$100,000	\$ 37.64	\$ 37.64	\$ 38.58	\$ 38.95

Alternative 1 – Status Quo Budget

Under this option a status quo budget would be approved with a slight increase in the annual equipment allowance and no commitment for capital over \$100,000 for 2004. If a budget similar to this alternative was continued through to the completion of Phase II, no further tax increases would be required until about 2007. Annual capital equipment grants could rise by 2.5% annually, but there would be no funding beyond that. This alternative does not address the Health Authority's 2004 requests and would constrain their funding for capital until Phase II is completed.

Alternative 2 – VIHA Request Budget

This option would include a 2.5% increase in property tax revenues to \$4,908,930. The budget would include full support for the Health Authority's annual capital grant request in the amount of \$1,773,575 and provides for borrowing up to \$360,000 as requested, for major capital equipment. Increasing capital grants in 2004 will require some further annual increases in property tax revenues until about 2007 when Phase II financing is completed. Staff project that under this alternative annual increases of about 3.5% in property tax revenues will allow equipment grants to rise by 2.5% annually and allow up to \$360,000 annually to be borrowed for capital equipment over \$100,000.

Alternative 3 – Prepay capital costs

This alternative incorporates a mixture of elements to address some of the Health Authority's capital requests, as well as prepaying some of the Phase II project costs (\$1,000,000). Under this alternative property tax revenues would increase by 3.5% to \$4,956,820. The 2004 equipment grant allocation would rise to \$1,514,930 versus the requested amount of \$1,773,575. Additionally, this alternative allows for borrowing up to \$360,000 for equipment over \$100,000.

To respond more directly to the interest in raising taxes to cover some of the costs of Phase II rather than borrowing those amounts, staff can predict that using \$1,000,000 to prepay Phase II costs will likely result in tax increases of 3.5% to 4% annually until 2007 when debt servicing costs begin to decline. This result is not very much different than Alternative 2, however, the amount of annual funding for capital under \$100,000 remains at a significantly lower level than requested. Given that most of the impact of Phase II has already been incorporated into the annual tax requisition, that debt servicing will decline about the time that Phase II financing is completed and the apparent need for stronger support for capital funding, this alternative probably does too little on all accounts to be a suitable alternative.

#### SUMMARY/CONCLUSIONS:

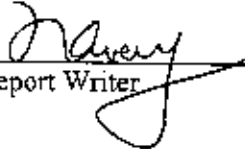
The Health Authority recently met with staff and Board representatives to present their capital funding requests for 2004. They are seeking an annual grant allowance of \$1,773,575 (versus 2003 of \$1,477,980) and cost sharing in major capital equipment of \$360,000. In preparing the 2004 budget staff also considered a request from the Board to evaluate the impact of raising taxes to prepay some of the Phase II construction costs, rather than fully financing those costs through long term debt.


The 2004 budget forecasts an accumulated surplus of about \$1,000,000. This amount has been accumulated by raising taxes over the last few years, in advance of an increase of \$1,000,000 in new debt related to Phase II. The project has moved along much more slowly than anticipated and this has had a favorable effect by allowing most of the debt impact to be built into the current tax requisition. Further, after 2006 debt servicing will decline fairly rapidly as old debt is retired. The accumulated surplus provides some flexibility in addressing the Health Authority's 2004 capital requests, without significantly impacting the ability of the current tax requisition to provide for the Phase II debt in the future.

Three alternatives have been explored above. Staff are recommending Alternative 2, which provides a response to the Health Authority's requests by raising property taxes by a modest 2.5%. This alternative provides for equipment grants of \$1,773,575 and borrowing up to \$360,000 for equipment costing more than \$100,000. As a very rough estimate property taxes under this alternative will rise by about \$.94 cents per \$100,000.

#### RECOMMENDATIONS:

1. That a 2004 provisional budget raising taxes of \$4,908,930 and which includes a capital grant allowance of \$1,773,575 and borrowing up to \$360,000 for major capital equipment as shown on Appendix I be approved.

  
Report Writer

  
General Manager Corporate Services

  
C.A.O. Concurrence

#### COMMENTS:

**VIHA - Central Island  
2004/05 Capital Requirements**

**A) 2004/05 Requirements - Initially Received From Programs**

	Equip <\$100K	Equip >\$100K	Projects	Total \$'s
Nanaimo Regional Hospital District	3,912,630	7,400,874	3,280,600	14,594,104
Cowichan Valley Regional Hospital District	2,026,875	1,923,124	1,680,280	5,630,279
Alberni-Clayoquot Regional Hospital District	838,996	831,154	1,141,870	2,812,020
	<b>6,778,501</b>	<b>10,155,152</b>	<b>6,102,750</b>	<b>23,036,403</b>

7.3M (32%)  
Reduction

**B) 2004/05 Requirements - Pared Down**

	Equip <\$100K	Equip >\$100K	Projects	Total \$'s
Nanaimo Regional Hospital District	3,574,321	4,099,074	2,203,347	9,876,742
Cowichan Valley Regional Hospital District	1,840,375	542,951	1,713,280	4,096,606
Alberni-Clayoquot Regional Hospital District	852,692	340,354	636,000	1,829,046
	<b>6,267,388</b>	<b>4,982,379</b>	<b>4,552,627</b>	<b>15,802,394</b>

3.0M (19%)  
Reduction

**C) 2004/05 Requirements - Top Priorities**

	Equip <\$100K	Equip >\$100K	Projects	Total \$'s
	Priority #1's & #2's	Priority #1's	Priority #1's & #2's	
Nanaimo Regional Hospital District	2,965,987	3,401,674	1,639,847	8,007,508
Cowichan Valley Regional Hospital District	1,266,916	485,351	1,554,280	3,306,547
Alberni-Clayoquot Regional Hospital District	606,735	315,154	512,000	1,433,889
	<b>4,839,638</b>	<b>4,202,179</b>	<b>3,706,127</b>	<b>12,747,944</b>

10.3M (45%)  
Total Reduction





**VIAA - Central Island  
2004/05 Capital Requirements vs Estimated Funding**

**2004/05 Requirements - Top Priorities**

	Equip <\$100K Priority #1's & #2's	Equip >\$100K Priority #1's	Projects Priority #1's & #2's	Total \$'s
Nanaimo Regional Hospital District	2,965,987	3,401,674	1,639,847	8,007,508
Cowichan Valley Regional Hospital District	1,266,916	485,351	1,554,280	3,306,547
Alberni-Clayoquot Regional Hospital District	606,735	315,154	512,000	1,433,889
<b>(A)</b>	<b>4,839,638</b>	<b>4,202,179</b>	<b>3,706,127</b>	<b>12,747,944</b>

**Estimated Funding**

	Funding Assumption	Last Year's Funding Amount Plus 20%	Equip <\$100K	Equip >\$100K	Projects	Total \$'s
<b>(B)</b>		<b>1,773,576</b>		<b>360,000</b>	<b>-</b>	<b>2,133,576</b>
Nanaimo Regional Hospital District						
Cowichan Valley Regional Hospital District	See Note		1,266,916	194,140	621,712	2,082,768
Alberni-Clayoquot Regional Hospital District	See Note		606,735	126,062	204,800	937,597
Ministry of Health Services	Annual grant amounts		1,332,497	1,111,851	3,109,000	5,553,348
Federal Government	\$1.5 - 2.0M/year for next 3 yrs		-	1,500,000	-	1,500,000
Foundations, Auxiliaries, Other			550,541	-	-	550,541
<b>(B)</b>			<b>5,530,265</b>	<b>3,292,053</b>	<b>3,935,512</b>	<b>12,757,830</b>

**Requirements (Higher) / Lower than Funding**

<b>(B) - (A)</b>	<b>690,627</b>	<b>(910,126)</b>	<b>229,385</b>	<b>9,886</b>
------------------	----------------	------------------	----------------	--------------

Note: Assumption on RHD funding: 100% of Equip <\$100k costs; 40% of Equip >\$100k and Project costs

19  
PAGE

60

**NANAIMO REGIONAL HOSPITAL DISTRICT**  
**2004 PROVISIONAL BUDGET**

**REVENUE**

Tax requisition total	\$ 4,908,930
Grants in lieu of taxes	26,000
Interest revenues	32,400
Surplus from 2003	1,082,770
<b>TOTAL REVENUE</b>	<b>\$ 6,050,100</b>

**EXPENDITURES**

Administration fee	\$ 8,160
Debt servicing	2,981,905
Debt issuing costs	208,745
Capital equipment grants	1,773,575
Future years expenditures	1,077,715
<b>TOTAL EXPENDITURES</b>	<b>\$ 6,050,100</b>