



Notice of Meeting and Meeting Agenda Capital Regional Hospital District Board

Wednesday, November 30, 2016

11:00 AM

6th Floor Boardroom

Special Meeting Following the Committee of the Whole. Start Time is Approximate.

1. APPROVAL OF THE AGENDA

2. PRESENTATIONS/DELEGATIONS

2.1 Presentations

2.2 Delegations

3. SPECIAL MEETING MATTERS

3.1. [16-1131](#) Capital Regional Hospital District 2017-2026 Ten Year Capital Plan

Recommendation: That the 2017-2026 Capital Regional Hospital District Capital Plan be approved as submitted.
(WA)

Attachments: [Staff Report: Capital Regional Hospital District 2017-2026 Ten Year Capital Plan](#)
[Appendix A: CRHD 2017 Capital Plan Summary 10yr](#)
[Appendix B: CRHD Debt Servicing Graph 10yr](#)
[Appendix C: CRHD 2017 Debt Servicing Impact 10yr](#)

3.2. [16-1132](#) 2017 Capital Regional Hospital District Provisional Budget

Recommendation: That the 2017 Capital Regional Hospital District Provisional Budget be approved as submitted.
(WA)

Attachments: [Staff Report: 2017 Capital Regional Hospital District](#)
[Appendix A: CRHD 2017 Provisional Budget](#)
[Appendix B: CRHD Future Budget Project Provisional Budget](#)
[Appendix C: CRHD Capital Exp Provisional Budget](#)
[Appendix D: CRHD Reserve Summary 2017 Provisional Budget](#)

4. ADJOURNMENT

Voting Key:

NWA - Non-weighted vote of all Directors

NWP - Non-weighted vote of participants (as listed)

WA - Weighted vote of all Directors

WP - Weighted vote of participants (as listed)

**REPORT TO CAPITAL REGIONAL HOSPITAL DISTRICT BOARD
MEETING OF WEDNESDAY, NOVEMBER 30, 2016**

SUBJECT **Capital Regional Hospital District 2017-2026 Ten Year Capital Plan**

ISSUE

Approval of the Capital Regional Hospital District (CRHD) Ten Year Capital Plan.

BACKGROUND

The 2017-2026 CRHD Capital Plan (Appendix “A”) is derived from the Vancouver Island Health Authority (VIHA) healthcare capital priorities and represents the CRHD’s ongoing capital commitments, anticipated new capital expenditures and the financial implications for the CRHD’s requisition and future property tax changes.

In preparation for annual updates to the Capital Plan, CRD staff monitors throughout the year the CRHD’s capital contribution to ongoing projects and reviews with VIHA staff, planned new capital projects. Some modifications to the previous year’s plan may occur based on the ongoing review of emerging VIHA patient-focused priorities.

Key changes to the 2017-2026 Major Capital projects list (greater than \$2M) from the 2016 amended Capital Plan include:

- The new major capital project, Royal Jubilee Hospital (RJH) Emergency Department Redevelopment Project (\$3M) is accommodated in the Capital Plan by reducing 2022 RJH Routine Capital Improvement projects by the offsetting amount.
- The 2017 Saanich Peninsula Hospital Medical Device Reprocessing Department Upgrade major capital project is to be cost shared between CRHD and VIHA on the net amount following the contribution by the Saanich Peninsula Hospital Foundation. The project’s total value is estimated at \$3.495M; the final project budget will be confirmed when the project is submitted to CRHD in 2017.
- The Lady Minto Hospital Emergency Department, laboratory space and medical imaging space renovation project’s total budget is revised to \$4.8M; the 2022 RJH Routine Capital Improvements projects was reduced to offset the increase.
- The 2016 approved RJH Unit Dose Medication Distribution project has extended its cash flow spending to 2018. The original completion was 2017.
- Incorporates Board approved financing strategy for the Summit Project.

ALTERNATIVES

1. That the 2017-2026 Capital Regional Hospital District Capital Plan be approved as submitted.
2. That staff be direct to provide additional information.

FINANCIAL IMPLICATIONS

Alternative 1 reflects the CRHD’s continued commitment to fund Major Projects and Minor Capital Projects, as well as healthcare equipment. Major capital projects are currently cost shared on a 30% basis. The 2017-2026 Capital Plan would allow the CRHD to consider funding future major capital projects at 40% on a case-by-case basis as requested by VIHA. The total CRHD estimated annual cash flow for 2017 to 2026 is \$208.2M.

The Capital Plan continues to reflect significant debt management and control on the overall CRHD requisition established in previous years. The 2017-2026 Capital Plan anticipates a peak requisition of \$170.38 in 2018. Appendix “B” graphically illustrates the existing and estimated debt service implications of the 2017-2026 Ten Year Capital Plan and also identifies those Summit debt servicing costs which will be recovered from VIHA through lease payments. Appendix “C” summarizes the requisition impact based on average assessed residential value.

The Capital Plan will have to be amended to include any new project request. Pursuant to Board’s direction, any new project requests will have to be accommodated within the approved 10 year funding envelope. The cash flow will have to be amended accordingly to ensure the overall 10 year funding envelope remains unchanged.

SUMMARY

Staff continues to work with VIHA to refine details on specific projects and develop robust plans and projections of the region’s acute healthcare and residential care capital requirements for VIHA facilities. The Capital Plan also presents an accurate reflection of cash flow to complete ongoing (CRHD Board previously approved) projects and estimated cash flow for new projects to be approved.

The proposed 2017-2026 Capital Plan includes projects VIHA may implement in future years within the region and it portrays a partial road map for future anticipated healthcare capital projects and related cash flows. The proposed Capital Plan is the best indication at this time of VIHA’s long term healthcare capital requirements within the region. The proposed 2017 CRHD Provisional Budget incorporates the financial implications of the 2017-2026 Capital Plan.

RECOMMENDATION

That the 2017-2026 Capital Regional Hospital District Capital Plan be approved as submitted.

Submitted by:	Rajat Sharma, B. Eng., MBA, CPA, CMA Senior Manager, Financial Services
Concurrence:	Kevin Lorette, P.Eng., MBA, General Manager Planning & Protective Services
Concurrence:	Nelson Chan, MBA, CPA, CMA, Chief Financial Officer
Concurrence:	Robert Lapham, MCIP, RPP, Chief Administrative Officer

RS:cln

- Attachments: Appendix A - 2017-2026 CRHD Amended Capital Plan
Appendix B - Capital Plan Debt Servicing Graph
Appendix C - Debt Servicing Impact of 10 Year Capital Plan

CAPITAL REGIONAL HOSPITAL DISTRICT CAPITAL PLAN (2017 to 2026) at November 10, 2016

FINAL

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SUMMARY	Project Total	Remaining Balance	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
			VIHA SHAREABLE PROJECTS - TOTAL PROJECT CASHFLOW									
Acute Hospitals Major Capital Projects	141,646,000	133,837,160	7,219,710	2,381,450	714,000	10,689,600	17,962,200	29,263,800	34,261,800	14,779,800	6,364,800	10,200,000
Summit Residential Care Replacement Project - CRD Share	25,193,285	13,090,005	13,090,005	-	-	-	-	-	-	-	-	-
Summit Residential Care Replacement Proj - Leased Share	61,250,000	61,250,000	7,787,025	33,460,732	20,002,243	-	-	-	-	-	-	-
Future Residential Care Replacement Projects Phase 3	76,500,000	76,500,000	-	-	-	-	3,825,000	15,300,000	38,250,000	19,125,000	-	-
Minor Capital Projects - 2013 CRHD Approved Outstanding Balance remaining - debt financing	4,375,000	500,000	500,000	-	-	-	-	-	-	-	-	-
Minor Capital Projects - 2014 CRHD Approved Outstanding Balance remaining - debt financing	4,375,000	2,500,000	2,500,000	-	-	-	-	-	-	-	-	-
Minor Capital Projects - 2017 VIHA Requested 3 year cashflow	9,375,000	9,375,000	9,375,000	-	-	-	-	-	-	-	-	-
Minor Capital Projects - CRHD Anticipated 2018-2025	84,375,000	84,375,000	-	9,375,000	9,375,000	9,375,000	9,375,000	9,375,000	9,375,000	9,375,000	9,375,000	9,375,000
TOTAL ESTIMATED VALUE OF PROJECTS	407,089,285	381,427,165	40,471,740	45,217,182	30,091,243	20,064,600	31,162,200	53,938,800	81,886,800	43,279,800	15,739,800	19,575,000

CRHD \$ SHARE - TOTAL ESTIMATED ANNUAL CAPITAL CASH FLOW												
CRHD Section 20 Equipment Grants - 100% CRHD Share - expensed annually	29,550,000	29,550,000	2,955,000	2,955,000	2,955,000	2,955,000	2,955,000	2,955,000	2,955,000	2,955,000	2,955,000	2,955,000
Non-Traditional Projects Grants - 100% CRHD Share (Suspended 2015-2024) - expensed annually	2,000,000	2,000,000	-	-	-	-	-	-	-	-	1,000,000	1,000,000
Acute Hospitals Major Capital Projects - 30% CRHD Share for unapproved projects (except 40% UDMC project) - debt financing	42,493,800	40,663,119	2,677,884	714,435	214,200	3,206,880	5,388,660	8,779,140	10,278,540	4,433,940	1,909,440	3,060,000
Summit Residential Care Replacement Project - 30% CRHD Share - debt financing 15 yr amortization	25,193,285	13,090,005	13,090,005	-	-	-	-	-	-	-	-	-
Summit Residential Care Replacement Project - 70% Leased Share - debt financing 25 yr amortization with offsetting lease payments	61,250,000	61,250,000	7,787,025	33,460,732	20,002,243	-	-	-	-	-	-	-
Future Residential Care Replacement Projects Phase 3 - 30% CRHD Share - debt financing	22,950,000	22,950,000	-	-	-	-	1,147,500	4,590,000	11,475,000	5,737,500	-	-
Minor Capital Projects 2013 VIHA Requested - 40% CRHD Share - 2M converted to cash requisition & 1.75M debt financing	1,750,000	200,000	200,000	-	-	-	-	-	-	-	-	-
Minor Capital Projects 2014 VIHA Requested - 40% CRHD Share - 2M converted to cash requisition & 1.75M debt financing	1,750,000	1,000,000	1,000,000	-	-	-	-	-	-	-	-	-
Minor Capital Projects 2017 VIHA Requested - 40% CRHD Share - 3.75M converted to cash requisition	3,750,000	3,750,000	3,750,000	-	-	-	-	-	-	-	-	-
Minor Capital Projects 2018-2026 Anticipated - 40% CRHD Share - cash requisition	33,750,000	33,750,000	-	3,750,000	3,750,000	3,750,000	3,750,000	3,750,000	3,750,000	3,750,000	3,750,000	3,750,000
CRHD TOTAL ESTIMATED ANNUAL CAPITAL CASH FLOW	224,437,085	208,203,124	31,459,914	40,880,167	26,921,443	9,911,880	13,241,160	20,074,140	28,458,540	16,876,440	9,614,440	10,765,000

General Notes:

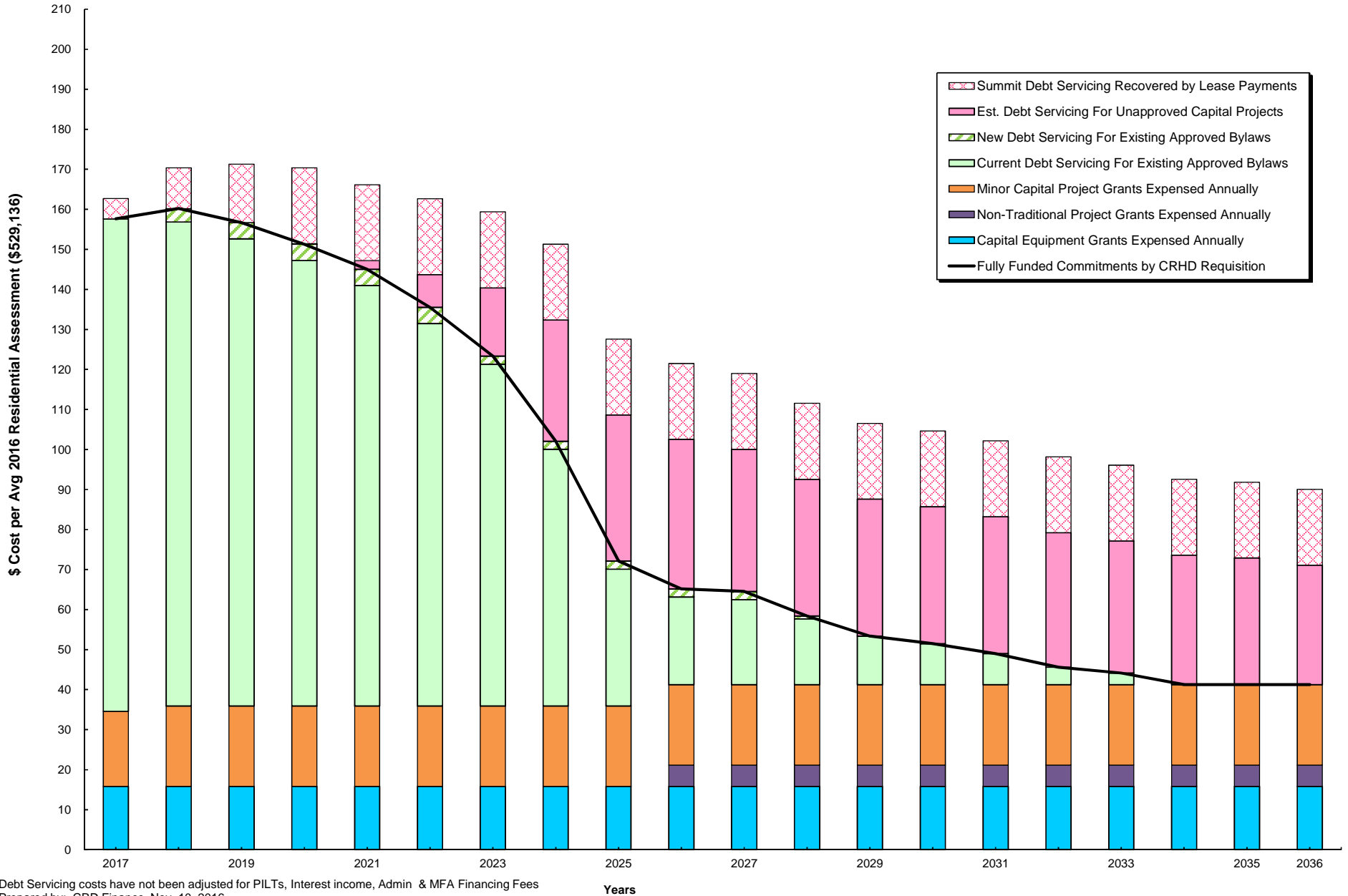
- 1) Cash flow figures represent anticipated maximum requirements if all listed projects proceed as shown
- 2) All new major projects are cost shared at 30% unless CRHD Board approves alternate cost sharing at 40% with Island Health.
- 3) Projections are based primarily on the most recent information from VIHA
- 4) 2013-2016 Minor Capital annual 3.75M converted to expensed cash instead of debt financing
- 5) Definitions of Project Status -
 - a) VIHA Approved: projects that VIHA will request for CRHD Capital Bylaws approval
 - b) VIHA Planned: projects VIHA intends to develop in 2-4 years subject to further service and/or facilities planning
 - c) CRHD Anticipated: projects CRHD has identified as a priority in the 4-10 year range

ACUTE AND REHAB HOSPITALS	Project Status	CBL#	Debt Term	Project Total	Remaining Balance	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
ROYAL JUBILEE HOSPITAL															
Major projects															
Boiler Plant Replacement	VIHA Approved	163	5	4,700,000	1,300,000	1,300,000									
Unit Dose Medication Distribution Hub (UDMD)	VIHA Approved	168	10	10,310,000	7,501,160	5,119,710	2,381,450	-							
Automated Medication Dispensing Units	VIHA Planned		10	3,864,480	3,864,480	-	-	-	-	966,120	966,120	966,120	966,120		
Emergency Department Redevelopment	VIHA Planned		5	3,000,000	3,000,000	-	-	-	150,000	2,100,000	750,000				
Multidisciplinary Pain Clinic	VIHA Planned		5	2,500,000	2,500,000	-	-	-	125,000	1,750,000	625,000				
Routine Capital Investment project(s)	CRHD Anticipated		15	19,120,000	19,120,000	-	-	-	-	-	1,000,000	5,000,000	5,000,000	3,120,000	5,000,000
Royal Jubilee Hospital Total				43,494,480	37,285,640	6,419,710	2,381,450	-	275,000	4,816,120	3,341,120	5,966,120	5,966,120	3,120,000	5,000,000
VICTORIA GENERAL HOSPITAL															
Major projects															
Endoscopy Unit Renovation	VIHA Approved	165	5	2,200,000	600,000	600,000									
Automated Medication Dispensing Units	VIHA Planned		10	3,864,480	3,864,480	-	-	-	-	966,120	966,120	966,120	966,120		
Energy Centre Replacement	VIHA Planned		15	14,000,000	14,000,000	-	-	700,000	9,800,000	3,500,000					
Medical Device Reprocessing Dept Upgrade	VIHA Planned		5	3,300,000	3,300,000	-	-	-	165,000	2,310,000	825,000				
Child Youth & Family Services Redevelopment	VIHA Planned		15	42,000,000	42,000,000	-	-	-	-	2,100,000	16,800,000	21,100,000	2,000,000		
Routine Capital Investment project(s)	CRHD Anticipated		15	23,120,000	23,120,000	-	-	-	-	-	5,000,000	5,000,000	5,000,000	3,120,000	5,000,000
Victoria General Hospital Total				88,484,480	86,884,480	600,000	-	700,000	9,965,000	8,876,120	23,591,120	27,066,120	7,966,120	3,120,000	5,000,000
SAANICH PENINSULA HOSPITAL															
Major projects															
Medical Device Reprocessing Dept Upgrade Project Cost \$3.9M - CRHD only cost sharing on \$200,000	VIHA Planned		Cash	200,000	200,000	200,000									
Automated Medication Dispensing Units	VIHA Planned		10	2,231,040	2,231,040	-	-	-	-	557,760	557,760	557,760	557,760	-	-
Saanich Peninsula Hospital Total				2,431,040	2,431,040	200,000	-	-	-	557,760	557,760	557,760	557,760	-	-
LADY MINTO HOSPITAL															
Major projects															
Emergency, Lab, Diagnostic Imaging Reno	VIHA Planned		5	4,800,000	4,800,000	-	-	-	240,000	3,360,000	1,200,000				
Lady Minto Hospital Total				4,800,000	4,800,000	-	-	-	240,000	3,360,000	1,200,000	-	-	-	-
QUEEN ALEXANDRA HOSPITAL															
Major projects															
Queen Alexandra Hospital Total				-	-	-	-	-	-	-	-	-	-	-	-
VIHA - SOUTH ISLAND INITIATIVES															
Major projects															
VIHA South Area Initiatives				-	-	-	-	-	-	-	-	-	-	-	-
Acute & Rehab Hospitals Sub -Total				139,210,000	131,401,160	7,219,710	2,381,450	700,000	10,480,000	17,610,000	28,690,000	33,590,000	14,490,000	6,240,000	10,000,000
Inflation (2%) excluding approved/pending Capital Bylaws				2,436,000	2,436,000	-	-	14,000	209,600	352,200	573,800	671,800	289,800	124,800	200,000
Acute Hospitals Major Capital Projects Annual Capital Cash Flow				141,646,000	133,837,160	7,219,710	2,381,450	714,000	10,689,600	17,962,200	29,263,800	34,261,800	14,779,800	6,364,800	10,200,000
CRHD Share 30% Unapproved Acute & Rehab Cost exception 40% UDMD projec				42,493,800	40,663,119	2,677,884	714,435	214,200	3,206,880	5,388,660	8,779,140	10,278,540	4,433,940	1,909,440	3,060,000

						2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
OTHER CAPITAL PROJECTS	Project Status	CBL#	Debt Term	Project Total	Remaining Balance										
CRD Projects															
Summit Residential Care Replacement 320 beds	CRHD Share	160	15	25,193,285	13,090,005	13,090,005									
Summit Residential Care Replacement 320 beds	Leased Share	160	25	61,250,000	61,250,000	7,787,025	33,460,732	20,002,243							
				86,443,285	74,340,005										
Residential Care Upgrade & Replacement Projects Phase 3	VIHA Planned		15	75,000,000	75,000,000	-	-	-	-	3,750,000	15,000,000	37,500,000	18,750,000		
Other Capital Projects Sub-total				161,443,285	149,340,005	20,877,030	33,460,732	20,002,243	-	3,750,000	15,000,000	37,500,000	18,750,000	-	-
Inflation (2%) excluding approved Capital Bylaws				1,500,000	1,500,000	-	-	-	-	75,000	300,000	750,000	375,000	-	-
Other Capital Projects Annual Capital Cash Flow				162,943,285	150,840,005	20,877,030	33,460,732	20,002,243	-	3,825,000	15,300,000	38,250,000	19,125,000	-	-
CRHD Share Other Capital Projects Total				109,393,285	97,290,005	20,877,030	33,460,732	20,002,243	-	1,147,500	4,590,000	11,475,000	5,737,500	-	-
MINOR CAPITAL PROJECTS															
Various VIHA Hospitals															
Minor Capital Projects 2013 - 40% CRHD Share (2M expensed & 1.75M debt financing by CBL158)	CRHD Approved	158	5	4,375,000	500,000	500,000									
Minor Capital Projects 2014 - 40% CRHD Share (2M expensed & 1.75M debt financing by CBL161)	CRHD Approved	161	5	4,375,000	2,500,000	2,500,000									
Minor Capital Projects 2017 - 40% CRHD Share (3.75M expensed)	VIHA Requested	Cash	N/A	9,375,000	9,375,000	9,375,000									
Minor Capital Projects 2018-2026 40% CRHD Share (3.75M expensed)	CRHD Anticipated	Cash	N/A	84,375,000	84,375,000	-	9,375,000	9,375,000	9,375,000	9,375,000	9,375,000	9,375,000	9,375,000	9,375,000	9,375,000
MCP Projects Sub-total				102,500,000	96,750,000	12,375,000	9,375,000	9,375,000	9,375,000	9,375,000	9,375,000	9,375,000	9,375,000	9,375,000	9,375,000
Inflation (0%) excluding approved Capital Bylaws				-	-	-	-	-	-	-	-	-	-	-	-
MCP Projects Annual Capital Cash Flow				102,500,000	96,750,000	12,375,000	9,375,000	9,375,000	9,375,000	9,375,000	9,375,000	9,375,000	9,375,000	9,375,000	9,375,000
CRHD 40% share of MCP Projects Total				41,000,000	38,700,000	4,950,000	3,750,000	3,750,000	3,750,000	3,750,000	3,750,000	3,750,000	3,750,000	3,750,000	3,750,000

**CAPITAL REGIONAL HOSPITAL DISTRICT
Debt Servicing Impact of 10 Year Capital Plan (2017-2026)
MFA Borrowing Terms 5-25yrs**

APPENDIX B



Debt Servicing costs have not been adjusted for PILTs, Interest income, Admin & MFA Financing Fees
Prepared by: CRD Finance Nov. 10, 2016

CAPITAL REGIONAL HOSPITAL DISTRICT
Debt Servicing Impact of 10 Year Capital Plan (2017-2026)
Cost per Average 2016 Residential Assessment (\$529,136)
Based on MFA Borrowing Terms of 5, 10, 15, 25 years

Year	Existing Debt Servicing	Capital Exp (2017-2026) Estimated Debt Servicing	Total Debt Servicing	Section 20 Expensed			Total Requisition	Total Requisition \$ Value
				Capital Equipment	Non-Traditional Projects	Minor Capital Projects		
2017	123.10	5.08	128.18	15.82	0.00	18.74	162.73	29,449,258
2018	120.94	13.54	134.48	15.82	0.00	20.08	170.38	29,927,307
2019	116.75	4.06	120.81	15.82	0.00	20.08	156.70	29,272,232
2020	111.32	4.19	115.52	15.82	0.00	20.08	151.41	28,283,191
2021	105.06	6.25	111.31	15.82	0.00	20.08	147.20	27,497,253
2022	95.55	12.26	107.81	15.82	0.00	20.08	143.70	26,843,469
2023	85.40	19.11	104.52	15.82	0.00	20.08	140.41	26,228,407
2024	64.17	32.29	96.45	15.82	0.00	20.08	132.35	24,722,398
2025	34.22	38.53	72.74	15.82	0.00	20.08	108.64	20,293,624
2026	21.89	39.41	61.30	15.82	5.35	20.08	102.55	19,155,617
2027	21.24	37.55	58.79	15.82	5.35	20.08	100.04	18,687,072
2028	16.44	34.89	51.33	15.82	5.35	20.08	92.58	17,293,816
2029	12.14	34.20	46.34	15.82	5.35	20.08	87.59	16,361,051
2030	10.25	34.20	44.45	15.82	5.35	20.08	85.70	16,007,742
2031	7.76	34.20	41.96	15.82	5.35	20.08	83.21	15,543,516
2032	4.38	33.59	37.97	15.82	5.35	20.08	79.22	14,798,142
2033	2.92	32.98	35.90	15.82	5.35	20.08	77.15	14,411,291
2034	0.00	32.38	32.38	15.82	5.35	20.08	73.63	13,753,183
2035	0.00	31.64	31.64	15.82	5.35	20.08	72.89	13,615,899
2036	0.00	29.85	29.85	15.82	5.35	20.08	71.10	13,280,558
								415,425,026

**REPORT TO CAPITAL REGIONAL HOSPITAL DISTRICT
MEETING OF WEDNESDAY, NOVEMBER 30, 2016**

SUBJECT **2017 Capital Regional Hospital District Provisional Budget**

ISSUE

Approval of the 2017 Capital Regional Hospital District (CRHD) *Provisional Budget*.

BACKGROUND

The *Hospital District Act* requires the 2017 CRHD *Provisional Budget* for the coming fiscal year be adopted by the Board on or before December 31, 2016. The Budget is comprised of the debt servicing charges on funds borrowed for CRHD capital projects as well as grants for medical equipment and Minor Capital Projects (MCPs), and the administration budget for the CRHD functions performed by the Health and Capital Planning Strategies Division.

ALTERNATIVES

1. That the 2017 Capital Regional Hospital District *Provisional Budget* be approved as submitted.
2. That the 2017 Capital Regional Hospital District *Provisional Budget* be referred back to staff for revision.

FINANCIAL IMPLICATIONS

The 2017 *Provisional Budget* summary and its comparison to the 2016 Budget are found in Appendix A and Appendix B shows the 2017-2021 Future Budget Projections. Appendix C presents an amendment to the 2015 Capital Expenditures and a summary of planned CRHD 2017 capital expenditures. The Budget consists primarily of the following components:

2016 Favorable Performance:

A positive variance to plan of \$474,480 (1.6%) is anticipated primarily related to decreased debt servicing costs. The CRHD Board has previously directed positive variances be applied against un-funded liabilities or used to offset the requisition in future years. It is proposed that the 2016 positive variance be used to offset the 2017 requisition increase.

Debt Servicing:

This represents principal and interest payments for Board-approved projects. The CRHD 10-year Capital Plan and related approved capital bylaws are the basis of future debt servicing cost projections. The total debt servicing for 2017 is \$24.15 million. At its November 9 meeting, the CRHD Board approved long-term structured financing strategy for the Summit project. As part of the strategy \$61.25 million will be borrowed from Municipal Finance Authority of BC (MFABC) over a fixed term of 25 years. This reflects Island Health's funding portion which will be paid through annual lease payments starting in 2019. The 2017 budget reflects the costs associated with this anticipated borrowing at 3.1% over 25 years. MFABC is currently investigating opportunities and pricing related to this borrowing. Subsequent to the finalizing of the funding terms and conditions the budget may have to be adjusted to reflect the final agreed on rate and its related implications.

Section 20:

Administration Expenditures:

The 2017 CRHD portion of the budget for the Health and Capital Planning Division is \$590,830; made up of Division staff, other administration costs, and charges for other corporate allocations.

The increase in the Administration budget is the result of an increase in corporate allocations and a decrease in Division staff expenses due to a reduction in scope of the Manager's position.

Equipment & Planning/Research:

The *Hospital District Act* Section 20(3) enables Regional Hospital Districts to grant aid to hospitals and designated health care facilities for diagnostic and medical equipment purchases. The District also retains an amount under this category for Divisional activities such as healthcare related research and studies. The \$3.1 million proposed for 2017 Section 20(3) expenditures remains unchanged from 2016.

Land Holdings Management:

As planned, with the acquisition of 950 Kings Road land and property management will be implemented. A net annual cost of \$40,000 for the management of both the Carey Road site and 950 Kings Road is anticipated.

Minor Capital Projects:

Under the *Hospital District Act* Section 20(4), the CRHD maintains a MCP Stabilization Reserve account. The current balance of this Reserve is \$250,000 with \$250,000 being applied in 2017 towards \$3.8 million funding for Island Health MCPs, supplemented by a \$3.5 million requisition.

Hospital District Act Section 20(4) Reserve Account Balances:

CRHD is able to maintain reserve accounts for various purposes; Appendix D shows the estimated 2016-2021 Section 20(4) reserve account balances. These reserves have been set aside for fixed purposes as detailed below:

Reserve Account	Purpose	Estimated Balance at December 31, 2017
Administration & Feasibility Studies Reserve	For future studies or special projects	\$1.3 million
Non-traditional Projects Reserve	The money has been notionally committed to two non-traditional projects. The estimated reserve balance at December 31, 2016 is \$1.1 million; it is anticipated this reserve will be spent in 2017.	\$ -
2016 Minor Capital Projects Stabilization Reserve	For minor capital projects that are cash flowed over 3 years	\$1.1 million
Land Holdings Management Reserve	For CRHD properties expenses: 3810 Carey Road, 950 King, Oak Bay Lodge	\$105,000
Housing First Health Projects Reserve	Reserve balance utilized to mitigate requisition impact from Summit	\$ -

Tax Requisition:

The 2017 CRHD tax requisition is estimated at \$29.6 million or a 3.1% increase over the 2016 requisition. For 2017, the tax impact on the average household will be \$158.70 (2016 average

residence assessment of \$529,136). The majority of the increase relates to Summit financing. In order to mitigate a large requisition increase from Summit, the budget proposes a reduction in transfers to the Land Holdings Management Reserve for two years and utilizes all money set aside in the Housing First Health Projects Reserve.

Table 1 compares the forecasted peak tax impact of the CRHD’s overall requisition on assessed residential values. It illustrates the downward trajectory of peak tax impacts resulting from significant debt management and control established in previous years. For example, the 2013 CRHD final budget anticipated a peak requisition of \$180.28 in 2017 and the 2017 budget anticipates a peak requisition of \$169.17 in 2018.

Table 1 Requisition Peak

Budget Year	Residential Assessment	2017	2018	2019	2020	2021
2013 ^a	\$523,386	180.28				
2014 ^a	\$505,233	180.19				
2015 ^a	\$511,185		163.70			
2016 ^a	\$530,059		163.97			
2017 ^b	\$529,136		169.17			

^a Final Budget

^b Provisional Budget

SUMMARY

The 2017 CRHD *Provisional Budget* must be adopted on or before December 31, 2016. The 2017 *Provisional Budget* presents the administrative costs of the Hospital District and Board-approved and future year capital projects.

RECOMMENDATION

That the 2017 Capital Regional Hospital District *Provisional Budget* be approved as submitted.

Submitted by:	Rajat Sharma, B. Eng., MBA, CPA, CMA Senior Manager, Financial Services
Concurrence:	Kevin Lorette, P.Eng., MBA, General Manager Planning & Protective Services
Concurrence:	Nelson Chan, MBA, CPA, CMA, Chief Financial Officer
Concurrence:	Robert Lapham, MCIP, RPP, Chief Administrative Officer

RS:ab

- Attachments: Appendix A – CRHD 2017 Provisional Budget
 Appendix B – CRHD 2017-2021 Future Budget Projections
 Appendix C – CRHD 2017 Capital Expenditures
 Appendix D – CRHD Reserve Summary Schedule 2017-2021

APPENDIX A

**CAPITAL REGIONAL HOSPITAL DISTRICT
2017 PROVISIONAL BUDGET**

	2016 BOARD BUDGET	2016 ESTIMATED ACTUALS	2016 VARIANCE	2017 PROVISIONAL BUDGET	2016 - 2017 BUDGET VARIANCE
REVENUE					
Tax Requisition Total	28,744,710	28,744,710	-	29,645,495	900,785
Payments in Lieu of Taxes	1,042,980	1,042,980	-	1,042,980	-
	<u>29,787,690</u>	<u>29,787,690</u>	<u>-</u>	<u>30,688,475</u>	<u>900,785</u>
Debt Reserve Fund Recovery	-	106,340	106,340	-	-
Interest	50,000	50,000	-	50,000	-
Transfer in from Housing First Health Projects Reserve	-	-	-	200,000	200,000
Surplus Previous Year	686,000	722,896	36,896	474,480	-211,520
TOTAL REVENUE	<u>30,523,690</u>	<u>30,666,926</u>	<u>143,236</u>	<u>31,412,955</u>	<u>889,265</u>
EXPENDITURES					
Debt Servicing					
Debt Service Debt Charges	22,246,590	22,103,080	-143,510	22,931,710	685,120
Debt Service Debt Charges - related to Summit Lease only	-	-	-	949,375	949,375
DRF - summit (one time)	-	-	-	-	0
Debt Service Debt - Accrued Interest to Dec 31	174,000	24,974	-149,026	101,390	-72,610
Paydown Portion of New Capital Initiatives - 950 Kings Rd.	650,000	650,000	-	-	-650,000
Temporary Borrowing Interest	40,480	20,000	-20,480	50,000	9,520
Debt Service Issue Expense	-	-	-	-	-
Debt Reserve Fund	171,710	153,482	-18,228	124,650	-47,060
Total Debt Servicing	<u>23,282,780</u>	<u>22,951,536</u>	<u>-331,244</u>	<u>24,157,125</u>	<u>874,345</u>
HD Act Section 20 Expenditures					
Administration	575,910	575,910	-	590,830	14,920
Studies	120,000	120,000	-	120,000	-
Property Management	40,000	85,000	45,000	40,000	-
	<u>735,910</u>	<u>780,910</u>	<u>45,000</u>	<u>750,830</u>	<u>14,920</u>
HD Act Section 20 Expenditures - Capital Grants					
Capital Equipment Grants	2,955,000	2,955,000	-	2,955,000	-
Annual Transfer to Minor Capital Projects Reserve	3,750,000	3,750,000	-	3,750,000	-
Transfer to/(from) Minor Capital Projects Stabilization Reserve	-500,000	-500,000	-	-250,000	250,000
	<u>6,205,000</u>	<u>6,205,000</u>	<u>-</u>	<u>6,455,000</u>	<u>250,000</u>
HD Act Section 20 Expenditures - Reserves					
Transfer to/(from) Land Holdings Management Reserve	100,000	55,000	-45,000	50,000	-50,000
Transfer to/(from) Housing First Health Projects Reserve	200,000	200,000	-	-	-200,000
	<u>300,000</u>	<u>255,000</u>	<u>-45,000</u>	<u>50,000</u>	<u>(250,000)</u>
TOTAL EXPENDITURES	<u>30,523,690</u>	<u>30,192,446</u>	<u>-331,244</u>	<u>31,412,955</u>	<u>889,265</u>
Surplus/(Deficit)		<u>474,480</u>	<u>474,480</u>		
Tax impact on 2016 average residence (\$529,136)	153.88			158.70	
Tax impact on \$100,000 of 2016 residential assessments	29.08			29.99	
Tax requisition increase/(decrease)				3.1%	

APPENDIX B

**CAPITAL REGIONAL HOSPITAL DISTRICT
2017 - 2021 FUTURE BUDGET PROJECTIONS**

	2017 PROVISIONAL BUDGET	2018 BUDGET	2019 BUDGET	2020 BUDGET	2021 BUDGET
REVENUE					
Tax Requisition Total	29,645,495	31,601,570	29,550,432	27,825,492	27,187,712
Payments in Lieu of Taxes	1,042,980	1,042,980	1,042,980	1,042,980	1,042,980
Summit Lease Payments	-	-	3,253,634	4,338,178	4,338,178
	<u>30,688,475</u>	<u>32,644,550</u>	<u>33,847,046</u>	<u>33,206,650</u>	<u>32,568,870</u>
Debt Reserve Fund Recovery	-	-	-	-	-
Interest	50,000	50,000	50,000	50,000	50,000
Transfer in from Housing First Health Projects Reserve	200,000	-	-	-	-
Surplus Previous Year	474,480	-	-	-	-
TOTAL REVENUE	<u><u>31,412,955</u></u>	<u><u>32,694,550</u></u>	<u><u>33,897,046</u></u>	<u><u>33,256,650</u></u>	<u><u>32,618,870</u></u>
EXPENDITURES					
Debt Servicing					
Debtenture Debt Charges	22,931,710	23,218,625	22,567,230	21,578,190	20,792,250
Debtenture Debt Charges - related to Summit Lease only	949,375	1,898,750	2,718,784	3,538,818	3,538,818
DRF - summit (one time)	-	-	612,500	-	-
Debtenture Debt - Accrued Interest to Dec 31	101,390	-	-	-	-
Paydown Portion of Capital Initiatives - Summit Financing	-	-	-	-	-
Temporary Borrowing Interest	50,000	50,000	50,000	50,000	50,000
Debtenture Issue Expense	-	-	-	-	-
Debt Reserve Fund	124,650	9,525	2,140	29,990	65,540
Total Debt Servicing	<u>24,157,125</u>	<u>25,176,900</u>	<u>25,950,654</u>	<u>25,196,998</u>	<u>24,446,608</u>
HD Act Section 20 Expenditures					
Administration	590,830	602,650	617,440	630,700	643,310
Studies	120,000	120,000	120,000	120,000	120,000
Property Management	40,000	40,000	40,000	40,000	40,000
	<u>750,830</u>	<u>762,650</u>	<u>777,440</u>	<u>790,700</u>	<u>803,310</u>
HD Act Section 20 Expenditures - Capital Grants					
Capital Equipment Grants	2,955,000	2,955,000	2,955,000	2,955,000	2,955,000
Annual Transfer to Minor Capital Projects Reserve	3,750,000	3,750,000	3,750,000	3,750,000	3,750,000
Transfer to/(from) Minor Capital Projects Stabilization Reserve	-250,000	-	-	-	-
	<u>6,455,000</u>	<u>6,705,000</u>	<u>6,705,000</u>	<u>6,705,000</u>	<u>6,705,000</u>
HD Act Section 20 Expenditures - Reserves					
Transfer to/(from) Summit Management Reserve	-	-	263,952	263,952	263,952
Transfer to/(from) Land Holdings Management Reserve	50,000	50,000	200,000	300,000	400,000
Transfer to/(from) Housing First Health Projects Reserve	-	-	-	-	-
	<u>50,000</u>	<u>50,000</u>	<u>463,952</u>	<u>563,952</u>	<u>663,952</u>
TOTAL EXPENDITURES	<u><u>31,412,955</u></u>	<u><u>32,694,550</u></u>	<u><u>33,897,046</u></u>	<u><u>33,256,650</u></u>	<u><u>32,618,870</u></u>
Tax impact on 2016 average residence (\$529,136)	158.70	169.17	158.19	148.96	145.55
Tax impact on \$100,000 of 2016 residential assessments	29.99	31.97	29.90	28.15	27.51
Tax requisition increase/(decrease)	3.1%	6.6%	-6.5%	-5.8%	-2.3%

APPENDIX C

**CAPITAL REGIONAL HOSPITAL DISTRICT
2017 CAPITAL EXPENDITURES**

Capital Borrowing Bylaw#	Project Description	2017 Capital Expenditures
158	VIHA - 2013 Minor Capital Projects	200,000
160	Summit - Residential Care Replacement Project	20,877,030
161	VIHA - 2014 Minor Capital Projects	1,000,000
163	RJH - Boiler Plant Replacement	390,000
165	VGH - Endoscopy Unit Renovation	180,000
168	RJH - Unit Dose Medication Distribution Hub (UDMD)	2,047,890
		<hr/> 24,694,920 <hr/>

Capital Expenditure Bylaw#	Project Description	2017 Capital Expenditures
TBA	Sec 20 - 2017 Minor Capital Projects	3,750,000
TBA	Sec 20 - 2017 Capital Equipment Projects	2,955,000
		<hr/> 6,705,000 <hr/>
	Total 2017 Capital Expenditures	<hr/> 31,399,920 <hr/>

APPENDIX D

CAPITAL REGIONAL HOSPITAL DISTRICT
Reserve Summary Schedule 2017-2021*

	2016 Estimated	Budget Year				
		2017	2018	2019	2020	2021
Administration & Feasibility Studies Reserve - to be spent on future studies or special projects						
Beginning Balance	1,194,748	1,289,774	1,289,774	1,289,774	1,289,774	1,289,774
Surplus transfer from Operating	95,026	-	-	-	-	-
Expensed Study or Special Project	-	-	-	-	-	-
	1,289,774	1,289,774	1,289,774	1,289,774	1,289,774	1,289,774
Non-Traditional Projects Reserve - non-profit healthcare facilities capital grant funding						
Beginning Balance	2,129,400	1,129,400	-	-	-	-
Interest Income	-	-	-	-	-	-
Transfer from Operating	-	-	-	-	-	-
Capital Grant to be Allocated	(1,000,000)	(1,129,400)	-	-	-	-
	1,129,400	-	-	-	-	-
Minor Capital Projects Stabilization Reserve - prior year surplus used to transition MCP grants to annual requisition from capital bylaw debt financing						
Beginning Balance	750,000	250,000	-	-	-	-
Transfer from Operating	-	-	-	-	-	-
Transfer to 2015-2017 MCP Reserves	(500,000)	(250,000)	-	-	-	-
	250,000	-	-	-	-	-
2015 Minor Capital Projects Reserve - MCP Capital Grants to VIHA that are cashflowed over 3 years (2015-2017)						
Beginning Balance	2,536,150	1,386,150	-	-	-	-
Transfer from Operating	-	-	-	-	-	-
Transfer from MCP Stabilization Reserve	-	-	-	-	-	-
Capital Grant Paid to VIHA (Island Health)	(1,150,000)	(1,386,150)	-	-	-	-
	1,386,150	-	-	-	-	-
2016 Minor Capital Projects Reserve - MCP Capital Grants to VIHA that are cashflowed over 3 years (2016-2018)						
Beginning Balance	-	3,075,000	1,075,000	-	-	-
Transfer from Operating	3,250,000	-	-	-	-	-
Transfer from MCP Stabilization Reserve	500,000	-	-	-	-	-
Capital Grant Paid to VIHA (Island Health)	(675,000)	(2,000,000)	(1,075,000)	-	-	-
	3,075,000	1,075,000	-	-	-	-
Land Holdings Management Reserve - CRHD properties: 3810 Carey, 950 Kings, Oak Bay Lodge						
Beginning Balance	-	55,000	105,000	155,000	355,000	655,000
Transfer from Operating	100,000	50,000	50,000	200,000	300,000	400,000
Expenses (under review)	(45,000)	-	-	-	-	-
	55,000	105,000	155,000	355,000	655,000	1,055,000
Housing First Health Projects Reserve - new program under development						
Beginning Balance	-	200,000	-	-	-	-
Transfer from Operating (suspended 2017-2021)	200,000	(200,000)	-	-	-	-
Debt Servicing (under review)	-	-	-	-	-	-
	200,000	-	-	-	-	-
Summit Management Reserve - Island Health Lease activated Apr/19. - Residual funds: Lifecycle Replacement Funds + Funds not needed for debt servicing						
Beginning Balance	-	-	-	555,555	1,296,295	-
Transfer from Operating - Lifecycle Contribution	-	-	-	263,952	263,952	263,952
Transfer from Operating - Residual Debt Servicing Funds	-	-	-	291,603	476,788	476,788
Debt Servicing (under review)	-	-	-	-	-	-
	-	-	-	555,555	1,296,295	2,037,035
Total	7,385,324	2,469,774	1,444,774	2,200,329	3,241,069	4,381,809

* Under the Hospital District Act Section 20(4), CRHD is able to maintain reserve accounts for specified purposes