



Capital Regional Hospital District

**Notice of a meeting of the Capital Regional Hospital District Board
to be held on Wednesday, August 10, 2011 at 1:30 pm
in the Board Room, 6th Floor, 625 Fisgard St., Victoria, BC**

A G E N D A

1. **APPROVAL OF AGENDA**
2. **ADOPTION OF MINUTES OF THE MEETING OF JUNE 15, 2011**
3. **REPORT OF THE CHAIR**
4. **COMMITTEE REPORT**
- 4.1 **PLANNING, TRANSPORTATION AND PROTECTIVE SERVICES COMMITTEE – July 27, 2011**
 1. **2011 Minor Capital Projects – Capital Borrowing Bylaw**
 - *That the new Minor Capital Projects listed in Appendix 1 of the staff report be approved, with a CRHD share of \$4,776,423 in cash flow for 2011;*
 - *That Bylaw No. 371, “Capital Regional Hospital District Capital Bylaw No. 156, 2011”, for \$4,776,423 for Minor Capital Projects listed in Appendix 1 of the staff report, with a financing term of ten (10) years, be introduced and read a first and second time;*
 - *That Bylaw No. 371 be read a third time; and*
 - *That Bylaw No. 371 be adopted.*
5. **NEW BUSINESS**
6. **ADJOURNMENT**

(WA)

Hospital Board - Voting Key:

NWA = Non weighted vote of all Directors

WA = Weighted vote of all Directors

Planning, Transportation & Protective Services Committee's Report

Victoria, B.C. 27 July 2011

To the Chair and Directors of the
Capital Regional Hospital District Board:

DIRECTORS:

Your Planning, Transportation & Protective Services Committee

Reports and Recommends as follows:

1. 2011 Minor Capital Projects – Capital Borrowing Bylaw

- 1) That the new Minor Capital Projects listed in Appendix 1 of the staff report be approved, with a CRHD share of \$4,776,423 in cash flow for 2011;
- 2) That Bylaw No. 371, "Capital Regional Hospital District Capital Bylaw No. 156, 2011", for \$4,776,423 for Minor Capital Projects listed in Appendix 1 of the staff report, with a financing term of ten (10) years, be introduced and read a first and second time;
- 3) That Bylaw No. 371 be read a third time; and
- 4) That Bylaw No. 371 be adopted.

(Background information can be found in the attached staff report.)

<http://www.crd.bc.ca/reports/planningtransportati /2011 /07july27 /2011minorcapitalproj/2011minorcapitalproj.pdf>

**STAFF REPORT TO THE
PLANNING, TRANSPORTATION AND PROTECTIVE SERVICES COMMITTEE
MEETING OF July 27, 2011**

SUBJECT: 2011 Minor Capital Projects – Capital Borrowing Bylaw

ISSUE:

To address Vancouver Island Health Authority's (VIHA) funding request for 2011 minor capital projects.

BACKGROUND:

The Ministry of Health Services provides a capital funding system for health authorities to address the need to upgrade their existing health infrastructure. VIHA minor capital projects include the following categories: additions, major upgrades and alterations to expand and improve existing building capacity and functionality; replacement of aging or failed building systems or components; and, renovations or building upgrades to accommodate change in service delivery, address emergent health and safety requirements, improve efficiency, and respond to technology changes.

The CRHD has traditionally supported maintaining the integrity of the region's health infrastructure. Cash flow requisitions for CRHD-approved minor capital projects are approved by the CRHD Board on an annual basis through a capital borrowing bylaw. Historically these requisitions have not exceeded \$5 million per annum.

The CRHD has established the following guidelines to fund VIHA minor capital, which are applied as part of CRD staff due diligence when considering the eligibility of VIHA proposed projects:

- (a) Funding only projects with a total value between \$100,000 and \$2 million;
- (b) Funding a maximum of 40% of the total cost of projects between \$100,000 and \$2 million;
- (c) That the Ministry of Health Services provides the remaining 60% share; and,
- (d) That the total annual CRHD cash flow contribution is within the budgeted allocation of \$5 million.

(Note1: at the December 8, 2010 CRHD Board meeting the following resolution was passed: "That VIHA be advised that the CRHD will only consider participating in the cost sharing of major health capital projects at 30% unless the CRHD determines that the project has regional significance and value whereupon the CRHD will consider cost sharing at 40%." This resolution only relates to major projects greater than \$2 million.)

(Note 2: All VIHA minor capital projects of less than \$2 million are funded through a combination of sources, including the CRHD (see project eligibility criteria above); provincial (Ministry of Health Services) capital; various Foundation capital contributions; and through VIHA's Ministry-funded operating budget. The total 2011 cash flow for minor capital projects under \$2 million for VIHA is approximately \$30 million and the typical \$5 million maximum contribution from the CRHD represents approximately 16% of that total amount.)

ALTERNATIVES:

1. Approve the Minor Capital requisition for 2011 cash flow of \$4,776,423, made up of:
 - (a) \$2,522,952 in cash flow for projects previously approved by the CRHD Board; and,
 - (b) \$2,253,471 in cash flow for new projects (see Appendix 1).
2. Approve a 2011 cash flow requisition for previously approved minor capital projects only (\$2,522,952), and not approve new minor capital projects.

FINANCIAL IMPLICATIONS:

Alternative 1

This option would have a range of potential financial implications, including:

- The 2011 cash flow expenditure is consistent with the CRHD historical annual contribution of \$5 million for minor capital and can be accommodated in the 2011 CRHD budget.
- The 2011 cash flow for new projects is \$2,253,471 the balance of \$688,600 to complete the new projects would be cash flowed in future years.
- This funding allows VIHA to complete existing projects, as well as commence with needed capital upgrades to existing facilities and avoid more expensive upgrades resulting from project deferral.

Alternative 2

This option would have a range of potential financial implications, including:

- reducing the CRHD's contribution by approximately 50 % from previous years contributions of approximately \$5 million annually;
- potential critical building system failure (e.g., electrical, HVAC, elevator), affecting operations; and,
- deferring costs to future years, with the potential of building component failure and significantly higher costs (e.g., structural damage caused by not replacing roof).

The following table presents the financial impact of each alternative:

TABLE 1. Analysis of Alternatives

Alternative	CRHD Share	Borrowing Term	Annual charge against 2011 assessed residential value (\$550,219)	Annual charge per \$100,000 of assessed residential value
1	\$4,776,423	10 years ¹	\$3.67	\$0.67
2	\$2,522,952	10 years	\$1.94	\$0.35

STRATEGIC IMPLICATIONS:

Minor Capital Projects provide cost effective solutions for continued program delivery. Funding MCPs provides a mechanism for the region's investment in capital assets which, by their nature, significantly increase usefulness and enhance efficiency. The program includes a mix of projects that renew and sustain the existing infrastructure and extend the overall period of service potential.

Alternative 1

The recommended option would have a range of potential strategic implications, including the following:

- Aligns with the 2008 Funding Options Review recommendations, effectively building on the principles of leveraging Provincial capital with local tax dollars;
- Ensures immediate minor capital upgrades can be achieved in a timely manner.

¹ 10 year borrowing based on 5% interest rate

Alternative 2

The funding envelope for MCPs is important, however, the region is facing competing capital priorities. It is therefore important to find ways to maximize the use of CRHD funding and generate long term value. This option would have a range of potential strategic implications, including the following:

- Provides an immediate opportunity to create capacity within the CRHD for other priorities.
- Impacting patient care through reallocation of VIHA operating funds to address urgent capital requirements;
- Impacting patient care through building closures from VIHA non-compliance with some health and safety regulations imposed by the CRD and other regulatory bodies such as Community Care Licensing;
- No opportunity for VIHA to prepare for reduced CRHD contributions towards minor capital, such as make a case to the Ministry for increased funding to off-set a loss in Hospital District capital funding.

Alternative 2 is not recommended.

SUMMARY/CONCLUSIONS:

VIHA is requesting the CRHD contribute \$4,776,423 in 2011 toward minor capital projects for upgrading existing health facilities. The total value of minor capital cash flow for VIHA in 2011 is approximately \$30 million, and based on the recommended 2011 cash flow contribution of \$4,776,423 the CRHD is providing 16% of VIHA's total 2011 minor capital expenditures.

VIHA's project list (attached) represents their highest priority needs for such upgrading, and the CRD's Health & Capital Planning Strategies Division has conducted due diligence, attesting to the eligibility, suitability, scope and budget for these new projects.

A borrowing bylaw in the amount of \$4,776,423 borrowed over 10 years is recommended. This funding reflects the approval of the 2011 cash flow. A future cash flow commitment of \$688,600 will remain to complete the new projects.

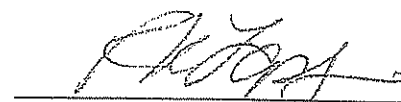
RECOMMENDATION:

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

1. Approve the new Minor Capital Projects listed in Appendix 1 with a CRHD share of \$4,776,423 in cash flow for 2011.
2. Approve CRD Bylaw No. 371, "Capital Regional Hospital District Capital Bylaw No. 156, 2011" for \$4,776,423 for Minor Capital Projects listed in Appendix 1, with a financing term of ten (10) years.


Maurice Rachwalski, Senior Manager
Health & Capital Planning Strategies Division
Report Writer


Robert Lapham, General Manager Concurrence


Kelly Daniels, CAO Concurrence

Attachment

COMMENTS:

Summary of Projects - New & Previously Approved

Project Name	Facility Name	Total Cost	CRHD Share	CRHD 2011 Cash Flow
PREVIOUSLY APPROVED PROJECTS:				
Laminar Airflow OR (3)	VGH	\$323,400	\$129,360	\$64,680
Negative Pressure Rooms	LMH, SPH, VGH	\$635,250	\$254,100	\$94,100
Declutter Medical Units & Hopper Replacement	VGH	\$240,000	\$96,000	\$18,000
South Island Flooring Upgrades	CRHD	\$1,400,000	\$560,000	\$168,000
Interior Building Component Upgrades	VGH, RJH & GAMP	\$1,400,000	\$560,000	\$168,000
Steam Boiler Replacement	RJH	\$1,800,000	\$720,000	\$400,000
Plumbing Upgrade for Temperature Regulation	VGH & QACCH	\$500,000	\$200,000	\$80,000
Tube System Upgrade	VGH	\$457,934	\$183,174	\$45,794
Power House Mechanical System Upgrade	RJH	\$750,000	\$300,000	\$80,000
Exterior Building Component Upgrades	GAMP, QA & Seven Oaks	\$1,200,000	\$480,000	\$192,000
Helicopter Pad Upgrade	LMH	\$450,000	\$180,000	\$84,000
Washroom Upgrades	RJH	\$550,000	\$220,000	\$88,000
Install Alternate Fuel Supply for Boilers	GAMP	\$610,579	\$244,232	\$158,750
Washroom Upgrades	VGH	\$500,000	\$200,000	\$60,000
Fire Protection System Upgrade	QACCH	\$1,144,836	\$457,934	\$316,768
Upgrade Elevator	GAMP	\$226,380	\$90,552	\$45,276
Energy & Utility Conservation	SI Sites	\$960,000	\$384,000	\$153,600
Arc Flash Protection & Safety Improvements	SI Sites	\$400,000	\$160,000	\$40,000
HVAC System Upgrade	SPH	\$831,200	\$332,480	\$265,984
Sub-Total Previously Approved Project Cash Flow		\$14,379,579	\$5,751,832	\$2,522,952
2011 NEW PROJECTS:				
Grossing Tables/Ventilation	RJH	\$275,000	\$110,000	\$110,000
Nurse Call System	Glengarry	\$130,000	\$52,000	\$52,000
Fire Protection System Upgrade and Expansion	SPH	\$1,400,000	\$560,000	\$448,000
Asbestos Health and Safety Abatement	RJH	\$1,200,000	\$480,000	\$200,000
Fire Alarm System Upgrade	RJH	\$624,000	\$249,600	\$150,000
Bumpless Power (Switch Bypass) in Main Electrical Room	VGH	\$130,000	\$52,000	\$45,000
Reverse Osmosis Water System Upgrade in Central Sterile Reprocessing	RJH	\$200,000	\$80,000	\$70,000
Replace Reverse Osmosis Piping Loop in Intensive Care Unit	RJH	\$400,000	\$160,000	\$100,000
Nurse Call System	VGH	\$250,000	\$100,000	\$100,000
Kitchen Upgrade	SPH	\$310,000	\$124,000	\$124,000
Kitchen Upgrade	Aberdeen	\$196,000	\$78,400	\$78,400
Kitchen Upgrade	Glengarry	\$166,000	\$66,400	\$66,400
Equipment Depot	VGH	\$150,000	\$60,000	\$60,000
Kitchen Upgrade	Gorge Road Hospital	\$186,000	\$74,400	\$74,400
Main Electrical Panel Distribution Refurbishment	SPH	\$160,000	\$64,000	\$64,000
Building Interior Upgrade	LMH	\$163,800	\$65,520	\$65,520
Roof Replacement	LMH	\$714,378	\$285,751	\$285,751
Elevator Upgrade	Glengarry	\$400,000	\$160,000	\$40,000
Construction Contingency	CRHD	\$300,000	\$120,000	\$120,000
Total New Projects Cost		\$7,355,178	\$2,942,071	\$2,253,471
2011 MINOR CAPITAL PROJECTS SUBMISSION (New & Previously Approved)		\$21,734,757	\$8,693,903	\$4,776,423

CAPITAL REGIONAL HOSPITAL DISTRICT BYLAW NO. 371

CAPITAL EXPENDITURE & BORROWING BYLAW
BYLAW NO. 156, 2011

WHEREAS the Board of the **Capital Regional Hospital District** proposes to borrow and expend money for the capital expenditures described in Schedule 'A' attached hereto and forming an integral part of this bylaw;

And whereas those capital expenditures have received the approval required under Section 23 of the Hospital District Act;

Now therefore the Board of the **Capital Regional Hospital District** enacts the following capital expenditure and borrowing bylaw as required by Sections 32 and 33 of the HOSPITAL DISTRICT ACT.

1. The Board hereby authorizes and approves the borrowing and expenditure of money necessary to complete the capital expenditures as described in Schedule 'A' attached.
2. The Board authorizes and approves the borrowing of a net sum not exceeding **\$4,776,423** upon the credit of the District by the issuance and sale of securities in a form and a manner agreed to by the Municipal Finance Authority of British Columbia. The term of the securities and the repayment of the principal and interest shall be over a term not to exceed **TEN** years.
3. To meet the payments of principal and interest during the term of the securities, there shall be included in the estimates of the Regional Hospital District each year, the respective amounts of principal and interest falling due in that year.
4. The Board hereby delegates the necessary authority to the Treasurer of the Capital Regional Hospital District to settle the terms and conditions of the borrowing and to undertake such temporary borrowing as is necessary to provide funding in advance of the receipt of funds from the Municipal Finance Authority of British Columbia.
5. This bylaw may be cited for all intents and purposes as the **Capital Regional Hospital District Capital Bylaw No. 156, 2011**.

READ A FIRST TIME THIS DAY OF ,2011.

READ A SECOND TIME THIS DAY OF ,2011.

READ A THIRD TIME THIS DAY OF ,2011.

ADOPTED THIS DAY OF ,2011.

Chairperson

Secretary/Treasurer

SCHEDULE "A"

Bylaw No. 371

CAPITAL REGIONAL HOSPITAL DISTRICT

CAPITAL EXPENDITURE

BYLAW NO 156, 2011

Name of Facility	Project or Equipment Description	Project Number	Amount covered by RHD Bylaw	Amount covered by Province (60%)	Total Project or Equipment Cost
Vancouver Island Health Authority (South)	Funding for 2011 Minor Capital Projects	C156-11-01	\$4,776,423	\$7,164,635	\$11,941,058
Total:			\$4,776,423	\$ 7,164,635	\$ 11,941,058