

**STAFF REPORT TO THE
PLANNING, TRANSPORTATION AND PROTECTIVE SERVICES COMMITTEE
MEETING OF WEDNESDAY, OCTOBER 26, 2011**

SUBJECT: 2012 Capital Regional Hospital District Provisional Budget

ISSUE:

Review the 2012 Capital Regional Hospital District (CRHD) Provisional Budget. The *Hospital District Act* requires the CRHD Provisional Budget be adopted by the Board on or before December 31, 2011.

BACKGROUND:

The CRHD Provisional Budget establishes Regional Hospital District funding for the coming fiscal year. The Budget consists of debt service charges on funds borrowed for capital projects, Section 20(3) medical equipment grant, non-traditional projects, and the administration budget for CRHD functions provided by the Health and Capital Planning Strategies Division.

ALTERNATIVES:

1. Approve the 2012 Capital Regional Hospital District Provisional Budget as submitted.
2. Refer the 2012 Capital Regional Hospital District Provisional Budget back to staff for further analysis.

BUDGET FINANCIAL IMPLICATIONS:

The 2012 Provisional Budget Summary and its comparison to the 2011 Budget are found in Schedule A. Schedule B shows the 2012-2016 Future Budget Projections and Schedule C presents a summary of CRHD 2012 capital expenditures. The Budget consists primarily of the following components:

Debt Servicing:

This represents principal and interest payments to be paid out on Board-approved projects. The CRHD 10-year Capital Plan and related approved capital bylaws are the basis of the future debt servicing projections.

Section 20(3) Equipment Grant:

Section 20(3) of the *Hospital District Act* enables the Regional Hospital District 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 including research and studies. The Section 20(3) allocation proposes the same level of funding as 2011 which provides a maximum of \$3.075 M.

Administration Expenditures:

The 2012 CRHD portion of the budget for the Health and Capital Planning Division is \$519,790. This budget includes a continuous supplementary increase of \$100,000 to more accurately reflect the cost of administrative services that support the CRHD. This increase is being absorbed into the 2012 overall budget within the proposed 2% tax requisition increase.

Non-Traditional Projects Allocation:

The 2012 Budget continues to include an allocation of \$1 M for Non-Traditional Projects (NTPs). This requisition is used to fund community a combination of priority projects in the Region or paying down outstanding funding (debt) obligations.

Tax Requisition:

The 2012 CRHD tax requisition is estimated to be \$27.728 M, which is a 2% increase over 2011. For 2012, the tax impact on average household (2011 assessment \$548,543) will be \$160.27. The

following table compares the forecasted tax impact on assessed residential value from 2009 when the CRHD began to incur the cost of two major hospital projects.¹

Budget Year	Residential Assessment	2011	2012	2013	2014	2015
2009 ¹	\$521,818	177.30	187.37	202.61	n/a	n/a
2010 ¹	\$529,519	163.73	169.47	179.66	187.75	n/a
2011 ¹	\$550,219	156.87	168.77	186.21	193.42	198.21
2012 ²	\$548,543	n/a	160.27	170.84	180.97	186.14

¹ Final Budget
² Provisional Budget

2012 Capital Plan Projections:

The 2008 Funding Options Review recommendations have helped lower the forecasted tax requisition peak. The 2008 Ten Year Capital Plan projected a peak of \$254.31 in 2018. However; since the implementation of the new funding framework the projected peak has been declining. The revised 2011 Capital Plan (which included the addition of the Mt. View Heights and Oak Bay Lodge projects) projected a peak requisition of \$199.14 in 2015. The 2012 Capital Plan tax requisition is further reduced to a peak of \$195.93 in 2017. Overall, the anticipated growth in requisitions is significantly less than the 2011 forecast when it was anticipated that the increase would be 7.6% in 2012 and 10.33% in 2013.

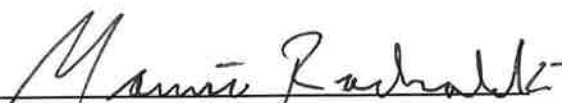
CONCLUSION:

The 2012 CRHD Provisional Budget must be adopted on or before December 1, 2011. The 2012 Budget presents a reasonable reflection of the actual costs for Board approved and future year projects. Overall, the Budget reflects increased balance, discipline and reduction in the future tax requisition. The 2012 CRHD Provisional Budget expenditures are in line with the prior year's 2011 Budget five-year forecast. The overall budget proposes an increase of approximately 2%. Alternative 1 is recommended.

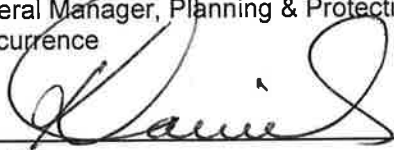
RECOMMENDATION:

That the Planning, Transportation and Protective Services Committee recommends to the CRHD Board:

1. That the 2012 Capital Regional Hospital District Provisional Budget be approved.


 Maurice Rachwalski, Senior Manager
 Health and Capital Planning Strategies


 Robert Lapham, MCIP
 General Manager, Planning & Protective Services
 Concurrence


 Kelly Daniels
 Chief Administrative Officer
 Concurrence

COMMENTS:

¹ R/JH Patient Care Centre and VGH Emergency Redevelopment

SCHEDULE A

CAPITAL REGIONAL HOSPITAL DISTRICT
2012 PROVISIONAL BUDGET

	2011 BOARD APPROVED	2011 ESTIMATED ACTUALS	2012 PROVISIONAL BUDGET	2010 - 2011 BUDGET VARIANCE
REVENUE				
Tax Requisition Total	27,184,340	27,184,340	27,728,030	543,690
Payments in Lieu of Taxes	778,310	821,540	819,330	41,020
	27,962,650	28,005,880	28,547,360	584,710
Debt Reserve Fund Recovery	0	403,930	0	0
Interest	50,000	50,000	50,000	0
Surplus Previous Year	86,150	80,370	0	-86,150
TOTAL REVENUE	28,098,800	28,540,180	28,597,360	498,560
EXPENDITURES				
Debt Servicing				
Debenture Debt - Accrued Interest Dec 31	182,180	0	242,200	60,020
Debenture Debt Charges	23,012,850	24,855,018	23,120,930	108,080
Temporary Borrowing Interest	109,850	90,500	250,000	140,150
Debenture Issue Expense	112,230	19,980	146,040	33,810
Debt Reserve Fund	187,050	33,300	243,400	56,350
Total Debt Servicing	23,604,160	24,998,798	24,002,570	398,410
Administration Expenditures	419,640	419,640	519,790	100,150
Section 20(3) Expenditures	3,075,000	3,075,000	3,075,000	0
	3,494,640	3,494,640	3,594,790	100,150
Non-Traditional Projects	1,000,000	46,742	1,000,000	0
TOTAL EXPENDITURES	28,098,800	28,540,180	28,597,360	498,560
Tax impact on 2011 Avg Residence (\$548,543)	157.13		160.27	
Tax impact on \$100,000 assessment	28.64		29.22	
Requisition increase/(decrease)			2.0%	

SCHEDULE B

**CAPITAL REGIONAL HOSPITAL DISTRICT
2012 - 2016 FUTURE BUDGET PROJECTIONS**

	2012 PROVISIONAL BUDGET	2013 BUDGET	2014 BUDGET	2015 BUDGET	2016 BUDGET
REVENUE					
Tax Requisition Total	27,728,030	29,555,770	31,309,720	32,203,840	33,223,510
Grants in Lieu of Taxes	819,330	819,330	819,330	819,330	819,330
	<u>28,547,360</u>	<u>30,375,100</u>	<u>32,129,050</u>	<u>33,023,170</u>	<u>34,042,840</u>
Debt Reserve Fund Recovery	0	0	0	0	0
Interest	50,000	50,000	50,000	50,000	50,000
Surplus Previous Year	0	0	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL REVENUE	<u><u>28,597,360</u></u>	<u><u>30,425,100</u></u>	<u><u>32,179,050</u></u>	<u><u>33,073,170</u></u>	<u><u>34,092,840</u></u>
EXPENDITURES					
Debt Servicing					
Debenture Debt - Accured Int. Dec 31	242,200	0	0	0	0
Debenture Debt Charges	23,120,930	25,205,700	27,129,300	28,014,530	29,096,000
Temporary Borrowing Interest	250,000	200,000	200,000	200,000	200,000
Debenture Issue Expense	146,040	156,080	89,250	89,310	65,230
Debt Reserve Fund	243,400	260,130	148,750	148,850	102,220
Total Debt Servicing	<u>24,002,570</u>	<u>25,821,910</u>	<u>27,567,300</u>	<u>28,452,690</u>	<u>29,463,450</u>
Administration Expenditures	519,790	528,190	536,750	545,480	554,390
Section 20(3) Exp - Capital & Studies	3,075,000	3,075,000	3,075,000	3,075,000	3,075,000
	<u>3,594,790</u>	<u>3,603,190</u>	<u>3,611,750</u>	<u>3,620,480</u>	<u>3,629,390</u>
Non-Traditional Projects	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>
TOTAL EXPENDITURES	<u><u>28,597,360</u></u>	<u><u>30,425,100</u></u>	<u><u>32,179,050</u></u>	<u><u>33,073,170</u></u>	<u><u>34,092,840</u></u>
Tax Impact on 2011 Avg Residence (\$548,543)	160.27	170.84	180.97	186.14	192.04
Tax Impact on \$100,000 assessment	29.22	31.14	32.99	33.93	35.01
Requisition increase/(decrease)	2.0%	6.6%	5.9%	2.9%	3.2%

SCHEDULE C

**CAPITAL REGIONAL HOSPITAL DISTRICT
2012 CAPITAL EXPENDITURES**

<u>CBL#</u>	<u>PROJECT</u>	<u>2012 CAPITAL EXPENDITURES</u>
144	VIHA - 2008 Minor Capital Projects	1,141,120
145	RJH - EMP Asbestos Phase 2	300,000
146	VIHA - Residential Care Patient Lifts Phase 1	360,000
149	VIHA - 2009 Minor Capital Projects 5yr	628,630
150	VIHA - 2009 Minor Capital Projects 10yr	944,690
152	VIHA - 2010 Minor Capital Projects	2,000,000
153	SPH - OR/Electrical Redevelopment	960,000
154	MTV/OBL New Residential Care	14,086,920
156	VIHA - 2011 Minor Capital Projects	2,576,420
TBA	VIHA - 2012 Minor Capital Projects	1,250,000
TBA	VGH - Endoscopy Unit Reno	91,800
N/A	Non-Traditional Community Project	<u>1,000,000</u>
		<u><u>25,339,580</u></u>