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

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

**SUBJECT:** Nanaimo Regional Hospital District 2019 Revised Budget

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### **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 year<sup>1</sup>. 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

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<sup>1</sup> 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

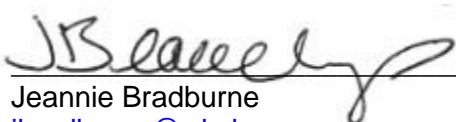
The Revised Budget includes a 3% increase to the requisition. This will result in a tax requisition of \$7,631,812 (2018 = \$7,409,526). The estimated tax cost for 2019 is \$16.29 per \$100,000 based on 2019 completed assessment, which is below the 2018 rate of \$17.71 partially as a result of increased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



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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