

NANAIMO REGIONAL HOSPITAL DISTRICT

**SELECT COMMITTEE MEETING
TUESDAY, OCTOBER 27, 2015
5:00 PM**

(RDN Committee Room)

A G E N D A

PAGES

CALL TO ORDER

DELEGATIONS

Staff from Island Health.

MINUTES

2-3 Minutes of the Nanaimo Regional Hospital District Select Committee meeting held Tuesday, April 28, 2015.

BUSINESS ARISING FROM THE MINUTES

COMMUNICATIONS/CORRESPONDENCE

REPORTS

4-17 Island Health Funding Requests and Project Updates.

18-23 Nanaimo Regional Hospital District 2016 Preliminary Budget.

UNFINISHED BUSINESS

ADDENDUM

NEW BUSINESS

ADJOURNMENT

Distribution: W. Pratt (Chair), A. McPherson, J. Stanhope, I. Thorpe, M. Lefebvre, T. Westbrook
P. Thorkelsson, W. Idema, J. Harrison

For Information Only: H. Houle, M. Young, B. Rogers, J. Fell, B. Veenhof, C. Haime, B. McKay,
B. Bestwick, J. Hong, J. Kipp, B. Yoachim
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, APRIL 28, 2015 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 W. Pratt	City of Nanaimo
Director M. Lefebvre	City of Parksville
Director T. Westbroek	Town of Qualicum Beach

Also in Attendance:

Director H. Houle	Electoral Area B
Director B. Rogers	Electoral Area E
Director J. Fell	Electoral Area F
Director B. Veenhof	Electoral Area H
P. Thorkelsson	Chief Administrative Officer
J. Harrison	Director of Corporate Services
W. Idema	Director of Finance
R. Alexander	Gen. Mgr. Regional & Community Utilities
C. Golding	Recording Secretary

CALL TO ORDER

The Chairperson called the meeting to order.

DELEGATIONS

Deanna Fourt, Director of Energy Management, Cecil Rhodes, Corporate Director of Facilities Operations, Chris Sullivan, Director of Capital Planning and Joe Murphy, Vice President of Operations & Support Services, Island Health re Update on Electrical and Boiler Plant projects.

Deanna Fourt, Director of Energy Management provided an update on the Electrical Energy Centre project – estimated cost \$12.5 million. There are two existing transformers which are currently working at peak capacity. Photovoltaic methods have been looked into as Island Health is committed to reducing the carbon footprint and taking action on climate change. The electrical project will be completed first, followed by the boiler plant project.

Deanna Fourt also presented the Board with a summary of options for the Thermal Energy Boiler Plant project. The existing boiler is 50 years old and poses a significant risk of failure. A hybrid biomass boiler uses wood chips, and is able to supply the majority of the heating requirements with gas boilers used as back up. The hybrid biomass option is considered to provide improved heating efficiency, has the potential to reduce greenhouse gas emissions by 80%, will ensure capacity to meet current and future

requirements, and will keep energy dollars local by providing a market for wood waste which could also potentially reduce land clearing burns. A conventional gas/fuel operated boiler is capable of delivering the heating load to the entire hospital, has lower construction cost (\$12.5 million) than the biomass option (\$16.7 million), and is proven to be effective. Estimated operating cost reductions for biomass are \$800,000 per year vs: \$33,000 for conventional and the biomass option is considered to provide lower greenhouse gas emissions. There are no similar local facilities that have been in operation for more than 5 years to determine if there are any issues with this type of boiler.

Joe Murphy requested that the Select Committee provide feedback on the two options with some direction on best option from Hospital District perspective.

BUSINESS ARISING FROM DELEGATIONS OR COMMUNICATIONS

MOVED Director Lefebvre, SECONDED Director Westbroek, that the Nanaimo Regional Hospital District Board support the Biomass Boiler option in Principle and request more information on the costing.

MOVED Director McPherson, SECONDED Director Stanhope, that the motion be tabled until the next meeting of the Nanaimo Regional Hospital District Select Committee.

CARRIED

MINUTES

Minutes of the Nanaimo Regional Hospital District Select Committee meeting held Tuesday, February 10, 2015.

MOVED Director Stanhope, SECONDED Director McPherson, that the minutes of the Nanaimo Regional Hospital District Select Committee meeting held Tuesday, February 10, 2015, be adopted.

CARRIED

BUSINESS ARISING FROM DELEGATIONS OR COMMUNICATIONS

MOVED Director McPherson, SECONDED Director Westbroek, that the motion be taken from the table.

CARRIED

MOVED Director Lefebvre, SECONDED Director Westbroek, that the Nanaimo Regional Hospital District Board support the Biomass boiler option in Principle and request more information on the costing.

DEFEATED

MOVED Director Westbroek, SECONDED Director Pratt, that the Nanaimo Regional Hospital District Board support the gas/fuel operated conventional boiler option.

CARRIED

ADJOURNMENT

MOVED Director Westbroek, SECONDED Director Stanhope, that this meeting be adjourned.

CARRIED

TIME: 6:52 PM

CHAIRPERSON

CORPORATE OFFICER



RDN REPORT	
CAC APPROVAL	
EAP	
COW	
OCT 19 2015	
RHD	<input checked="" type="checkbox"/>
BOARD	

STAFF REPORT

Nanaimo Regional Hospital District

TO: Paul Thorkelsson
Chief Administrative Officer

DATE: October 19, 2015

MEETING: Hospital Select Committee
October 27, 2015

FROM: Wendy Idema, Director of Finance

FILE:

SUBJECT: Island Health Funding Requests and Project Updates

RECOMMENDATIONS:

1. That the report on Island Health project updates and funding requests be received for information.
2. That the reallocation of \$383,928 in 2013/14 annual capital grant funding to revised priority projects and equipment purchases and that the updated plan for the purchase of two CT Scanners using 2014/15 NRHD funding be approved.
3. That the updated project cost information for the Unit Dose Medication Distribution/Pharmacy upgrade project be received for information and approved at the lower funding level amount of \$1.86 million.
4. That Nanaimo Regional Hospital District capital funding for the Electrical Energy Plant Redevelopment at the Nanaimo Regional General Hospital up to the requested \$5 million be approved.
5. That future capital funding up to the requested \$5 million for the Boiler Plant Replacement at Nanaimo Regional General Hospital be approved at an amount equivalent to the 40% share of the cost of a conventional gas/fuel boiler be approved.

PURPOSE:

To bring forward project updates and revised funding requests from Island Health.

BACKGROUND:

Four letters from Island Health are attached and discussed below.

Attachment 1 regarding the 2015/16 Capital Projects and Equipment includes two items. The first is a request to reallocate \$383,928 in unused funding from the 2013/14 annual capital grant for smaller projects and equipment purchases to revised priority items. Details of the reallocation and new purchases are included in Attachment 1. Island Health is also providing information and a request for approval to leverage the original 2014/15 funding approval from the Nanaimo Regional Hospital District (NRHD) for the purchase of one CT Scanner to now apply it to the purchase of two scanners. They have

been able to obtain a lower volume/bundle purchase price as well as funding from the Nanaimo District Hospital Foundation to leverage NRHD funding toward two CT Scanners.

Attachment 2 includes updated information on the Unit-Dose Medication Distribution/Pharmacy upgrade project. The NRHD previously approved funding up to \$2.16 million (40% share) of the original project cost by combining some unused allocations from the annual capital grant funding of several years. The lower cost currently identified for the project (RDN share reduced from \$2.16 million to \$1.86 million) frees up \$300,000 to be reallocated to new projects/equipment purchases in future.

Attachment 3 is the letter requesting NRHD funding for the Electrical Energy Plant redevelopment at 40% or \$5 million of the total \$12.5 million cost. This amount was previously approved and incorporated in the NRHD 2015-2019 financial plan to be funded by borrowing through the MFA in the 2016 to 2017 years based on previous information from Island Health. A loan authorization bylaw will be included with the 2016 preliminary budget report.

Attachment 4 is the letter requesting NRHD funding for the planned Boiler Plant replacement in 2018. Island Health previously presented information on this request and on their preferred option of a hybrid biomass boiler; however, the NRHD passed a motion to support cost sharing on the estimated cost of a conventional gas/fuel boiler only. Island Health is now requesting a commitment of funding at that level of \$5 million as the 40% cost share of the total \$12.5 million estimated cost of a conventional boiler. The \$5 million amount was also incorporated in the 2015 – 2019 financial plan and will require the NRHD to borrow in 2018 or 2019.

Staff are recommending all of the above requests as they reflect previous plans provided by Island Health and comply with the capital funding criteria used by the NRHD.

ALTERNATIVES:

1. That the report on Island Health project progress and cost updates be received and that the related funding allocations be approved as requested.
2. That alternate direction be provided.

FINANCIAL IMPLICATIONS:

Alternative 1

All of the funding requests provided by Island Health have previously been incorporated in the NRHD financial plan which is being presented separately. The reallocation of 2013/14 annual capital grant funding and the confirmation of the purchase of two CT scanners instead of one, have no impact on the plan. The lower projected cost for the Unit Dose Medication Distribution/Pharmacy upgrade project will free up \$300,000 from annual capital grant funding to be used for other projects or equipment purchases.

Both the Electrical Energy Plant redevelopment and the Boiler Plant replacement projects will likely require the NRHD to borrow over the 2016 to 2019 period. The related debt servicing costs have been included in the 2015-2019 Financial Plan and are also incorporated in the 2016 Budget being presented separately. Debt servicing costs are estimated at \$400,000 to \$425,000 annually for each of these

projects beginning in 2017 or 2018 depending on project timing and on interest rates at the time of borrowing.

Alternative 2

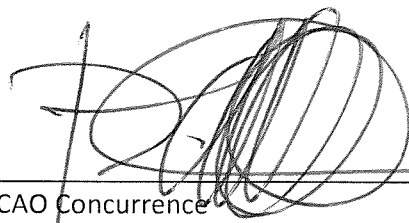
The financial implications of alternative direction are not known at this time and would be determined when provided.

SUMMARY/CONCLUSIONS:

Island Health has provided the attached four letters to bring forward project/equipment purchase updates and requests related to both annual capital grant funding and to the larger Electrical Energy Plant redevelopment and Boiler Plant replacement projects. All of the funding for these projects/purchases have been included in previous financial plans and staff are recommending approval of the requests.



Report Writer



CAO Concurrence

Attachment 1

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September 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 – Additional Cost-Share Request

Since our initial cost-share request letter on January 30th, Island Health has identified some additional project and equipment priorities for which NRHD cost-sharing is being requested.

The requested NRHD cost-share amount is \$383,928, summarized as follows, and detailed in the attached lists:

Minor Capital Projects	\$170,000
Equipment >\$100,000	\$213,928
	\$383,928

Our records indicate that there is \$798,412 in 2013/14 unallocated contingency funding which we are proposing be used as a possible funding source for this cost-share request.

Nanaimo Regional General Hospital (NRGH) CT Scanner Replacement

Since the approval of \$1,092,345 in NRHD cost-sharing for the replacement of one CT scanner, VIHA has determined that the \$1,092,345 is enough to cost-share 40% in the replacement of both existing NRGH CT scanners.

This positive outcome is due to:

- 1) favorable pricing from a VIHA volume/bundle purchase; and
- 2) \$900,000 in committed funding from the Nanaimo and District Hospital Foundation (NDHF).

Total cost of two CT scanners	\$3,600,000
Less NDHF committed funding	\$900,000
Balance	\$2,700,000
NRHD 40% cost-share	\$1,080,000

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VIHA is requesting the NRHD's approval to use up to \$1,092,345 towards the replacement of both existing NRGH CT scanners. The NRHD amount will be no more than 40% of the balance after the NDHF funding contribution.

Thank you for your consideration of these requests.

We are grateful, as always, for your support, and we appreciate partnering with you to meet the Nanaimo Regional Hospital 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

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2015/16: Minor Capital Projects Nanaimo Regional Hospital District

2015/16 Recommended Committee Approvals		Indicates Cost Sharing					Total Annual Cashflow		
File #	Project Name	Site	Total Project Cost	Previous Cashflow	Cashflow 2015/16	2015/16 V/H/A	2015/16 RHD	2016/17	2017/18
4988	Redesign of NRGH Electro Diagnostic Lab (EDL) space	NRGH	\$99,000		\$99,000	\$59,400	\$39,600		
4810	Redesign NRGH Rehab storage room	NRGH	\$99,000		\$99,000	\$59,400	\$39,600		
5027	Renovations to create Trillium Lodge hospice beds	Trillium Lodge	\$99,000		\$99,000	\$59,400	\$39,600		
5087	Mail room security upgrades	NRGH	\$38,000		\$38,000	\$22,800	\$15,200		
TBD	Renovations to Colposcopy Clinic	NRGH	\$90,000		\$90,000	\$54,000	\$36,000		
Total			\$425,000		\$425,000	\$255,000	\$170,000	\$0	\$0

**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>
1005b	OR	NRGH	Holmium Laser	1	231,878
1140b	Lab Medicine	NRGH	Automated Pretransfusion Analyzer	1	173,331
2182	Pain Clinic	NRGH	Fully Adjustable Fluoroscopy Bed	1	129,611
Total cost					534,820
NRHD cost share amount					213,928
					100%
					40%

Attachment 2

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September 21, 2015

Ref# 16968

Nanaimo Regional Hospital District
Attention: Wendy Idema, Director of Finance
6300 Hammond Bay Road
Nanaimo, BC V9T 6N2

Dear Mrs. Idema:

Re: Unit-Dose Medication Distribution

I am writing to request Nanaimo Regional Hospital District (NRHD) cost-sharing on the Unit-Dose Medication Distribution (UDMD) project. This project includes renovation of the current Nanaimo Regional General Hospital (NRGH) pharmacy and nursing stations and new equipment at NRGH and Gabriola Island. This funding request is based on a recently completed schematic design and updated cost estimate.

Need for the Investment

Medication errors are one of the most common harmful errors that occur in healthcare. Errors occur in the processes of drug ordering, transcribing, dispensing, and administration when one or more of the medication safety 'rights' (right drug, right dose, right route, right patient, right time) is incorrect.

Errors occur at various steps in the process including:

- Ordering - Inadequate knowledge of patient, indications for use and medication, contraindications due to allergies, drug interactions, illegibility;
- Transcribing & Verification - Omissions, duplications, dose transcription errors, illegible handwriting;
- Dispensing – Manual selection and counting errors; and
- Administration - Miscommunication/distractions at bedside, non-standardization.

The typical medication distribution systems used at Island Health facilities are referred to as manual bulk inventory or manual unit-dose (individually packaged medications). At Royal Jubilee Hospital the process is more automated with some medications prepared using a robot or made available to nurses using an Automated Dispensing Cabinet (ADC) technology. Quality and safety improvements will be achieved when a full range of medications in a ready to administer bar-code labeled format are universally available across Island Health.

Island Health has chosen to undertake substantial system quality and safety improvements in the form of the IHealth transformational change initiative. The IHealth vision, once complete will see the

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establishment of a fully integrated electronic clinical infrastructure that will include enhanced medication safety processes and controls as a primary deliverable.

The focus on medication safety throughout the Island Health system will be enabled with the implementation of a new standard of practice referred to as a Closed Loop Medication System (CLMS). The CLMS includes a UDMD component which will provide bar-coded medications to enable electronic identification of the medication.

The UDMD project will enable the IHealth vision for medication safety and orders management with a stated goal to significantly reduce adverse drug events including at the point of both prescription and medication administration. These two points of medication error account for 78% of reported errors within Island Health. The expectation, after research on similar use-cases that include the use of CLMS, is this error rate will be significantly reduced. This reduction has demonstrated significant financial and social benefits derived from the expected length of stay, in alignment with the Canadian Institute for Health Information (CIHI).

In addition to the UDMD component, the CLMS will include the following components:

- Computerized Provider Order Entry (CPOE) – A system that will enable a Prescriber to enter a Medication Order for a particular patient. This system will provide clinical decision support, interaction checking, and safety alerts;
- Medication Order Verification – Performed by a Pharmacist (7/24/365);
- Bedside Bar-Code Medication Confirmation and Positive Patient Identification - Validating the process of medication administration to the patient; and
- Electronic Record documentation of Medication Administration.

Project Scope

The UDMD project will provide medication to the following facilities within the NRHD: NRGH, Dufferin Place, Oceanside Health Centre and Gabriola Island. The project scope includes the following components:

- Expansion of the existing pharmacy to house new medication packaging and verification equipment and produce unit-dose medications;
- Renovation of the existing pharmacy to address legislated standards for sterile products as noted in an inspection by the College of Pharmacists of BC;
- Modifications to existing medication storage areas in NRGH and Dufferin Lodge patient areas to assist with the change in medication packaging from bulk to unit-dose; and
- Purchase and installation of an ADC on Gabriola Island; and
- UDMD system development resources to develop programming and interfaces within the pharmacy program.

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Funding Analysis

On January 30, 2015, Island Health estimated this project to cost \$5.4 million. A revised cost estimate has been prepared after completion of the schematic design with an updated cost estimate of \$4.64 million. Island Health is now requesting NRHD cost-sharing of 40% (\$1.86 million).

I would like to thank the NRHD for considering this request which will significantly improve patient care in the area.

Yours truly,

A handwritten signature in cursive script that reads "Chris Sullivan".

Chris Sullivan
Director, Capital Planning

cc: Carol Botrakoff, Manager, Capital Finance and Treasury

Attachment 3

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September 29, 2015

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

Dear Wendy Idema:

Re: Nanaimo Regional General Hospital (NRGH) Electrical Energy Plant Redevelopment

I am writing to request Nanaimo Regional Hospital District (NRHD) cost-sharing on the Electrical Energy Plant redevelopment at NRGH. This funding request is based on a recently completed schematic design and updated cost estimate.

Need for the Investment

NRGH has been and is continuing to experience growth and expansion. In the last ten years the redevelopment of the site has been dramatic and has resulted in the rebuilding of portions of existing buildings, new Operating Rooms/Post-Anaesthetic Recovery Room, the new Perinatal/Renal Building and the new Emergency Department, Psychiatric Intensive Care and Psychiatric Emergency Services Building. Changes are occurring regularly and additions to the existing plant such as new diagnostic imaging machines are adding to the electrical burden on the existing plant.

The existing electrical load at NRGH is channelled through two transformers. Two recent studies have confirmed there is a deficit within the electrical distribution infrastructure that needs to be addressed given the growth in programs and electrical load over the last 10 years and forecast in the future. In the event that one of the two transformers should fail or be required to be taken out of service for maintenance, the remaining transformer would be over its maximum output.

The level of risk identified in the assessment does not mean NRGH is unsafe or unable to meet the hospital's current needs during normal or power outage conditions. Rather it indicates that if a major system component fails, inadequate redundancy exists to continue to operate the entire facility as intended. To address the shortcomings and risk to operation, Island Health have developed a number of short term mitigation strategies.

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Project Scope

The project intent is to increase the amount of normal power and emergency power available to the campus and to comply with regulatory, redundancy, and operational requirements. The building and equipment will be sized to accommodate current loads and to prepare for expansion as indicated by the Master Site Plan.

The new Electrical Energy Plant will be located in a new single storey building adjacent to the existing generator buildings and just south of the existing helipad area. This location is preferred for a number of reasons including.

- The space is unoccupied, contains few logistical concerns and is suitable for development of an electrical substation;
- Adjacency to existing feeds that will be rerouted to the new Electrical Energy Plant;
- It is the best option for attenuation of ambient noise created by the operation of the new generators;
- It would permit ready and easy access to supply power for future campus development; and
- It would result in the lowest capital cost to build and the lowest cost to maintain.

The new building will house three new generators and associated equipment. It will also be designed as a post disaster structure and is completely separated from the remaining building by a service corridor. This corridor is integral to maintain existing facility operations during construction and will be used for running the new gas main to the future location above grade.

The Electrical Energy Plant will also meet the recommended practices of the various associated standards for health care (Z8000), electrical, generators and heating ventilation and air conditioning.

Funding Request

On January 30, 2015, Island Health estimated this project to cost \$12.5 million. Based on an updated quantity surveyor report, the cost estimate has not changed. Island Health is now requesting NRHD cost-sharing of \$5 million (40 percent).

I would like to thank the NRHD for considering cost-sharing in this important project.

Yours truly,



Chris Sullivan
Director, Capital Planning

cc: Cecil Rhodes, Corporate Director, Facilities Operations
Carol Botrakoff, Manager, Capital Finance and Treasury

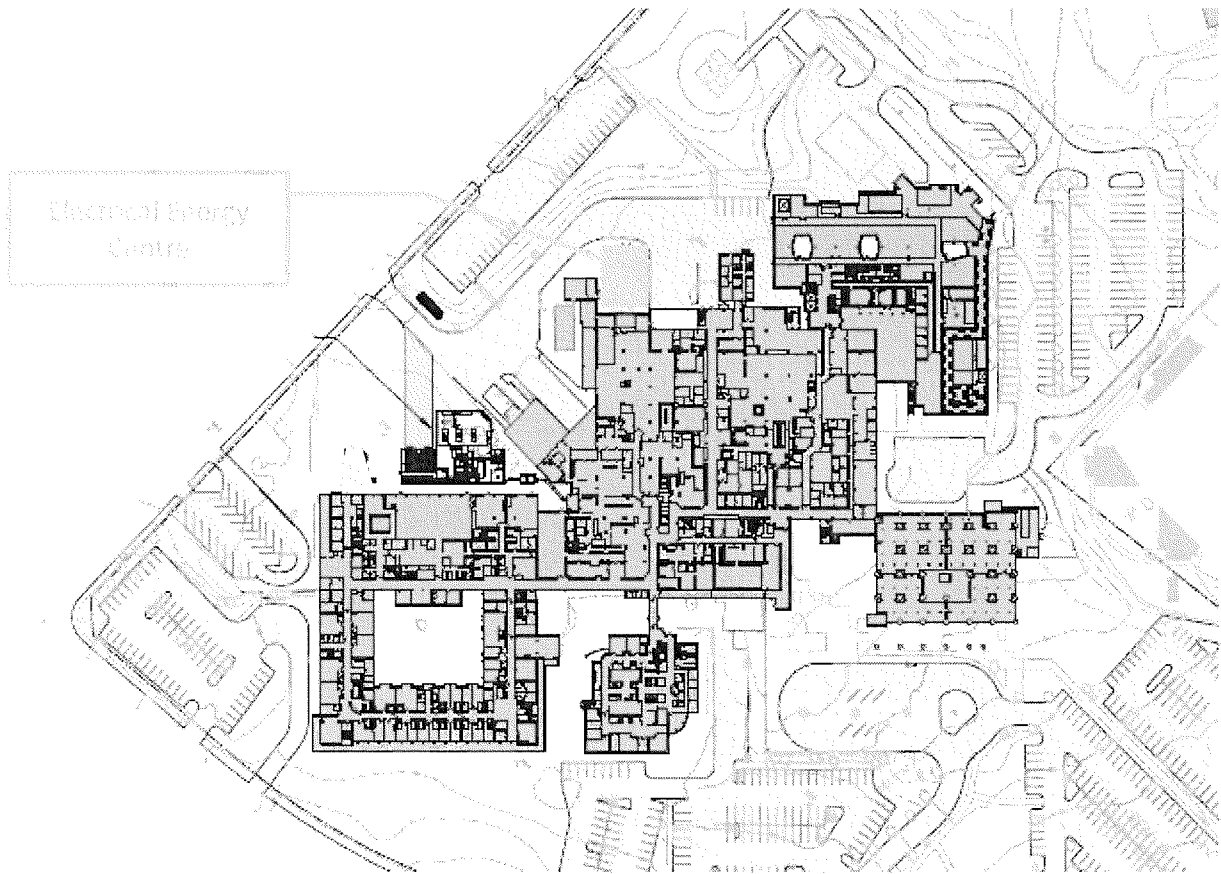
Attachment: Location of Proposed Electrical Energy Plant

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Attachment: Location of Proposed Electrical Energy Plant



Attachment 4

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October 5, 2015

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

Dear Wendy Idema:

Re: Nanaimo Regional General Hospital (NRGH): Boiler Plant Replacement

The replacement of the NRGH thermal energy boiler plant is a high priority on Island Health's capital plan. At this time, the project is scheduled to proceed in 2018 after completion of the electrical energy centre project and subject to funding approval from the Ministry of Health and the NRHD.

On April 28, 2015, Island Health presented the NRHD Select Committee with the rationale for the boiler plant replacement and discussed the two main options: a conventional gas/fuel boiler plant or a hybrid biomass boiler plant. The Nanaimo Regional Hospital District passed a motion supporting the gas/fuel boiler plant option.

Island Health's preferred option is a hybrid biomass boiler plant due to the projected operating savings and the ability to meet the carbon neutral goal established for Island Health by the Provincial government. Recognizing that the NRHD's motion was for support of a gas/fuel boiler, Island Health respectfully requests the Select Committee's support for 40% of the projected \$12.5 million cost for a conventional gas/fuel boiler plant cost. This funding would be used towards a hybrid biomass boiler plant which is the Island Health preferred option. The additional cost of the hybrid biomass option would be fully funded by Island Health and the Province.

Island Health would like to proceed with project planning for the hybrid biomass boiler plant in order to be ready should funding for the boiler plant replacement be available sooner.

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

Yours truly,



Chris Sullivan
Director, Capital Planning

Capital Planning

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STAFF REPORT

Nanaimo Regional Hospital District

TO: Paul Thorkelsson
Chief Administrative Officer

DATE: October 19, 2015

MEETING: Hospital Select Committee
October 27, 2015

FROM: Wendy Idema, Director of Finance

FILE:

SUBJECT: Nanaimo Regional Hospital District 2016 Provisional Budget

RECOMMENDATIONS:

- That a 2016 Regional Hospital District Provisional Budget be approved with the following components:

Property tax requisition	\$	6,984,190
Capital grant allowance	\$	3,444,055
- That the 2016 to 2020 five year projections be received for information.
- That "Nanaimo Regional Hospital District (Nanaimo Regional General Hospital Electrical Energy Plant Redevelopment) Borrowing Bylaw No. 161, 2015", be introduced and read three times.
- That "Nanaimo Regional Hospital District (Nanaimo Regional General Hospital Electrical Energy Plant Redevelopment) Borrowing Bylaw No. 161, 2015", be adopted.

PURPOSE:

To introduce the 2016 provisional budget and related borrowing bylaw for the Nanaimo Regional Hospital District.

BACKGROUND:

Regional Hospital Districts are required to pass preliminary budgets by December 31 under the *Hospital District Act*. The RHD's provide 40% funding for capital equipment and capital projects for local facilities and the Province, through Island Health, provides the remaining 60% of funding for these purposes.

The major components of the budget are long-term debt costs for past and current projects, an annual allowance to support smaller operational capital equipment and projects and a transfer to reserves for large future capital projects. Long term debt issuing and servicing costs represent about 44% of the proposed 2016 requisition and the operational capital grant allowance represents 49% of the annual requisition.

Presently, there are two major projects proposed by Island Health with funding requests for the 2016 – 2020 period for the Electrical Energy Plant redevelopment and the Boiler Plant replacement. The Electrical Energy Plant redevelopment request for \$5 million (40% share of \$12.5 million) will require borrowing and staff are presenting loan authorization Bylaw No. 161 for approval at this time.

The Boiler Plant replacement project will also require borrowing at a future date. At this time there are no other specific large projects proposed by Island Health; however, Island Health does have other potential significant projects identified for the Nanaimo area in future years such as an ICU redevelopment which will be brought forward when provincial funding is available. The budget includes a \$1 million transfer to a reserve fund to add to the \$2.4 million reserve fund established in 2014 for these significant projects.

The 2016 annual funding envelope for capital equipment and smaller capital projects is currently set at \$3,444,055. These funds are used for a variety of equipment purchases and capital projects at designated facilities in the NRHD. Island Health will provide details of their planned projects and equipment purchases related to this annual grant in January, 2016.

ALTERNATIVES:

1. Approve a 2016 provisional budget with a 2% tax levy increase.
2. Provide alternate direction for the 2016 Nanaimo Regional Hospital District tax levy.

FINANCIAL IMPLICATIONS:

Alternative 1

2016 Provisional Budget

A 2016 Budget and five year forecast are shown on Appendix A attached to this report. Currently there is a 2% planned increase to the 2016 requisition. The 2015 to 2019 financial plan included a 2% increase to the 2016 requisition and debt payments of \$2.9 million which aligns with this plan. Current projections for 2015 actuals indicate a surplus of approximately \$100,000 greater than planned as a result of ongoing lower interim financing rates and higher than expected interest revenue.

The 2016 preliminary budget includes \$1.0 million transfer to reserves for future projects. In January, when 2015 year end results are known and pending further discussions with Island Health on future large capital projects, a final decision can be made regarding whether to apply this funding to existing projects or to hold it for future infrastructure projects.

The annual capital grant allowance in the 2016 Budget is \$3,444,055 which is unchanged from the 2015 allowance. This amount has been held static for several years now as Island Health has not been able to fully utilize the funding for minor projects/equipment and amounts have been redirected to the larger projects such as CT Scanners and Shelled-in Operating Rooms. The estimated tax cost for 2016 is \$22.87 per \$100,000, based on 2015 assessments, a minimal increase from 2015's \$22.42 cost.

2016 to 2020 Budget Forecast

The outlook for future years in Appendix A, based on currently available information about major capital projects, has been revised somewhat since the 2015 to 2019 Financial Plan was approved based on current information about capital projects. Currently the proposed increases to the tax requisition for 2016 to 2020 are estimated at 2% and debt servicing costs are estimated to increase from \$2.9 million in 2016 to \$3.5 million in 2020. The plan will require further revisions as information is received from Island Health on capital project plans. 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

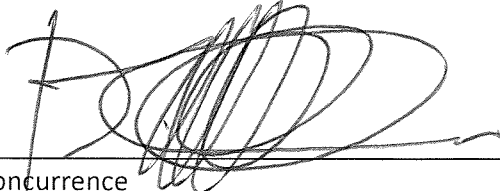
The financial impacts of alternative direction would have to be determined based on that direction.

SUMMARY/CONCLUSIONS:

Regional Hospital Districts are required to approve a provisional budget on or before December 31 each year. Staff recommend a provisional budget which raises \$6,984,190 in property tax revenues for 2016 (2% increase over 2015). The budget includes \$3.44 million for capital equipment/minor capital projects at facilities in the NRHD area; \$2.98 million for debt payments in 2016 and a \$1 million transfer to reserve for future infrastructure projects.



Report Writer



CAO Concurrence

NANAIMO REGIONAL HOSPITAL DISTRICT

BYLAW NO. 161

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 Electrical Energy Plant Redevelopment project at the Nanaimo Regional General Hospital.
2. The Board authorizes and approves the borrowing of a net sum not exceeding \$5,000,000 (Five Million 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 (Nanaimo Regional General Hospital Electrical Energy Plant Redevelopment) Borrowing Bylaw No. 161, 2015".

Introduced and read three times this day of , 2015.

Adopted this day of , 2015.

CHAIRPERSON

CORPORATE OFFICER

Schedule 'A' to accompany "Nanaimo Regional Hospital District (Nanaimo Regional General Hospital Electrical Energy Plant Redevelopment) Borrowing Bylaw No. 161, 2015"

Chairperson

Corporate Officer

SCHEDULE 'A'

Nanaimo Regional General Hospital Electrical Energy Plant Redevelopment

Total project budget	\$	12,500,000
Nanaimo Regional Hospital District funding	x	<u>40%</u>
Nanaimo Regional Hospital District share	\$	<u>5,000,000</u>

**NANAIMO REGIONAL HOSPITAL DISTRICT
BUDGET PROJECTIONS
2016 to 2020**

	2015		2016		2017		2018		2019		2020	
	Approved Budget 2.0%	Projected Actuals	Proposed Oct 2015 2.0%	Proposed Oct 2015 2.0%	Proposed Oct 2015 2.0%	Proposed Oct 2015 2.0%	Proposed Oct 2015 2.0%	Proposed Oct 2015 2.0%	Proposed Oct 2015 2.0%	Proposed Oct 2015 2.0%	Proposed Oct 2015 2.0%	Proposed Oct 2015 2.0%
Current Projection												
Revenues												
Property taxes	6,847,245	6,847,245	6,984,190	6,984,190	7,123,873	7,123,873	7,266,351	7,266,351	7,411,678	7,411,678	7,559,911	7,559,911
Grants in lieu	30,000	32,228	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000
Interest income	50,000	102,352	75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000
Other revenue		41										
Transfer from reserves	3,061,864	3,061,286	2,218,215	2,218,215	1,632,727	1,632,727	1,820,296	1,820,296	1,725,424	1,725,424	1,679,904	1,679,904
Prior year surplus applied	9,989,109	10,043,152	9,307,405	9,307,405	8,861,600	8,861,600	9,191,647	9,191,647	9,242,102	9,242,102	9,344,815	9,344,815
Expenditures												
Administration	31,400	31,300	36,400	36,400	37,856	37,856	39,370	39,370	40,945	40,945	42,583	42,583
Debt payments	2,871,180	2,871,180	2,976,577	2,976,577	2,757,452	2,757,452	3,153,787	3,153,787	3,095,207	3,095,207	3,510,958	3,510,958
Debt issue expense/temp financing	133,079	41,976	75,000	75,000	267,500	267,500	225,000	225,000	342,500	342,500	192,500	192,500
Special cash flow for Phase II												
Annual capital grants (see below)	2,144,055	2,144,055	3,444,055	3,444,055	3,478,496	3,478,496	3,548,065	3,548,065	3,583,546	3,583,546	3,655,217	3,655,217
Annual capital grant applied to major project	1,300,000	1,300,000	1,000,000	1,000,000	500,000	500,000	500,000	500,000	500,000	500,000	400,000	400,000
Surplus applied to capital projects	267,426	302,426	142,646	142,646	7,041,304	7,041,304	7,466,223	7,466,223	7,562,199	7,562,199	7,801,258	7,801,258
Reserve for Future Projects	1,134,000	1,134,000	1,000,000	1,000,000								
	7,881,140	7,824,937	7,674,678	7,674,678								
Surplus for future years' expenditures	2,107,969	2,218,215	1,632,727	1,632,727	1,820,296	1,820,296	1,725,424	1,725,424	1,679,904	1,679,904	1,543,557	1,543,557
Projected Tax Cost per \$100,000	\$ 22.42	\$ 22.42	\$ 22.87	\$ 22.87	\$ 22.87	\$ 22.87	\$ 22.87	\$ 22.87	\$ 22.87	\$ 22.87	\$ 22.87	\$ 22.87
Reserve Fund Status												
Opening Balance	1,245,000	1,245,000	2,379,000	2,379,000	3,379,000	3,379,000	3,879,000	3,879,000	4,379,000	4,379,000	4,879,000	4,879,000
Applied to budget												
New contribution	1,134,000	1,134,000	1,000,000	1,000,000	500,000	500,000	500,000	500,000	500,000	500,000	400,000	400,000
Balance available	2,379,000	2,379,000	3,379,000	3,379,000	3,879,000	3,879,000	4,379,000	4,379,000	4,879,000	4,879,000	5,279,000	5,279,000