

**REPORT TO HOSPITALS AND HOUSING COMMITTEE
MEETING OF WEDNESDAY, OCTOBER 25, 2017**

SUBJECT Capital Regional Hospital District 2018-2027 Ten Year Capital Plan

ISSUE

Approval of the Capital Regional Hospital District (CRHD) Ten Year Capital Plan.

BACKGROUND

The 2018-2027 CRHD Capital Plan (Appendix "A") is derived from Island Health's healthcare capital priorities and represents the CRHD's ongoing capital commitments, anticipated new capital expenditures and the financial implications for the CRHD's requisition and future property tax changes.

In preparation for annual updates to the Capital Plan, CRD staff monitors throughout the year the CRHD's capital contribution to ongoing projects and reviews with Island Health staff, planned new capital projects. Some modifications to the previous year's plan may occur based on the ongoing review of emerging Island Health patient-focused priorities.

Key changes to the 2018-2027 Major Capital projects list (greater than \$2M) from the 2017 amended Capital Plan include:

- In 2017, Island Health identified the Saanich Peninsula Hospital (SPH) Medical Device Reprocessing Department Upgrade project. Total project costs of \$3.9M. Funding will be provided through the SPH Foundation. Island Health and CRHD will cost share \$200K, of which CRHD's share is \$60K. This project will be paid in cash, rather than debt financed, with the project moving from planned to approved in current year.
- Island Health removed the Royal Jubilee Hospital (RJH) Emergency Department Redevelopment (\$3M) as a planned project.
- The RJH 2020 planned Multidisciplinary Pain Clinic project budget was increased to \$3M from \$2.5M.
- For 2018, there are no major capital projects requiring CRHD Board approval.
- For 2019, Island Health identified RJH Air Handling Unit Replacement project at the Eric Martin Pavilion in the amount of \$2.3M. The units are 50 years old and require replacement after continuous operation.
- For 2019, Island Health identified SPH Energy Centre Replacement project in the amount of \$3.5M. The Energy Centre requires an upgrade to accommodate future growth after recent additions and upgrades at SPH.

ALTERNATIVES

Alternative 1

That the Hospitals and Housing Committee recommends to the Capital Regional Hospital District Board:

That the 2018-2027 Capital Regional Hospital District Capital Plan be approved as submitted.

Alternative 2

That staff be directed to provide additional information.

FINANCIAL IMPLICATIONS

Alternative 1 reflects the CRHD's continued commitment to fund Major Projects and Minor Capital Projects, as well as healthcare equipment. Major Capital Projects are currently cost shared on a 30% basis. The total CRHD estimated annual cash flow for 2018 to 2027 is \$202M.

The Capital Plan continues to reflect significant debt management and control on the overall CRHD requisition established in previous years. The 2018-2027 Capital Plan anticipates a peak requisition of \$171.13 in 2018. Appendix "B" graphically illustrates the existing and estimated debt service implications of the 2018-2027 Ten Year Capital Plan and also identifies those Summit debt servicing costs which will be recovered from Island Health through lease payments. We anticipate the Summit project to complete near the end of 2019 and the lease payments to begin in 2020. Appendix "C" summarizes the requisition impact based on average assessed residential value.

The Capital Plan will have to be amended to include any new project request. Pursuant to Board's direction, any new project requests will have to be accommodated within the approved 10 year funding envelope. The cash flow will have to be amended accordingly to ensure the overall 10 year funding envelope remains unchanged.

CONCLUSION

Staff continues to work with Island Health to refine details on specific projects and develop robust plans and projections of the region's acute healthcare and residential care capital requirements for Island Health facilities. The Capital Plan also presents an accurate reflection of cash flow to complete ongoing (CRHD Board previously approved) projects and estimated cash flow for new projects to be approved.

The proposed 2018-2027 Capital Plan includes projects Island Health may implement in future years within the region and it portrays a partial road map for future anticipated healthcare capital projects and related cash flows. The proposed Capital Plan is the best indication at this time of Island Health's long term healthcare capital requirements within the region. The proposed 2018 CRHD Provisional Budget incorporates the financial implications of the 2018-2027 Capital Plan.

RECOMMENDATION

That the Hospitals and Housing Committee recommends to the Capital Regional Hospital District Board:

That the 2018-2027 Capital Regional Hospital District Capital Plan be approved as submitted.

Submitted by:	Michael Barnes, MPP, Manager, Health and Capital Planning Strategies
Concurrence:	Kevin Lorette, P.Eng., MBA, General Manager Planning & Protective Services
Concurrence:	Nelson Chan, MBA, CPA, CMA, Chief Financial Officer
Concurrence:	Robert Lapham, MCIP, RPP, Chief Administrative Officer

MB:gm

Attachments: Appendix A – 2018-2027 CRHD Capital Plan
Appendix B – 2018-2027 Capital Plan Debt Servicing Graph
Appendix C – Debt Servicing Impact of 10 Year Capital Plan (2018-2027)