

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

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**SUBJECT: Capital Regional Hospital District 2012-2021 Ten Year Capital Plan**

**ISSUE:**

Analysis of the Capital Regional Hospital District (CRHD) Ten Year Capital Plan identifying likely capital expenditures for the ten-year period 2012-2021 and the financial implications for the CRHD requisition and future property tax charges.

**HISTORY/BACKGROUND:**

A list of projected CRHD capital expenditures over the next ten years (the "Capital Plan") is submitted for Board approval each year. The 2012-2021 Capital Plan (Appendix "A") is derived mainly from the Vancouver Island Health Authority's (VIHA) composite of priorities identified from the various health sectors (acute hospital, long term care/residential care, etc.)<sup>1</sup> and illustrates anticipated capital expenditures and their financial impact for the Region and property taxpayers.

Although the planning process is iterative, the Capital Plan is generally subjected to multiple revisions and alterations depending on the funding availability for VIHA, how the project fits into the overall VIHA and CRHD priorities, and more detailed project planning and design. Capital Plans are forward-looking documents that present the best estimate of cash flows expected in future years for new projects and initiatives.

As compared to the 2011-2020 Capital Plan, the anticipated CRHD share for Major Projects has decreased. Some of the projects included in the 2012-2021 Plan have been changed or reassessed based on conversations with VIHA staff, and the current activity of projects in the CRHD catchment area reflects VIHA's emphasis on the development of major healthcare facilities across Vancouver Island.

**FUNDING DETAILS:**<sup>2</sup>

*Major Projects*

For 2012 there is only one new major project; a \$3 million (M) upgrade and renovation to the Endoscopy Unit at Victoria General Hospital. Based on a 30% contribution, the CRHD portion would be \$900,000.

*Minor Projects*

Minor Capital Projects contributions have been set at a maximum of \$3.75 M annually in debt service funding as a 40 percent contribution towards projects totaling \$9.375 M.

*Section 20(3) Equipment & Planning/Research*

Bio-medical and diagnostic equipment funding has been set at \$3.075 M in the Section 20(3) requisition funding, allocated as follows: \$2.925 M to VIHA for equipment; \$30,000 to Mount St. Mary's Hospital for equipment; and, \$120,000 for health facilities planning and research.

*Non-Traditional Projects*

The Plan also contains a \$1 M annual allocation for Non-Traditional Projects. This allocation has been effectively used in the past to also pay down outstanding funding obligations including acquisition and development costs associated with the Mount View project.

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<sup>1</sup> VIHA funding sources: Ministry of Health, CRHD, Hospital Foundations, VIHA internally generated funds (e.g. parking)

<sup>2</sup> See Appendix D for a description of capital expenditures by category

**ALTERNATIVES:**

1. Approve the 2012-2021 Ten Year Capital Plan as submitted.
2. Not approve the 2012-2021 Ten Year Capital Plan as submitted.

As graphically illustrated in Appendix "B", the 2012 Ten Year Plan includes projects VIHA may implement in future years within the Capital Region and portrays a partial road map for future anticipated health capital projects and related cash flows.

**FINANCIAL IMPLICATIONS:**

Appendices "A" and "B" summarize the financial implications of the 2012-2021 Capital Plan and Appendix "C" summarizes the existing and estimated debt service implications on the average assessed residential value.

The 2012 Ten Year Capital Plan shows significant debt management and control on the overall CRHD requisition. For example, the 2008 Capital Plan projected a peak of \$254.31 in 2018, while the current plan indicates a peak maximum requisition of \$195.93 in 2017 - a decrease of 23%.

**SUMMARY/CONCLUSIONS:**

CRHD staff continue to work with VIHA to develop more detailed and robust plans and projections of the Region's healthcare capital requirements for VIHA facilities, and anticipate that the 2013-2022 Capital Plan will better reflect VIHA's long term healthcare capital requirements.

The Plan presents an accurate reflection of the actual cash flow schedule for ongoing (Board previously approved) projects and estimate of cash flow for projects to be approved. Staff recommends approving the 2012-2021 Capital Plan as submitted.

**RECOMMENDATION:**

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

1. That the 2012-2021 Ten Year Capital Plan be approved as submitted.



Maurice Rachwalski, Senior Manager  
Health and Capital Planning Strategies  
Report Writer



Robert Lapham, General Manager  
Planning and Protective Services  
Concurrence



Kelly Daniels, Chief Administrative Officer  
Concurrence

COMMENTS:

SUMMARY	Project Total	Remaining Balance	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>VIHA SHAREABLE PROJECTS</b>												
Acute Hospitals Major Capital Projects	156,018,000	138,610,320	2,706,000	4,495,680	6,858,480	27,829,680	23,737,440	3,712,800	13,170,240	22,950,000	22,950,000	10,200,000
Residential Care Replacement Projects - Mt. View & Oak Bay	127,992,572	127,992,572	44,724,097	49,717,406	24,735,359	8,815,710	-	-	-	-	-	-
Minor Capital Projects - CRHD Approved Outstanding Balance to be Expensed	45,599,557	28,701,100	17,286,100	9,415,000	-	-	-	-	-	-	-	-
Minor Capital Projects - 2012 VIHA Requested	9,375,000	9,375,000	3,125,000	3,125,000	3,125,000	-	-	-	-	-	-	-
Minor Capital Projects - CRHD Anticipated 2013-2021	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
<b>TOTAL ESTIMATED VALUE OF PROJECTS</b>	<b>423,360,129</b>	<b>387,053,992</b>	<b>67,841,197</b>	<b>76,128,086</b>	<b>44,093,839</b>	<b>46,020,390</b>	<b>33,112,440</b>	<b>13,087,800</b>	<b>22,545,240</b>	<b>32,325,000</b>	<b>32,325,000</b>	<b>19,575,000</b>

<b>CRHD \$ SHARE - TOTAL ESTIMATED ANNUAL CAPITAL CASH FLOW</b>												
CRHD Section 20(3) Grants - 100% CRHD Share (0% incl/yr) cash requisition	-	30,750,000	3,075,000	3,075,000	3,075,000	3,075,000	3,075,000	3,075,000	3,075,000	3,075,000	3,075,000	3,075,000
Non-Traditional Projects Grants - 100% CRHD Share (0% incl/yr) cash requisition	-	10,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Mt. View Development Infrastructure - 100% CRHD Share interim financed	-	2,000,000	500,000	-	-	-	-	-	-	-	-	-
Acute Hospitals Major Capital Projects - 40% CRHD share for approved projects & 30% unapproved projects - debt financing	63,495,056	42,039,696	1,051,800	1,565,304	2,057,544	8,348,904	7,121,232	1,113,840	3,951,072	6,885,000	6,885,000	3,060,000
Residential Care Replacement Projects - 32% CRHD Share MTV/OBL - debt financing	40,372,800	40,372,800	14,086,916	15,682,237	7,817,486	2,786,161	-	-	-	-	-	-
Minor Capital Projects CRHD Approved - 40% CRHD Share - debt financing	18,239,823	10,680,440	6,914,440	3,766,000	-	-	-	-	-	-	-	-
Minor Capital Projects 2012 VIHA Requested - 40% CRHD Share - debt financing	3,750,000	3,750,000	1,250,000	1,250,000	1,250,000	-	-	-	-	-	-	-
Minor Capital Projects 2013-2021 Anticipated - 40% CRHD Share - debt financing	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
<b>CRHD Total Estimated Annual Capital Cash Flow</b>	<b>202,357,678</b>	<b>171,842,936</b>	<b>27,878,156</b>	<b>30,088,541</b>	<b>18,950,030</b>	<b>18,960,065</b>	<b>14,946,232</b>	<b>8,938,840</b>	<b>11,776,072</b>	<b>14,710,000</b>	<b>14,710,000</b>	<b>10,885,000</b>

**General Notes:**

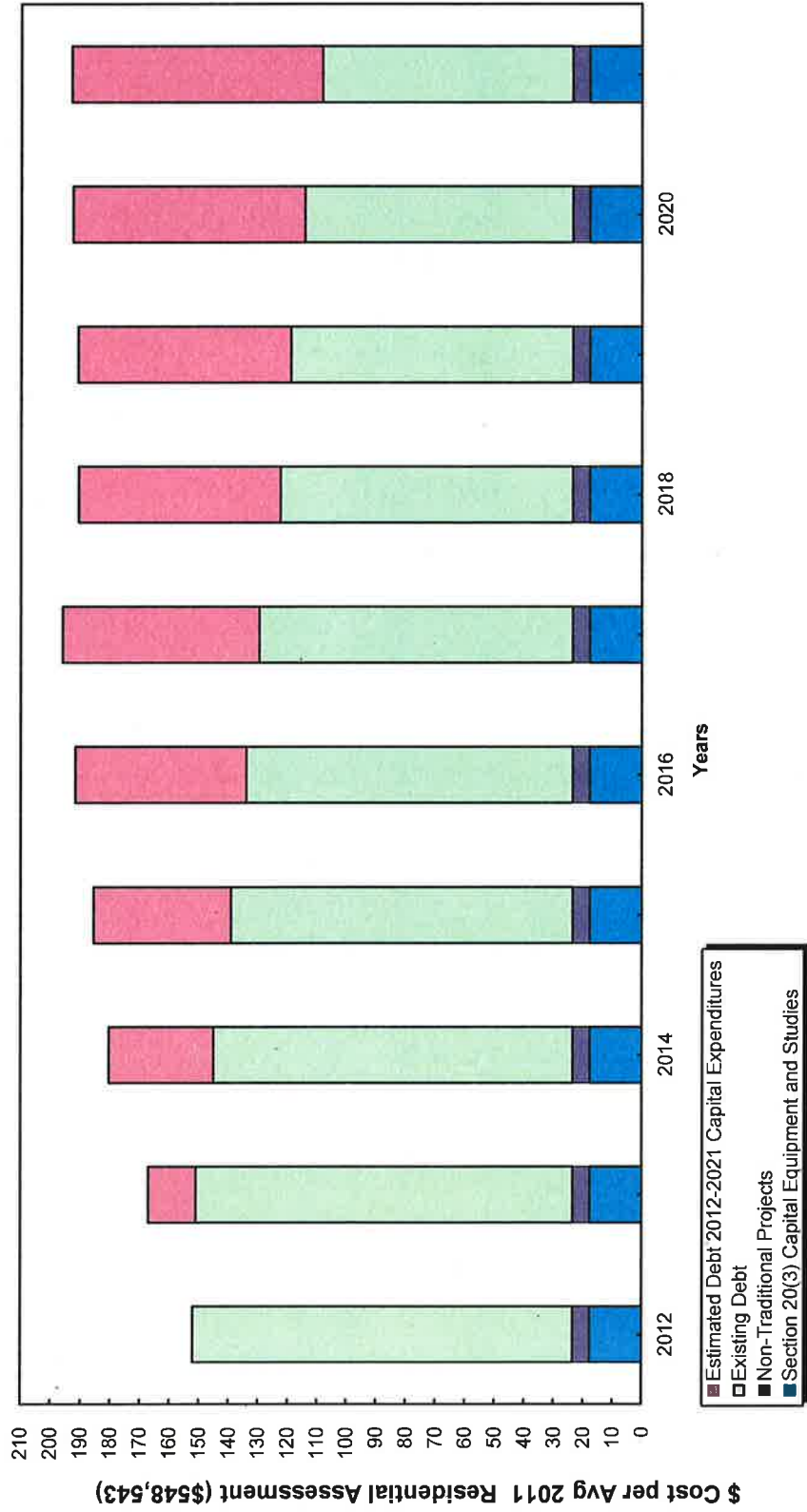
- 1) Cash flow figures represent anticipated maximum requirements if all listed projects proceed as shown
- 2) Projections are based primarily on the most recent information from VIHA
- 3) Definitions of Project Status -
  - a) VIHA Requested: projects that VIHA will proceed with design and construction in 2012
  - b) VIHA Planned: projects VIHA intends to develop in 2-3 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

**CAPITAL REGIONAL HOSPITAL DISTRICT - ANNUAL VIHA (SOUTH) CAPITAL PLAN - 2012 TO 2021 at September 19, 2011**

ACUTE AND REHAB HOSPITALS		Project Status	CBL#	Debt Term	Project Total	Remaining Balance	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>ROYAL JUBILEE HOSPITAL</b>																
<b>Major projects</b>																
Asbestos Abatement - EMP - Phase 3	VIHA Planned			10	6,500,000	6,500,000	-	-	650,000	3,250,000	2,600,000	-	-	-	-	-
Food Service Bldg Fabric Reno	VIHA Planned			10	8,000,000	8,000,000	-	-	800,000	4,000,000	3,200,000	-	-	-	-	-
Acute Care Site Reconfiguration (RJH)	VIHA Planned			15	29,000,000	29,000,000	-	-	2,900,000	14,500,000	11,600,000	-	-	-	-	-
TBD future major project(s)	CRHD Anticipated			15	20,000,000	20,000,000	-	-	-	-	-	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
<b>Royal Jubilee Hospital Total</b>					<b>73,000,000</b>	<b>63,500,000</b>			<b>4,350,000</b>	<b>21,750,000</b>	<b>17,400,000</b>			<b>5,000,000</b>	<b>5,000,000</b>	<b>5,000,000</b>
<b>VICTORIA GENERAL HOSPITAL</b>																
<b>Major projects</b>																
Endoscopy Unit Renovation	VIHA Requested			5	3,000,000	3,000,000	300,000	1,500,000	1,200,000	-	-	-	-	-	-	-
Acute Care Site Reconfiguration (VGH)	VIHA Planned			5	3,900,000	3,900,000	-	-	390,000	1,950,000	1,560,000	-	-	-	-	-
TBD future major project(s)	CRHD Anticipated			15	20,000,000	20,000,000	-	-	-	-	-	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
<b>Victoria General Hospital Total</b>					<b>26,900,000</b>	<b>26,900,000</b>	<b>300,000</b>	<b>1,500,000</b>	<b>1,590,000</b>	<b>1,950,000</b>	<b>1,560,000</b>			<b>5,000,000</b>	<b>5,000,000</b>	<b>5,000,000</b>
<b>SAANICH PENINSULA HOSPITAL</b>																
<b>Major projects</b>																
SPH OR Redevelopment & Electrical (40%)	CRD Approved 2010			153	4,566,000	3,666,000	1,500,000	2,166,000	-	-	728,000	3,640,000	2,912,000	-	-	-
Lab & Imaging redevelopment	CRHD Anticipated			10	7,280,000	7,280,000	-	-	-	-	-	728,000	3,640,000	2,912,000	-	-
<b>Saanich Peninsula Hospital Total</b>					<b>11,846,000</b>	<b>10,946,000</b>	<b>1,500,000</b>	<b>2,166,000</b>			<b>728,000</b>	<b>3,640,000</b>	<b>2,912,000</b>			
<b>LADY MINTO HOSPITAL</b>																
<b>Major projects</b>																
LMH 81 Bed Replacement & 5 New Beds	CRHD Anticipated			15	25,000,000	25,000,000	-	-	-	-	-	-	-	12,500,000	12,500,000	-
<b>Lady Minto Hospital Total</b>					<b>25,000,000</b>	<b>25,000,000</b>								<b>12,500,000</b>	<b>12,500,000</b>	
<b>QUEEN ALEXANDRA HOSPITAL</b>																
<b>Major projects</b>																
No Major Projects as per VIHA Capital Plan																
<b>Queen Alexandra Hospital Total</b>																
<b>VIHA - SOUTH ISLAND INITIATIVES</b>																
<b>Major projects</b>																
SI Ceiling-Mounted Patient Lifts Res Care I (40%)	CRHD Approved 2008			146	2,000,000	900,000	900,000	-	-	-	-	-	-	-	-	-
SI Ceiling-Mounted Patient Lifts II	VIHA Planned			5	3,136,000	3,136,000	-	784,000	784,000	784,000	784,000	-	-	-	-	-
Victoria USTAT & Psychotherapy Program	CRHD Anticipated			10	5,600,000	5,600,000	-	-	-	2,800,000	2,800,000	-	-	-	-	-
<b>VIHA South Area Initiatives</b>					<b>19,272,000</b>	<b>9,636,000</b>	<b>900,000</b>	<b>784,000</b>	<b>784,000</b>	<b>3,584,000</b>	<b>3,584,000</b>					
<b>Acute &amp; Rehab Hospitals Sub -Total</b>					<b>156,018,000</b>	<b>135,982,000</b>	<b>2,700,000</b>	<b>4,450,000</b>	<b>6,724,000</b>	<b>27,284,000</b>	<b>23,272,000</b>	<b>3,640,000</b>	<b>12,912,000</b>	<b>22,500,000</b>	<b>22,500,000</b>	<b>10,000,000</b>
Inflation ( 2% ) excluding approved Capital Bylaws						2,719,640	6,000	45,680	134,480	545,680	465,440	72,800	258,240	450,000	450,000	200,000
<b>Acute Hospitals Major Capital Projects Annual Capital Cash Flow</b>					<b>138,610,320</b>		<b>2,706,000</b>	<b>4,495,680</b>	<b>6,858,480</b>	<b>27,829,680</b>	<b>23,737,440</b>	<b>3,712,800</b>	<b>13,170,240</b>	<b>22,950,000</b>	<b>22,950,000</b>	<b>10,200,000</b>
<b>CRHD Share 40% Approved Projects &amp; 30% Unapproved Acute &amp; Rehab Cost</b>						<b>41,484,192</b>	<b>960,000</b>	<b>1,101,600</b>	<b>2,057,544</b>	<b>8,348,904</b>	<b>7,121,232</b>	<b>1,113,840</b>	<b>3,951,072</b>	<b>6,885,000</b>	<b>6,885,000</b>	<b>3,060,000</b>

OTHER CAPITAL PROJECTS		Project Status	CBL#	Debt Term	Project Total	Remaining Balance	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>CRD Projects</b>																
Mt View Residential Care Replacement	CRHD Approved	154	15	55,300,700	55,300,700	33,704,411	21,596,289									
Oak Bay Lodge Residential Care Replacement	CRHD Approved	154	15	72,691,872	72,691,872	11,019,686	28,121,117	24,735,359	8,815,710							
<b>Other Capital Projects Sub-total</b>				<b>127,992,572</b>	<b>127,992,572</b>	<b>44,724,097</b>	<b>49,717,406</b>	<b>24,735,359</b>	<b>8,815,710</b>							
Inflation ( 2% ) excluding approved Capital Bylaws																
<b>Other Capital Projects Annual Capital Cash Flow</b>					<b>127,992,572</b>	<b>44,724,097</b>	<b>49,717,406</b>	<b>24,735,359</b>	<b>8,815,710</b>							
<b>CRHD share 32% MTV/OBL &amp; 30% Unapproved Other Capital Projects</b>				<b>40,372,800</b>	<b>40,372,800</b>	<b>14,086,916</b>	<b>15,682,237</b>	<b>7,817,486</b>	<b>2,786,161</b>							
<b>MINOR CAPITAL PROJECTS</b>																
<b>Various VIHA Hospitals</b>																
Minor Capital Projects - Approved 2008	CRHD Approved	144	10	12,500,000	2,652,800	2,652,800										
Outstanding Balance to be Expensed (40%)																
Minor Capital Projects - Approved 2009	CRHD Approved	149	5	2,377,000	1,571,570	1,571,570										
Outstanding Balance to be Expensed (40%)																
Minor Capital Projects - Approved 2009	CRHD Approved	150	10	7,671,500	2,361,730	2,361,730										
Outstanding Balance to be Expensed (40%)																
Minor Capital Projects - Approved 2010 (40%)	CRHD Approved	152	10	11,109,999	8,915,000	5,000,000	3,915,000									
Minor Capital Projects - Approved 2011 (40%)	CRHD Approved	156	10	11,941,058	11,000,000	5,500,000	5,500,000									
Minor Capital Projects - 2012 (40%)	VIHA Requested		10	9,375,000	9,375,000	3,125,000	3,125,000									
Minor Capital Projects - 2013-2021 (40%)	CRD Anticipated		10	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	9,375,000
<b>MCP Projects Sub-total</b>					<b>120,451,100</b>	<b>20,411,100</b>	<b>21,915,000</b>	<b>12,500,000</b>	<b>12,500,000</b>	<b>9,375,000</b>	<b>9,375,000</b>	<b>9,375,000</b>	<b>9,375,000</b>	<b>9,375,000</b>	<b>9,375,000</b>	<b>9,375,000</b>
Inflation ( 0% ) excluding approved Capital Bylaws																
<b>MCP Projects Annual Capital Cash Flow</b>					<b>120,451,100</b>	<b>20,411,100</b>	<b>21,915,000</b>	<b>12,500,000</b>	<b>12,500,000</b>	<b>9,375,000</b>	<b>9,375,000</b>	<b>9,375,000</b>	<b>9,375,000</b>	<b>9,375,000</b>	<b>9,375,000</b>	<b>9,375,000</b>
<b>CRHD 40% share of MCP Projects Total</b>					<b>48,180,440</b>	<b>8,164,440</b>	<b>8,766,000</b>	<b>5,000,000</b>	<b>5,000,000</b>	<b>3,750,000</b>	<b>3,750,000</b>	<b>3,750,000</b>	<b>3,750,000</b>	<b>3,750,000</b>	<b>3,750,000</b>	<b>3,750,000</b>

**CAPITAL REGIONAL HOSPITAL DISTRICT  
Debt Servicing (2012-2021) for 10 Year Capital Plan (2012-2021)  
MFA Borrowing Terms of 5-20yrs**



Debt Servicing has not been adjusted for Grants in Lieu of Taxes and Administration Expenditures as they net to zero.  
Prepared by: CRD Finance Sept. 19, 2011

**CAPITAL REGIONAL HOSPITAL DISTRICT**  
**Existing and Estimated Debt Servicing (2012-2031) for 10 Year Capital Plan (2012-2021)**  
**Cost per Average 2011 Residential Assessment (\$548,543)**  
**Based on MFA Borrowing Terms of 5, 10, 15, 20 years**

<u>Year</u>	<u>Existing Debt Servicing</u>	<u>Capital Exp (2012-2021) Estimated Debt Servicing</u>	<u>Total Debt Servicing</u>	<u>Sec 20(3) Capital Equipment</u>	<u>Non-Traditional Projects</u>	<u>Total Requisition</u>	<u>Total Requisition Value</u>
2012	128.44	0.00	128.44	17.77	5.78	151.99	25,996,406
2013	127.43	16.08	143.50	17.77	5.78	167.06	28,610,598
2014	121.48	35.34	156.81	17.77	5.78	180.37	30,921,720
2015	115.57	46.36	161.93	17.77	5.78	185.48	31,815,679
2016	110.44	57.74	168.18	17.77	5.78	191.73	32,906,059
2017	105.94	66.44	172.37	17.77	5.78	195.93	33,642,664
2018	98.83	68.33	167.16	17.77	5.78	190.72	32,752,528
2019	95.29	72.09	167.38	17.77	5.78	190.93	32,800,969
2020	90.51	78.58	169.09	17.77	5.78	192.65	33,110,162
2021	84.57	84.93	169.50	17.77	5.78	193.06	33,192,761
2022	75.02	89.01	164.03	17.77	5.78	187.58	32,258,030
2023	63.53	83.20	146.73	17.77	5.78	170.28	29,277,646
2024	41.96	75.94	117.90	17.77	5.78	141.46	24,303,302
2025	11.93	71.43	83.36	17.77	5.78	106.92	18,340,396
2026	0.02	65.78	65.80	17.77	5.78	89.36	15,315,893
2027	0.00	60.31	60.31	17.77	5.78	83.86	14,379,076
2028	0.00	48.14	48.14	17.77	5.78	71.70	12,288,057
2029	0.00	34.33	34.33	17.77	5.78	57.89	9,912,975
2030	0.00	25.70	25.70	17.77	5.78	49.25	8,432,953
2031	0.00	18.00	18.00	17.77	5.78	41.56	7,116,120
							487,373,995

**APPENDIX D: SECTOR AND EXPENDITURE CATEGORY BREAKDOWN  
STAFF REPORT TO THE  
PLANNING, TRANSPORTATION AND PROTECTIVE SERVICES COMMITTEE  
MEETING OF WEDNESDAY, OCTOBER 26, 2011**

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***Traditional Projects***

***Traditional*** healthcare projects funded by the CRHD are owned by the Vancouver Island Health Authority (VIHA) and are used primarily for the reception and treatment of persons:

- (a) suffering from the acute phase of illness or disability;
- (b) convalescing from or being rehabilitated after acute illness or injury; or
- (c) requiring extended care at a higher level than that generally provided in a private hospital.

**Major Projects – Acute Care**

Projects over \$2 M are classified as Major Projects. In light of the development of two major projects in the CRD (VGH Emergency expansion, and RJH Patient Care Centre), VIHA is now focusing on redeveloping other hospitals on the Island. The projects included in the Plan reflect VIHA's future plans for the main hospitals in the Region.

Based on discussion with VIHA staff, the Endoscopy Unit Renovation at Victoria General Hospital is the top priority project at this time and the only project planned for 2012. There are several other key projects included in the Capital Plan for future years. Overall the plan also includes other significant projects for all the facilities across the Region.

**Minor Capital Projects**

The revised funding framework (2010) established a fixed annual contribution of up to \$5 M for the Minor Capital Projects category. The projects are valued over \$100,000 to a maximum of \$2 M.

Depending upon the nature of projects included in VIHA's project request, funding for Minor Capital Projects would be carefully considered in the most efficient and economic ways for the CRHD.

**Equipment - Section 20(3)**

Under the Section 20(3), the Capital Plan identifies annual equipment funding to a maximum of \$3.075 M. The money is primarily used for the acquisition of medical equipment. Of the total amount, \$2.925 M will be provided to VIHA, \$30,000 to Mount St. Mary Hospital and \$120,000 to Health Facilities Planning administration for research/studies.

***Non-Traditional Projects***

Also included under Section 20(3), \$1 M per annum in this category is used to fund not-for-profit agencies other than VIHA for primary care (e.g. Bishop Coleman Memorial Health Centre on Pender Island and the Access Health Centre in Victoria) and residential care facilities (e.g. seniors and persons with addictions and/or mental illness). This category is also used to pay down outstanding funding obligations associated with the acquisition and development costs of the Mount View project.