

**STAFF REPORT TO THE PLANNING & TRANSPORTATION COMMITTEE
MEETING OF MAY 27, 2009**

SUBJECT: NON-TRADITIONAL PROJECTS – CRHD PARTICIPATION AND FUTURE OUTLOOK

PURPOSE:

The report identifies options for the future involvement of the Capital Regional Hospital District (CRHD) in supporting community priority projects. It analyzes, presents alternatives and seeks direction on the future CRHD role and participation in the development of community priority projects.

BACKGROUND:

The CRHD currently provides capital funding to four project categories, including Major, Minor, Equipment and Non-Traditional Projects (Appendix 1, Table 1).

The 2008 Funding Options Review (FOR) started a process of reorienting our capital funding framework. The revised funding model provided us with an opportunity to better predict and manage funding for Minor Capital Projects and Equipment categories. Table One below provides an estimate on the potential cutbacks resulting from the implementation of the new funding framework over the next three years:

Category	CRHD Share (Old Model)	CRHD Share (Revised Model) 2009-2011	Funding Reduction	Total Cost (including debt servicing)	Cutbacks
Minor Capital Projects (2009-2011) Debt Financing over 10 years	\$18 M (\$6 M/year)	\$15 M (\$5 M/year) maximum	\$3 M (\$1 M /year)	\$4,298,730	\$1,298,730 (debt servicing cost)
Equipment: 2010-2012 Cash requisition	\$9.9 M (\$3.3 M/year)	\$9 M (\$3 M/year)	\$0.9 M (\$0.3 M/year)	-	\$900,000 (\$300,000/year) (requisition)

The CRHD Ten Year Capital Plan includes anticipated funding of \$1,000,000 per annum in the form of a Non-Traditional Projects (NTPs) category. This anticipated funding is used to fund non-acute or other long term care projects that are generally not included in VIHA's overall capital plan.

The NTPs category was established primarily for the purpose of assisting non-profit-owned residential care facilities; however, without a clear mandate, commonly agreed on objectives and established funding guidelines for the category, the CRHD is challenged to respond to these requests. The category has also been used to fund other smaller community priority projects¹ in the form of a capital grant.

With community priority and residential care projects continuing to place pressure on limited funding, it is important to review the CRHD's role in supporting these types of projects. Depending on the role the Board identifies for the development of community priorities in the Region, it is critical to enhance the NTPs category to incorporate a clear scope and mandate to address Region-wide community issues.

The Vancouver Island Health Authority faces competing capital priorities across the Island and with increasingly limited funding, some of the community priority projects are left on the fringe of its overall service plan. As a strategic funding partner in health and housing initiatives, the community views the CRHD as a key entity capable of engaging VIHA on the overall service planning initiatives for the Region.

These priority projects must be addressed in order to provide appropriate and necessary health services to the community. This was effectively demonstrated by past work and research into the Social Determinants of Health and the Mayor's Taskforce on Homelessness.

¹ In 2007, the CRHD provided capital grants (a five-year borrowing bylaw) to the Bishop Coleman Memorial Health Centre on Pender Island and the Access Health Centre in Victoria.

ALTERNATIVES:

1. Budget funds annually that can be reallocated from the Minor Capital Projects and Equipment category cutbacks to the Non-Traditional Projects thereby creating financial capacity to fund future Non-Traditional Projects category, currently set at \$1 M in the CRHD Ten Year Capital Plan.
2. Budget funds as required for approving Non-Traditional Projects on a case-by-case basis without reallocating any cutbacks from the Minor Capital Projects and Equipment category.
3. Discontinue funding Non-Traditional Projects.

FINANCIAL IMPLICATIONS:

Alternative 1:

In consideration of Board's desire to support community initiatives, staff plans to develop an alternate financing strategy to capitalize on the cutbacks illustrated in Table One and effectively utilize this capacity for community projects.

The Vancouver Island Health Authority's 2009 request for Minor Capital Projects includes projects to a maximum of \$4 M (CRHD share). Further details on this are provided in the Minor Capital staff report. This provides the Board with an opportunity to use the balance \$1 M for Non-Traditional Projects. Table Two represents the amount of savings generated as a result of approving the 2009 funding for Minor Capital Projects.

	2009 Planned Share	2009 Actual Share	Reduction	Total Cost (including debt servicing)	Cutbacks
Minor Capital Project Debt Financed over 10 years	\$5 M	\$4,019,400	\$980,600	\$1,405,110	\$424,510

In addition, staff understands VIHA plans to undertake only one major capital project in 2009.

In consideration of the savings achieved through the 2008 FOR and VIHA's level of 2009 major and minor capital project spending, there exists a perfect opportunity to clarify and implement a renewed NTPs category at this time. Alternative One focuses on a combinational debt and cash funding structure to establish a reserve and maximize the value of investment in to the local community.

A review of other Hospital Districts² across the province indicates similar types of funding approach being used for various health capital related expenditures. These hospital districts use the reserve to deal with unanticipated urgent requests for funding that may be presented during the year and to save for future major capital expenditures so that short-term financing is not required. The Fraser Valley RHD has been able to fund two major hospital projects on its own using this reserve approach (Abbotsford Hospital and Cancer Centre, Chilliwack Hospital Redevelopment).

Alternative 2:

This alternative continues to follow the existing debt funding approach by addressing individual project requests on a case-by-case basis, funded through a borrowing bylaw over five years. Alternative Two does not utilize the cutbacks resulting from the implementation of the 2008 Funding Options Review.

² Fraser Valley, Fraser Fort George, Peace River, Comox-Strathcona, Okanagan-Similkameen

Alternative 3:

The purpose of the NTPs category is to enable community groups to undertake capital development or renovation projects that will result in short and long term benefits to the community. The category's renewed scope would enable the CRHD to fund a variety of health and social care projects in the Region.

Through the 2008 FOR, the CRHD has been able to increase the discipline and due diligence in the overall health capital funding framework. As a result, there exists a financial capacity for the CRHD to focus on priority issues faced by the Region. Therefore, Alternative Three is not recommended.

STRATEGIC IMPLICATIONS

Community priority issues are generally interlinked; establishing a common project category to address these issues is recommended. The NTPs category can be used as a single focal point to deal with the varying community initiatives undertaken by local organizations across the Capital Region. A clear mandate for the category would provide for capital grants to non-profit service providers, including residential care operators, community service providers, health centres and other agencies.



By establishing clear objectives, the CRHD would be able to address much-needed community projects and support the efforts of the Region's non-profit organizations. The renewed role would create 'Community Partnerships' whereby the CRHD supports community-based capital projects that increase the service delivery capacity in key areas of housing, homelessness and residential care.

SUMMARY:

Currently, general financial guidelines are applied to evaluate NTP requests and each project is treated on a case-by-case basis. With the continued reorientation of the CRHD health funding framework, it is timely to amplify our attention to the issues affecting our Region and initiate appropriate measures to support community initiatives. This report provides an opportunity for the Board to solidify its commitment to address community priorities by clarifying and establishing a clear objective on NTPs.

With a clear mandate, agreed-upon objectives, and established funding guidelines, continued capital funding for NTPs allows the CRHD to negotiate and leverage its capital projects with VIHA. Adoption of Alternative One will initiate the development of a Non-Traditional Project selection framework for the Committee's and the Board's future consideration and approval.

As local priority issues and projects gain significance, it is more important than ever that the CRHD initiate a process to leverage the advantages resulting from the 2008 FOR and utilize it to strengthen its community involvement role. Alternative One is recommended.

RECOMMENDATION:

That the Committee recommends the Capital Regional Hospital District Board:

1. Budget funds annually that can be reallocated from the Minor Capital Projects and Equipment category cutbacks to the Non-Traditional Projects thereby creating financial capacity to fund future Non-Traditional Projects category, currently set at \$1 M in the CRHD Ten Year Capital Plan.

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COMMENTS: