

**STAFF REPORT TO THE
PLANNING, TRANSPORTATION AND PROTECTIVE SERVICES COMMITTEE
MEETING OF MAY 2, 2012**

SUBJECT **2012 Minor Capital Projects – Capital Expenditure and Borrowing Bylaw 157, 2012**

ISSUE

To approve Capital Expenditure and Borrowing Bylaw No. 157, 2012, authorizing the Capital Regional Hospital District's (CRHD) expenditures towards Vancouver Island Health Authority (VIHA) minor capital projects.

BACKGROUND

The Ministry of Health provides capital funding to VIHA to address the need to upgrade and sustain its aging health infrastructure. Projects covered under this program are known as Minor Capital Projects (MCPs) and are projects valued between \$100,000 and \$2,000,000.

Investments in MCPs include new construction, additions, and alterations or betterment of existing structures and infrastructures, ongoing replacement of aging or failed building systems or components, overall infrastructure improvements, renovations or upgrades to accommodate change in service delivery, improve efficiency or respond to technology changes.

Traditionally, the CRHD's contribution towards the overall project cost for each individual project is cost shared (40/60) with the Ministry of Health. A capital borrowing bylaw is required to authorize the CRHD's 40% share.

The CRHD Board-approved 2012-2021 Capital Plan allocates \$3.75M toward 2012 MCPs. As a result of detailed discussions with VIHA Capital Planning staff, CRD Health and Capital Planning Strategies Division staff recommends the attached list of new and previously approved projects. Table 1 outlines the cash flow of these projects.

Table 1: Summary of CRHD Contribution to 2012 Minor Capital Projects	
	Cash Flow
Projects previously approved by CRHD Board	\$ 639,000
New project commitments	\$3,111,000
TOTAL	\$3,750,000

ALTERNATIVES

1. a) Approve the MCPs listed in Appendix A with a CRHD 2012 cash flow of \$3,750,000, made up of:
 - i) \$639,000 in cash flow to complete projects previously approved by the CRHD Board; and,
 - ii) \$3.111M in cash flow for new project commitments; and,
 b) Approve CRD Bylaw No. 372, "Capital Regional Hospital District Capital Bylaw No. 157, 2012" for \$3,750,000 for MCPs listed in Appendix A, with a financing term of ten (10) years.

2. Approve a 2012 cash flow requisition for ongoing project commitments only (\$639,000) and not approve new MCPs.

FINANCIAL IMPLICATIONS

Table 2 illustrates the financial implications for each alternative.

Table 2: Debt Servicing and Requisition Costs

Alternative	CRHD Share	Borrowing Term	Annual charge against 2012 assessed residential value (\$)	Annual charge per \$100,000 of assessed residential value
1	\$3,750,000	10 years ¹	\$2.82	\$0.52
2	\$639,000	5 years ²	\$0.81	\$0.15

Alternative 1

The CRHD has already provided for an expenditure of \$3.75M for 2012 MCPs as part of the CRHD 2012-2021 Capital Plan. This Alternative would commit the CRHD to future expenditures of \$2,020,115 to complete proposed new 2012 MCPs over the projects' construction period.

Alternative 2

This Alternative limits the CRHD's 2012 expenditures to \$639,000, thereby honouring its commitment to complete previously approved projects.

STRATEGIC IMPLICATIONS

Alternative 1

This Alternative would allow VIHA to complete projects already underway and proceed immediately with its highest-priority planned upgrades and betterments of existing facilities. This Alternative would contribute CRHD funds at 40% of total project costs with the Ministry of Health's 60% contribution.

Alternative 2

Alternative 2 would allow previously committed projects to complete but would limit the ability of VIHA to undertake new minor capital upgrades and improvements to existing facilities.

CONCLUSIONS

The CRD's Health and Capital Planning Strategies Division has conducted due diligence, attesting to the eligibility, suitability, scope and budget for the attached project list which represents VIHA's highest upgrading priorities for MCPs. Not only will CRHD funding benefit healthcare delivery in the Region, it will ensure the Ministry of Health capital funding for these projects.

A borrowing bylaw in the amount of \$3,750,000 borrowed over 10 years is recommended. This funding reflects the approval of the 2012 MCPs cash flow. A future cash flow commitment of \$2,020,115 will remain to complete the new projects and is established in the 2012-2021 CRHD Capital Plan.

¹ 10 year borrowing based on 5% interest rate

² 5 year borrowing based on 4% interest rate

RECOMMENDATIONS

That the Planning, Transportation and Protective Services Committee recommend that the CRHD Board:

- 1) Approve the 2012 Minor Capital Projects listed in Appendix A with a CRHD cash flow of \$3,750,000, made up of:
 - a) \$639,000 in cash flow for ongoing project commitments
 - b) \$3,111,000 in cash flow for new commitments; and
- 2) Approve Bylaw No. 372, "Capital Regional Hospital District Capital Bylaw No. 157, 2012" for \$3,750,000 for Minor Capital Projects listed in Appendix A, with a financing term of 10 years.

Maurice Rachwalski, Senior Manager
Health & Capital Planning Strategies Division

Robert Lapham, MCIP
General Manager Planning and Protective Services
Concurrence

Kelly Daniels
Chief Administrative Officer
Concurrence

Attachments: 2