



**STAFF REPORT TO THE PLANNING & PROTECTIVE SERVICES COMMITTEE  
MEETING OF FEBRUARY 27, 2008**

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**SUBJECT: CRD Bylaw No. 353, "Capital Regional Hospital District Bylaw No. 144, 2008"  
Annual Contribution for Minor Capital Projects at Health Facilities**

**PURPOSE/ISSUE:**

The Vancouver Island Health Authority (VIHA) is seeking the Board's consideration and approval of a \$5.0 M contribution for 2008 Minor Capital projects. This report requests approval of CRD Bylaw No. 353, "Capital Regional Hospital District Bylaw No. 144, 2008" in the amount of \$5.0 M, representing the final year of the three-year funding commitment (2006-2008) for minor capital projects funding.

VIHA is also requesting a further three-year funding commitment for Minor Capital projects in the amount of \$18.0 M or \$6.0 M per year (2009-2011).

**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 owned by VIHA. Projects covered under this system are known as Minor Capital projects. The CRHD has traditionally funded 40% of the cost of eligible Minor Capital projects.

In March 2006, to provide the Vancouver Island Health Authority (VIHA) with the ability to better plan and prioritize capital expenditures over multi-year periods, the CRHD Board approved a three-year (2006-2008) funding agreement which included the following contributions:

1. \$4.0 M for 2006
2. \$5.0 M for 2007 and 2008
3. \$14.0 M - total three-year funding

The increased amounts for 2007 and 2008 were justified by rising construction costs, improved safety standards and a history of under-funding asset refurbishment projects. The agreement included a commitment to revisit future years' funding levels in 2008.

The types of Minor Capital projects covered by this funding agreement are valued between \$5,000 and \$1.5 M. These investments range from replacing aging or failed building systems or components, facility and technology upgrades and program-related projects to improve clinical spaces. Sustaining capital infrastructure is an essential part of the health sector to minimize the risk of building systems and equipment failures and to keep facilities in useable condition.

A list of VIHA's 2008 Minor Capital projects is summarized in Attachment One.

**ALTERNATIVES:**

1. Approve VIHA's request to contribute \$5.0 M for 2008 Minor Capital projects, representing the final year of the three-year (2006-2008) commitment; however, defer consideration of future years' funding commitments pending the results of the CRHD funding options review.
2. Do not approve the funding request.

The CRHD Board approved a three-year funding agreement (2006-2008) in the amount of \$14.0 M for Minor Capital projects in March 2006. The CRHD's Ten-Year Capital Plan approved in December 2007, has anticipated an ongoing cash flow commitment for Minor Capital projects in 2008.

At the time of writing this report, the Board is also considering approval of a funding stabilization plan which anticipates the 2008 Minor Capital projects funding. Future years' funding level commitments for minor capital projects will be determined by the CRHD funding options review currently undertaken by staff.

Approval of Alternative Two would jeopardize completion of several projects cash flowed in 2008. Considering this is the final year of the three-year commitment, Alternative One, approval of the \$5.0 M contribution for 2008 Minor Capital projects, is recommended.

**FINANCIAL IMPLICATIONS:**

Minor Capital projects totaling \$5.0 M in cash flow for 2008 would be funded from a ten-year capital borrowing bylaw equating to a \$4.31 annual charge against the 2008 average assessed residential value of \$523,737 or an annual charge of \$0.82 per \$100,000 of assessed residential value.

**SUMMARY/CONCLUSIONS:**

VIHA is requesting the CRHD contribute \$5.0 M in 2008 toward Minor Capital projects for the upgrading of existing 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 40% cost share.

Staff recommends the Board approve funding of \$5.0 M for Minor Capital projects for 2008 as part of the \$14.0 M three-year Minor Capital project funding approved in 2006. This is the final year of the three-year funding agreement. The District has budgeted \$5.0 M for Minor Capital projects in 2008. VIHA's funding request does not exceed the District's budget allocation.

Staff is currently undertaking a review aimed at developing a new approach to enhance the health capital funding process and to determine an optimal funding model. This comprehensive analysis will include an analysis of the CRHD's contributions towards major capital projects, minor capital projects, equipment funding and non-traditional projects, and will address funding levels for future years' agreements.

**RECOMMENDATION:**

That the Planning & Protective Services Committee recommends to the CRHD Board:

1. The Minor Capital projects listed in Attachment One with a District share of \$5.0 M in cash flow for 2008 be approved; however, defer consideration of future years' funding commitments pending the results of the CRHD funding options review.
2. CRD Bylaw No. 353, "Capital Regional Hospital District Capital Bylaw No. 144, 2008" for \$5.0 M, for the CRHD's 40% share of Minor Capital projects listed in Attachment One, with a financing term of ten (10) years, be approved.

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COMMENTS: