

**REGIONAL DISTRICT OF NANAIMO**

**SPECIAL COMMITTEE OF THE WHOLE MEETING  
TUESDAY, NOVEMBER 30, 2004  
7:00 PM**

*(RDN Board Chambers)*

**A G E N D A**

**CALL TO ORDER**

**PRESENTATION**

- 2-5                    **Chuck Rowe, Vancouver Island Health Authority**, re Hospital District budget.  
(attachments for information)

**CORRESPONDENCE**

- 6-7                    **Chuck Rowe, Vancouver Island Health Authority**, re NRGH Phase II  
Perinatal Project.

**HOSPITAL**

- 8-12                    2005 Provisional Hospital District Budget.

**PRESENTATION**

2005 Annual Budget. *(Please bring your budget binders)*

**ADJOURNMENT**

**IN CAMERA**

*That pursuant to Section 90(1) (g) of the Community Charter the Board proceed  
to an In Camera meeting to consider items relating to legal matters.*

**2005/06 Capital Requirements vs Estimated Funding**

**2005/06 Requirements - Top Priorities**

	NRGH PH2 Obstetrics / Special Care Nursery		Project		Total \$'s
	Equip <\$100K	Equip >\$100K	Projects	Project	
Nanaimo Regional Hospital District	3,011,721	2,905,535	3,430,500	2,223,426	11,571,182
Cowichan Valley Regional Hospital District	1,756,565	1,234,546	1,110,000	228,103	4,329,214
Alberni-Clayoquot Regional Hospital District	854,632	180,000	385,270	94,467	1,514,369
Central Island-wide maintenance projects not allocated to RHD's	-	-	2,242,680	-	2,242,680
[A]	5,622,918	4,320,081	7,168,450	2,545,996	19,657,445

**Estimated Funding**

	NRGH PH2 Obstetrics / Special Care Nursery		Project		Total \$'s
	Equip <\$100K	Equip >\$100K	Projects	Project	
Nanaimo Regional Hospital District	1,773,576	360,000	494,000	2,223,426	4,851,002
Nanaimo Regional Hospital District	-	-	280,000	-	280,000
	1,773,576	360,000	774,000	2,223,426	5,131,002
Cowichan Valley Regional Hospital District	1,266,916	194,140	444,000	228,103	2,133,159
Alberni-Clayoquot Regional Hospital District	525,000	-	154,108	94,467	773,575
Ministry of Health Services / Federal Government	1,274,087	3,371,258	5,796,342	-	10,441,687
Foundations, Auxiliaries, Other	453,253	435,000	-	-	888,253
[B]	5,292,832	4,360,398	7,168,450	2,545,996	19,367,676

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

[B] - [A]	(330,086)	40,317	-	-	(289,769)
-----------	-----------	--------	---	---	-----------

VANCOUVER ISLAND HEALTH AUTHORITY - CENTRAL ISLAND

2005/06 >\$100k Equipment Requirements - NRHD Items

FACILITY	DEPARTMENT	CONTROL #	ITEM DESCRIPTION	QTY	TOTAL COST	CUMULATIVE COST	NRHD Cost Share
PRIORITIES:							
CUMBERLAND LAUNDRY	N/A	03-0448	CART WASH (Cost shared 50/50 CI/NI)	1	62,500	62,500	40%
CUMBERLAND LAUNDRY	N/A	03-0449	TRACK SYSTEM-OVERHEAD (Cost shared 50/50 CI/NI)	1	75,000	137,500	
NANAIMO HOSPITAL	INFORMATION SYS	1541	UPGRADE EXISTING S.I. LANIER CQUENCE MANAGENT SYSTEM (CMS)	1	110,000	247,500	
NANAIMO HOSPITAL	LAB	03-0247	BLOOD BANK AUTOMATED TESTING EQUIPMENT	1	163,035	410,535	
NANAIMO HOSPITAL	NUCLEAR MED	02-0122 / 02-0123	GAMMA CAMERA (REPLACE ADAC & SMV)	2	1,550,000	1,960,535	
NANAIMO HOSPITAL	OPERATING ROOM	01-0542	FLUORO UNIT	1	576,000	2,535,535	
NANAIMO HOSPITAL	OPERATING ROOM	432	LO2 LASER FOR MAIN OR	1	250,000	2,785,535	
NANAIMO HOSPITAL	OPERATING ROOM	433	MICROSCOPE ENT	1	120,000	2,905,535	1,162,214
PRIORITIES:							
CENTRAL ISLAND	INFORMATION SYS	1546	REPLACEMENT OF RADIOLOGY INFORMATION SYSTEM	1	549,516	3,455,051	
NANAIMO HOSPITAL	GENERAL X-RAY	03-0262	FLUOROSCOPIC UNIT - MOBILE C ARM	1	220,000	3,675,051	
NANAIMO HOSPITAL	GENERAL X-RAY	02-0126	MOBILE C-ARM	1	220,000	3,895,051	
NANAIMO HOSPITAL	ULTRASOUND	02-0125	ULTRASOUND MACHINE	1	265,000	4,160,051	
NANAIMO HOSPITAL	ULTRASOUND	01-0553	ULTRASOUND MACHINE WITH COLOUR DOPPLER	1	365,000	4,525,051	
<small>Appendix 2005-06/2005_06 CI EQUIP REQ GREATER THAN \$100000 from Elaine Warren on Nov 9, 04.xls)NRHD Items</small>							

Requested

\$360,000

VIHA Central Island - 2005/06 Capital Project Requirements

NRHD Area

HSBA Rank	Project	Site	Category	P/NP	2005/06	2006/07	2007/08	2008/09	2009/10	Est Cost	Sharable	VIHA Share	RHD Share
			Name										
2	Renovate Lab Space	NRGH	MCI	P	\$ 50,000	\$ -	\$ -	\$ -	\$ -	\$ 50,000	Yes	\$ 30,000	\$ 20,000
3	Expand Microbiology into Adjacent Space	NRGH	MCI	P	\$ 35,000	\$ -	\$ -	\$ -	\$ -	\$ 35,000	Yes	\$ 21,000	\$ 14,000
4	Renovate Ambulatory Care	NRGH	CIP	P	\$ 50,000	\$ 700,000	\$ -	\$ -	\$ -	\$ 750,000	Yes	\$ 30,000	\$ 20,000
5	Relocate Palliative Care to Main Level	NRGH	CIP	P	\$ 300,000	\$ -	\$ -	\$ -	\$ -	\$ 300,000	Yes	\$ 180,000	\$ 120,000
6	Realign Incoming Power Distribution	NRGH	CIP	NP	\$ 800,000	\$ -	\$ -	\$ -	\$ -	\$ 800,000	Yes	\$ 480,000	\$ 320,000
8	Renovate Nuclear Medicine Hot Lab	NRGH	MCI	P	\$ 50,000	\$ -	\$ -	\$ -	\$ -	\$ 50,000	no	\$ 50,000	\$ -
9	Renovate Old CSR Vacated Space	NRGH	CIP	NP	\$ 300,000	\$ 600,000	\$ -	\$ -	\$ -	\$ 900,000	no	\$ 300,000	\$ -
11	Renovate/Consolidate Grant Avenue	Nanaimo Health Unit	CIP	NP	\$ 100,000	\$ 188,400	\$ -	\$ -	\$ -	\$ 288,400	no	\$ 100,000	\$ -
14	Increase File Storage Area	NRGH	MCI	P	\$ 20,000	\$ -	\$ -	\$ -	\$ -	\$ 20,000	no	\$ 20,000	\$ -
18	Replace Flooring In Food Services	NRGH	MCI	NP	\$ 50,000	\$ -	\$ -	\$ -	\$ -	\$ 50,000	no	\$ 50,000	\$ -
20	Upgrade Medical Gas System	NRGH	MCI	NP	\$ 90,000	\$ -	\$ -	\$ -	\$ -	\$ 90,000	no	\$ 90,000	\$ -
22	Install Pneumatic Tube System	NRGH	CIP	P	\$ 250,000	\$ -	\$ -	\$ -	\$ -	\$ 250,000	no	\$ 250,000	\$ -
23	Expand Dining & Activity Area	Dufferin Place	CIP	P	\$ 145,000	\$ -	\$ -	\$ -	\$ -	\$ 145,000	no	\$ 145,000	\$ -
25	Modify Nurse Call System	Trillium Lodge	MCI	NP	\$ 70,000	\$ -	\$ -	\$ -	\$ -	\$ 70,000	no	\$ 70,000	\$ -
26	Funding for OHS Issues	NRGH	MCI	NP	\$ 95,000	\$ -	\$ -	\$ -	\$ -	\$ 95,000	no	\$ 95,000	\$ -
31	S&I New Ergonomic Workstation	NRGH	MCI	P	\$ 10,000	\$ -	\$ -	\$ -	\$ -	\$ 10,000	no	\$ 10,000	\$ -
32	Replace Entry Doors to Rehab	NRGH	MCI	NP	\$ 55,000	\$ -	\$ -	\$ -	\$ -	\$ 55,000	no	\$ 55,000	\$ -
33	Reconfigure Workstations	Parksville & Dist. Home Support	MCI	P	\$ 20,000	\$ -	\$ -	\$ -	\$ -	\$ 20,000	no	\$ 20,000	\$ -
35	Upgrade Telephone Software	NRGH	MCI	NP	\$ 80,500	\$ -	\$ -	\$ -	\$ -	\$ 80,500	no	\$ 80,500	\$ -
36	S&I Primary Water Supply	NRGH	MCI	NP	\$ 75,000	\$ -	\$ -	\$ -	\$ -	\$ 75,000	no	\$ 75,000	\$ -
38	Filtration	Trillium Lodge	MCI	P	\$ 40,000	\$ -	\$ -	\$ -	\$ -	\$ 40,000	no	\$ 40,000	\$ -
44	Build Folding Wall & New Dining Room Doors	Trillium Lodge	MCI	P	\$ 45,000	\$ -	\$ -	\$ -	\$ -	\$ 45,000	no	\$ 45,000	\$ -
	Renovate Store Room to Office Area	NRGH	MCI	P	\$ 45,000	\$ -	\$ -	\$ -	\$ -	\$ 45,000	no	\$ 45,000	\$ -
Total										\$ 4,218,900	\$ 2,236,500	\$ 494,000	



VIHA Central Island - 2005/06 Capital Project Requirements

NRHD Area

HSDA Rank	Project	Site	Category Name	P/NP	2005/06	2006/07	2007/08	2008/09	2009/10	Est Cost	Sharable	VIHA Share	RHD Share
<b>MAJOR CAPITAL PROJECTS</b>													
2	Ph. 3 - Reno & Expand Emergency & X-Ray	NRGH	Major	P	\$ 500,000	\$ 2,250,000	\$ 2,250,000	\$ -	\$ -	\$ 5,000,000	Yes	\$ 300,000	\$ 200,000
3	Develop New Nanaimo Data Centre	N/A	Major	P	\$ 200,000	\$ 1,000,000	\$ 800,000	\$ -	\$ -	\$ 2,000,000	Yes	\$ 120,000	\$ 80,000
4	Complete Shelled Space under Maternity	NRGH	Major	NP	\$ -	\$ 150,000	\$ 1,850,000	\$ -	\$ -	\$ 2,000,000	Yes	\$ -	\$ -
5	Develop 12 Additional Beds	Travellers Lodge	Major	P	\$ -	\$ -	\$ 1,800,000	\$ -	\$ -	\$ 1,800,000	No	\$ -	\$ -
6	Ph. 4 - Develop new Patient Tower	NRGH	Major	NP	\$ -	\$ -	\$ -	\$ 500,000	\$ 24,500,000	\$ 25,000,000	Yes	\$ -	\$ -
Total Major Capital Projects					\$ 700,000	\$ 3,400,000	\$ 6,700,000	\$ 500,000	\$ 24,500,000	\$ 35,800,000	\$ -	\$ 420,000	\$ 280,000
Total Capital Projects					\$ 3,430,500	\$ 4,888,400	\$ 6,700,000	\$ 500,000	\$ 24,500,000	\$ 40,018,900	\$ -	\$ 2,656,500	\$ 774,000



Requested



November 24, 2004

Regional District of Nanaimo  
 Board of Directors  
 Mr. Joe Stanhope, Chairperson  
 6300 Hammond Bay Road  
 Nanaimo, BC  
 V9T 6N2  
 Fax 390-4163

Dear Chair Stanhope and Board of Directors,

Re: Nanaimo Regional General Hospital – Phase II, Perinatal Component Capital Construction Costs

The original cost estimate to replace the existing surgery, maternity and neonatal nursery at NRGH amounts to \$29.3 million dollars. The plan originated in 1991 and during the course of revision required to meet 2004 construction codes and standards it was determined that a new location and adjacency was required for the project to proceed.

Located in a newly constructed, two-storey annex to the main hospital, the cost of the project increased by \$6.5 million dollars.

The VIHA Board of Directors at their July 28, 2004 meeting approved their 60% share of \$6,543,555 amounting to \$3,926,133 and requested the Nanaimo Regional Hospital District provide 40% (\$2,617,422) of the cost of construction.

The Nanaimo Regional Hospital district approved their participation in the 40% share of the cost of this project subject to participation of the Regional districts using this "Regional Facility" in an agreed to cost-sharing formula.

Historically only one item of capital equipment has been cost-shared in this fashion. The MRI located at NRGH was cost-shared by the three Regional Districts using a population-based funding model.

Nanaimo Regional Hospital District	54.3%
Cowichan Valley Regional Hospital District	31.6%
Alberni-Clayoquot Regional Hospital District	14.1%
Total	100.0%

This same formula applied to the maternity/perinatal building project would require cost-sharing as follows:

	Population		
Nanaimo RHD	127,016	37.5%	\$981,533
Cowichan Valley RHD	71,998	21.3%	\$557,511
Alberni-Clayoquot RHD	30,345	9.0%	\$235,568
Comox Strathcona RHD	96,131	28.4%	\$743,348
Mount Waddington RHD	13,111	3.8%	\$99,462
Total	338,601	100.0%	\$2,617,422

.../2



Vancouver Island Health Authority  
NRD – NRGH Phase II, Perinatal Component Capital Construction Costs

Page 2  
November 24, 2004

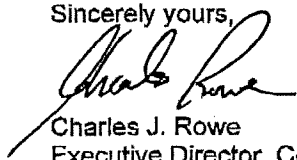
However, on further examination of this particular project, Vancouver Island Health Authority recommends that a more specific cost sharing formula be adopted. That cost sharing formula reflects current utilisation of the existing facilities and reflects a more equitable assignment of these costs.

This formula would look like this:

	Utilisation		
Nanaimo RHD	965	85.0%	\$2,223,426
Cowichan Valley RHD	99	8.7%	\$228,103
Alberni-Clayoquot RHD	41	3.6%	\$94,467
Comox Strathcona RHD	19	1.7%	\$43,777
Mount Waddington RHD	12	1.0%	\$27,649
Total	1,136	100.0%	\$2,617,422

It is our recommendation that this later model be used to cost-share for this project.

Sincerely yours,



Charles J. Rowe  
Executive Director, Central Island

CJR/hal



REGIONAL DISTRICT OF NANAIMO			
NOV 24 2004			
CHAIR		GMCrs	
CAO		GMDS	
GMCms		GMES	
		<i>Collin</i>	
		DATE:	

**MEMORANDUM  
NANAIMO REGIONAL  
HOSPITAL DISTRICT**

**TO:** C. Mason  
General Manager, Corporate Services

November 22, 2004

**FROM:** N. Avery  
Manager, Financial Services

**FILE:**

**SUBJECT:** 2005 Provisional Hospital District Budget

**PURPOSE:**

To introduce the 2005 Provisional Budget for the Regional Hospital District.

**BACKGROUND:**

The Regional Hospital District funds capital equipment and capital 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. The Health Authority also solicits funds from the Hospital Foundation for capital 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 surgical portion of the project is expected to be completed around May 2005 - the Regional Hospital District share of this project is currently \$9,517,340. The debt servicing cost for this one project will be approximately \$1,000,000 per year. In anticipation the Board has raised property taxes over the course of 2001 to 2004 to provide budget room for this financial impact. The surplus forecast for the end of 2004 is \$1.25 million.

The Hospital District budget also provides for a capital equipment allowance for items costing less than \$100,000. Again, the Health Authority pools Hospital District funding, the Provincial envelope funding and Foundation funds for these lower cost items which generally entail replacement of equipment at the end of their useful life. In 2004 the equipment allowance was \$1.77 million.

To date the Health Authority has not provided any information on their capital requirements for 2005. In fact the Health Authority generally finds itself ultimately working backwards from the amount likely to be approved by the Board. However, the Board did approve a 20% increase based on the Health Authority's submission for 2004.

The 2005 budget presented with this report includes a 2.5% increase in property taxes, a capital equipment allowance of \$1.817 million (an increase of 2.5% over 2004) and a further cash allowance of \$360,000 for funding equipment items over \$100,000.



**ALTERNATIVES:**

1. Approve a 2005 Hospital District Budget at the same level as 2004.
2. Approve a 2005 Hospital Budget sufficient to fund future debt requirements as currently known.
3. Approve a 2005 Hospital District Budget which includes a 2.5% increase to the tax requisition, a 2.5% increase in equipment grants for items costing less than \$100,000 and a \$360,000 cash allowance for equipment costing more than \$100,000.

**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 2001. 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.

	2001	2002	2003	2004	2005 (proposed)
Tax Requisition	\$4,516,840 4.5%	\$4,605,000 2%	\$4,789,200 4%	\$4,908,930 2.5%	\$5,031,655 2.5%
Equipment < \$100,000	\$1,380,000 0%	\$1,449,000 5%	\$1,477,980 2%	\$1,773,575 20%	\$1,817,920 2.5%
Equipment > \$100,000	\$ 62,750	\$ 316,800	\$0	\$360,000 (allowance for borrowing)	\$ 360,000 (from current taxes)
Capital projects	\$10,477,200				
Total capital support	\$11,919,951	\$1,765,800	\$1,477,980	\$2,133,575	\$2,177,920
Debt servicing	\$3,267,120	\$3,053,350	\$3,239,830	\$3,190,650	\$3,392,770
Cumulative surplus	\$ 174,870	\$ 359,090	\$ 701,915	\$1,079,010	\$784,720
Tax cost per \$100,000	\$ 37.58	\$ 37.74	\$ 37.64	\$34.75	\$ 35.20

Noteworthy in the table above is the 20% increase in minor capital equipment grants in 2004. This represented a higher level of commitment from the Regional Hospital District following the Health Authority's presentation of urgent priorities in 2004.

The driving force behind the last several years of hospital district budgets has been the timing of the Phase II project. Timing has been good to the budget in this regard, allowing about \$1.25 million 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 \$3.8 million dollars in 2008 and thereafter will decline fairly rapidly, as old debt is retired.

2005 Budget Alternatives	2005 Alt #1	2005 Alt #2	2005 Alt #3
Tax Requisition	\$4,908,930 0%	\$4,982,565 1.5%	\$5,031,655 2.5%
Equipment less than \$100,000	\$1,817,920 2.5%	\$1,817,920 2.5%	\$1,817,920 2.5%
Equipment greater than \$100,000	\$360,000 (borrowing allowance)	\$0	\$ 360,000, (cash grant)
Total capital support	\$2,177,920	\$1,817,920	\$2,177,920
Debt servicing	\$3,392,770	\$3,392,770	\$3,392,770
Cumulative surplus	\$1,020,850	\$1,095,180	\$784,730
Tax cost per \$100,000	\$ 34.30	\$ 34.85	\$ 35.20

Alternative 1 – Status Quo Budget

Under this option a status quo tax requisition (\$4.91 million) would be approved. The budget would provide \$1.817 million for minor capital equipment grants and a commitment to permit borrowing for major capital equipment up to \$360,000.

Staff project however that in order to address the peaking of debt servicing by 2008 property taxes would need to rise by 2% in 2006 and at about that same rate for subsequent years until about 2011 when debt servicing costs are expected to decline by about \$520,000. Annual capital equipment grants could rise by 2.5% annually, but there would be no funding for equipment or projects beyond that.

Alternative 2 – 1.5% property tax increase

This option would include a 1.5% increase in property tax revenues to \$4,982,565. The budget would provide \$1.817 million for minor capital equipment grants and no funding, by borrowing or otherwise for major capital equipment.

Staff project that subsequent years requisition increases would be 1.5%. This approach provides for regular increases for annual minor capital equipment grants, but does not provide any room to participate in any additional capital requests.

Alternative 3 – 2.5% property tax increase

This option would include a 2.5% increase in property tax revenues to \$5,031,655. The budget would provide \$1.817 million for minor capital equipment grants and cost sharing in major capital equipment up to \$360,000. The tax cost for providing \$360,000 as a current capital allowance is about \$2.55 per \$100,000, although the actual 2005 cost is less as a result of the current accumulated surplus included in the budget.

Staff project that subsequent years requisition increases would be 2.5%. This approach allows more of any surplus to be used to directly fund additional major capital equipment rather than borrowing for that purpose.

**SUMMARY/CONCLUSIONS:**

Regional Hospital District's are required to approve a provisional budget. Three alternatives are outlined above which cover a range of property tax increases from 0% to 2.5%. The primary consideration for this budget is ensuring sufficient cash flow to meet debt servicing requirements as the Phase II surgical expansion approaches completion. Under any of the options above, tax increases are likely to continue to range between 1.5% and 2.5% annually to meet the debt servicing component of the budget. The difference between the options rests mainly in whether more or less of the dollars raised are committed to current capital requirements.

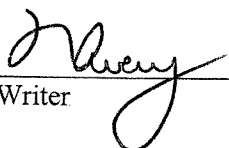
A typical hospital district budget includes cash grants for minor capital equipment and a borrowing allowance for more major capital equipment. For 2005 staff suggest using some of the accumulated surplus to provide an allowance for cost sharing in up to \$360,000 for major capital equipment, a cost we would typically finance over a ten to fifteen year period. The tax cost of providing current cash resources as opposed to borrowing \$360,000 for major capital equipment is about \$2.55 per \$100,000, although in 2005 this cost is reduced because of the current accumulated surplus available in the budget.


To date staff have not been provided any information from the Health Authority as to what its capital requirements for 2005 might be, but informally, Health Authority staff recognize that any increase is likely to be modest. The most recent request from the Health Authority to provide further funding support to the Phase II project, if approved, will not likely have a 2005 budget impact, but would have some impact for 2006 and beyond. Staff recommend therefore, a provisional budget with a 2.5% property tax increase as it appears to provide the best long term approach to funding both the current and some future capital requirements.

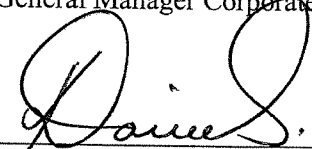
**RECOMMENDATIONS:**

1. That a 2005 Regional Hospital District provisional budget be approved as outlined under Alternative 3 with the following components:

Property tax requisition	\$ 5,031,655
Minor capital equipment grants	\$ 1,817,920
Major capital equipment grants	\$ 360,000

  
Report Writer

  
General Manager Corporate Services

  
C.A.O. Concurrence

**COMMENTS:**

**NANAIMO REGIONAL HOSPITAL DISTRICT  
2005 PROVISIONAL BUDGET**

<b>REVENUES</b>	<b>2004</b>	<b>2005</b>	<b>\$ Change</b>	<b>% Change</b>
Tax requisition total	\$ 4,908,930	\$ 5,031,655	122,725	2.5%
Grants in lieu of taxes	26,000	26,000	0	0.0%
Interest revenues	32,400	53,000	20,600	63.6%
Surplus from 2004	1,084,065	1,253,080	169,015	15.6%
	<u>\$ 6,051,395</u>	<u>\$ 6,363,735</u>		
 <b>EXPENDITURES</b>				
Administration fee	\$ 8,160	\$ 8,325	165	2.0%
Debt servicing	3,190,650	3,392,770	202,120	6.3%
Capital equipment grants	1,773,575	2,177,920	404,345	22.8%
Future years expenditures	1,079,010	784,720	(294,290)	-27.3%
	<u>\$ 6,051,395</u>	<u>\$ 6,363,735</u>		