

**NANAIMO REGIONAL HOSPITAL DISTRICT
SELECT COMMITTEE MEETING**

WEDNESDAY, NOVEMBER 6, 2013

12:00 NOON

(RDN Committee Room)

A G E N D A

PAGES

CALL TO ORDER

DELEGATIONS

MINUTES

2-3 Minutes of the Nanaimo Regional Hospital District Select Committee meeting held Tuesday, May 28, 2013.

BUSINESS ARISING FROM THE MINUTES

COMMUNICATIONS/CORRESPONDENCE

REPORTS

4-7 Nanaimo Regional Hospital District Bylaw No. 156 – MRI Replacement Borrowing Authorization.

8-11 Nanaimo Regional Hospital District 2014 Provisional Budget.

BUSINESS ARISING FROM DELEGATIONS OR COMMUNICATIONS

NEW BUSINESS

ADJOURNMENT

(Lunch will be provided)

Distribution: J. Kipp (Chair), A. McPherson, J. Stanhope, D. Johnstone, M. Lefebvre, D. Willie
P. Thorkelsson, W. Idema, J. Harrison

For Information Only: H. Houle, M. Young, G. Holme, J. Fell, B. Veenhof, B. Dempsey, J. Ruttan, D. Brennan,
B. Bestwick, T. Greves, G. Anderson
T. Moore, M. Manhas, J. Hill, M. O'Halloran

REGIONAL DISTRICT OF NANAIMO

**MINUTES OF THE NANAIMO REGIONAL HOSPITAL DISTRICT
SELECT COMMITTEE MEETING HELD ON
TUESDAY, MAY 28, 2013 AT 5:30 PM
IN THE RDN COMMITTEE ROOM**

In Attendance:

Director J. Stanhope	Chairperson
Director A. McPherson	Electoral Area A
Director B. Veenhof	Electoral Area H
Director D. Johnstone	City of Nanaimo
Director M. Lefebvre	City of Parksville
Director D. Willie	Town of Qualicum Beach

Regrets:

Director J. Kipp	City of Nanaimo
------------------	-----------------

Also in Attendance:

P. Thorkelsson	Chief Administrative Officer
W. Idema	Director of Finance
J. Harrison	Director of Corporate Services
N. Tonn	Recording Secretary
C. Sullivan	Director, Capital Planning VIHA
K. Daniel	Manager, Capital Planning, VIHA

CALL TO ORDER

The Chairperson welcomed the Directors to the Nanaimo Regional Hospital District Select Committee meeting.

MINUTES

MOVED Director Lefebvre, SECONDED Director Willie, that the minutes of the Nanaimo Regional Hospital District Select Committee meeting held February 26, 2013 be adopted.

CARRIED

COMMUNICATIONS/CORRESPONDENCE

VIHA Presentation, re Capital Project Performance Reports.

Mr. Sullivan and Mr. Daniel provided a verbal and visual overview of the completed Emergency Services area including the psychiatric emergency and psychiatric intensive care areas of Nanaimo Regional General Hospital which were completed in September 2012. A Post Construction Evaluation spreadsheet was distributed to the Committee members for their information.

REPORTS

Request for Cost Sharing on Capital Equipment.

MOVED Director Willie, SECONDED Director Lefebvre, that the request for funding from the Vancouver Island Health Authority for \$1,120,000 representing the Nanaimo Regional Hospital District's 40% cost share towards the purchase of a replacement MRI at Nanaimo Regional General Hospital be approved.

CARRIED

MOVED Director Willie, SECONDED Director Lefebvre, that the request from the Vancouver Island Health Authority for reallocation of unused annual capital grant funding from the 2007/08 and 2008/09 funding years in the amount of \$176,550 toward the cost of a replacement Cardiac Telemetry system at Nanaimo Regional General Hospital be approved.

CARRIED

ADJOURNMENT

MOVED Director Lefebvre, SECONDED Director Johnstone, that this meeting terminate.

CARRIED

TIME: 6:04 p.m.

CHAIRPERSON

CORPORATE OFFICER

TO: Paul Thorkelsson
Chief Administrative Officer

DATE: November 2, 2013

FROM: Wendy Idema
Director of Finance

FILE:

SUBJECT: Nanaimo Regional Hospital District Bylaw No. 156 - MRI Replacement Borrowing Authorization

PURPOSE:

To introduce loan authorization Bylaw No. 156 for adoption to fund the Magnetic Resonance Imaging (MRI) replacement at the Nanaimo Regional General Hospital.

BACKGROUND:

At its meeting held June 11, 2013 the Board authorized borrowing up to \$1,120,000 for the MRI replacement project at the Nanaimo Regional General Hospital. This represents a 40% cost share of the \$2.8 million total price.

The MRI project is underway and an initial request for funding has been received from the Vancouver Island Health Authority. In order to make the reimbursement, a borrowing bylaw must be adopted.

ALTERNATIVES:

1. Adopt the bylaw as presented.
2. Amend the bylaw and adopt it as amended.

FINANCIAL IMPLICATIONS:*Alternative 1*

The debt servicing and issuing costs related to the approved funding of \$1,120,000 have been incorporated into the Nanaimo Regional Hospital District (NRHD) 2014 to 2018 financial plan. Staff's understanding is that the project can be completed within this funding envelope and once authorized this Bylaw approval cannot be exceeded without additional approval from the Board.

Alternative 2

Should there be amendments to the bylaw, the financial implications would need to be evaluated once the changes were known. Staff are not aware of any issues that could impact the project and the funding approval and recommend proceeding with approval of Bylaw No. 156.

SUMMARY/CONCLUSIONS:

At its meeting held June 11, 2013 the Board authorized borrowing up to \$1,120,000 for the MRI replacement project at the Nanaimo Regional General Hospital. The project is underway and an initial request for funding has been received from the Vancouver Island Health Authority. In order to make the reimbursement, a borrowing bylaw must be adopted.

RECOMMENDATIONS:

1. That "Nanaimo Regional Hospital District (MRI Replacement) Borrowing Bylaw No. 156, 2013" be introduced and read three times.
2. That "Nanaimo Regional Hospital District (MRI Replacement) Borrowing Bylaw No. 156, 2013" be adopted.



Report Writer



Chief Administrative Officer

NANAIMO REGIONAL HOSPITAL DISTRICT

BYLAW NO. 156

CAPITAL EXPENDITURE & BORROWING BYLAW

WHEREAS the Board of the Nanaimo Regional Hospital District proposes to expend money for capital expenditures described in Schedule 'A' attached hereto and forming part of this bylaw;

AND WHEREAS those capital expenditures have received the approval required under Section 23 of the *Hospital District Act*;

NOW THEREFORE the Board of the Nanaimo Regional Hospital District enacts the following as required by Section 32 and Section 34 of the *Hospital District Act*:

1. The Board hereby authorizes and approves the borrowing and expenditure of money for the replacement of the Magnetic Resonance Imaging (MRI) system at the Nanaimo Regional General Hospital.
2. The Board authorizes and approves the borrowing of a net sum not exceeding \$1,120,000 (One Million, One Hundred and Twenty Thousand Dollars) upon the credit of the District by the issuance and sale of securities in a form and manner agreed to by the Municipal Finance Authority of British Columbia. The term of the securities and the repayment of the principal and interest shall be for a term not to exceed twenty (20) years.
3. To meet the payments of principal and interest during the term of the securities, there shall be included in the estimates of the Regional Hospital District each year, the respective amounts of principal and interest falling due each year.
4. The Board hereby delegates to the Director of Finance the necessary authority to settle the terms and conditions of the borrowings.
5. This bylaw may be cited for all purposes as "Nanaimo Regional Hospital District (MRI Replacement) Borrowing Bylaw No. 156, 2013".

Introduced and read three times this day of , 2013.

Adopted this day of , 2013.

CHAIRPERSON

CORPORATE OFFICER

Schedule 'A' to accompany "Nanaimo Regional Hospital District (MRI Replacement) Borrowing Bylaw No. 156, 2013"

Chairperson

Corporate Officer

SCHEDULE 'A'

MRI Replacement at Nanaimo Regional General Hospital

Total project budget	\$	2,800,000
Nanaimo Regional Hospital District funding	x	<u>40%</u>
Nanaimo Regional Hospital District share	\$	<u>1,120,000</u>

TO: Paul Thorkelsson
Chief Administrative Officer

DATE: November 2, 2013

FROM: Wendy Idema
Director of Finance

FILE:

SUBJECT: Nanaimo Regional Hospital District 2014 Provisional Budget

PURPOSE:

To introduce the 2014 provisional budget for the Nanaimo Regional Hospital District.

BACKGROUND:

The Regional Hospital Districts fund capital equipment and capital projects for local facilities. The RHD's provide 40% funding and the Province, through the Vancouver Island Health Authority (VIHA), provides the remaining 60% of funding for these purposes.

The two major components of the budget are long term debt costs for past and current projects and an annual allowance to support smaller operational capital equipment and projects. Long term debt issuing and servicing costs represent about 48% of the proposed 2014 requisition and the operational capital grant allowance represents 52% of the annual requisition.

Presently, there are four major projects completed or underway. The Emergency Department Redevelopment project and the Renal Care Centre at the Nanaimo Regional General Hospital and the Oceanside Health Centre are all wrapping up with \$3.4 million outstanding in available Nanaimo Regional Hospital District (NRHD) funding for these projects against a total funding envelope of \$24.7 million. The replacement MRI project is just underway with \$1.120 million committed as NRHD funding.

The annual funding envelope for capital equipment and smaller capital projects is approximately \$3.5 million. These funds are used for a variety of equipment purchases and capital projects at designated facilities in the NRHD. As part of the 2013 budget approvals for the NRHD, the Board approved \$934,900 for 2014/15 to be included in the annual capital grant funding to ensure VIHA would have funds for the completion of projects started in the 2013/14 year.

VIHA will provide details of their planned projects and equipment purchases related to the estimated annual capital grant funding amount of \$3.5 million in January, 2014 including the \$934,900 previously approved in 2013. There are also several large capital projects on VIHA's long-term capital plan such as shelled-in operating rooms, a new intensive care unit, and a new patient tower; however, these projects will not proceed and formal requests for funding by the NRHD will not be received until the provincial

approval is received. With regard to the Energy Centre which has been previously discussed, VIHA has issued an Expression of Interest towards developing an agreement with a proponent to supply low greenhouse gas emitting thermal energy where they would be purchasing energy vs building a new power plant.

ALTERNATIVES:

1. Approve a 2014 provisional budget with a 0% tax levy increase.
2. Provide alternate direction for 2014 Nanaimo Regional Hospital District tax levy.

FINANCIAL IMPLICATIONS:

Alternative 1

2014 Provisional Budget

A 2014 budget and five year forecast are shown on Appendix A attached to this report. Currently there is no planned increase to the 2014 requisition. The 2013 to 2017 financial plan originally estimated a 3% increase to the 2014 requisition and debt payments of \$3,367,520; however, billings from VIHA for the Renal Care Centre, the Emergency Department Redevelopment and the MRI replacement have been received at a slower pace than anticipated, and final long-term borrowing for these projects will likely not occur until the fall of 2014, resulting in postponement of the bulk of annual principal payments until 2015. As well, ongoing low interim financing rates and additional Municipal Finance Authority (MFA) surplus payouts of \$171,000 have improved the NRHD results for 2013 which will provide a larger carry forward surplus.

As a result of this postponement of long-term borrowing and lower than anticipated debt servicing costs, the 2014 preliminary budget includes an amount of \$1.245 million as a transfer to reserves for future projects. In January, when 2013 year end results are known and VIHA is able to provide additional information on projected large capital projects, a final decision can be made regarding whether to apply this funding to existing projects or to hold it for future large capital projects.

The annual capital grant allowance in the 2014 budget is \$3,512,940, which is a 2% increase over the 2013 grant allowance of \$3,444,055. The estimated tax cost for 2014 is \$22.28 per \$100,000, based on 2013 assessments, which is unchanged from 2013.

2014 to 2018 Budget Forecast

The profile for future years in Appendix A, based on currently available information about major capital projects, has been revised somewhat since the 2013 to 2017 financial plan was approved as a result of delays in the receipt of invoicing for major projects as noted above. Currently the proposed increases to the tax requisition for 2015 to 2018 are estimated at 2%. The plan will likely require further revisions as information is received from VIHA on capital project plans and as final results for 2013 are known. Should there be approval from the Province for a major capital project that the NRHD approves cost sharing on, debt servicing costs would need to be revised for the future.

Alternative 2

It will not be possible to reduce the 2014 projected 0% increase any further; however, it may be necessary to adjust the 2015 to 2018 projected tax increases in the attached financial plan. The plan is highly dependent on the Province’s approvals of VIHA’s capital project plans, and additional reductions to the plan may result in a shifting of tax increases to future years. In the recent past, year end actual results for the Hospital District have tended to be considerably better than budget because major projects have not proceeded as quickly as expected. At this time, billing for four major projects is underway and VIHA does have plans for additional large capital projects in future years. As such, until final information is received for 2013 results and future capital plans, staff consider the 0% tax requisition increase as proposed above to be reasonable.

SUMMARY/CONCLUSIONS:

Regional Hospital Districts are required to approve a provisional budget on or before December 31 each year. Staff recommend a budget which raises \$6,712,985 in property tax revenues for 2014 – an increase of 0.0% over 2013. The budget includes \$3.51 million for capital equipment/minor capital projects at VIHA facilities and \$2.94 million for debt payments in 2014.

RECOMMENDATIONS:

1. That a 2014 Regional Hospital District provisional budget be approved with the following components:

Property tax requisition	\$	6,712,985
Capital grant allowance	\$	3,512,940

2. That the 2013 to 2017 five year projections be received for information.



Report Writer



Chief Administrative Officer

**NANAIMO REGIONAL HOSPITAL DISTRICT
BUDGET PROJECTIONS
2014 to 2018**

Current Projection	2013		2014		2015		2016		2017		2018	
	Approved Budget 2.5%	Proposed Nov 2013 0.0%	Proposed Nov 2013 2.0%	Proposed Nov 2013 2.0%	Proposed Nov 2013 2.0%	Proposed Nov 2013 2.0%	Proposed Nov 2013 2.0%	Proposed Nov 2013 2.0%	Proposed Nov 2013 2.0%	Proposed Nov 2013 2.0%	Proposed Nov 2013 2.0%	
Revenues												
Property taxes	6,712,986	6,712,986	6,847,246	6,847,246	6,984,191	7,123,875	7,266,352					
Grants in lieu	28,000	28,000	28,000	28,000	28,000	28,000	28,000					
Interest income	40,000	40,000	40,000	40,000	40,000	40,000	40,000					
Other revenue												
Transfer from reserves	2,896,955	3,265,373	2,113,204	2,113,204	1,890,989	1,554,169	1,024,496					
Prior year surplus applied	9,677,941	10,046,359	9,028,450	9,028,450	8,943,180	8,746,044	8,358,848					
Expenditures												
Administration	23,772	24,723	25,712	25,712	26,740	27,810	28,922					
Debt payments	2,559,375	2,941,055	3,283,351	3,283,351	3,367,409	3,649,780	3,811,473					
Debt issue expense/temp financing	348,340	198,789	145,200	145,200	240,000	216,000	64,000					
Special cash flow for Phase II												
Annual capital grants (see below)	3,444,057	3,512,938	3,583,197	3,583,197	3,654,861	3,727,958	3,802,518					
Annual capital grant applied to major project												
Surplus applied to capital projects	435,435	10,650	100,000	100,000	100,000	100,000	100,000					
Reserve for Future Projects	6,810,979	7,933,156	7,137,460	7,137,460	7,389,011	7,721,548	7,706,913					
Surplus for future years' expenditures	2,866,962	2,113,204	1,890,989	1,890,989	1,554,169	1,024,496	651,935					
Projected Tax Cost per \$100,000												
Completed roll Feb 2013		1	1.02	1.02	1.02	1.02	1.02					
Total assessments	30,129,571,352	30,129,571,352	30,732,162,779	30,732,162,779	31,346,806,035	31,973,742,155	32,613,216,998					
Rate per thousand	0.222803912	0.222803912	0.222803912	0.222803912	0.222803912	0.222803912	0.222803912					
Projected Tax Cost per \$100,000	\$ 22.28	\$ 22.28	\$ 22.28	\$ 22.28	\$ 22.28	\$ 22.28	\$ 22.28					
Reserve Fund Status												
Opening Balance		0	1,245,000	1,245,000	1,357,450	1,471,025	1,585,735					
Applied to budget												
New contribution	0	1,245,000	100,000	100,000	100,000	100,000	0					
Interest earned		0	12,450	12,450	13,575	14,710	15,857					
Balance available	0	1,245,000	1,357,450	1,357,450	1,471,025	1,585,735	1,601,592					