

NANAIMO REGIONAL HOSPITAL DISTRICT

**REGULAR BOARD MEETING
TUESDAY, NOVEMBER 25, 2008
7:00 PM**

**CIRCULATED REPORT
FOR AGENDA**

PAGES

**SCHEDULED STANDING, ADVISORY STANDING AND SELECT COMMITTEE
REPORTS**

Regional Hospital District Select Committee.

2-4 Minutes of the Regional Hospital District Select Committee meeting held November 21, 2008. (for information)

5-9 **Regional Hospital District 2009 Provisional Budget.** (All Directors – Weighted Vote)

1. That a 2009 Regional Hospital District provisional budget be approved with the following components.

<i>Property tax requisition</i>	<i>\$6,024,000</i>
<i>Capital grant allowance (from property taxes)</i>	<i>\$3,060,000</i>

2. That the 2009 to 2013 five year projections be approved in principle.

NANAIMO REGIONAL HOSPITAL DISTRICT

MINUTES OF THE MEETING OF THE REGIONAL HOSPITAL DISTRICT SELECT COMMITTEE HELD ON FRIDAY, NOVEMBER 21, 2008 AT 10:00 AM IN THE RDN COMMITTEE ROOM

Present:	Director T. Westbrook	Chairperson
	Director J. Burnett	Electoral Area A
	Director J. Stanhope	Electoral Area G
	Director C. Haime	District of Lantzville
Absent :	Director D. Brennan	City of Nanaimo
	Director M. Unger	City of Nanaimo
	Director S. Herle	City of Parksville
Also in Attendance:	C. Mason	Chief Administrative Officer
	N. Avery	General Manager Finance & Information Services

The meeting commenced without a quorum at 10:00 am with Directors Westbrook and Stanhope in attendance.

Director Haime joined the meeting at 10:20 am.

DELEGATIONS

Grant Hollett, Regional Director Planning & Community Engagement presented an update with respect to VIHA's strategic planning process and directions. By 2010, 411 residential care beds above the previous projections are indicated by the recent demographic information. That demographic information indicates a need for 812 additional residential care beds across the island by 2013. Mr. Hollett responded to a number of questions with respect to improving access to primary health care and palliative care beds in the Oceanside area. VIHA is committed to the direction of creating resources in the Oceanside area, but is constrained by funding and the ability to fill medical positions in general. Mr. Hollett concurred with the committee that a financial investment needs to be made first before any significant progress can be made to re-direct the way health care is provided in smaller centers like Oceanside.

The committee asked how funding for First Nation's health care was dealt with in capital cost sharing formulas. Mr. Hollett and staff confirmed that funding for First Nations health care is not specifically identified in VIHA's funding envelopes. VIHA is creating a First Nations Health Care Advisory Committee to coordinate communications with First Nations. Ms. Mason suggested to the committee that VIHA's committee might be complimentary to the Regional District's development of protocol agreements on common issues with First Nations.

Chris Sullivan, Director of Capital Projects provided an overview of major capital projects which have been completed in the five year plan. Three major projects at NRGH (emergency room redevelopment, renal care center and boiler plant upgrade) remain VIHA's top three priorities for this region. Provincial funding is not yet approved for the emergency room redevelopment, but VIHA is optimistic of a

favourable outcome. The schematic design work for the renal care center has been completed and VIHA is reviewing the budget results because the current estimate exceeds the preliminary estimates.

The Chair thanked the delegation.

The Chair asked staff to review the contents of the report on the 2009 provisional budget.

Director Burnett joined the meeting at 11:40 am. With a quorum of committee members the meeting proceeded through the agenda.

MINUTES

MOVED Director Stanhope SECONDED Director Burnett, that the minutes of the Regional Hospital District Select Committee meeting held September 15, 2008 be adopted.

CARRIED

REPORTS

Regional Hospital District 2009 Provisional Budget

MOVED Director Burnett, SECONDED, Director Stanhope that Alternative 1 in the staff report be approved. The 2009 requisition would be \$6,111,590 (a 4.5% increase over 2008), with a capital grant allowance of \$3,060,000. After further discussion the motion was

DEFEATED

MOVED Director Haime, SECONDED Director Burnett :

- (1) That a 2009 Regional Hospital District provisional budget be approved with the following components:

Property tax requisition	\$6,024,000
Capital grant allowance	\$3,060,000

- (2) That the 2009 to 2013 five year projections be approved in principle.

CARRIED

The committee requested that staff bring to a committee meeting in early 2009, VIHA's detailed list of capital equipment/projects which would be purchased within the 2009 capital allowance of \$3,060,000. The list requested should show the items to be purchased as well as items which are not able to be purchased within the approved allowance.

The committee further requested that staff bring to the next committee meeting, VIHA's five year summary of major capital projects for this Regional Hospital District.

The Chair directed staff to send correspondence to Mr. Hollett and Mr. Sullivan thanking them for their presentations and expressing the committee's desire to have regular meetings with VIHA regarding their capital plans.

ADJOURNMENT

MOVED Director Stanhope, SECONDED Director Burnett, that the meeting terminate.

CARRIED

TIME: 12:10 PM

Chairperson



RDN REPORT	
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**MEMORANDUM
NANAIMO REGIONAL
HOSPITAL DISTRICT**

TO: C. Mason
Chief Administrative Officer

DATE: November 14, 2008

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

FILE:

SUBJECT: Regional Hospital District 2009 Provisional Budget

PURPOSE:

To introduce the 2009 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 underway is the development of a renal (kidney) care center in the lower floor of the new obstetrics wing. That project is estimated at \$13.65 million with the Regional Hospital District share at \$5.46 million.

Two other major projects were recently approved for cost sharing – the emergency department redevelopment and a boiler plant upgrade. Those two projects total approximately \$28 million and the Regional Hospital District approved cost sharing in the amount of \$11.2 million for a total of about \$17 million for all three projects. The annual debt servicing for these projects, once they are completed, would be in the range of \$1.7 million dollars.

The 2009 provisional budget includes funds to cover prior project financing commitments and an allowance of \$3,060,000 for operational type capital projects and equipments. The annual funding allowance has been increased from a fixed value of \$2.8 million, which has been the level for the last three years. The Vancouver Island Health Authority requested an increase to \$3.3 million commencing in 2009. In an effort to smooth out the annual budget, staff recommend increasing the equipment allowance on an annual basis. The budget provides the following amounts from 2006 to 2011:

2006	2007	2008	2009	2010	2011	Total
2,800,000	2,800,000	2,800,000	3,060,000	3,213,000	3,373,650	\$18,047,000
2,800,000	2,800,000	2,800,000	3,300,000	3,300,000	3,300,000	\$18,300,000

The annual capital grant difference, between the requested level and the recommended level, cumulative over the six year period is about 1.4%.

The tax requisition for 2009 is projected to increase by 4.5%, which is a considerable decrease from the previous forecast of 8.5%. In general, debt financing associated with major capital projects has been incurred more slowly, allowing past debt to be retired before new debt is added. If no new debt was projected in the next five years, debt servicing costs would decline from a peak in 2011 of \$3.146 million to a low of \$1.86 million in 2013. Staff have projected as best we can the timing of the future projects and debt costs will remain relatively steady at about \$3 million dollars annually through to 2012.

ALTERNATIVES:

1. Approve a 2009 Regional Hospital District provisional budget with a tax requisition of \$6,111,590 (4.5% increase).
2. Approve a 2009 Regional Hospital District provisional budget with a tax requisition of \$6,023,865 (3% increase).

FINANCIAL IMPLICATIONS:

Alternative 1

Appendix 'A' attached to this report projects Hospital District tax requisitions to 2013 based on currently available information.

Tax requisitions are projected to increase annually by 4.5% - a reduction in the previous projections of 8.5% annually. Debt servicing costs will rise from about \$3.2 million in 2009 to a peak of \$3.7 million in 2013. The projections assume an allocation of about \$3 million annually to the Health Authority for minor capital purchases and projects, adjusted upwards by 5% each year. The annual property tax cost estimated through the span of these projections is:

	Per \$100,000
2009	\$ 21.90
2010	\$ 22.90
2011	\$ 23.90
2012	\$ 25.00
2013	\$ 26.15

Alternative 2

Under this alternative the 2009 tax requisition is reduced to \$6.024 million – a 3% increase over 2008. (Appendix 'B'). While a reduction to 3% is possible in 2009, the result is that future years will require more adjustments upward than under Alternative 1 above. The reduction in 2008 requires that requisitions for 2009 to 2011 rise gradually to a 5.5% increase in 2013.

The 2009 tax cost per \$100,000 declines to \$21.60 – about \$.30 cents per \$100,000.

SUMMARY/CONCLUSIONS:

Regional Hospital Districts are required to approve a provisional budget. Staff are recommending a budget which raises \$6,111,590 in property tax revenues for 2009 – an increase of 4.5% over 2008. The increase provides for the eventual debt servicing of \$17 million dollars for three new major capital projects.

The 2009 budget also provides up to \$3.06 million dollars as direct capital grants to assist the Vancouver Island Health Authority to replace operational type capital equipment and/or to undertake minor improvement projects. This is an increase over the prior three year fixed commitment of \$2.8 million dollars, but less than the \$3.3 million requested.

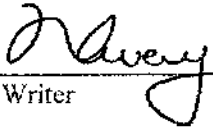
While it is possible to reduce the requisition increase in 2009 to say 3%, this will result in future years requiring slightly higher adjustments than under the proposed projections which are flat at 4.5% annually. A reduction in the 2009 requisition increase to 3% reduces the tax rate by \$.03 per \$1,000 or \$.30 cents per \$100,000.

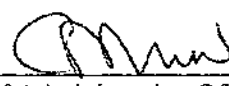
RECOMMENDATIONS:

1. That a 2009 Regional Hospital District provisional budget be approved with the following components:

Property tax requisition	\$	6,111,590
Capital grant allowance (from property taxes)	\$	3,060,000

2. That the 2009 to 2013 five year projections, including 4.5% annual property tax increases be approved in principle.


Report Writer


Chief Administrative Officer

COMMENTS:

**NANAIMO REGIONAL HOSPITAL DISTRICT
BUDGET PROJECTIONS**

	2008 Annual	2008 Projected Actual	2009 Provisional	2010	2011	2012	2013
Current Project	8.5%		4.5%	4.5%	4.5%	4.5%	4.5%
Prior Projection			8.5%	8.5%	8.5%	6.0%	
Revenues							
Property taxes	5,848,410	5,848,410	6,111,590	6,386,612	6,674,010	6,974,340	7,288,185
Grants in lieu	27,000	27,955	27,000	26,000	26,000	26,000	26,000
Interest	100,000	164,000	80,000	80,000	80,000	80,000	80,000
Other income		138,180					
From future debt reserve							
	5,975,410	6,178,545	6,218,590	6,492,612	6,780,010	7,080,340	7,394,185
Expenditures							
Administration	10,000	14,500	14,500	15,225	15,986	16,786	17,625
Debt payments	3,558,610	3,426,330	3,159,985	3,547,234	3,032,589	3,087,887	3,717,652
Debt issue expense/temp financing		73,340	159,300	189,390	595,803	522,193	213,499
Equipment grants (see note below)	2,400,000	2,400,000	3,060,000	3,213,000	3,375,650	3,542,333	3,719,449
For future debt							
	5,968,610	5,914,170	6,393,765	6,964,849	7,018,028	7,169,198	7,668,124
Current surplus(deficit)	6,800	264,375	(175,174)	(472,237)	(238,019)	(88,858)	(273,939)
Prior year surplus applied	1,332,100	1,332,100	1,596,475	1,421,301	949,064	711,045	622,187
Net surplus for future years	1,338,900	1,596,475	1,421,301	949,064	711,045	622,187	348,248
* Annual capital grants financed by 10 year borrowing	400,000	400,000	Nil	Nil	Nil	Nil	Nil
Total equipment capital grant allowance	2,800,000	2,800,000	3,060,000	3,213,000	3,375,650	3,542,333	3,719,449
Projected tax cost per \$100,000			\$21.90	\$22.89	\$23.92	\$24.98	\$26.12

**NANAIMO REGIONAL HOSPITAL DISTRICT
BUDGET PROJECTIONS**

	2008 Annual	2008 Projected Actual	2009 Provisional	2010	2011	2012	2013
Current Project	8.5%		3.0%	4.5%	5.0%	5.0%	5.5%
Prior Projection			8.5%	8.5%	8.5%	8.0%	
Revenues							
Property taxes	5,848,410	5,848,410	6,023,864	6,294,938	6,609,685	6,940,169	7,321,879
Grants in lieu	27,000	27,955	27,000	26,000	26,000	26,000	26,000
Interest	100,000	164,000	80,000	80,000	80,000	80,000	80,000
Other income		136,180					
From future debt reserve							
	5,975,410	6,178,545	6,130,864	6,400,938	6,715,685	7,046,169	7,427,879
Expenditures							
Administration	10,000	14,500	14,500	15,225	15,986	16,786	17,025
Debt payments	3,558,610	3,426,330	3,159,965	3,547,234	3,032,589	3,067,867	3,717,552
Debt issue expense/temp financing		73,340	159,300	189,390	595,803	522,193	213,499
Equipment grants (see note below)	2,400,000	2,400,000	3,060,000	3,213,000	3,373,650	3,542,333	3,719,449
For future debt							
	5,968,610	5,914,170	6,393,765	6,964,849	7,018,028	7,169,198	7,668,124
Current surplus(deficit)	6,800	264,375	(262,901)	(563,910)	(302,343)	(123,029)	(240,246)
Prior year surplus applied	1,332,100	1,332,100	1,596,475	1,333,574	769,664	467,321	344,292
Net surplus for future years	1,338,900	1,596,475	1,333,574	769,664	467,321	344,292	104,046
* Annual capital grants financed by 10 year borrowing	400,000	400,000	Nil	Nil	Nil	Nil	Nil
Total equipment capital grant allowance	2,800,000	2,800,000	3,060,000	3,213,000	3,373,650	3,542,333	3,719,449
Projected tax cost per \$100,000			\$21.60	\$22.57	\$23.70	\$24.89	\$26.25