

**NANAIMO REGIONAL HOSPITAL DISTRICT SELECT COMMITTEE
AGENDA**

Tuesday, February 26, 2019

5:00 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 Select Committee Meeting - February 27, 2018	3
That the minutes of the Nanaimo Regional Hospital District Select Committee meeting held February 27, 2018, be adopted.	
4. DELEGATIONS	
4.1 Kevin Daniel, Manager, Capital Planning and Leasing, and Chris Sullivan, Director, Capital Planning, Island Health	
5. CORRESPONDENCE	
That the following correspondence be received for information:	
5.1 Nanaimo Regional Hospital District Audit Service Plan - Year Ending December 31, 2018	5
6. REPORTS	
6.1 Nanaimo Regional Hospital District 2019 Revised Budget	14
1. That "Nanaimo Regional Hospital District 2019 Annual Budget Bylaw No. 168, 2019" be introduced and read three times.	
2. That "Nanaimo Regional Hospital District 2019 Annual Budget Bylaw No. 168, 2019" be adopted.	
7. BUSINESS ARISING FROM DELEGATIONS	

8. NEW BUSINESS

9. ADJOURNMENT

MINUTES OF THE NANAIMO REGIONAL HOSPITAL DISTRICT SELECT COMMITTEE MEETING

Tuesday, February 27, 2018

5:03 P.M.

RDN Board Chambers

In Attendance:	Director I. Thorpe	City of Nanaimo
	Director A. McPherson	Electoral Area A
	Director J. Stanhope	Electoral Area G
	Director T. Westbroek	Town of Qualicum Beach
	Director B. Bestwick	City of Nanaimo
Regrets:	Director M. Lefebvre	City of Parksville
Also in Attendance:	B. Colclough	District of Lantzville
	K. Oates	City of Parksville
	H. Houle	Electoral Area B
	P. Carlyle	Chief Administrative Officer
	W. Idema	Acting Gen. Mgr. Corporate Services
	T. Moore	Mgr. Accounting Services
	B. Ritter	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 as presented.

CARRIED UNANIMOUSLY

ADOPTION OF MINUTES

Nanaimo Regional Hospital District Select Committee Meeting - February 28, 2017

It was moved and seconded that minutes of the Nanaimo Regional Hospital District Select Committee meeting held February 28, 2017, be adopted.

CARRIED UNANIMOUSLY

DELEGATIONS

Chris Sullivan - Director Capital Planning, Kevin Daniel - Manager Capital Planning, Dr. Drew Digney - Executive Medical Director, Deanna Fourt - Director of Energy Efficiency & Conservation, Island Health

Staff from Island Health provided a presentation on 2018-2019 Capital Projects and also on current projects in progress, and answered questions from the Board.

It was moved and seconded that the delegation be received.

CARRIED UNANIMOUSLY

REPORTS

Nanaimo Regional Hospital District 2018 Revised Budget

It was moved and seconded that “Nanaimo Regional Hospital District 2018 Annual Budget Bylaw No. 164, 2018” be introduced and read three times.

CARRIED UNANIMOUSLY

It was moved and seconded that “Nanaimo Regional Hospital District 2018 Annual Budget Bylaw No. 164, 2018” be adopted.

CARRIED UNANIMOUSLY

It was moved and seconded that staff be directed to work with Island Health to develop a proposed 20 year capital program with related funding estimates in order to prepare a long-term budget forecast for the Nanaimo Regional Hospital District.

CARRIED UNANIMOUSLY

ADJOURNMENT

It was moved and seconded that the meeting be adjourned.

CARRIED UNANIMOUSLY

TIME: 5:59 PM

CHAIR

CORPORATE OFFICER

Nanaimo Regional Hospital District
Audit Service Plan
Year Ending December 31, 2018
For presentation at the Board of Directors Meeting

CONTENTS

AUDIT OBJECTIVES AND RESPONSIBILITIES.....	1
AUDITORS' RESPONSIBILITIES.....	1
MANAGEMENT'S RESPONSIBILITIES.....	1
BOARD OF DIRECTORS RESPONSIBILITIES.....	2
OVERALL AUDIT STRATEGY.....	2
YOUR NEEDS AND EXPECTATIONS AND THE PLANNED MNP RESPONSE.....	3
TIMING OF THE AUDIT.....	3
AUDIT TEAM.....	3
FEEES AND ASSUMPTIONS.....	4
KEY CHANGES AND DEVELOPMENTS.....	4
NEW AND PROPOSED REPORTING DEVELOPMENTS.....	4
NEW AND PROPOSED ASSURANCE DEVELOPMENTS.....	6
AUDITOR INDEPENDENCE.....	7
CONFIRMATION OF INDEPENDENCE.....	7

December 7, 2018

Members of the Board of Directors

Dear Members of the Board:

We are pleased to continue our appointment as auditors of Nanaimo Regional Hospital District (the "Hospital District").

This summary Audit Service Plan is for the use of MNP LLP ("MNP"), the Hospital District's Board of Directors, and members of the Hospital District's management and staff, and is designed to document the overall approach and the general arrangements for the conduct of our fiscal year audit.

The plan should assist the Board of Directors and management in understanding the approach to the year audit.

AUDIT OBJECTIVES AND RESPONSIBILITIES

Our objective and responsibility as auditors of the Hospital District is to report to the Board whether the annual financial statements present fairly, in all material respects, the financial position of the Hospital District and its results of operations and cash flows, in accordance with Canadian public sector accounting standards.

AUDITORS' RESPONSIBILITIES

Our audit is designed to provide reasonable, but not absolute, assurance. The audit process involves testing only selected data and is subject to the limitation that material misstatements, fraud, or non-compliance with laws and regulations may not be detected. This results from the limitations inherent to internal control, including faulty human judgment in decision-making, human error and the possibility of management override or collusion, especially where fraud is perpetrated by management, where collusion or forgery are employed, or where controls are not effective. In addition, the work performed by auditors requires significant judgment regarding the gathering of evidence and the drawing of conclusions based on the audit evidence acquired; most audit evidence acquired is persuasive rather than conclusive. We will inform you of any such items discovered during our audit; however, our concern is with material misstatements, and thus, we are not responsible for the detection of misstatements that are not material to the financial statements taken as a whole.

We will consider the Hospital District's internal control as part of the financial statement audit. This includes obtaining an understanding of the internal control activities and any effect they may have on the audit regardless of whether they are relevant to the audit; evaluating the design of those controls; and determining whether they have been implemented. This understanding is sufficient to allow us to identify and assess the risks of material misstatement of the financial statements and to design and perform audit procedures. We are not, however, required to determine whether relevant controls are operating effectively, and as such, our understanding of internal controls should not be relied upon for any other purposes.

MANAGEMENT'S RESPONSIBILITIES

Management is responsible for the preparation and fair presentation of the financial statements and notes, including the initial selection of and changes to significant estimates and accounting policies, in accordance with Canadian public sector accounting standards. This responsibility includes creating and maintaining policies, financial reporting systems and controls, including those designed to prevent and detect fraud and misstatement, and, ensuring regulatory compliance. Management is required to provide an adequate description of their selected applicable financial reporting framework on which the financial statements are based.

During the course of our audit, management will be required to provide and make available complete information that is relevant to the preparation and presentation of the financial statements, including financial records and related data, and copies of all minutes of meetings of directors and committees of directors. As well, information relating to any known or probable instances of non-compliance with legislative or regulatory requirements (including financial reporting requirements), illegal or possibly illegal acts and all related parties and related party transactions will need to be provided. Management will be required to allow access to those within the entity from whom the auditor determines it necessary to obtain audit evidence.

In accordance with Canadian generally accepted auditing standards, we will request a letter of representation from management at the close of our examination in order to confirm oral representations given to us and reduce the possibility of misunderstanding concerning matters that are the subject of the representations. Specifically, we will request written confirmation of significant representations provided on matters that are directly related to items that are material, either individually or in the aggregate, to the financial statements; not directly related to items that are material to the financial statements, but are significant, either individually or in the aggregate, to the engagement; and matters relevant to judgments or estimates that are material, either individually or in the aggregate, to the financial statements. These representations are used as evidence to assist us in deriving reasonable conclusions upon which our audit opinion is based.

BOARD OF DIRECTORS RESPONSIBILITIES

The Board of Directors is responsible for approval of the financial statements and Hospital District policies, and for monitoring management's performance. The Board of Directors should consider the potential for management override of controls or other inappropriate influences, such as earnings management, over the financial reporting process. The Board of Directors, together with management, is also responsible for the integrity of the accounting and financial reporting systems, including controls to prevent and detect fraud and misstatement, and to monitor compliance with relevant laws and regulations.

Effective discharge of these respective responsibilities is directed toward a common duty to provide appropriate and adequate financial accountability, and quality financial disclosure.

OVERALL AUDIT STRATEGY

Our overall audit strategy is risk-based and controls-oriented. Identification and assessment of risks having a potential impact on the financial accounting systems and consequent financial reporting is performed continuously throughout the audit process.

Our overall audit strategy does not, and is not intended to, involve the authentication of documents, nor are our team members trained or expected to be experts in such authentication. Unless we have reason to believe otherwise, we accept records and documents as genuine. The subsequent discovery of a material misstatement resulting from fraud does not, in and of itself, indicate a failure to comply with Canadian generally accepted auditing standards.

We will identify and assess the risk of material misstatement within the financial statements by updating our understanding of the entity and its environment, including examining and assessing controls and systems, the evidence supporting amounts and disclosures in the statements, and the appropriateness of accounting principles and significant estimates. This will be accomplished through inquiries with management and others within the entity, analytical procedures, and observation and inspection. Further, we will consider whether effective controls have been established to adequately respond to the risks arising from the use of IT or manual systems. Our review of the Hospital District's controls will not be sufficient to express an opinion as to their effectiveness or efficiency.

For the year audit, we are planning to place no reliance on the Hospital District's accounting systems, which is consistent with the prior year. Our audit work will involve mainly substantive tests of transactions and balances.

Substantive work may be reduced if tested controls are effective for some, or all, of the current year.

Based on the preliminary risk assessment procedures performed, we have identified the following significant risks which will be addressed during our audit. We have also outlined the proposed audit response to address those risks. We will update our risk assessment as the audit progresses for additional risks identified and will inform management of any additional significant risks identified.

Materiality, determined according to our professional judgment, will be used to assess the significance of identified misstatements or omissions, and to determine the level of audit testing carried out. Specifically, a misstatement or the aggregate of all misstatements in the financial statements is considered to be material, if it is probable that the decision of the party relying on the financial statements, who has a reasonable understanding of business and economic activities, will be changed or influenced by such a misstatement or the aggregate of all misstatements.

We propose to use \$275,000 as overall materiality for audit planning purposes.

YOUR NEEDS AND EXPECTATIONS AND THE PLANNED MNP RESPONSE

To fulfill our commitment to provide you with the highest level of professional service, we will:

- Inform you of any new or proposed accounting and auditing pronouncements relevant to your financial reporting, so that we can plan for their effect and assist in their implementation.
- Communicate relevant matters to the Board of Directors, including our Audit Service Plan and Audit Findings.
- Provide ongoing business, taxation, and accounting and financial reporting advice, and assist management as requested, when transactions or issues arise.
- Opine on the fair presentation of the audited financial statements to be issued.
- Provide our recommendations with regard to controls and administrative efficiencies.

TIMING OF THE AUDIT

Based on the audit planning performed and areas of audit risks identified, the following timelines for key deliverables have been discussed and agreed upon with management:

KEY DELIVERABLE	EXPECTED DATE
Year-end fieldwork procedures	April 8, 2019 to April 12, 2019
Draft year-end financial statements to be discussed with management	Early May 2019
Presentation of December 31, 2018 Audit Findings Report to the the Board of Directors	Early May 2019
Presentation of Management Letter to the the Board of Directors	Early May 2019
Issuance of Independent Auditors' Report	Early May 2019

AUDIT TEAM

In order to ensure effective communication between the Board of Directors and MNP, we outline below the key members of our audit team that will be responsible for the audit of Nanaimo Regional Hospital District and the role they will play:

NAME	POSITION
Cory Vanderhorst, CPA, CA	Engagement Partner
Brad Piercy, CPA, CA	Concurring Partner
Janna Olynyk, CPA, CA	Engagement Manager
Mike Bonkowski, CPA, CA	Audit Senior

In order to serve you better and meet our professional responsibilities, we may find it necessary to expand our audit team to include other MNP professionals whose consultation will assist us to evaluate and resolve complex, difficult and/or contentious matters identified during the course of our audit.

Any changes to the audit team will be discussed with you to ensure a seamless process and that all concerned parties' needs are met.

FEES AND ASSUMPTIONS

Our estimated audit fee for the year ended December 31, 2018, exclusive of applicable taxes and disbursements, is \$4,150.

KEY CHANGES AND DEVELOPMENTS

We would like to bring to your attention the following accounting and auditing developments, which may have some impact on your financial reporting.

NEW AND PROPOSED REPORTING DEVELOPMENTS

PS 2200 Related Party Disclosures (New)

In March 2015, the Public Sector Accounting Board (PSAB) issued a new standard, *PS 2200 Related Party Disclosures*.

This new Section defines a related party and established disclosures required for related party transactions. Disclosure of information about related party transactions and the relationship underlying them is required when they have occurred at a value different from that which would have been arrived at if the parties were unrelated, and they have, or could have, a material financial effect on the financial statements.

This Section is effective for fiscal years beginning on or after April 1, 2017. Early adoption is permitted.

PS 3210 Assets (New)

In June 2015, new *PS 3210 Assets* was included in the CPA Canada Public Sector Accounting Handbook (PSA HB). The new Section provides guidance for applying the definition of assets set out in *PS 1000 Financial Statement Concepts*. The main features of this standard are as follows:

- Assets are defined as economic resources controlled by a government as a result of past transactions or events and from which future economic benefits are expected to be obtained.
- Economic resources can arise from such events as agreements, contracts, other government's legislation, the government's own legislation, and voluntary contributions.

- The public is often the beneficiary of goods and services provided by a public sector entity. Such assets benefit public sector entities as they assist in achieving the entity's primary objective of providing public goods and services.
- A public sector entity's ability to regulate an economic resource does not, in and of itself, constitute control of an asset, if the interest extends only to the regulatory use of the economic resource and does not include the ability to control access to future economic benefits.
- A public sector entity acting as a trustee on behalf of beneficiaries specified in an agreement or statute is merely administering the assets, and does not control the assets, as future economic benefits flow to the beneficiaries.
- An economic resource may meet the definition of an asset, but would not be recognized if there is no appropriate basis for measurement and a reasonable estimate cannot be made, or if another Handbook Section prohibits its recognition. Information about assets not recognized should be disclosed in the notes.

The standard is effective for fiscal years beginning on or after April 1, 2017. Earlier adoption is permitted.

PS 3320 Contingent Assets (New)

In June 2015, new PS 3320 *Contingent Assets* was included in the CPA Canada Public Sector Accounting Handbook (PSA HB). The new Section establishes disclosure standards on contingent assets. The main features of this standard are as follows:

- Contingent assets are possible assets arising from existing conditions or situations involving uncertainty. That uncertainty will ultimately be resolved when one or more future events not wholly within the public sector entity's control occurs or fails to occur. Resolution of the uncertainty will confirm the existence or non-existence of an asset.
- Passing legislation that has retroactive application after the financial statement date cannot create an existing condition or situation at the financial statement date.
- Elected or public sector entity officials announcing public sector entity intentions after the financial statement date cannot create an existing condition or situation at the financial statement date.
- Disclosures should include existence, nature, and extent of contingent assets, as well as the reasons for any non-disclosure of extent, and the bases for any estimates of extent made.
- When a reasonable estimate can be made, disclosure should include a best estimate and a range of possible amounts (or a narrower range of more likely amounts), unless such a disclosure would have an adverse impact on the outcome.

The standard is effective for fiscal years beginning on or after April 1, 2017. Earlier adoption is permitted.

PS 3380 Contractual Rights (New)

In June 2015, new PS 3380 *Contractual Rights* was included in the CPA Canada Public Sector Accounting Handbook (PSA HB). This new Section establishes disclosure standards on contractual rights, and does not include contractual rights to exchange assets where revenue does not arise. The main features of this standard are as follows:

- Contractual rights are rights to economic resources arising from contracts or agreements that will result in both an asset and revenue in the future.
- Until a transaction or event occurs under a contract or agreement, an entity only has a contractual right to an economic resource. Once the entity has received an asset, it no longer has a contractual right.
- Contractual rights are distinct from contingent assets as there is no uncertainty related to the existence of the contractual right.
- Disclosures should include descriptions about nature, extent, and timing.

The standard is effective for fiscal years beginning on or after April 1, 2017. Earlier adoption is permitted.

PS 3420 Inter-entity Transactions (New)

In March 2015, the Public Sector Accounting Board (PSAB) issued new PS 3420 *Inter-entity Transactions*.

The new Section establishes standards on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective. The main features of the new Section are:

- Under a policy of cost allocation, revenues and expenses are recognized on a gross basis.
- Transactions are measured at the carrying amount, except in specific circumstances.
- A recipient may choose to recognize unallocated costs for the provision of goods and services and measure them at the carrying amount, fair value or other amount dictated by policy, accountability structure or budget practice.
- The transfer of an asset or liability for nominal or no consideration is measured by the provider at the carrying amount and by the recipient at the carrying amount or fair value.
- Inter-entity transactions are considered in conjunction with PS 2200 *Related Party Disclosures*.

The standard is effective for fiscal years beginning on or after April 1, 2017. Earlier adoption is permitted.

PS 3430 Restructuring Transactions (New)

In June 2015, new PS 3430 *Restructuring Transactions* was included in the CPA Canada Public Sector Accounting Handbook (PSA HB). The new Section establishes disclosure standards on contingent assets. The main features of this standard are as follows:

- A restructuring transaction is defined separately from an acquisition. The key distinction between the two is the absence of an exchange of consideration in a restructuring transaction.
- A restructuring transaction is defined as a transfer of an integrated set of assets and/or liabilities, together with related program or operating responsibilities that does not involve an exchange of consideration.
- Individual assets and liabilities transferred in a restructuring transaction are derecognized by the transferor at their carrying amount and recognized by the recipient at their carrying amount with applicable adjustments.
- The increase in net assets or net liabilities resulting from recognition and derecognition of individual assets and liabilities received from all transferors, and transferred to all recipients in a restructuring transaction, is recognized as revenue or as an expense.
- Restructuring-related costs are recognized as expenses when incurred.
- Individual assets and liabilities received in a restructuring transaction are initially classified based on the accounting policies and circumstances of the recipient at the restructuring date.
- The financial position and results of operations prior to the restructuring date are not restated.
- Disclosure of information about the transferred assets, liabilities and related operations prior to the restructuring date by the recipient is encouraged but not required.

The Section is effective for new restructuring transactions that occur in fiscal periods beginning on or after April 1, 2018. Earlier application is permitted.

In April 2017, the Auditing and Assurance Standards Board adopted the new and revised auditor reporting standards, effective for year ends ending on or after December 15, 2018. As a result of this, the independent auditor's report will be presented in a revised format. The new report provides reporting of going concern matters, as well as entity-specific reporting of other information, and provides enhanced transparency by clarifying the scope of the auditor's work as well as the roles and responsibilities of the auditor, management, and those charged with governance.

AUDITOR INDEPENDENCE

In accordance with our firm's policy, and the Rules of Professional Conduct governing our profession, neither MNP nor any of its engagement team, nor any MNP partners, are permitted to have any relationship with the Hospital District that would impair independence or give that appearance. As auditors, we are required to annually discuss our independence with the Board of Directors, to disclose, in writing, all relationships between the auditor and the Hospital District that may reasonably be thought to bear on our independence, and to confirm our independence and objectivity.

CONFIRMATION OF INDEPENDENCE

We are not aware of any relationships between our Firm and the Hospital District during the year that, in our professional judgment, may reasonably be thought to bear on our independence. We hereby confirm that we are independent auditors with respect to the Hospital District.

During the course of the audit, we will communicate any significant new matters that come to our attention that, in our professional judgment, may reasonably be thought to bear on our independence. At the completion of our audit, we will reconfirm our independence.

We look forward to discussing with you the matters addressed above. We will be prepared to answer any questions you may have regarding our independence, as well as any other matters of interest to you.

Sincerely,

Handwritten signature of MNP LLP in black ink.

MNP LLP
Chartered Professional Accountants

TO: Nanaimo Regional Hospital District **MEETING:** February 26, 2019
Select Committee

FROM: Jeannie Bradburne **FILE:** 1700-03
Director of Finance

SUBJECT: Nanaimo Regional Hospital District 2019 Revised Budget

RECOMMENDATIONS

1. That “Nanaimo Regional Hospital District 2019 Annual Budget Bylaw No. 168, 2019” be introduced and read three times.
2. That “Nanaimo Regional Hospital District 2019 Annual Budget Bylaw No. 168, 2019” be adopted.

SUMMARY

Regional Hospital Districts are required to approve an annual budget on or before March 31 of each year¹. Adoption of Nanaimo Regional Hospital District 2019 Annual Budget Bylaw No. 168, 2019 by March 31 will fulfill the legislated requirement.

A revised Nanaimo Regional Hospital District budget (attachment 1) includes \$7,631,812 of property tax revenue for 2019, which represents a 3% increase over 2018 (\$7,409,526). This amount remains unchanged from the 2019 provisional budget provided that was approved in December 2018. The budget includes a \$1.41 million capital grant, \$4.04 million for contribution to reserve for future projects, \$3.09 million for debt costs, and \$0.11 million for administration expense.

BACKGROUND

At the December 4, 2018 Nanaimo Regional Hospital District Board Meeting, the 2019 Regional Hospital District Provisional budget was approved, including:

Property Tax Requisition:	\$7,631,812
Capital Grant Allowance:	\$3,444,055

Since that time, a formal annual capital grant funding request has been received from Island Health (Attachment 3) and incorporated into the attached revised 2019 budget and 2019-2023 projections (Attachment 1). As a result of Provincial funds being allocated to major NRGH capital projects, sufficient provincial funding does not exist to support the 60% of the full Capital Grant Allowance. Of the \$3,444,055 Capital Grant Allowance, \$1,409,672 will be provided to

¹ Hospital District Act section 23 (5)

Island Health for 2019. This includes \$579,563 for minor capital projects and \$812,109 for equipment. Staff recommend the remaining \$2,034,383 be placed in the reserve account for future capital projects, reducing the amount of debt that will be required when those projects proceed and resulting in a more consistent tax rate over time. This process is consistent with past practice. Further, the current accumulated surplus will be transferred to the reserve account for future capital projects. This will facilitate an ongoing balanced budget and provide funds for future capital projects. The following table lists the expenditures for the Preliminary Budget and current Revised Budget for 2019.

	Preliminary Budget	Revised Budget
Minor Capital Projects and Equipment Funding to Island Health	\$3,444,055	\$1,409,672
Long Term Debt Payments	\$3,050,108	\$3,091,068
Transfer to Reserve	\$1,300,000	\$4,038,678
Administration Expense	\$106,300	\$106,300
Total	\$7,900,463	\$8,645,718

Note that the increase in total expenditure is as a result of transferring the current accumulated surplus to reserve.

The current outstanding debt balance for the NRHD is \$27.57 million with retirement dates ranging from 2020 to 2038. The projects funded by this debt include the Oceanside Health Centre and the Emergency Room, cancer clinic/pharmacy renovations and the MRI replacement at Nanaimo Regional General Hospital. Presently, major capital projects planned by Island Health per their letter (Attachment 3) included in the budget that will require borrowing are as follows:

Project	Total Project Cost	NRHD Share	Timing
Electrical Energy Plant Upgrade	\$11.7 million	\$4.68 million (\$0.76 million remaining to be borrowed on this project)	Currently underway
Boiler Plant Redevelopment	\$18.4 million	\$7.36 million	2018-2020
New Magnetic Resonance Imaging (MRI)	\$5.55 million	\$2.22 million	2018-2020
Intensive Care Unit (ICU) Redevelopment	\$28.84 million	\$11.54 million	2019-2022
Colonoscopy preliminary estimate	\$3.7 million	\$1.48 million	2020-2021

The colonoscopy is a preliminary estimate for budgeting only. Island Health will present a formal funding request for the project once their approvals and provincial funding are in place. At this time there are no other major projects proposed by Island Health; however, their long-term plan does include a new patient tower at the Nanaimo Regional General Hospital when funding becomes available. The 2019 Revised Budget includes a \$4.04 million transfer to a reserve account for significant projects such as the new patient tower.

ALTERNATIVES

1. That “Nanaimo Regional Hospital District 2019 Annual Budget Bylaw No. 168, 2019” be introduced, read three times, and adopted.
2. That “Nanaimo Regional Hospital District 2019 Annual Budget Bylaw No. 168, 2019” be amended and that the amended bylaw be adopted.

FINANCIAL IMPLICATIONS

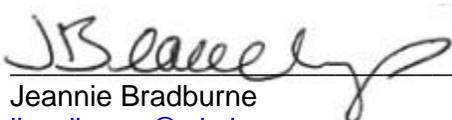
The Revised Budget includes a 3% increase to the requisition. This will result in a tax requisition of \$7,631,812 (2018 = \$7,409,526). The estimated tax cost for 2019 is \$16.29 per \$100,000 based on 2019 completed assessment, which is below the 2018 rate of \$17.71 partially as a result of increased assessment values throughout the region.

The NRHD funds 40% of the capital expenditures for Island Health. In the past few years, Island Health has not been able to provide a list of capital projects to use the full funding envelope of \$3.4 million in annual minor capital grants as they have lacked funding for the remaining 60%. As a result, a portion of this grant has been used for major capital instead. For the 2019 revised budget, the annual grant has been adjusted to \$1,409,672 to match the list of planned projects and equipment purchases submitted by Island Health. The balance of \$2,034,383 shown as unallocated in the funding request is being reallocated to a reserve account for future infrastructure projects, which will reduce future debt costs. Currently, there is an unallocated surplus projection of \$858,906 to begin 2019. It is recommended that this surplus also be placed in the reserve account for future infrastructure projects. These additions in 2019 will result in a total reserve balance of \$11.48 million in 2019.

2020-2023 Budget Forecast

The outlook for future years in Attachment 1 has been revised based on updated information. The proposed increases to the tax requisition for 2020 is estimated at 3% and for 2021 to 2023 at 4% annually in order to ensure funding for Island Health capital plans will be available and to maintain reserve fund transfers. As noted above, the five year plan includes amounts for the Boiler Plant Redevelopment, a new MRI, a new ICU, and a Colonoscopy project; however, it does not currently include any specific funding in relation to a new patient tower, which is a project Island Health has incorporated in their long term plans.

The future projections include a projected growth factor for assessments of 1.5% (non-market change) from 2020 to 2023. Debt servicing costs are estimated to increase from \$3.09 million in 2019 to \$4.8 million in 2023. These amounts will continue to be revised as information is received from Island Health on capital project plans.



Jeannie Bradburne
jbradburne@rdn.bc.ca
February 12, 2019

Reviewed by:

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

Attachments:

1. Nanaimo Regional Hospital District 2019 Budget
2. Nanaimo Regional Hospital District 2019 Annual Budget Bylaw No. 168, 2019
3. Letter from Kevin Daniels, Island Health, 2019/20 Capital Projects and Equipment

**NANAIMO REGIONAL HOSPITAL DISTRICT
REVISED BUDGET
2019-2023**

ATTACHMENT 1

	2018 Approved Budget 3.0%	2018 Preliminary Actuals	2019 Revised Budget 3.0%	2020 Proposed Budget 3.0%	2021 Proposed Budget 4.0%	2022 Proposed Budget 4.0%	2023 Proposed Budget 4.0%
Revenues							
Property taxes	7,409,526	7,409,526	7,631,812	7,860,766	8,175,197	8,502,205	8,842,293
Grants in lieu	30,000	32,539	30,000	30,000	30,000	30,000	30,000
Interest income	100,000	266,698	125,000	125,000	125,000	125,000	125,000
Other revenue		14,760					
Transfer from non-statutory reserve account				135,225	201,219	209,082	23,205
Prior year surplus applied	1,025,514	750,026	858,906				
	8,565,040	8,473,549	8,645,718	8,150,991	8,531,416	8,866,287	9,020,498
Expenditures							
Administration expense	104,200	104,200	106,300	108,400	110,600	112,800	115,100
Debtenture debt	2,816,463	2,821,977	2,890,615	3,249,983	3,801,027	4,387,031	4,827,442
Debt issue expense/temp financing	75,533	44,411	200,453	279,672	236,594	111,597	0
Annual capital grants	3,162,049	3,162,049	1,409,672	3,512,936	3,583,195	3,654,859	3,727,956
Reserve account contributions	1,482,006	1,482,006	4,038,678	1,000,000	800,000	600,000	350,000
	7,640,251	7,614,643	8,645,718	8,150,991	8,531,416	8,866,287	9,020,498
Surplus for future years' expenditures	924,789	858,906	-	-	-	-	-
Assessment Basis / % Growth	Revised roll Apr 2018	Revised roll Apr 2018	2019 Compelted Roll	1.50%	1.50%	1.50%	1.50%
Total assessments	41,836,873,156	41,836,873,156	46,858,260,628	47,561,134,537	48,274,551,555	48,998,669,829	49,733,649,876
Rate per thousand	0.1771	0.1771	0.1629	0.1653	0.1693	0.1735	0.1778
Projected Tax Cost per \$100,000	\$ 17.71	\$ 17.71	\$ 16.29	\$ 16.53	\$ 16.93	\$ 17.35	\$ 17.78
Non-Statutory Reserve Account Balance							
Opening Balance	5,955,815	5,955,815	7,437,821	11,476,499	12,341,274	12,940,055	13,330,973
Transfer from reserve account				135,225	201,219	209,082	23,205
Transfer to reserve account	1,482,006	1,482,006	4,038,678	1,000,000	800,000	600,000	350,000
Closing Balance	7,437,821	7,437,821	11,476,499	12,341,274	12,940,055	13,330,973	13,657,768

NANAIMO REGIONAL HOSPITAL DISTRICT

BYLAW NO. 168

**A BYLAW TO ADOPT A
BUDGET FOR THE YEAR 2019**

The Board of the Nanaimo Regional Hospital District, in open meeting assembled, enacts as follows:

1. This bylaw may be cited as the "Nanaimo Regional Hospital District 2019 Annual Budget Bylaw No. 168, 2019".
2. Schedule 'A' attached hereto and forming part of this bylaw is the Annual Budget for the Nanaimo Regional Hospital District for the year ending December 31, 2019.

Introduced and read three times this ____ day of _____, 2019.

Adopted this ____ day of _____, 2019.

CHAIR

CORPORATE OFFICER

Schedule 'A' to accompany "Nanaimo
Regional Hospital District 2018 Annual
Budget Bylaw No. 168, 2019".

Chair

Corporate Officer

SCHEDULE 'A'

NANAIMO REGIONAL HOSPITAL DISTRICT

2019 ANNUAL BUDGET

	2019 ANNUAL BUDGET
REVENUE	
Property taxes	\$ 7,631,812
Grants in lieu	30,000
Interest income	125,000
Prior year surplus applied	858,906
TOTAL REVENUE	<u>\$ 8,645,718</u>
EXPENDITURES	
Administration expense	\$ 106,300
Debenture debt	2,890,615
Debt issue expense/temp financing	200,453
Annual capital grants	1,409,672
Reserve account contributions	4,038,678
TOTAL EXPENDITURES	<u>\$ 8,645,718</u>

Excellent care, for everyone,
everywhere, every time.



January 31, 2019

Ms. Jeannie Bradburne
Director of Finance, Corporate Services
Nanaimo Regional Hospital District (NRHD)
6300 Hammond Bay Road
Nanaimo, BC V9T 6N2

Dear Ms. Bradburne:

Re: 2019/20 Capital Projects and Equipment

I am writing to advise you of the Island Health 2019/20 capital plan for which NRHD cost-sharing is requested.

I understand the NRHD has approved a provisional 2019 budget of \$3,444,055 for minor capital projects and equipment. Island Health proposes the following allocation which we have itemized in the attached project and equipment lists:

Minor Capital Projects	\$597,563
Equipment	\$812,109
Unallocated Funding	\$2,034,383
Total	\$3,444,055

Electronic Health Record Projects

The minor capital project list includes a number of Electronic Health Record projects which are part of an Island Health initiative to have one patient record and plan of care for each person. Project benefits include: improved safety, enhanced continuity of care and collaboration among care providers, faster testing and medication turn-around-time, better decision-making and greater patient involvement in care decisions. The six Island Health Regional Hospital Districts have been allocated 40% of the cost of these projects based on population.

Unallocated Funding

A large portion of Island Health's capital funding from the Ministry of Health has been used to fund a number of major NRGH capital projects (i.e. ICU replacement, boiler plant replacement, and a second MRI). As a result, there is not enough remaining Ministry funding to cost-share 60%/40% with the entire NRHD annual grant funding which explains why there is such an unusually large unallocated funding balance of \$2,034,383.

Capital Planning

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

Tel: 250-519-1726 | Fax: 250-370-8689
viha.ca

I would like to thank the NRHD for its significant contribution to Island Health's capital project and equipment needs, and we look forward to our continued partnership in meeting your healthcare infrastructure needs.

Please call me at (250) 519-1726 if you have any questions.

Yours truly,

A handwritten signature in blue ink that reads "Kevin Daniel". The signature is written in a cursive style with a large, stylized "K" at the beginning.

Kevin Daniel

Manager, Capital Planning and Leasing, Geography 2 and 3

Attachments

cc: Shelley Gallant, Director, Nanaimo/Oceanside
Chris Sullivan, Director, Capital Planning and Leasing
Carol Botrakoff, Director, Capital Finance and Treasury

Capital Planning

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

Tel: 250-519-1726 | Fax: 250-370-8689

viha.ca

**Island Health 2019/20 Minor Capital Project List
Nanaimo Regional Hospital District**

Reference #	Site	Portfolio	Project Name	Total Project Cost	Cash Flow						
					Prior Years	2019/20			2020/21	2021/22	
						Annual	Island Health	NRHD			
Previous Project Approvals:											
				Sub-Total	\$0	\$0	\$0	\$0	\$0	\$0	\$0
New Project Approvals:											
2019-1639	Nanaimo Regional General Hospital	Integrated Health Services	Bathroom/Shower Installation - Discharge Readiness Unit	\$65,000		\$65,000	\$39,000	\$26,000			
TBD	Nanaimo Regional General Hospital	Integrated Health Services	Library Relocation to Island Medical Program Space	\$99,000		\$99,000	\$59,400	\$39,600			
2019-1908	Nanaimo Regional General Hospital	Occupational Health & Safety	Ceiling Lift - Bariatric Room, Floor 5	\$30,000		\$30,000	\$18,000	\$12,000			
2019-1908	Nanaimo Regional General Hospital	Occupational Health & Safety	Ceiling Lift - Transitional Care Unit	\$30,000		\$30,000	\$18,000	\$12,000			
6737	Nanaimo Regional General Hospital	Operations & Support Services	Patient Tower Heat Exchanger Replacement	\$45,000		\$45,000	\$27,000	\$18,000			
2019-1181	Nanaimo Regional General Hospital	Operations & Support Services	Parking Lot Light Standards	\$70,000		\$70,000	\$42,000	\$28,000			
2019-1778	Nanaimo Community Dialysis Facility	Integrated Health Services	Flush Mount Wheelchair Floor Scale	\$99,000		\$99,000	\$99,000	\$0			
Electronic Health Record Projects:											
TBD	Multiple Sites	Innovation, Analytics and Info	Medication Safety - Best Possible Medication History	\$1,068,731		\$1,068,731	\$983,233	\$85,498			
TBD	Multiple Sites	Innovation, Analytics and Info	Order Set Harmonization	\$855,578		\$855,578	\$787,132	\$68,446			
TBD	Multiple Sites	Innovation, Analytics and Info	Patient Portal Phase II	\$507,474		\$507,474	\$466,876	\$40,598			
TBD	Multiple Sites	Innovation, Analytics and Info	Analytics	\$150,000		\$150,000	\$138,000	\$12,000			
TBD	Multiple Sites	Innovation, Analytics and Info	Surgical Procedure Code Standardization	\$300,000		\$300,000	\$276,000	\$24,000			
TBD	Multiple Sites	Innovation, Analytics and Info	Clairvia/Capacity Management - Organization Support	\$1,995,000		\$1,995,000	\$1,763,580	\$231,420			
			Sub-Total	\$5,314,783	\$0	\$5,314,783	\$4,717,220	\$597,563	\$0	\$0	\$0
			Grand Total	\$5,314,783	\$0	\$5,314,783	\$4,717,220	\$597,563	\$0	\$0	\$0

Notes:

Definition of minor project: cost is between \$5,000 and \$1,500,000.

Some projects may not be able to proceed in 2019/20 due to space and/or timing issues.

The NRHD amount on the Electronic Health Record projects is less than 40% of the total cost because the total cost is being shared by all of the Island Health RHDs based on population.

Components of the Electronic Health Record for RHD Cost Sharing Request

Project	Budget	Narrative
Medication Safety - Best Possible Medication History	\$ 1,068,731	This project will provide the care provider with a patient's medication profile and medication history by linking to Pharmanet. If a patient presents in the hospital, the care providers will have immediate access to the current medication information thus improving more timely access to care. In addition, this project will help ensure patients do not miss their medication because they are at the hospital. Some patients do not know or are not able to advise care providers which prescriptions they are taking.
Order Set Harmonization	\$ 855,578	This project will standardize care provider order sets across Island Health. The project will provide consistency of care to patients across Island Health no matter which site they access and the same clinical tools will be used to provide treatment to the patient.
Patient Portal Phase II	\$ 507,474	This project will expand the Patient Portal (patient access diagnostic results) functionality and tools. This project will expand access to a broader audience and include more diagnostic test results.
Analytics	\$ 150,000	This project includes development of software to enable Island Health to harness value out of the Electronic Health Record. Analytics will track outcomes and anomalies with patient care and enable Island Health to improve patient care and consistency of care. Dashboard results will be able to be compared across sites and modalities of care.
Surgical Procedure Code Standardization	\$ 300,000	This project will allow Island Health to standardize surgical procedure codes and provide consistency of care across all sites. These codes would also be linked to the automated scheduling system which would improve patient flow.
Clairvia/Capacity Management - Organization Support	\$ 1,995,000	This project will manage the organization workflow and capacity management. Patient flow will improve (replaces the bed tele tracking system) with predictable scheduling.
	\$ 4,876,783	

VANCOUVER ISLAND HEALTH AUTHORITY
2019/20 RECOMMENDED APPROVED CAPITAL EQUIPMENT - NANAIMO REGIONAL HOSPITAL DISTRICT

Capital #	Site	Department	Equipment Name	Qty	Budget	New / Replace
Equipment >\$100,000						
19NR172	Nanaimo Regional General Hospital	Operating Room Main	Large C-Arm		318,124.00	Replace
18NR130	Nanaimo Regional General Hospital	Xray	X-Ray and Fluoro - Top Up		135,000.00	Replace
					Total Equipment > \$100,000	453,124.00
Equipment < \$100,000						
19-0052	Dufferin Place Residential Care	Patient Food	Hot Food Transporter	1	5,200.00	Replace
19RJ114	Nanaimo Regional General Hospital	Security Systems	Key Tracker Lock Boxes	1	47,500.00	Replace
19-0088	Nanaimo Regional General Hospital	Security Systems	CCTV IP Cameras & Switches	1	10,703.00	Replace
19-0065	Nanaimo Regional General Hospital	Ambulatory Care - Endo	Video Nasolary	1	26,775.00	Replace
19-0061	Nanaimo Regional General Hospital	Angio Interventional	IR Monitor - Monitors Vital Signs and CO2	1	7,775.69	Replace
19-0084	Nanaimo Regional General Hospital	Biomed Engineering	Multiparameter Patient Simulator	1	9,800.00	Replace
18-0223	Nanaimo Regional General Hospital	Emergency	Lifepak 15	1	36,861.00	Replace
18-0224	Nanaimo Regional General Hospital	Emergency	Rhinoscope	1	8,624.00	Replace
18-0283	Nanaimo Regional General Hospital	Endoscopy	Radiance Monitor	1	6,900.00	Replace
19-0039	Nanaimo Regional General Hospital	Lab Chem	Osmometer	1	19,800.00	Replace
19-0059	Nanaimo Regional General Hospital	Magnetic Resonance Imaging	MRI Compatable Power Injector	1	30,000.00	Replace
19-0018	Nanaimo Regional General Hospital	Magnetic Resonance Imaging	MRI Patient Monitor	1	15,752.00	New
19-0071	Nanaimo Regional General Hospital	Medical Device Reprocessing	Steam Autoclave	1	86,027.63	Replace
19-0060	Nanaimo Regional General Hospital	Nuclear Medicine	Bone Mineral Densitometer	1	99,000.00	Replace
19-0067	Nanaimo Regional General Hospital	Operating Room Main	Reciprocating Saw Stryker RemB	3	20,545.50	Replace
19-0068	Nanaimo Regional General Hospital	Operating Room Main	Sagittal Saw Stryker RemB	4	23,381.88	Replace
19-0069	Nanaimo Regional General Hospital	Operating Room Main	Stryker Core 2 Console	1	18,911.50	Replace
19-0070	Nanaimo Regional General Hospital	Operating Room Main	Ultrasound System and Probes	1	99,820.00	Replace
19-0022	Nanaimo Regional General Hospital	Operating Room Main	Ortho Drills and Attachments	2	39,462.34	New
19-0023	Nanaimo Regional General Hospital	Operating Room Main	OR Ortho Conmed Saw	2	19,117.00	New
19-0075	Nanaimo Regional General Hospital	Patient Food	Steam Kettle 12 Gallon and Tap	2	12,800.00	Replace
19-0076	Nanaimo Regional General Hospital	Patient Food	Steam Table	1	11,603.80	Replace
19-0078	Nanaimo Regional General Hospital	Patient Food	Tilt Fryers	1	15,000.00	Replace
19-0089	Nanaimo Regional General Hospital	Patient Food	Alto Sham for Cooking and Hot Holding	1	5,000.00	Replace
19-0054	Nanaimo Regional General Hospital	Patient Food	Air Curtain Refrigerator	1	15,200.00	New
19-0066	Nanaimo Regional General Hospital	Pediatric F2	Hover Mat Air Transfer System	1	8,749.75	Replace
19-0017	Nanaimo Regional General Hospital	Perinatal	Neonatal Simulation Doll	1	50,000.00	New
19-0072	Nanaimo Regional General Hospital	Post Anaesthetic Care Unit	BVI 9400 Non Invasive Bladder Scanner (SDC)	1	18,474.40	Replace
19-0031	Nanaimo Regional General Hospital	Respiratory Therapy	Critical Care Ventilators (Adults/Peds)	4	314,477.44	Replace
19-0030	Nanaimo Regional General Hospital	Transitions	Medication Fridge	2	33,000.00	New
19-0056	Nanaimo Regional General Hospital	Ultrasound	Ultrasound unit	1	93,830.00	Replace
19-0063	Nanaimo Regional General Hospital	Ultrasound	Stryker "Big Wheel" Stretcher	1	13,500.00	Replace
19-0064	Nanaimo Regional General Hospital	Ultrasound	Ultrasound Scanning Stretcher	1	13,500.00	Replace
19-0024	Nanaimo Regional General Hospital	Echocardiography	Portable Ultrasound Machine	2	150,000.00	New
19-0025	Nanaimo Regional General Hospital	Echocardiography	Portable Ultrasound Machine	1	75,000.00	New
19-0038	Oceanside Health Centre	Urgent Care	Tonopen	1	6,887.50	New
19-0058	Oceanside Health Centre	Ultrasound	Ultrasound Unit	1	93,830.00	Replace
18-0255	Trillium Lodge Residential Care	Nursing	Bladder Scanner	1	14,339.00	Replace
					Total Equipment < \$100,000	1,577,148.43
					Total Equipment Approved for NRHD	2,030,272.43
					Total Possible Cost Sharing by NRHD	812,109.00