

Supplemental Information

Capital Regional Hospital District

Topic: Lady Minto Hospital Emergency Room Cost Overrun

Date: July 13, 2022

Prepared for: CRHD Board

During the discussion on this item at the July 6, 2022 Hospital and Housing Committee, there was a request to include supplemental information on the historical context of the project and the financial implications of this request so that the Board could make an informed decision.

Historical Context

- On October 14, 2020 the CRHD Board approved 3 million dollars for the Lady Minto Hospital Emergency Room Upgrade project.
- The project is unique in that it is a partnership between Island Health, the Lady Minto Hospital Foundation and the CHRD.
- Typically, CRHD cost shares 30 percent with Island Health on major Capital projects. On this project CRHD is cost sharing the capital with the Lady Minto Hospital Foundation. The CRHD has not previously cost shared with a Foundation. In this instance Island Health will provide operating resources to the completed facility but is not providing capital.
- CRHD's share of the total project cost was capped at \$3,000,000.
- The Board included adding a cap to the contribution due to concerns around cost escalation. The project has been included on Island Health's capital plan and was carried at a value of \$4.8 Million in the 2020 plan. After the schematic design was completed, the total project cost was updated to \$9.9 Million to reflect better cost estimates and include site preparation for a future imaging department to be added on to the Emergency Wing. The capital plan was subsequently updated in March 2021 to reflect a total project cost of \$10.34 Million.
- The request to provide additional funding for this project at this time needs to consider the October 14, 2020 board approved recommendation to cap the contribution to allow the project to be funded by the CRHD without Island Health included as a capital

partner. The cap was an important consideration in approval.

Financial Implications

- The board approved ten-year capital plan reflects a maximum contribution of \$3 million to the project and expenditures are planned for 2022 and 2023. The CRHD portion will be funded through debt.
- The impact on revenue of debt servicing the maximum contribution of \$3 million is estimated is as follows, using current MFA Indicative Rates:

Max \$3M Contribution	2022	2023	Total Annual \$
\$ Annual Cost	+\$0.2M	+\$0.5M	\$0.7M
% Increase Revenue	+0.5%	+1.5%	2.0%
\$ Cost/HH	+\$0.88	+\$2.77	\$3.65

(MFA current indicative rate of 3.94%, amortized over 5 years based on CRHD Debt Guidelines)

- Total cost of borrowing \$3 million is estimated to be \$0.4 million and \$2.28 per average household
- An **increase** to the maximum contribution from \$3 million by \$738,000 will result in CRHD contributing 29.2% of the project or \$3.7 million and will require amendment to the Capital Regional Hospital District Bylaw No. 409, Capital Expenditure and Borrowing Bylaw No. 183.
- The estimated impact on revenue of debt servicing a maximum contribution of \$3.7 million, assuming no change to expenditure timing of 2022 and 2023, is as follows:

Max \$3.7M Contribution	2022	2023	Total Annual \$
\$ Annual Cost	+\$0.2M	+\$0.7M	\$0.9M
% Increase Revenue	+0.5%	+2.0%	2.5%
\$ Cost/HH	+\$0.88	+\$3.67	\$4.55

(MFA current indicative rate of 3.94%, amortized over 5 years based on CRHD Debt Guidelines)

- Total cost of borrowing \$3.7 million is estimated to be \$0.5 million and \$2.87 per average household; an increase of \$0.1 million in costs of borrowing to fund the additional \$0.7 million.