

**NANAIMO REGIONAL HOSPITAL DISTRICT BOARD MEETING
AGENDA**

Tuesday, December 8, 2020

1:00 P.M.

Board Chambers

This meeting will be recorded

Pages

1. CALL TO ORDER
2. APPROVAL OF THE AGENDA
3. ADOPTION OF MINUTES
 - 3.1. Nanaimo Regional Hospital District Board Meeting - November 10, 2020 2

(All Directors - One Vote)

That the minutes of the Nanaimo Regional Hospital District Board meeting held November 10, 2020, be adopted.
4. DELEGATIONS
5. CORRESPONDENCE
6. REPORTS
 - 6.1. Nanaimo Regional Hospital District 2021 Provisional Budget 4

Chris Sullivan, Vancouver Island Health Authority, and Kevin Daniel, Vancouver Island Health Authority, are present to answer any questions

(All Directors - Weighted Vote)

 1. That the 2021 Nanaimo Regional Hospital District provisional budget be approved (*Alternative 3*).

(All Directors - One Vote)

 2. That the 2021 to 2025 five-year projections be received for information (*Alternative 3*).
7. NEW BUSINESS
8. ADJOURNMENT

MINUTES OF THE NANAIMO REGIONAL HOSPITAL DISTRICT BOARD MEETING

Tuesday, November 10, 2020

3:12 P.M.

Board Chambers

In Attendance:	Director I. W. Thorpe	Chair
	Director V. Craig	Vice Chair (joined electronically)
	Director K. Wilson	Electoral Area A (joined electronically)
	Director M. Young	Electoral Area C (joined electronically)
	Director B. Rogers	Electoral Area E (joined electronically)
	Director L. Salter	Electoral Area F
	Director L. Wallace	Electoral Area G (joined electronically)
	Director S. McLean	Electoral Area H (joined electronically)
	Director L. Krog	City of Nanaimo (joined electronically)
	Director S. Armstrong	City of Nanaimo
	Director D. Bonner	City of Nanaimo (joined electronically)
	Director T. Brown	City of Nanaimo (joined electronically)
	Director B. Geselbracht	City of Nanaimo (joined electronically)
	Director E. Hemmens	City of Nanaimo (joined electronically)
	Director J. Turley	City of Nanaimo
	Director E. Mayne	City of Parksville (joined electronically)
	Director A. Fras	City of Parksville (joined electronically)
	Director M. Swain	District of Lantzville (joined electronically)
	Director B. Wiese	Town of Qualicum Beach (joined electronically)
Also in Attendance:	P. Carlyle	Chief Administrative Officer
	R. Alexander	Gen. Mgr. Regional & Community Utilities (joined electronically)
	G. Garbutt	Gen. Mgr. Strategic & Community Development
	T. Osborne	Gen. Mgr. Recreation & Parks (joined electronically)
	D. Pearce	Gen. Mgr. Transportation & Emergency Services (joined electronically)
	D. Wells	Gen. Mgr. Corporate Services
	J. Hill	Mgr. Legislative Services
	G. Smith	Legislative Coordinator
	C. Jefferies	Recording Secretary

CALL TO ORDER

The Chair called the meeting to order and respectfully acknowledged the Coast Salish Nations on whose traditional territory the meeting took place.

APPROVAL OF THE AGENDA

It was moved and seconded that the agenda be approved.

CARRIED UNANIMOUSLY

IN CAMERA

It was moved and seconded that pursuant to the following sections of the *Community Charter* the Board proceed to an In Camera meeting:

- 90(1)(e) the acquisition, disposition or expropriation of land or improvements, if the council considers that disclosure could reasonably be expected to harm the interests of the municipality;
- 90(1)(j) information that is prohibited, or information that if it were presented in a document would be prohibited, from disclosure under section 21 of the *Freedom of Information and Protection of Privacy Act*;
- 90(1)(k) negotiations and related discussions respecting the proposed provision of a municipal service that are at their preliminary stages and that, in the view of the council, could reasonably be expected to harm the interests of the municipality if they were held in public;
- 90(1)(m) a matter that, under another enactment, is such that the public may be excluded from the meeting; and
- 90(1)(o) the consideration of whether the authority under section 91 [other persons attending closed meetings] should be exercised in relation to a council meeting.

CARRIED UNANIMOUSLY

TIME: 3:13 PM

ADJOURNMENT

It was moved and seconded that the meeting be adjourned.

CARRIED UNANIMOUSLY

TIME: 5:04 PM

CHAIR

CORPORATE OFFICER

TO: Nanaimo Regional Hospital District Board **MEETING:** December 8, 2020

FROM: Jeannie Bradburne
Director of Finance **FILE:** 1700-05

SUBJECT: Nanaimo Regional Hospital District 2021 Provisional Budget

RECOMMENDATIONS

1. That the 2021 Regional Hospital District provisional budget be approved (*Alternative 3*).
2. That the 2021 to 2025 five-year projections be received for information (*Alternative 3*).

SUMMARY

Regional Hospital Districts provide annual capital funding to health authorities in support of local health care facilities under the *Hospital District Act*. For the Nanaimo Regional Hospital District (NRHD), the funding is a combination of both annual minor capital grants for equipment and projects funded through a tax requisition as well as major capital project support, which is funded through borrowing. Hospital Districts are required to approve a provisional budget on or before December 31 each year.

In November 2020, Island Health provided information regarding their long term capital plan (Attachment 1), which includes \$2.6 billion of capital projects through to 2035. Previously, Island Health had only provided information on their plan for a new patient tower with a previously estimated budget of \$450 million and projected start date of 2030. In order to be able to accommodate Island Health's current capital plan, large requisition increases will be required over the coming years.

The NRHD 2021 Provisional Budget (Attachment 4) raises \$24,708,498 in property tax revenues for 2021. The budget includes \$3,583,195 million for capital equipment and minor capital projects at facilities in the Nanaimo Regional Hospital District area; \$4,209,957 million for debt payments and issue expenses in 2021 and a \$17,651,458 million transfer to reserve for future infrastructure projects such as a patient tower at the Nanaimo Regional General Hospital (NRGH).

Island Health have indicated the following capital projects for 2021: Long-term care beds for \$122,000,000; SPECT CT- Siemens E-can dual Head for \$2,680,000; ihealth/electronic health record bridging plan for \$3,000,000; and a chemotherapy clinic/pharmacy expansion for \$3,000,000. An official funding request has not been received for any of these projects at this time.

BACKGROUND

The *Hospital District Act*¹ requires Regional Hospital Districts to pass preliminary budgets by December 31 each year. The NRHD provides 40% funding for capital equipment and capital projects for local health facilities, and the Province, through Island Health, provides the remaining 60% of the capital funding.

During the development of the current 2020 NRHD Financial Plan, Island Health advised that the new patient tower, with a projected start date of 2030, would cost an estimated \$450 million. The NRHD portion, based on 40% funding, would be approximately \$180 million. No other major capital projects were identified. A 4% annual increase was incorporated into the NRHD's Financial Plan to gradually build up a reserve fund to be used to reduce the NRHD need to borrow for the patient tower, and to prevent a sharp spike in taxation when the debt is acquired.

The NRHD Board requested additional information on Island Health's long term capital plans for the NRHD and in November 2020, Island Health provided a long-term capital plan (Attachment 1). The plan proposed \$2.6 billion of capital funding through to 2035. Island Health also states that these amounts are based on today's dollars and not adjusted for projected inflation and thus, the costs will continue to rise over time. The NRHD's portion at 40% would be \$1.0 billion in today's dollars. Inclusion of these projects in the Financial Plan will result in significant increases to the NRHD requisition. Included in Island Health's capital plan is a new request for a \$122 million long-term care beds project to commence in 2021, subject to Provincial approval. At the time of this report, an official funding request for this project has not been received. Once an official funding request is received, a borrowing bylaw will be prepared and presented to the Board for consideration.

Table 1 sets out the estimated cost for each project if the NRHD's share is borrowed. Borrowing for hospital district infrastructure is normal practice, and there is no legislated limit to the amount a hospital district can borrow. The impact of using a 20-year borrowing term and an estimated 3% interest rate has been shown below with borrowing estimated to occur in the year indicated. A borrowing term may be up to 30 years in length and is not set until the borrowing bylaw for each project is approved. Table 1 excludes debt issuance costs and interim financing costs. Further, it is based on the year indicated by Island Health and has not been adjusted for further inflationary adjustments based on the length of time to construct. Inflation has been estimated at 2%. Any variation from these assumptions or estimates used or updates to the estimated budget and start dates from Island Health will impact the estimated cost.

The reserve currently has \$12.2 million, and this could be used to reduce borrowing required. Increasing the reserve will reduce the amount required to be borrowed on future capital projects, thereby reducing future tax rates.

¹ Section 23 of the Hospital District Act and Section 1 of B.C. Reg 406-82 Hospital District Act Regulation

Table 1: Estimated Cost per Project

Project Name	Year	Total Project Budget	Inflation Adjusted Cost (NRHD's 40%)	Estimated Annual Cost of Borrowing	Estimated Borrowing Cost per \$100k Assessed
Long-term Care Beds	2021	122,000,000	49,776,000	3,593,390	\$7.68
NEW ITEM - SPECT CT-Siemens E-can dual Head	2021	2,680,000	1,093,440	78,937	\$0.17
Ihealth/Electronic Health Record Bridging Plan	2021	3,000,000	1,224,000	88,362	\$0.19
Chemotherapy Clinic/Pharmacy Expansion	2021	3,000,000	1,224,000	88,362	\$0.19
Hip and Knee Centre	2022	2,000,000	832,320	60,086	\$0.13
Fluoro X-Ray - Toshiba Ultimix*	2022	1,150,000	478,584	34,550	\$0.07
High Acuity Unit (Tertiary Service Requirement)	2023	15,000,000	6,367,248	459,659	\$0.98
Human Resources Information System	2023	2,000,000	848,966	61,288	\$0.13
Medical Imaging Equipment Replacement	2024	6,000,000	2,597,837	187,541	\$0.40
Fetal Monitors Replacement*	2024	1,000,000	432,973	31,257	\$0.07
Lab Analyzers Replacement*	2025	1,000,000	441,632	31,882	\$0.07
Patient Tower Replacement	2026	1,050,000,000	472,988,216	34,145,599	\$72.99
Catheterization Lab (Tertiary Service Requirement)	2027	10,000,000	4,594,743	331,700	\$0.71
Cancer Centre (Tertiary Service Requirement)	2027	500,000,000	229,737,134	16,585,005	\$35.45
Trillium Lodge Replacement	2030	30,000,000	14,627,933	1,056,008	\$2.26
Eagle Park Lodge Replacement	2031	30,000,000	14,920,492	1,077,129	\$2.30
Rehabilitation Wing Replacement	2032	200,000,000	101,459,344	7,324,474	\$15.66
Ambulatory Building Replacement	2033	100,000,000	51,744,265	3,735,482	\$7.99
Parking Garage	2026	20,000,000	9,009,299	650,392	\$1.39
Phase 1 Replacement (Diagnostic/Medical Imaging Area)	2035	500,000,000	269,173,668	19,431,977	\$41.54
Total					\$190.37

*These projects will be funded by the Annual Capital Grant provided by the RDN as they are below \$1.5M in value.

Should all of the projects included in Table 1 be approved and entirely funded by debt, the annual cost of the long-term debt payments alone will be \$190.37 per \$100,000 assessed. By increasing the tax requisition early on, additional funds can be set aside in the reserve and used to fund a portion of these capital projects, thereby reducing the amount of debt needed, and

lowering the future tax requisition required. The proposed 2021 tax requisition of \$50.00 per \$100,000 assessed will allow \$17,651,458 to be placed in reserves for the year. Additional tax increases will be required in future years in order to fund Island Health's capital requests; however, the tax rate in the future will be lower than if a more modest tax rate is set for 2021.

The NRHD's requisition is quite low compared to other neighbouring hospital districts as illustrated in the table below.

Regional Hospital District	2020 rate per \$100,000 Assessed
Nanaimo	\$16.13
Cowichan	\$51.95
Comox	\$54.14

The Cowichan Valley Regional Hospital District increased their requisition by \$1 million per year until the amount going into their reserve was \$10 million per year. They used those funds to reduce the amount of long term debt required to bring their annual debt payments for their new hospital to approximately \$10 million per year. The Comox Valley Regional Hospital District increased their annual requisition to \$17 million per year to increase their reserve contributions. They used the reserve funds to reduce the amount of long term debt required to bring their annual debt payments for their new hospitals to approximately \$11 million per year. The estimated cost for the new NRGH patient tower greatly exceeds the cost of the new hospitals in the Cowichan and Comox Valley.

The major components of the NRHD provisional budget shown in Attachment 4 are long-term debt costs for past and current projects including issue expense (\$4,209,957), an annual allowance to support smaller operational capital equipment and projects (\$3,583,195), and a transfer to reserve for future major capital projects (\$17,651,458). The large transfer to reserve will be used to reduce the borrowing required for the new patient tower, thereby reducing the requisition required in future years. Island Health will provide their formal annual minor capital equipment/project grant information on February 23, 2021 and a revised budget will be presented.

The current outstanding debt balance for the NRHD is \$26.6 million with retirement dates ranging from 2021 to 2040. Previous projects funded by this debt include the Oceanside Health Centre in Parksville and the Emergency Room, Cancer Clinic/Pharmacy renovations, Electrical Energy Plan, prior and current MRI replacement, Thermal Energy Centre, and Electrical Energy Plan Upgrades at the Nanaimo Regional General Hospital.

Island Health have indicated the following capital projects for 2021: Long-term care beds for \$122,000,000; SPECT CT- Siemens E-can dual Head for \$2,680,000; ihealth/electronic health record bridging plan for \$3,000,000; and a chemotherapy clinic/pharmacy expansion for \$3,000,000. An official funding request has not been received for any of these projects at this time.

It is recommended that the 2021 provisional budget be approved with an increase to the requisition equal to \$50.00 per \$100,000 of assessed value in response to Island Health's requests, which includes the NRHD funding \$48.8 million for long-term care beds in 2021. Two alternatives have been included for the Board's consideration, which would see the requisition

for 2021 set to \$21.15 per \$100,000 of assessed value or \$35.00 per \$100,000 of assessed value. The lower initial requisition will necessitate a higher requisition in the future.

ALTERNATIVES

Please refer to the Financial Implications section for alternative recommendations.

FINANCIAL IMPLICATIONS

In order to accommodate the request from Island Health, it is recommended that the tax requisition per \$100,000 assessed be increased to \$50.00 for 2021. Alternative recommendations are addressed below.

Alternative 1

An increase to \$21.15 per \$100,000 assessed, which amounts to \$26.84 per average home valued at \$536,863. This brings the total amount paid per average home to \$113.52 for 2021. This option will result in higher increases required in future years.

Alternative 2

An increase to \$35.00 per \$100,000 assessed, which amounts to \$101.22 per average home valued at \$536,863. This brings the total amount paid per average home to \$187.90. This will result in more moderate increases in future years.

Alternative 3 (recommended)

An increase to \$50.00 per \$100,000 assessed, which amounts to \$181.75 per average home valued at \$536,863. This brings the total amount paid per average home to \$268.43. This option will result in the lowest rates in future years.



Jeannie Bradburne
jbradburne@rdn.bc.ca
November 26, 2020

Reviewed by:

- D. Wells, General Manager, Corporate Services
- P. Carlyle, Chief Administrative Officer

Attachments:

1. Island Health's Draft Ten Year Capital Plan for NHRD
2. Nanaimo Regional Hospital District 2021 Provisional Budget (Alternative 1)
3. Nanaimo Regional Hospital District 2021 Provisional Budget (Alternative 2)
4. Nanaimo Regional Hospital District 2021 Provisional Budget (Alternative 3)

**NANAIMO REGIONAL HOSPITAL DISTRICT
REVISED BUDGET
2021-2025**

ATTACHMENT 2

	2020 Approved Budget 3.0%	2020 Projected Actuals	2021 Revised Budget 32.9%	2022 Proposed Budget 49.5%	2023 Proposed Budget 34.1%	2024 Proposed Budget 26.2%	2025 Proposed Budget 21.3%
Revenues							
Property taxes	7,860,766	7,860,766	10,449,527	15,622,095	20,947,489	26,429,130	32,070,507
Grants in lieu	30,000	30,996	30,000	30,000	30,000	30,000	30,000
Interest income	150,000	585,000	183,165	234,052	327,581	478,920	687,321
Prior year surplus applied	422,448	422,448	647,947	0	0	0	0
	8,463,214	8,899,210	11,310,639	15,886,147	21,305,070	26,938,050	32,787,828
Expenditures							
Administration expense	108,400	108,400	125,000	128,800	132,700	136,700	140,800
Debenture debt	2,943,781	2,822,000	3,804,620	5,220,318	6,689,146	8,346,994	9,131,981
Debt issue expense/temp financing	165,397	75,227	405,337	646,898	665,988	758,460	358,539
Annual capital grants	1,422,318	1,422,318	3,583,195	3,654,859	3,727,956	3,802,515	3,878,565
Surplus applied to major capital projects	3,088,850	3,088,850					
Reserve account contributions	734,468	734,468	3,392,487	6,235,272	10,089,280	13,893,381	19,277,943
	8,463,214	8,251,263	11,310,639	15,886,147	21,305,070	26,938,050	32,787,828
Surplus for future years' expenditures	-	647,947	(0)	(0)	(0)	0	(0)
Assessment Basis / % Growth	Revised roll 2020	Revised roll 2020	1.50%	1.50%	1.50%	1.50%	1.50%
Total assessments	48,686,695,561	48,686,695,561	49,416,995,994	50,158,250,934	50,910,624,698	51,674,284,069	52,449,398,330
Rate per thousand	0.1615	0.1615	0.2115	0.3115	0.4115	0.5115	0.6115
Projected Tax Cost per \$100,000	\$ 16.15	\$ 16.15	\$ 21.15	\$ 31.15	\$ 41.15	\$ 51.15	\$ 61.15
Estimated Cost per Avg Home	\$ 86.68	\$ 86.68	\$ 113.52	\$ 167.21	\$ 220.90	\$ 274.58	\$ 328.27
Non-Statutory Reserve Account Balance							
Opening Balance	11,476,499	11,476,499	12,210,967	15,603,454	21,838,726	31,928,006	45,821,387
Transfer from reserve account				0	0	0	0
Transfer to reserve account	734,468	734,468	3,392,487	6,235,272	10,089,280	13,893,381	19,277,943
Closing Balance	12,210,967	12,210,967	15,603,454	21,838,726	31,928,006	45,821,387	65,099,330

**NANAIMO REGIONAL HOSPITAL DISTRICT
REVISED BUDGET
2021-2025**

ATTACHMENT 3

	2020 Approved Budget 3.0%	2020 Projected Actuals	2021 Revised Budget 120.0%	2022 Proposed Budget 45.0%	2023 Proposed Budget 21.8%	2024 Proposed Budget 18.4%	2025 Proposed Budget 6.0%
Revenues							
Property taxes	7,860,766	7,860,766	17,295,949	25,079,125	30,546,375	36,171,999	38,342,319
Grants in lieu	30,000	30,996	30,000	30,000	30,000	30,000	30,000
Interest income	150,000	585,000	183,165	336,748	573,673	872,687	1,233,137
Prior year surplus applied	422,448	422,448	647,947	0	0	0	0
	8,463,214	8,899,210	18,157,060	25,445,874	31,150,048	37,074,685	39,605,456
Expenditures							
Administration expense	108,400	108,400	125,000	128,800	132,700	136,700	140,800
Debenture debt	2,943,781	2,822,000	3,804,620	5,220,318	6,689,146	8,346,994	9,131,981
Debt issue expense/temp financing	165,397	75,227	405,337	646,898	665,988	758,460	358,539
Annual capital grants	1,422,318	1,422,318	3,583,195	3,654,859	3,727,956	3,802,515	3,878,565
Surplus applied to major capital projects	3,088,850	3,088,850					
Reserve account contributions	734,468	734,468	10,238,908	15,794,999	19,934,258	24,030,016	26,095,571
	8,463,214	8,251,263	18,157,060	25,445,874	31,150,048	37,074,685	39,605,456
Surplus for future years' expenditures	-	647,947	0	(0)	(0)	0	0
Assessment Basis / % Growth	Revised roll 2020	Revised roll 2020	1.50%	1.50%	1.50%	1.50%	1.50%
Total assessments	48,686,695,561	48,686,695,561	49,416,995,994	50,158,250,934	50,910,624,698	51,674,284,069	52,449,398,330
Rate per thousand	0.1615	0.1615	0.3500	0.5000	0.6000	0.7000	0.7310
Projected Tax Cost per \$100,000	\$ 16.15	\$ 16.15	\$ 35.00	\$ 50.00	\$ 60.00	\$ 70.00	\$ 73.10
Estimated Cost per Avg Home	\$ 86.68	\$ 86.68	\$ 187.90	\$ 268.43	\$ 322.12	\$ 375.80	\$ 392.47
Non-Statutory Reserve Account Balance							
Opening Balance	11,476,499	11,476,499	12,210,967	22,449,875	38,244,874	58,179,132	82,209,148
Transfer from reserve account				0	0	0	0
Transfer to reserve account	734,468	734,468	10,238,908	15,794,999	19,934,258	24,030,016	26,095,571
Closing Balance	12,210,967	12,210,967	22,449,875	38,244,874	58,179,132	82,209,148	108,304,719

**NANAIMO REGIONAL HOSPITAL DISTRICT
REVISED BUDGET
2021-2025**

ATTACHMENT 4

	2020 Approved Budget 3.0%	2020 Projected Actuals	2021 Revised Budget 214.3%	2022 Proposed Budget 11.7%	2023 Proposed Budget 10.7%	2024 Proposed Budget 10.0%	2025 Proposed Budget 9.3%
Revenues							
Property taxes	7,860,766	7,860,766	24,708,498	27,587,038	30,546,375	33,588,285	36,714,579
Grants in lieu	30,000	30,996	30,000	30,000	30,000	30,000	30,000
Interest income	150,000	585,000	183,165	447,936	724,148	1,025,419	1,349,404
Prior year surplus applied	422,448	422,448	647,947	0	0	0	0
	8,463,214	8,899,210	25,569,610	28,064,974	31,300,523	34,643,703	38,093,983
Expenditures							
Administration expense	108,400	108,400	4,209,957	128,800	132,700	136,700	140,800
Debt issue expense/temp financing	2,943,781	2,822,000	125,000	5,220,318	6,689,146	8,346,994	9,131,981
Annual capital grants	165,397	75,227	3,804,620	646,898	665,988	758,460	358,539
Surplus applied to major capital projects	1,422,318	1,422,318	405,337	3,654,859	3,727,956	3,802,515	3,878,565
Reserve account contributions	3,088,850	3,088,850	3,583,195	18,414,099	20,084,733	21,599,034	24,584,098
	8,463,214	8,251,263	25,569,610	28,064,974	31,300,523	34,643,703	38,093,983
Surplus for future years' expenditures	-	647,947	(0)	(0)	(0)	0	0
Assessment Basis / % Growth	Revised roll 2020	Revised roll 2020	1.50%	1.50%	1.50%	1.50%	1.50%
Total assessments	48,686,695,561	48,686,695,561	49,416,995,994	50,158,250,934	50,910,624,698	51,674,284,069	52,449,398,330
Rate per thousand	0.1615	0.1615	0.5000	0.5500	0.6000	0.6500	0.7000
Projected Tax Cost per \$100,000	\$ 16.15	\$ 16.15	\$ 50.00	\$ 55.00	\$ 60.00	\$ 65.00	\$ 70.00
Estimated Cost per Avg Home	\$ 86.68	\$ 86.68	\$ 268.43	\$ 295.27	\$ 322.12	\$ 348.96	\$ 375.80
Non-Statutory Reserve Account Balance							
Opening Balance	11,476,499	11,476,499	12,210,967	29,862,425	48,276,524	68,361,257	89,960,291
Transfer from reserve account				0	0	0	0
Transfer to reserve account	734,468	734,468	17,651,458	18,414,099	20,084,733	21,599,034	24,584,098
Closing Balance	12,210,967	12,210,967	29,862,425	48,276,524	68,361,257	89,960,291	114,544,389