

NANAIMO REGIONAL HOSPITAL DISTRICT

**SELECT COMMITTEE MEETING
TUESDAY, FEBRUARY 10, 2015**

5:00 PM

(RDN Committee Room)

A G E N D A

PAGES

CALL TO ORDER

DELEGATIONS

MINUTES

2-4 Minutes of the Nanaimo Regional Hospital District Select Committee meeting held Tuesday, February 25, 2014.

BUSINESS ARISING FROM THE MINUTES

COMMUNICATIONS/CORRESPONDENCE

REPORTS

5-13 Request for Approval of 2015/2016 Capital Equipment and Minor Capital Project Lists.

14-19 Nanaimo Regional Hospital District 2015 Proposed Budget.

UNFINISHED BUSINESS

ADDENDUM

NEW BUSINESS

ADJOURNMENT

REGIONAL DISTRICT OF NANAIMO

MINUTES OF THE NANAIMO REGIONAL HOSPITAL DISTRICT SELECT COMMITTEE MEETING
HELD ON TUESDAY, FEBRUARY 25, 2014 AT 5:05 PM IN THE
RDN COMMITTEE ROOM

In Attendance:

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

Regrets:

Also in Attendance:

P. Thorkelsson	Chief Administrative Officer
J. Harrison	Director of Corporate Services
W. Idema	Director of Finance
C. Golding	Recording Secretary

CALL TO ORDER

The Chairperson called the meeting to order.

DELEGATIONS

Chris Sullivan, Director of Capital Planning, Island Health, attended the meeting.

MINUTES

Minutes of the Nanaimo Regional Hospital District Select Committee meeting held, November 6, 2013.

MOVED Director Johnstone, SECONDED Director Lefebvre, that the minutes of the Nanaimo Regional Hospital District Select Committee meeting held, November 6, 2013, be adopted.

CARRIED

REPORTS

Request for Approval of 2014/15 Capital Equipment and Minor Capital Project Lists.

MOVED Director Stanhope, SECONDED Director Lefebvre, that the 2014/2015 list of capital equipment purchases with Regional Hospital District cost sharing in the amount of \$779,386 be approved.

CARRIED

MOVED Director Stanhope, SECONDED Director Lefebvre, that the 2014/2015 list of capital improvement projects with Regional Hospital District cost sharing in the amount of \$1,081,708 be approved.

CARRIED

MOVED Director Stanhope, SECONDED Director Lefebvre, that the request for a one-time \$1,092,345 allocation from the annual capital grant funding for a replacement CT Scanner at Nanaimo Regional General Hospital be approved.

CARRIED

MOVED Director Stanhope, SECONDED Director Lefebvre, that projected cost sharing for 2015/16 for capital improvement projects shown on the 2014/2015 list in the amount of \$1,507,688 be approved.

CARRIED

The Nanaimo Regional Hospital District Select Committee members request an information session with Island Health representatives be arranged that would allow the full Nanaimo Regional Hospital District Board to participate and receive information on the Island Health's strategic and capital plans.

Nanaimo Regional Hospital District 2014 Annual Budget Bylaw No. 157.

MOVED Director Stanhope, SECONDED Director Lefebvre, that the 2014 Regional Hospital District annual budget be approved with the following components:

Property tax requisition 6,712,985

Capital grant allowance 3,444,055

CARRIED

MOVED Director Stanhope, SECONDED Director Lefebvre, that the "Nanaimo Regional Hospital District 2014 Annual Budget Bylaw No. 157, 2014" be introduced and read three times

CARRIED

MOVED Director Stanhope, SECONDED Director Lefebvre, that the "Nanaimo Regional Hospital District 2014 Annual Budget Bylaw No. 157, 2014" be adopted.

CARRIED

Nanaimo Regional Hospital District Bylaw No. 158 – Shelled-In Operating Rooms Borrowing Authorization.

MOVED Director Stanhope, SECONDED Director Johnstone, that cost sharing for the construction of two shelled-in operating rooms at Nanaimo Regional General Hospital be approved for \$1,200,000.

CARRIED

MOVED Director Stanhope, SECONDED Director Johnstone, that "Nanaimo Regional Hospital District (Shelled-In Operating Rooms) Borrowing Bylaw No. 158, 2014" be introduced and read three times.

CARRIED

MOVED Director Stanhope, SECONDED Director Johnstone, that "Nanaimo Regional Hospital District (Shelled-In Operating Rooms) Borrowing Bylaw No. 158, 2014" be adopted.

CARRIED

ADJOURNMENT

MOVED Director Stanhope, SECONDED Director Lefebvre, that this meeting adjourn.

CARRIED

TIME: 6:00 PM

CHAIRPERSON

CORPORATE OFFICER



RDN REPORT	
CAC APPROVAL	
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COW	
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RHD	✓
BOARD	

MEMORANDUM

Nanaimo Regional Hospital District Select Committee

TO: Paul Thorkelsson
Chief Administrative Officer

DATE: February 4, 2015

FROM: Wendy Idema
Director of Finance

SUBJECT: Request for Approval of 2015/2016 Capital Equipment and Minor Capital Project Lists

PURPOSE:

To present Island Health’s 2015/2016 capital equipment and minor improvement project lists for approval.

BACKGROUND:

Island Health has provided the attached letter (Appendix A) to detail their requests for minor capital equipment and project funding for the 2015/16 year and to advise of four funding requests for larger upcoming capital projects. The request for annual minor capital grant funding is \$3,444,057 which is a nil increase over 2014. These funds are typically used by Island Health for the purchase of minor capital equipment items and to undertake smaller capital projects under \$1.5 million; however, they have also been partially allocated to larger capital projects in the past such as towards the Emergency Room and a replacement CT Scanner.

Appendix B lists minor capital equipment. Island Health expects to spend \$2,552,890 in 2015/16 and is requesting cost sharing from the NRHD at 40% or \$1,021,155. Staff do not comment on the selections made by Island Health except to verify that the equipment or projects are for facilities funded by the Nanaimo Regional Hospital District (NRHD). The list has been reviewed and staff believe all items are appropriate for funding.

Appendix C lists minor capital improvement projects. Island Health expects to spend \$2,692,645 in 2015/16 and is requesting 40% cost sharing in the amount of \$1,077,060. Several of the capital improvement projects will be completed over the next two years based on Island Health’s expected cash flow position. The plan includes 2015/16 projects that carry over to 2016/17 with a total value of \$507,125 which at 40% cost sharing will result in a \$202,850 commitment to the 2016 year.

The total equipment/capital projects funding requested for 2015/16 is \$2,098,215 which does not fully utilize the 2015 funding envelope of \$3,444,057. Island Health’s letter includes \$1,345,842 as unallocated funding, a portion of which Island Health may request as they complete their 2015/16 minor capital prioritization process. The relatively large unallocated funding occurs because Island Health is using its provincial funding for larger capital projects.

A similar situation occurred in the 2014/15 request where there was unallocated funding of approximately \$490,600 which still has not been allocated to minor equipment/projects. As well, in

order to fund some larger more critical projects, Island Health is cancelling/deferring a number of other projects as noted in Appendix A which were part of the 2014/15 minor funding allocation. This has freed up an additional \$490,700 resulting in a total of \$981,300 in 2014/15 approved, but unallocated funding at this time. Further discussion regarding this unallocated funding is included in the financial implications section of this report.

Island Health has also included information in their letter regarding planned larger capital projects (greater than \$1.5 million) over the next few years at NRGH as follows. All of these projects have been incorporated into the 2015-2019 NRHD financial plan.

- Unit Dose Medication Distribution/NRGH Pharmacy Redevelopment - \$5.4 million estimate. Island Health is proceeding with this project and will provide better cost estimates when they are completed. This was first raised in 2014 and the NRHD financial plan does include \$2.16 million (40% cost share) over the 2015/16 years for this project.
- NRGH Electrical Energy Plant – estimated cost \$12.5 million, NRHD share = \$5 million. Island Health has identified this as a high priority project as the upgrades are needed to meet future growth projections for the facility.
- NRGH Boiler Plant – \$17 million estimated cost, NRHD share = \$6.8 million. The NRGH boiler plant is over 50 years old and represents a significant level of risk for the NRGH facility. Planning is underway, with construction projected for 2017/18. Island Health had released a Request for Expressions of Interest to seek out private sector companies to provide an energy plant without requiring Island Health to secure financing for the project. However, there were no proponents that could meet the criteria and Island Health will be proceeding with the capital project.
- Redevelopment of the NRGH Intensive Care Unit (ICU) – further planning is required, but a cost estimate of greater than \$10 million is estimated at this time to rebuild the ICU in a new location. The Electrical Plant and Boiler Plant projects take precedence at this time; however, Island Health is planning to begin this project in 2017/18.

ALTERNATIVES:

1. Approve the requests as presented.
2. Provide alternative direction.

FINANCIAL IMPLICATIONS:

Alternative 1

Island Health has submitted capital equipment and project lists which utilize approximately 60% of the minor capital grant envelope provided in the 2015 annual budget. All of the items appear appropriate and staff recommend approving the lists as provided. With regard to the unallocated funding for both 2014/15 and 2015/16, staff are recommending that \$1.9 million of the \$2,327,140 total from the two years be redirected to larger capital projects as follows:

- NRGH Shelled-In Operating Rooms – this was a 2014/15 project originally approved for NRHD funding of \$1.2 million which was reduced to \$600,000 because of Hospital Foundation funding. Rather than borrowing for this project, staff recommend using \$600,000 of unallocated funding from 2014/15 to fund this work.

- Unit Dose Medication Distribution/NRGH Pharmacy Redevelopment – this is a 2015/16 project with an NRHD share of \$2.16 million which could have up to \$1.3 million of the unallocated funding redirected to it for 2015/16. This will reduce the borrowing requirement for this project significantly.

Redirecting the unallocated funds this way has been discussed with Island Health representatives and they recognize that using the funds this way would be an effective method of reducing NRHD borrowing costs particularly as they do not currently have matching minor capital project funding available. This will still leave approximately \$400,000 available in unallocated minor capital project funding to address any additional minor projects or equipment needs as Island Health completes their 2015/16 prioritization process.

The capital improvement projects list shows several projects for the 2015 to 2019 plan based on Island Health's anticipated cash flow position. All of these projects have been included for borrowing and debt servicing costs over the 2015 to 2019 financial plan. As Island Health is able to provide more detailed cost estimates for the large capital projects, financial plans will be revised and should this result in project funding changes for the NRHD, staff will provide the Board with additional information.

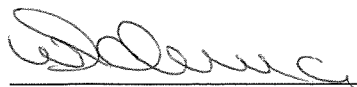
SUMMARY/CONCLUSIONS:

The 2015 budget includes a capital funding envelope of \$3,444,055 for minor capital equipment and capital improvement projects. Island Health has submitted information indicating how it wishes to use \$2,098,215 of those funds and have provided a list of larger capital projects they will be completing over the next few years.

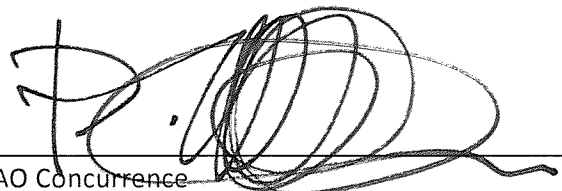
Staff recommend approving the equipment and project lists as submitted. The unallocated minor capital funding requests from Island Health related to both 2014/15 and 2015/16 total \$2,327,140 and staff are recommending that \$1.9 million of this amount be redirected to large capital projects for the shelled-in operating rooms and the unit dose medication system/pharmacy redevelopment. Staff have discussed this redirection of these funds with Island Health staff who are in agreement with this plan.

RECOMMENDATIONS:

1. That the 2015/2016 list of capital improvement projects with Regional Hospital District cost sharing in the amount of \$1,077,058 be approved.
2. That the 2015/2016 list of capital equipment purchases with Regional Hospital District cost sharing in the amount of \$1,021,157 be approved.
3. That \$1,900,000 in unallocated annual minor capital funding from the 2014/15 and 2015/16 allocations be redirected to Regional Hospital District cost shared large capital projects with \$600,000 to the Shelled-In Operating Rooms project and \$1,300,000 to the Unit Dose Medication Distribution/NRGH Pharmacy Redevelopment project.



Report Writer



CAO Concurrance

Appendix A

Excellent care, for everyone,
everywhere, every time.



January 30, 2015

Nanaimo Regional Hospital District (NRHD)
Attn: Wendy Idema, Director of Finance
6300 Hammond Bay Road
Nanaimo, BC V9T 6N2

Dear Wendy Idema:

Re: 2015/16 Capital Projects and Equipment

I am writing to advise you of the Island Health 2015/16 capital plan for which NRHD cost-sharing is requested.

This request assumes NRHD's previous year's funding amount of \$3,444,057.

Island Health proposes the following allocation which we have itemized in the attached project and equipment lists:

2015 NRHD Allocation

Minor Capital Projects	\$1,077,058
Equipment	\$1,021,157
Unallocated Funding	\$1,345,842
	\$3,444,057

Island Health will be completing its project and equipment prioritization process in February and requests the unallocated funding be reserved for minor capital projects or equipment that may arise through this process.

Revisions from Prior Year Request

Due to a need to undertake emergent high priority infrastructure projects and the Unit Dose Medication Strategy (described below), Island Health is deferring and/or reducing the scope of some previously approved capital projects. For NRHD, the following table summarizes the impacted projects.

.../2

Capital Planning

Located at: 1952 Bay Street | Victoria, BC V8R 1J8 Canada

Mailing address: 1952 Bay Street | Victoria, BC V8R 1J8 Canada

Tel: 250-370-8912 | Fax: 250-370-8750

viha.ca

Revisions from Prior Year Request

File #	Project Name	Site	Original Total Project Cost	Revision
4470	Create Additional Patient Care Capacity	NRGH	\$1,500,000	Project deferred
4673	Renovate & Relocate Intensive Care Unit	NRGH	\$2,000,000	Project deferred; see additional information below
3095	Negative Pressure Room (2 Peds)	NRGH	\$321,805	Project deferred
4736	Reno Patient Room 2008	NRGH	\$210,000	Project deferred
4679	Wander Guard System Replacement & Security	Dufferin Place	\$200,000	Project deferred
4506	Replace Main Building Chiller	NRGH	\$408,000	Project deferred
4498	Biomed Space Expansion	NRGH	\$350,000	Project deferred
4510	Bulk Oxygen Storage Compound	NRGH	\$229,000	Project deferred
4723	Greenhouse Gas Reduction Measures	Various sites	\$800,000	Project deferred
4500	Replace Chiller with Heat Recovery	NRGH	\$777,300	Project deferred

Unit Dose Medication Distribution (UDMD)

As part of the Quality and Patient Safety Initiative, Island Health is developing a strategy to implement a bar-coded unit dose medication system. This “closed loop” medication system uses a bar code scanning system to allow nursing and medical staff to verify that the right drug, in the right dose, and by the right route of administration, is being given to the right patient at the right time. Bar coding, when integrated with the advancement of the Island Health Electronic Health Record (IHealth) will serve as an automated independent double-check where none exists today.

To implement UDMD at NRGH, the pharmacy needs to be renovated and expanded, minor renovations are required on patient floors and new equipment will be purchased. The total project cost is estimated at \$5.4 million. Island Health will have a more accurate costing of this project once further planning and design work has been completed, after which Island Health will be requesting 40% cost-sharing consideration of this project from the NRHD.

NRGH Electrical Energy Plant

NRGH has been and is continuing to experience growth and expansion. These changes have created a deficit within the electrical distribution infrastructure that needs to be addressed given future projected growth. Island Health has prioritized redevelopment of the electrical energy plant as a high priority. The estimate total project cost is \$12.5 million. Once further planning and design work has been completed, Island Health will be requesting 40% cost-sharing consideration of this project from the NRHD.

.../3

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Tel: 250-370-8912 | Fax: 250-370-8750

viha.ca

NRGH Boiler Plant

The NRGH boiler plant is over 50 years old and at the end of its useful life. Although well maintained, without significant upgrades or retrofits, there is an unacceptable level of risk over the next few years. Island Health is proceeding with its planning for this project which is estimated to cost \$17 million. At this time, Island Health is projecting to begin construction in 2017/18.

Redevelopment of NRGH Intensive Care Unit (ICU)

Island Health has identified the redevelopment of the ICU as a high priority project. A feasibility study was completed and indicated the requirement to rebuild the ICU in a new location. Further planning is underway, but it is expected this project will have a capital cost greater than \$10 million. Given the need to address the electrical energy and boiler plants, the ICU project is not expected to begin until 2017/18. NRHD will be advised on the project scope and budget estimate related to this project as planning progresses.

I would like to thank the NRHD for its significant contribution to Island Health's capital projects and equipment. We are grateful for your support, and we appreciate partnering with you to meet the Nanaimo Regional District's health infrastructure needs.

Please call me at (250) 370-8912 if you have any questions.

Yours truly,



Chris Sullivan
Director, Capital Planning

Attachments

cc: Carol Botrakoff, Manager, Capital Finance and Treasury

Appendix B

ISLAND HEALTH 2015/16 RECOMMENDED APPROVED CAPITAL EQUIPMENT - NANAIMO REGIONAL HOSPITAL DISTRICT

<u>Control #</u>	<u>Dept</u>	<u>Site</u>	<u>Description</u>	<u>Qty</u>	<u>Budget</u>	<u>New / Replace</u>
2457b	Intensive Care Unit	NRGH	Dual Chamber Pacemakers	4	22,588	R
2460c	Electrodiagnostic Services / Lab	NRGH	ECG Machines with mobile carts Temperature Management System (Arctic Sun)	3	76,029	R
2461	Intensive Care Unit	NRGH	Glidoscope	3	80,726	R
2463	Intensive Care Unit	NRGH	Supine Bike Bed System	1	14,764	R
2468	Echocardiography	NRGH	3D - 4D Transesophageal Probe	1	52,499	N
2469	Echocardiography	NRGH	Physiologic Monitors and Central Station for PARR	1	72,260	N
1083	Room	NRGH	Electronic Operating Room tables	21	553,179	R
1070c	Operating Room	NRGH	Centrifuge	1	39,608	R
14-0141	Lab Medicine - Chemistry	NRGH	Refrigerator - Double Door	1	6,605	R
8719a	Lab Medicine - Core	NRGH	Centrifuge (Routine Bench)	1	12,834	R
912b	Lab Medicine - S&Cs	NRGH	Simulation manekin	1	12,366	R
2155	Emergency / Trauma	NRGH	PICC Ultrasound	1	24,536	N
14-0129	Medicine	NRGH	P500 Therapy Mattresses	1	33,850	R
9586	Medicine	NRGH	Electric Dialysis Chair	95	948,654	R
2213	Renal Services	NRGH	Blanket Warmer	2	16,896	N
2215	Renal Services	NRGH	Electric Dialysis Chair	1	6,173	N
2219	Renal Services	NCDF	Portable Ultrasound	1	8,448	N
2220	Renal Services	NRGH	KCI Therakair Mattress - Low Air Loss	1	35,051	N
2198	Rehabilitation Services	NRGH	Pressure Mattress	1	11,648	R
1131	Rehabilitation Services	NRGH	Patient Wandering Device	1	52,211	N
2177	Surgical	NRGH	Hillrom Versacare Beds	10	146,201	R
2178	Endoscopy Clinic	NRGH	NDS Digital Monitor	1	5,413	R
2179	Endoscopy Clinic	NRGH	GI Scope Storage Cabinets	4	21,592	R
2180	Ambulatory Clinic	NRGH	Colposcopy Microscope	4	48,090	R
2181	Ambulatory Clinic	NRGH	ENT LED Microscope	1	22,233	R
8514	Residential Services	EPLTC	Oxygen Concentrators	3	6,099	R
2353	Residential Services	EPLTC	Medcarts	3	13,298	R

Equipment < \$100,000

<u>Control #</u>	<u>Dept</u>	<u>Site</u>	<u>Description</u>	<u>Qty</u>	<u>Budget</u>	<u>New / Replace</u>
2354	Residential Services	EPLTC	Vital Signs Machine	3	9,525	R
8521	Residential Services	EPLTC	Mattresses - Extra Long	4	25,841	R
9323	Residential Services	EPLTC	Maximove Power DPS Spreader bar	1	2,108	R
2369	Residential Services	EPLTC	Atmos Mattress	5	15,099	R
2226	Integrated Community Care	OHC	KCI Wound Vac	4	99,222	R
2311	General Support	NRGH	Steam Jacketed Kettles & Tabling	2	18,160	R
2315	General Support	EPLTC	Gas Stove & Range	1	9,971	R
2558	Biomed	NRGH	Electrosurgical Unit Tester	1	8,326	R
2319	General Support	TLLTC	Washer	1	13,816	R
2320	General Support	TLLTC	Dryer	1	6,973	R
Total Equipment < \$100,000					<u>2,552,891</u>	
Total Equipment Approved for NRHD					<u>2,552,891</u>	
Total Possible Cost Sharing by NRHD					<u>1,021,157</u>	

Site Acronyms

- DPRC
- EPLTC
- NER
- NRGH
- OHC
- TLLTC
- Dufferin Place
- Eagle Park
- Nanaimo Estevan Road
- Nanaimo Regional General Hospital
- Oceanside Health Centre
- Trillium Lodge

2015/16: Minor Capital Projects Nanaimo Regional Hospital District

Previously Approved Projects		Project Name	Site	Total Project Cost	Previous Cashflow	Indicates Cost Sharing			Total Annual Cashflow	
File #	Portfolio					2015/16 VIHA	2015/16 RHD	2015/16	2016/17	2017/18
4505	FMO	Rehab Perimeter Balcony	NRGH	\$367,200	\$180,000	\$112,320	\$74,880	\$187,200	\$74,880	
4698	FMO	Building Fabric and Finishes	Eagle Park Lodge, Trillium Lodge	\$200,000	\$100,000	\$60,000	\$40,000	\$100,000	\$40,000	
4702	FMO	Hazardous Material Remediation	Eagle Park Lodge, Trillium Lodge	\$150,000	\$75,000	\$45,000	\$30,000	\$75,000	\$30,000	
TOTAL PREVIOUSLY APPROVED PROJECTS				\$717,200	\$355,000	\$217,320	\$144,880	\$362,200	\$144,880	\$0

2015/16 Recommended Committee Approvals		Project Name	Site	Total Project Cost	Previous Cashflow	Indicates Cost Sharing			Total Annual Cashflow	
File #	Portfolio					2015/16 VIHA	2015/16 RHD	2015/16	2016/17	2017/18
4509	FMO	Building Fabric and Finish	Dufferin Place	\$520,200		\$150,000	\$100,000	\$250,000	\$100,000	\$270,200
4829	FMO	Control System Optimization Measures	NRGH	\$400,000		\$97,845	\$65,230	\$163,075	\$65,230	\$236,925
4496	FMO	Boiler Replacement	Eagle Park Lodge	\$255,000		\$153,000	\$102,000	\$255,000	\$102,000	
4726	FMO	Replace Aging Kitchen Electrical Distribution	NRGH	\$250,000		\$150,000	\$100,000	\$250,000	\$100,000	
4523	FMO	Tie In Stand Alone Remote Cooling Loads	NRGH	\$95,000		\$57,000	\$38,000	\$95,000	\$38,000	
4337	FMO	Install Perimeter Guard Rails on Roof	NRGH	\$318,362		\$191,017	\$127,345	\$318,362	\$127,345	
4849	FMO	Roof Replacement	NRGH	\$575,000		\$345,000	\$230,000	\$575,000	\$230,000	
4853	FMO	Exterior Lighting Replacement - CNCP	NRGH	\$180,000		\$108,000	\$72,000	\$180,000	\$72,000	
4752	FMO	Replace Valves in Rehab Addition	NRGH	\$91,800		\$55,080	\$36,720	\$91,800	\$36,720	
4860	FMO	Zone Isolation Phase II - CNCP	NRGH	\$152,207		\$91,324	\$60,883	\$152,207	\$60,883	
TOTAL 2015/16 APPROVALS				\$2,837,569		\$1,398,266	\$932,178	\$2,330,444	\$932,178	\$0

\$0

\$507,125

\$1,077,058

\$1,615,586

\$2,692,644

\$355,000

\$3,554,769

TOTAL CAPITAL PROJECTS

\$3,554,769

\$2,692,644

\$1,615,586

\$1,077,058

\$507,125

\$0

2015/16 Priority Projects Beyond Funding Availability

File #	Portfolio	Project Name	Site	Total Project Cost
4510	FMO	Bulk Oxygen Storage Compound	NRGH	\$234,090
4498	FMO	Biomed Space Expansion	NRGH	\$350,000
4340	FMO	Replace Steam Plant Pipe and Device Safety Devices	NRGH	\$265,302
4840	FMO	Helipad Paving	NRGH	\$125,000
4516	FMO	Exhaust Air Heat Recovery (Engineering Only)	NRGH	\$45,000
4342	FMO	Upgrade Kitchen HVAC, Refrigeration System	NRGH	\$360,811
4506	FMO	Replace Main Building Chiller with HE Model	NRGH	\$416,160
4516	FMO	Exhaust Air Recovery Using Glycol Loop	NRGH	\$312,120
4500	FMO	Replace Chiller with Heat Recovery an HE Models	NRGH	\$792,846
4730	FMO	Upgrade Washrooms, Change and Lavatory Rooms	NRGH	\$183,600
4861	FMO	Replace Roof	Trillium Lodge	\$100,000
4753	FMO	Public Washroom Accessibility	NRGH	\$102,000



RDN REPORT		[Handwritten initials]
CAC APPROVAL		
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RHD	/	
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MEMORANDUM

Nanaimo Regional Hospital District Select Committee

TO: Paul Thorkelsson
Chief Administrative Officer

DATE: February 4, 2015

FROM: Wendy Idema
Director of Finance

FILE:

SUBJECT: Nanaimo Regional Hospital District 2015 Proposed Budget

PURPOSE:

To introduce the 2015 budget for the Nanaimo Regional Hospital District (NRHD).

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 45% of the proposed 2015 requisition and the operational capital grant allowance represents 55% of the annual requisition.

During 2014, there were several projects where the funding was largely wrapped up including the Emergency Department Redevelopment, the replacement MRI and the Shelled-In Operating Rooms at NRGH as well as the Oceanside Health Centre.

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. VIHA provides details of their planned projects and equipment purchases related to this estimated \$3.5 million in January each year. Because VIHA is focusing much of their funding on some priority larger capital projects, their 2015/16 request includes \$1.3 million in unallocated funding which staff are recommending be incorporated with \$981,300 in unallocated 2014/15 funding and redirected to large capital projects. As noted in the 2015/2016 capital equipment and minor improvement project report previously provided, this would redirect \$600,000 of the 2014/15 funding to the Shelled-In Operating Rooms and \$1.3 million to the Unit Dose Medication Distribution/NRGH Pharmacy Redevelopment projects.

There are several large capital projects on VIHA's long-term capital plan including the Unit Dose Medication Distribution/NRGH Pharmacy Redevelopment (\$5.4 million), the NRGH Electrical Energy

Plant Upgrade (\$12.5 million), the NRGH Boiler Plant Upgrade (\$17 million) and a new intensive care unit (expected over \$10 million). Total NRHD cost sharing at 40% on these projects would be approximately \$17.96 million. Cost estimates for these projects are still preliminary and will be revised and brought back to the NRHD Board for final approval and borrowing bylaws later this year.

All of the above noted projects have been incorporated into the 2015-2019 financial plan for the NRHD using the preliminary estimates for costs.

ALTERNATIVES:

1. Approve a 2015 budget with a 2.0% tax levy increase.
2. Approve a 2015 budget with a 0% tax levy increase.
3. Provide alternate direction for 2015 Nanaimo Regional Hospital District tax levy.

FINANCIAL IMPLICATIONS:

Alternative 1

2015 Budget

A 2015 budget with a 2% increase and related five year forecast are shown on Appendix A attached to this report. The 2014 to 2018 financial plan originally estimated a 2.5% increase to the 2015 requisition and debt payments of \$3,144,880; however, this amount is now estimated at \$2,871,180. This is because billings from VIHA for the large capital projects have been received at a slower pace than anticipated and because staff are including a \$600,000 pay out of the Shelled-In Operating Rooms project and a reallocation of \$1,300,000 in unallocated minor capital funding to the Unit Dose Medication Distribution/NRGH Pharmacy Redevelopment. As well, ongoing low interim financing rates and additional Municipal Finance Authority (MFA) surplus payouts of \$498,000 have improved the NRHD results for 2014 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, this version of the 2015 budget includes a 2015 transfer to reserve of \$1,134,000 and additional annual transfers to reserves over the next five years of another \$1.9 million. Staff are recommending these transfers to help offset any significant variances in estimates as they are refined by VIHA and because of the number and size of pending capital projects.

The annual minor capital grant allowance in the 2015 budget is \$3,444,055, which is a 0% increase from 2014. As noted above a portion of the unallocated funds in this annual allowance is recommended to be transferred to the large capital projects. This has been discussed with VIHA staff and they are in agreement that this is an effective plan. The estimated tax cost for 2015 with a 2% increase is \$22.36 per \$100,000, based on 2015 assessments, which is just below the 2014 rate.

2015 to 2019 Budget Forecast

The requisition for future years in Appendix A, based on currently available information about major capital projects includes proposed increases to the tax requisition for 2015 to 2019 estimated at 2% annually. The plan will likely require further revisions as information is received from VIHA on capital project plans. Should there be approval from the Province for a major capital project that the NRHD agrees to cost share on, debt servicing costs would need to be revised for the future.

Alternative 2

A 2015 budget with a 0% increase and related five year forecast are shown on Appendix B attached to this report. As noted above, lower financing rates, MFA surplus payouts and a slower than anticipated pace for VIHA billings have created an improved financial status over the 2014 to 2018 financial plan which originally estimated a 2.5% increase to the 2015. This plan also includes a \$600,000 pay out of the Shelled-In Operating Rooms project and a reallocation of \$1,300,000 in unallocated minor capital funding to the Unit Dose Medication Distribution/NRGH Pharmacy Redevelopment.

The significant difference between this plan and Alternative 1 is that with a 0% increase, a reduced amount is projected to be transferred to reserves over the next five years - \$2.5 million vs: \$3 million. Under either plan, staff will continue to build reserves wherever possible with surplus funds to offset future major capital costs.

The annual minor capital grant allowance in the 2015 budget is \$3,444,055, which is a 0% increase from 2014 and also includes the recommendation for a portion of the unallocated funds in this annual allowance to be transferred to offset large capital projects. The estimated tax cost for 2015 with a 0% increase is \$21.92 per \$100,000, based on 2015 assessments, which is below the 2014 rate of \$22.59.

2015 to 2019 Budget Forecast

The requisition for future years in Appendix B, based on currently available information about major capital projects includes proposed increases to the tax requisition for 2016 to 2019 estimated at 2% annually. The plan would require further revisions as information is received from VIHA on capital project plans. Should there be approval from the Province for a major capital project that the NRHD agrees to cost share on, debt servicing costs would need to be revised for the future.

Alternative 3

It will not be possible to reduce the 2015 projected requisition any lower than the Alternative 2 amount above; however, it may be necessary to adjust the 2016 to 2019 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. There are a number of significant capital projects beginning at NRGH in 2015 that will require approximately \$18 million in NRHD funding support. Staff support implementation of a small increase in the 2015 requisition and ongoing contributions to a capital reserve for larger projects.

SUMMARY/CONCLUSIONS:

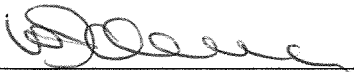
Regional Hospital Districts are required to approve an annual budget on or before March 31 each year. Staff recommend a budget which raises \$6,847,245 in property tax revenues for 2015 – an increase of 2.0% over 2014. The budget includes \$3.44 million for capital equipment/minor capital projects at VIHA facilities and \$3 million for debt servicing in 2015.

RECOMMENDATIONS:

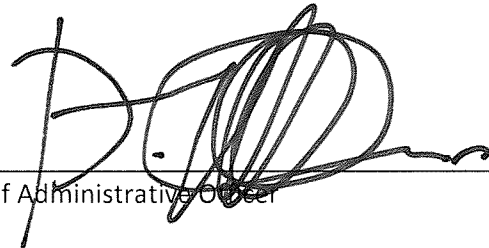
1. That the 2015 Regional Hospital District budget be approved with the following components:

Property tax requisition	\$	6,847,245
Capital grant allowance	\$	3,444,055
Transfer to large capital reserve	\$	1,134,000

2. That the 2016 to 2019 five year projections be received for information.



Report Writer



Chief Administrative Officer

**NANAIMO REGIONAL HOSPITAL DISTRICT
BUDGET PROJECTIONS
2015 to 2019**

	2014		2015		2016		2017		2018		2019	
	Approved Budget 0.0%	Actuals	Proposed Jan 2015 2.0%	Proposed Jan 2015 2.0%	Proposed Jan 2015 2.0%	Proposed Jan 2015 2.0%	Proposed Jan 2015 2.0%	Proposed Jan 2015 2.0%	Proposed Jan 2015 2.0%	Proposed Jan 2015 2.0%	Proposed Jan 2015 2.0%	Proposed Jan 2015 2.0%
Current Projection												
Revenues												
Property taxes	6,712,985	6,712,985	6,847,245	6,847,245	6,984,190	7,123,873	7,266,351	7,411,678	7,560,000	7,709,321	7,858,642	8,007,963
Grants in lieu	30,000	33,775	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000
Interest income	50,000	102,575	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Other revenue		498,572										
Transfer from reserves	3,420,875	3,420,845	3,061,864	3,061,864	2,107,969	1,892,379	1,892,379	1,892,379	1,892,379	1,892,379	1,892,379	1,892,379
Prior year surplus applied	10,213,860	10,768,752	9,989,109	9,989,109	9,172,158	9,096,252	9,096,252	9,096,252	9,126,272	9,126,272	9,126,272	9,126,272
Expenditures												
Administration	24,725	24,855	31,400	31,400	32,656	33,962	35,321	36,734	38,100	39,463	40,826	42,189
Debt payments	2,841,055	2,891,331	2,871,180	2,871,180	2,963,518	2,837,803	2,859,139	3,200,559	3,259,139	3,317,719	3,376,300	3,434,881
Debt issue expense/temp financing	165,015	101,647	133,079	133,079	285,110	396,500	264,000	381,800	264,000	264,000	264,000	264,000
Special cash flow for Phase II												
Annual capital grants (see below)	3,444,055	2,844,055	2,144,055	2,144,055	3,478,496	3,548,065	3,548,065	3,548,065	3,548,065	3,548,065	3,548,065	3,548,065
Annual capital grant applied to major project		600,000	1,300,000	1,300,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000
Surplus applied to capital projects	10,650	1,245,000	267,426	267,426								
Reserve for Future Projects	7,830,500	7,706,888	7,881,140	7,881,140	7,279,779	7,316,331	7,316,331	7,316,331	7,642,005	7,642,005	7,642,005	7,642,005
Surplus for future years' expenditures	2,383,360	3,061,864	2,107,969	2,107,969	1,892,379	1,779,921	1,779,921	1,779,921	1,484,267	1,484,267	1,484,267	1,301,635

15 Provisional budget Feb 4 2015 with 2% increase
72015

**NANAIMO REGIONAL HOSPITAL DISTRICT
BUDGET PROJECTIONS
2015 to 2019**

	2014		2015	2016	2017	2018	2019
	Approved Budget 0.0%	Actuals	Proposed Jan 2015 0.0%	Proposed Jan 2015 2.0%	Proposed Jan 2015 2.0%	Proposed Jan 2015 2.0%	Proposed Jan 2015 2.0%
Current Projection							
Revenues							
Property taxes	6,712,985	6,712,985	6,712,985	6,847,245	6,984,190	7,123,873	7,266,351
Grants in lieu	30,000	33,775	30,000	30,000	30,000	30,000	30,000
Interest income	50,000	102,575	50,000	50,000	50,000	50,000	50,000
Other revenue		488,572					
Transfer from reserves	3,420,875	3,420,845	3,061,864	2,125,709	1,809,174	1,603,233	1,267,534
Prior year surplus applied	10,213,860	10,768,752	9,854,849	9,052,954	8,873,364	8,807,106	8,613,885
Expenditures							
Administration	24,725	24,855	31,400	32,656	33,952	35,321	36,734
Debt payments	2,841,055	2,891,331	2,871,180	2,863,518	2,837,803	3,156,705	3,098,125
Debt issue expense/temp financing	165,015	101,647	115,079	249,110	350,300	264,000	381,800
Special cash flow for Phase II							
Annual capital grants (see below)	3,444,055	2,844,055	2,144,055	3,478,496	3,548,065	3,583,546	3,655,217
Annual capital grant applied to major project		600,000	1,300,000	500,000	500,000	500,000	500,000
Surplus applied to capital projects	10,650	1,245,000	267,426				
Reserve for Future Projects	7,830,500	7,706,888	7,729,140	7,243,779	7,270,131	7,539,572	7,171,876
Surplus for future years' expenditures	2,383,360	3,061,864	2,125,709	1,809,174	1,603,233	1,267,534	1,442,009