

NANAIMO REGIONAL HOSPITAL DISTRICT

**REGULAR BOARD MEETING
TUESDAY, NOVEMBER 27, 2007
7:00 PM**

(RDN Board Chambers)

A G E N D A

PAGES

CALL TO ORDER

MINUTES

2-3 Minutes of the regular Hospital Board meeting held October 2, 2007.

BUSINESS ARISING FROM THE MINUTES

ADMINISTRATION

4-8 2008 Regional Hospital District Provisional Budget.

ADDENDUM

BUSINESS ARISING FROM DELEGATIONS OR COMMUNICATIONS

NEW BUSINESS

ADJOURNMENT

NANAIMO REGIONAL HOSPITAL DISTRICT
MINUTES OF THE REGULAR MEETING OF THE BOARD
OF THE NANAIMO REGIONAL HOSPITAL DISTRICT HELD ON
TUESDAY, OCTOBER 2, 2007, AT 7:00 PM IN THE
RDN BOARD CHAMBERS

Present:

Director J. Stanhope	Chairperson
Director J. Burnett	Electoral Area A
Director B. Sperling	Electoral Area B
Director M. Young	Electoral Area C
Alternate	
Director F. Van Eynde	Electoral Area E
Director L. Biggemann	Electoral Area F
Director D. Bartram	Electoral Area H
Director S. Herle	City of Parksville
Director T. Westbroek	Town of Qualicum Beach
Alternate	
Director B. Dempsey	District of Lantzville
Director G. Korpan	City of Nanaimo
Director B. Bestwick	City of Nanaimo
Director L. McNabb	City of Nanaimo
Director D. Brennan	City of Nanaimo
Director B. Holdom	City of Nanaimo
Director J. Manhas	City of Nanaimo

Also in Attendance:

C. Mason	Chief Administrative Officer
M. Pearse	Sr. Mgr., Corporate Administration
N. Avery	Gen. Mgr., Finance & Information Services
D. Porteous	A/Gen. Mgr., Recreation & Parks
J. Finnie	Gen. Mgr., Environmental Services
P. Thorkelsson	Gen. Mgr., Development Services
D. Trudeau	Gen. Mgr., Transportation Services
N. Tonn	Recording Secretary

MINUTES

MOVED Director Manhas, SECONDED Director McNabb, that the minutes of the regular Hospital Board meeting held July 24, 2007 be adopted.

CARRIED

STANDING COMMITTEES

Regional Hospital District Select Committee.

MOVED Director Westbrook, SECONDED Director Biggemann, that the minutes of the Regional Hospital District Select Committee meeting held September 18, 2007 be received for information.

CARRIED

MOVED Director Westbrook, SECONDED Director McNabb, that the Nanaimo Regional Hospital District approve funding not to exceed 40% of the \$42.5 million dollars (\$17 million dollars) for the redevelopment of the Emergency Department, the replacement of the Boiler Plant and the construction of the Renal/kidney Care Center at the Nanaimo Regional General Hospital.

CARRIED

MOVED Director Westbrook, SECONDED Director Bestwick, that the motion to pursue cost sharing alternatives be deferred to the next Committee meeting.

CARRIED

ADJOURNMENT

MOVED Director Korpan, SECONDED Director McNabb, that this meeting terminate.

CARRIED

TIME: 7:04 PM

CHAIRPERSON

SR. MGR., CORPORATE ADMINISTRATION



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BOARD	

**MEMORANDUM
NANAIMO REGIONAL
HOSPITAL DISTRICT**

TO: C. Mason
Chief Administrative Officer

DATE: November 17, 2007

FROM: N. Avery
General Manager, Finance & Information Services

FILE:

SUBJECT: Regional Hospital District 2008 Provisional Budget

PURPOSE:

To introduce the 2008 provisional budget for the Regional Hospital District.

BACKGROUND:

The Regional Hospital District funds capital equipment and capital projects for local facilities, with major project funding at 40% of the overall cost. At the date of this report the most recent major capital project to add surgical and obstetrics facilities at the Nanaimo Regional General Hospital is now complete and operational. These two major facility upgrades had a budget of approximately \$39 million dollars and in addition to Provincial funding, received \$12.86 million from Nanaimo Regional Hospital District taxpayers and about \$4 million from the local Hospital Foundation.

At its regular Board meeting held October 2, 2007, the Board approved cost sharing in three future major capital projects – a redevelopment of the emergency department, construction of a kidney care center below the new obstetrics wing and replacement and upgrade of the boiler equipment. These three projects have a combined budget of \$42.5 million and the Hospital District’s share will be \$17 million dollars. The annual debt cost once these projects are complete will be approximately \$1.5 million dollars.

Also included in the 2008 budget is a cash allowance of \$2.4 million dollars and an allowance to borrow up to \$400,000 to provide a total of \$2.8 million dollars for equipment replacements and minor renovations. These allowances are the same as provided in 2007 and are expected to be similar until 2012 when we should be able to combine the allowances into a single annual cash value.

ALTERNATIVES:

1. Approve a 2008 provisional Regional Hospital District budget with a tax requisition of \$5,848,049.
2. Approve a 2008 provisional Regional Hospital District budget with a tax requisition of \$5,659,402.

FINANCIAL IMPLICATIONS:

Alternative 1

Appendix 'A' attached to this report projects Hospital District tax requisitions to 2012 based on currently available information including limited information regarding major capital projects. The 2008 provisional budget reflects the projections outlined in staff reports to the Hospital Select Committee with respect to the above noted and other major projects anticipated in future years.

Beginning in 2008 property tax revenues will rise by 8.5% annually until about 2012, at which point the increases should moderate to 6% or less. Debt servicing costs will rise from about \$3.4 million in 2008 to a peak of \$4.9 million in 2011. The projections assume a continuing allocation of \$2,800,000 for annual capital purchases, financed by a mix of property taxes and ten year debt financing. The annual property tax cost estimated through the span of these projections is:

	Per \$100,000
2008	\$ 21.85
2009	\$ 22.70
2010	\$ 24.15
2011	\$ 25.70
2012	\$ 26.70

Alternative 2

Under this alternative the 2008 tax requisition is reduced to \$5.66 million – a 5% increase over 2007 (Appendix 'B'). The reduction in 2008 requires that requisitions for 2009 to 2011 rise annually by 9.5% rather than the 8.5% under Alternative 1. Under Alternative 1 the change is phased in more evenly.

The property tax cost for this alternative is about \$1.00 per \$100,000 less in 2008 than under Alternative 1, but will be higher in the following years to make up the difference overall.

SUMMARY/CONCLUSIONS:

Regional Hospital Districts are required to approve a provisional budget. Staff are recommending a budget which raises \$5,848,409 in property tax revenues for 2008 – an increase of 8.5% over 2007. The increase provides for the eventual debt servicing of three new major projects valued at \$17 million dollars. By 2012 debt servicing costs will rise by \$1.5 million dollars for these initiatives. The budget also provides up to \$2.8 million dollars in annual grants to assist the Vancouver Island Health Authority to replace lower valued capital equipment and/or to undertake minor renovation type projects. This is the same amount as budgeted in 2007.

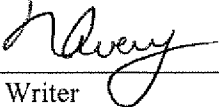
While it is possible to reduce the increase in 2008, this will cause the 2009 projected increase to rise by an additional percent to 9.5%. The tax savings in 2008 is less than \$1.00 per \$100,000 under Alternative 2. Staff therefore recommend approving the budget as outlined under Alternative 1.

RECOMMENDATIONS:

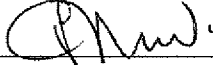
1. That a 2008 Regional Hospital District provisional budget be approved with the following components:

Property tax requisition	\$	5,848,409
Capital grant allowance (from property taxes)	\$	2,400,000
Other capital equipment/projects (borrow up to)	\$	400,000
Cost sharing in major capital projects (borrow up to)	\$	17,000,000

2. That the 2008 to 2012 five year projections, including 8.5% annual property tax increases be approved in principle.



Report Writer



Chief Administrative Officer

COMMENTS:

ALTERNATIVE 1 BUDGET PROPOSAL

NANAIMO REGIONAL HOSPITAL DISTRICT
BUDGET PROJECTIONS

	2007 Annual	2007 Projected	2008 Provisional	2009	2010	2011	2012
	3.0%		8.5%	8.5%	8.5%	8.5%	6.0%
Revenues							
Property taxes	5,389,907	5,389,907	5,848,049	6,345,133	6,884,469	7,469,649	7,917,828
Grants in lieu	26,000	27,613	27,000	26,000	26,000	26,000	26,000
Interest	75,000	185,000	100,000	100,000	100,000	100,000	100,000
Other income		320,960					
From future debt reserve					1,000,000		
	5,490,907	5,923,480	5,975,049	6,471,133	8,010,469	7,595,649	8,043,828
Expenditures							
Administration	8,665	8,665	10,000	10,500	11,025	11,576	12,155
Debt payments	3,064,220	3,020,525	3,389,742	3,501,564	4,916,875	4,985,258	4,722,886
Debt issue expense/temp financing	593,230	408,220	168,868	539,000	427,000	297,500	7,000
Equipment grants	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	3,200,000
For future debt			1,000,000				
	6,066,115	5,837,410	6,968,610	6,451,064	7,754,900	7,694,335	7,942,041
Current surplus(deficit)	(575,208)	86,070	(993,562)	20,068	255,569	(98,686)	101,786
Prior year surplus applied	1,235,950	1,233,800	1,319,870	326,308	346,377	601,945	503,260
Net surplus	660,742	1,319,870	326,308	346,377	601,945	503,260	605,046

Tax cost per \$100,000

\$21.85

\$22.70

\$24.15

\$25.70

\$26.70

ALTERNATIVE 2 BUDGET PROPOSAL

NANAIMO REGIONAL HOSPITAL DISTRICT
BUDGET PROJECTIONS

	2007 Annual	2007 Projected	2008 Provisional	2009	2010	2011	2012
	3.0%		5.0%	9.5%	9.5%	9.5%	6.0%
Revenues							
Property taxes	5,389,907	5,389,907	5,659,402	6,197,045	6,785,764	7,430,412	7,876,237
Grants in lieu	26,000	27,613	27,000	26,000	26,000	26,000	26,000
Interest	75,000	185,000	100,000	100,000	100,000	100,000	100,000
Other income		320,960					
From future debt reserve					1,000,000		
	5,490,907	5,923,480	5,786,402	6,323,045	7,911,764	7,556,412	8,002,237
Expenditures							
Administration	8,665	8,665	10,000	10,500	11,025	11,576	12,155
Debt payments	3,064,220	3,020,525	3,389,742	3,501,564	4,916,875	4,985,258	4,722,886
Debt issue expense/temp financing	593,230	408,220	168,868	539,000	427,000	297,500	7,000
Equipment grants	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	3,200,000
For future debt			1,000,000				
	6,066,115	5,837,410	6,968,610	6,451,064	7,754,900	7,694,335	7,942,041
Current surplus(deficit)	(575,208)	86,070	(1,182,208)	(128,019)	156,864	(137,923)	60,195
Prior year surplus applied	1,235,950	1,233,800	1,319,870	137,662	9,642	166,506	28,584
Net surplus	660,742	1,319,870	137,662	9,642	166,506	28,584	88,779

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