
TO: Nanaimo Regional Hospital District Board **MEETING:** December 4, 2018

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

SUBJECT: Nanaimo Regional Hospital District 2019 Provisional Budget

RECOMMENDATIONS

1. That the 2019 Regional Hospital District provisional budget be approved as presented.
2. That the 2019 to 2023 five year projections be received for information.
3. That "Nanaimo Regional Hospital District (Nanaimo Regional General Hospital Thermal Energy Plant) Borrowing Bylaw No. 165, 2018" be introduced and read three times.
4. That "Nanaimo Regional Hospital District (Nanaimo Regional General Hospital Thermal Energy Plant) Borrowing Bylaw No. 165, 2018" be adopted.
5. That "Nanaimo Regional Hospital District (Nanaimo Regional General Hospital Magnetic Resonance Imaging) Borrowing Bylaw No. 166, 2018" be introduced and read three times.
6. That "Nanaimo Regional Hospital District (Nanaimo Regional General Hospital Magnetic Resonance Imaging) Borrowing Bylaw No. 166, 2018" be adopted.
7. That "Nanaimo Regional Hospital District (Nanaimo Regional General Hospital Intensive Care Unit) Borrowing Bylaw No. 167, 2018" be introduced and read three times.
8. That "Nanaimo Regional Hospital District (Nanaimo Regional General Hospital Intensive Care Unit) Borrowing Bylaw No. 167, 2018" be adopted.

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.

The NRHD 2019 Provisional Budget (Attachment 1) raises \$7,631,812 in property tax revenues for 2019 (3.0% increase over 2018) as forecast in the 2018 to 2022 Financial Plan. The budget includes \$3.44 million for capital equipment and minor capital projects at facilities in the Nanaimo Regional Hospital District area; \$2.9 million for debt payments in 2019 and a \$1.3 million transfer to reserve for future infrastructure projects such as a patient tower at the Nanaimo Regional General Hospital (NRGH).

The 2018 to 2022 Financial Plan included approvals for the funding of and the projected borrowing for the NRGH Thermal Energy Plant project and an additional Magnetic Resonance Imaging (MRI) facility at NRGH. Since that time, final costs have been received from Island Health (Attachment 5) and formal bylaws (Attachment 2 and 3) are being presented for the NRHD borrowing requirements related to those two projects.

Additionally, funding requests (Attachment 6) have been received from Island Health for an Intensive Care Unit (ICU) Replacement Project at NRGH and for a longer term Colonoscopy Unit addition. The 2018 to 2023 NRHD Financial Plan included projected funding for the ICU and a borrowing bylaw is included as Attachment 4 for this project. However, the request for the Colonoscopy Unit is new and has now been incorporated into the 2019 to 2023 projections pending NRHD Board discussion and approval.

BACKGROUND

The *Hospital District Act* requires Regional Hospital Districts (RHDs) to pass preliminary budgets by December 31. 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.

The major components of the NRHD provisional budget shown in Attachment 1 are long term debt costs for past and current projects (\$2,880,615), an annual allowance to support smaller operational capital equipment and projects (\$3,444,055) and a transfer to reserves for future major capital projects (\$1,300,000). This is a provisional budget based on the 2018 to 2022 Plan and includes known major project funding requests from Island Health. Island Health will provide their formal annual minor capital equipment/project grant information on February 26, 2019 and a revised budget will be presented.

The current outstanding debt balance for the NRHD is \$27.6 million with retirement dates ranging from 2020 to 2038. Previous projects funded by this debt include the Oceanside Health Centre in Parksville and the Emergency Room, Cancer Clinic/Pharmacy renovations, Electrical Energy Plant and a prior MRI replacement at Nanaimo Regional General Hospital. Presently, major capital projects planned by Island Health per their letters and business cases (Attachments 5 and 6) 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 (\$0.78 million remaining to be borrowed on this project)	Currently underway
Thermal Energy Centre (Boiler Plant) Replacement for gas boiler per funding request	\$18.4 million	\$7.36 million	2018-2020
New Magnetic Resonance Imaging (MRI) per funding request	\$5.55 million	\$2.22 million	2018-2019

Intensive Care Unit (ICU) Redevelopment per funding request	\$28.85 million	\$11.54 million	2020-2021
Colonoscopy Unit Addition preliminary estimate only	\$3.7 million	\$1.48 million	2021-2022

Other than the Colonoscopy Unit which is shown at the initial cost estimate only and was not included in the 2018 to 2022 Financial Plan, Island Health has provided formal funding requests for the other projects with confirmed costs. The NRHD is now able to move ahead with borrowing bylaws (Attachments 2 to 4) to obtain borrowing through the Municipal Finance Authority (MFA) to fund the NRHD's 40% cost share of the projects. 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 provincial funding becomes available. The 2019 provisional budget includes a \$1.3 million transfer to a reserve fund established for significant projects such as the new patient tower.

ALTERNATIVES

1. Approve a 2019 Regional Hospital District provisional budget with a 3.0% tax requisition increase.
2. Provide alternate direction for the 2019 Nanaimo Regional Hospital District tax requisition.

FINANCIAL IMPLICATIONS

Alternative 1

2019 Provisional Budget

The 2019 to 2023 Preliminary Financial Plan included as Attachment 1 has a 3.0% increase to the 2019 requisition as forecasted in the 2018 to 2022 Financial Plan. The estimated tax cost for 2019 is \$17.98 per \$100,000 based on 2018 assessments plus a 1.47% allowance for growth (non-market change). The 2018 requisition was \$17.71 per \$100,000. The tax cost per \$100,000 will be updated when 2019 assessment values are released in January.

Current projections for 2018 indicate a surplus of approximately \$31,000 greater than planned largely due to better than expected interest income, the timing of the Electrical Plant Upgrade project billings from Island Health, and ongoing lower interim financing rates.

The 2019 preliminary budget includes a \$1.3 million transfer to reserves for future major projects. The budget also includes a \$106,000 administration allocation, which reflects the cost of staff resources to manage the financial reporting and to provide support to the NRHD Board and Committee.

The annual capital grant allowance is \$3,444,055, which has been held static for several years as Island Health has been unable to obtain matching provincial funding for minor projects/equipment and a portion of the funds has been used by the NRHD for major capital projects instead. Island Health will provide details of planned projects and equipment purchases related to this annual grant in February, 2019. Staff are working with Island Health to identify

any unallocated funds from the annual capital grant allowance that may be available to apply to the major capital projects included in the budget.

2019 to 2023 Budget Forecast

The outlook for future years in Attachment 1 has been revised since the 2018 to 2022 Financial Plan was approved, based on updated information. The proposed increases to the tax requisition for 2019 to 2023 are estimated at 3% to 4% annually in order to ensure funding for Island Health capital plans will be available and to maintain reserve fund transfers. Debt servicing costs are estimated to increase from \$2.9 million in 2019 to \$4.8 million in 2023. These amounts include an allowance for interest rate increases and will continue to be revised as actual borrowing costs are known and information is received from Island Health on capital project plans.

Alternative 2

A Provisional budget must be approved by December 31 per *B.C. Reg 406-82 Hospital District Act Regulation*, and as such, any alternative direction would have to observe this deadline.



Jeannie Beauchamp
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November 19, 2018

Reviewed by:

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

Attachments

1. 2019 Nanaimo Regional Hospital District 2019 Provisional Budget
2. Nanaimo Regional Hospital District (Nanaimo Regional General Hospital Thermal Energy Plant) Borrowing Bylaw No. 165
3. Nanaimo Regional Hospital District (Nanaimo Regional General Hospital Magnetic Resonance Imaging) Borrowing Bylaw No. 166
4. Nanaimo Regional Hospital District (Nanaimo Regional General Hospital Intensive Care Unit) Borrowing Bylaw No. 167
5. Island Health Letter, Thermal Energy Plant Project Business Case
6. Island Health Letter, Magnetic Resonance Imaging Project Business Case
7. Island Health Letter, Intensive Care Unit Project Business Case