

**STAFF REPORT TO THE PLANNING & PROTECTIVE SERVICES COMMITTEE  
MEETING OF WEDNESDAY, MARCH 22, 2006**

**SUBJECT:** CRD Bylaw No. 343, “Capital Regional Hospital District Bylaw No. 136, 2006”;  
Annual contribution for Minor Capital projects at health facilities.

**PURPOSE/ISSUE:**

The Vancouver Island Health Authority (VIHA) is requesting funding from the Capital Regional Hospital District (CRHD) in the amount of \$4,000,000 for 45 Minor Capital projects in 2006.

**HISTORY/BACKGROUND:**

In 2001, the Ministry of Health developed a capital funding system for health authorities to address the need to upgrade health facilities within the District. These facilities are administered by VIHA. Projects covered under this system are known as Minor Capital<sup>1</sup> projects. The CRHD has traditionally funded 40% of the cost of eligible Minor Capital projects.

In 2001, the District’s 40% share for these projects amounted to \$3.0M. In addition, the Board agreed to commit a maximum of \$9.0M (\$3.0M each year for three years) toward Minor Capital work.

To address increasing construction costs and the need for additional upgrading projects, the Board increased its contribution from \$3.0M to \$4.0M in 2005. Consideration of a renewed three-year funding plan was deferred until 2006.

For 2006, VIHA is requesting the CRHD to:

1. maintain the CRHD contribution at \$4.0M for 2006;
2. renew the District’s commitment for Minor project funding for a three-year period at a maximum expenditure of \$14.0M as shown in Table 1, and;
3. approve a “rolling” three-year extension (i.e. in 2007 the period would extend one year to 2009).

2006	\$4.0M
2007	\$5.0M
2008	\$5.0M
<b>Total</b>	<b>\$14.0M</b>

The types of Minor Capital projects covered by this funding are:

- valued between \$5,000 and \$1.5M;
- projects with an asset life of ten years or more;
- intended to keep buildings in useable condition within, or extending, their life-span;
- to upgrade or replace malfunctioning or failed building systems or components<sup>2</sup>;
- for technology upgrading and program-related projects to improve clinical spaces.

<sup>1</sup> Previously named Capital Improvement Projects, Minor Capital Improvements and Treasury Board Minor projects.

<sup>2</sup> Project types include roofs, boilers, generators, HVAC upgrades, nurse call systems, etc.

A list of VIHA's Minor Capital projects for 2006 is summarized in Attachment One and represent VIHA's highest priorities for projects in this funding category. Of the 44 projects<sup>3</sup> submitted by VIHA, 80% (by value) are for upgrading, improving and/or extending the asset life of health facilities. The remaining 20% are to upgrade clinical program space.

### **ALTERNATIVES:**

The Board has the option of approving a three-year funding plan of \$12.0M (three years at \$4.0M per year) instead of the recommended plan of \$14.0M. The \$12.0M plan however, does not recognize the increasing cost of labour and material resulting in decreased annual funding when adjusted for construction inflation. The three-year plan at \$12.0M is not recommended.

### **FINANCIAL IMPLICATIONS:**

Minor Capital projects totaling \$4,000,000 in cash flow for 2006 would be funded from a ten-year capital borrowing bylaw equating to a \$3.59 annual charge against the 2006 average assessed residential value of \$409,275 or an annual charge of \$0.88 per \$100,000 of assessed residential value. A schedule of apportionment by municipality is included as Attachment Two.

In November 2005, the Board approved the 2006 CRHD Capital Plan which included a borrowing and cash flow allowance of \$4,000,000 for this project category. VIHA's request matches the CRHD's budget.

### **SUMMARY/CONCLUSIONS:**

For 2006, VIHA is requesting the CRHD contribute \$4.0M toward Minor Capital projects for upgrading at District health facilities. VIHA's project list represents their highest priority needs for capital upgrading. The list has been reviewed by staff and all projects are eligible for the CRHD's normal 40% cost share.

VIHA is requesting the CRHD renew its commitment to multi-year funding for Minor Capital projects in the amount of \$14.0M over a three-year period and that the commitment be approved on a "rolling basis" where the commitment period would extend by one year each subsequent year.

The Ministry of Health requires health authorities to manage their capital assets, and capital investment, over multi-year periods.<sup>4</sup> A three-year maximum funding plan from the CRHD for Minor Capital projects improves VIHA's ability to plan and prioritize capital expenditures over multi-year periods.

The District has budgeted \$4.0M for Minor Capital projects in 2006. VIHA's funding request does not exceed the District's budget allocation.

Previous reports have outlined the continuing shortage of capital funding needed to upgrade health facilities to ensure they are in good operating condition. Although increased funding has been directed toward Minor Capital projects in the past two years, the additional funding has not kept pace with the rising cost of construction in the Capital Region. Adjusting for inflation, health facilities in the District are seeing less capital funding for Minor Capital projects than they were in 2001.

VIHA is putting greater emphasis on maximizing the number of Minor Capital projects through careful cash flow management. To achieve this, VIHA needs to rely upon a commitment from the CRHD to provide Minor Capital funding on an ongoing basis at agreed amounts. Committing to three-year funding

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<sup>3</sup> Project No. 45 is a contingency allowance for projects No. 1-44.

<sup>4</sup> Section 4.8 – Capital Asset Management Plans, Capital Asset Management Framework, Province of British Columbia, 2002.

plans permits VIHA better manage their capital upgrading which in turn, benefits the District through improved health facilities.

The CRHD's Five-Year Capital Plan approved in November 2005, has anticipated an ongoing cash flow commitment for Minor Capital projects therefore, agreeing to an ongoing three-year funding plan with VIHA simply formalizes the funding to which the CRHD has already budgeted.

Staff recommends the Board approve funding of \$4.0M for Minor Capital projects for 2006. In addition, staff also recommends the Board approve an ongoing three-year funding plan for a maximum of \$14.0M and to revisit the funding level in 2008 with the intent of extending the plan to 2011.

**RECOMMENDATION:**

That the Committee recommends that the Capital Regional Hospital District Board:

1. Approve 45 Minor Capital projects listed in Attachment One with a District share of \$4,000,000 in cash flow for 2006.
2. Approve CRD Bylaw No. 343, "Capital Regional Hospital District Capital Bylaw No. 136, 2006" for \$4,000,000, for the CRHD's 40% share of Minor Capital projects listed in Attachment One with a financing term of ten (10) years.
3. Approve a three-year funding plan for Minor Projects from 2006 to 2008 inclusive with the District's maximum contribution of \$14.0M.
4. Revisit the funding level in 2008 and extend the funding plan to 2011 at that time.

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COMMENTS: