



## Staff Report

**DATE:** October 2, 2018

**FILE:** H-FIN

**TO:** Chair and Directors  
Regional Hospital District Board

**FROM:** Russell Dyson  
Chief Administrative Officer

Supported by Russell Dyson  
Chief Administrative Officer

**RE:** **Comox Strathcona Regional Hospital District  
Financial Planning Policy Update**

*R. Dyson*

### **Purpose**

To bring forward the updated Comox Strathcona Regional Hospital District (CSRHD) financial planning policy for approval.

### **Recommendation from the Chief Administrative Officer**

THAT the Comox Strathcona Regional Hospital District Board adopt the updated financial planning policy included with the staff report dated October 2, 2018.

### **Executive Summary**

The CSRHD capital equipment and projects under \$1,500,000 funding is guided by the CSRHD financial planning policy that was adopted by the board on September 8, 2011. With the completion of the North Island Hospitals Project (NIHP) in the fall of 2017, and subsequent closure of St. Joseph's General Hospital, along with the transition of the Cumberland Regional Hospital Laundry in April 2018 from an independent society to an internal operation of Island Health, the policy now needs to reflect the resulting changes. The amendments include:

- update to the listing of hospitals and named facilities that the CSRHD funds
- the removal of the Cumberland Regional Hospital Laundry as one of the "other named facilities" that receives the annual unconditional grant allocations of \$5,000 as this facility is now under the umbrella of Island Health.
- administrative changes regarding the timing of claim submissions by Island Health.

Prepared by:

Concurrence:

*K. Douville*

*B. Dunlop*

---

Kevin Douville  
Manager of Financial Planning

---

Beth Dunlop  
Corporate Financial Officer

## Background/Current Situation

In 2011, a financial planning policy was adopted by the CSRHD board. This policy provides the framework for the preparation and presentation of the annual CSRHD budget. The policy includes the maximum annual funding for capital equipment and projects under \$1,500,000 as well as the annual allocation amounts for other named facilities.

When the policy was amended in November 2016, the supporting staff report dated November 1<sup>st</sup> indicated the policy would need to be further reviewed once the new hospital facilities were open and the future of St. Joseph's General Hospital had been determined. As Island Health continues to operate a satellite medical laboratory at the St. Joseph's site, in addition to some administrative functions and recently announced interim complex care beds (21) and interim respite care beds (3), St. Joseph's will remain as a named facility under the policy, albeit no longer as a general hospital.

Furthermore, with the announcement in April 2018 that the Cumberland Regional Hospital Laundry Society was to be wound down due to the laundry service fully moving under the umbrella of Island Health, it was subsequently confirmed the list of 'other named facilities' could be amended removing the Cumberland Regional Hospital Laundry as one of the eligible recipients of an annual \$5,000 unconditional grant.

Lastly, after discussions during the annual meeting with Island Health staff on September 28<sup>th</sup>, 2018, two minor amendments are also being proposed with respect to the submission of claims and the payment of said claims for Category 2 projects as outlined in Appendix 'A' of the policy. With the number of claims anticipated to reduce with the completion of the NIHP, Island Health staff have requested to have the option, when deemed appropriate, to submit claims for Category 2 equipment more often than quarterly. The CVRD finance department does not foresee any concerns with such a request, therefore the frequency is proposed to change to "at least quarterly" and the minimum progress payment amount, currently set at \$10,000, has also been removed.

## Policy Analysis

At the September 8<sup>th</sup>, 2011 CSRHD board meeting the CSRHD financial planning policy was adopted.

*"THAT the Comox Strathcona Regional Hospital District adopt the Comox Strathcona Regional Hospital District financial planning policy included in the staff report dated September, 2011."*

At the February 11<sup>th</sup>, 2016 CSRHD board meeting, the following motion was passed:

*"THAT the Comox Strathcona Regional Hospital District board increase the annual unconditional grant to named health facilities from \$2,500 to \$5,000;*

*AND FURTHER THAT a review on the capital needs of named health facilities be conducted annually."*

At the November 10<sup>th</sup>, 2016 CSRHD board meeting, the following motion was passed:

*"THAT the Comox Strathcona Regional Hospital District adopt the updated financial planning policy included in the staff report dated November 2016."*

## Options

1. To adopt the updated financial planning policy.
2. To not adopt the updated financial planning policy.

Option 1 is recommended to ensure the financial planning policy is aligned with the current status of named facilities, particularly upon the completion of the North Island Hospital Project, as per the Board's earlier direction.

**Financial Factors**

The adoption of the updated policy will reduce the number of “other named facilities” from seven to six, amend the list of hospitals and named facilities that the CSRHD funds and modify language with respect to the submission of claims, and the payment of said claims, for Category 2 projects as outlined in Appendix ‘A’ of the policy.

**Legal Factors**

The requirements for the preparation and adoption of the CSRHD budget are governed by section 23 of the BC *Hospital District Act*.

**Interdepartmental Involvement**

The CVRD finance department prepares the budget documents that are presented to the CSRHD board.

**Citizen/Public Relations**

Budget presentations are held in open board meetings and the adopted budget is posted on the CSRHD website.

Attachments: Appendix A – “Comox Strathcona Regional Hospital District Financial Planning Policy”



<b>Subject:</b> Comox Strathcona Regional Hospital District Financial Planning Policy	
<b>Branch:</b> Executive Management Branch	
<b>Department:</b> Financial Services	<b>Policy Reference:</b> H-P

### **Purpose**

To establish a policy that guides the budget process for the Comox Strathcona Regional Hospital District (CSRHD).

### **Scope**

This policy provides a framework for the development, communication and approval process of the CSRHD annual budget and ensures that the process complies with the provisional and annual budget requirements under section 23 of the *Hospital District Act*. The policy also guides the overall fiscal planning and management of the CSRHD.

The CSRHD provides capital funding, cost shared with the provincial government on a 60/40 basis, the hospital district portion being 40 per cent, with the exception of the Cumberland Regional Hospital Laundry which is 20 per cent. The hospitals and named hospital facilities that the CSRHD funds are: North Island Hospital Campbell River & District, North Island Hospital Comox Valley, St. Joseph's (former General Hospital site), Cumberland Regional Hospital Laundry, Gold River Health Clinic, Sayward Primary Health Care Clinic and the health centres on Cortes and in Kyuquot, Tahsis and Zeballos.

### **Statement of purpose**

Regional hospital districts are governed by the *Hospital District Act*. The Comox Strathcona Regional Hospital District's purpose as stated in the *Act* are:

- to establish, acquire, construct, reconstruct, enlarge, operate and maintain hospitals and hospital facilities;
- to grant aid for the establishment, acquisition, reconstruction, enlargement, operation and maintenance of hospitals and hospital facilities; and
- to assume obligations of any member municipality, or any improvement district not within the definition "municipality", or any hospital corporation, with respect to the repayment of money borrowed and provided for the financing of hospital projects and interest on it, or to provide reimbursement to a municipality, improvement district or hospital corporation for money provided for financing hospital projects that were raised or obtained otherwise than by borrowing.

### **Guiding principles**

- Budget decisions are made for the common good of Comox-Strathcona Regional Hospital District residents and are focused on regional outcomes.
- Financial strategies are sustainable over the long term.
- The annual budget is presented in a format that enables the board to make informed decisions.
- Trust is built through ongoing respect of the work performed by board members and staff.

## **Policy statement**

### **1. Balanced budget**

The annual and provisional budgets must be balanced with revenues available to cover planned expenditures.

### **2. Annual budget**

The annual budget is a one-year plan as per Section 23 (1) of the *Hospital District Act*. The annual budget is to include the operating requirements as well as a list of capital expenditures with a description of each project for the following year.

### **3. Annual grant**

An annual grant of \$5,000, or an amount approved by the CSRHD board during the financial planning process in any given year, is awarded directly to hospital facilities named pursuant to section 49 of the *Hospital District Act*. The named facilities shall provide, by December 31<sup>st</sup>, an annual report in a format determined by CSRHD that outlines how the previous year's funds were used and proposed plans for the next year's CSRHD funding.

### **4. Annual operating costs**

Annual operating costs shall be reviewed using a zero-based budgeting approach. The directors' board remuneration and expense bylaw and all contract commitments are to be reviewed annually to ensure the budget reflects any changes. Annual operating costs shall be funded from the annual tax requisition. Commitments not expended as of December 31<sup>st</sup> shall be accrued and carried forward to be included in the next year's annual budget.

### **5. Equipment/project grants \$5,000 to \$1,500,000**

An annual amount of \$1,850,000 shall be included in the budget as a provision for hospital and hospital facilities grants for equipment and projects greater than \$5,000 and less than \$1.5 million subject to the required submission from Island Health as listed in appendix 'A'.

Equipment/project grants \$5,000 to \$1,500,000 shall be funded from the annual tax requisition. Commitments not expended as of December 31<sup>st</sup> shall be accrued and carried forward to be included in the next annual budget.

### **6. Equipment/project grants greater than \$1,500,000**

Grants for hospital and hospital facilities equipment and projects greater than \$1.5 million require a presentation by Island Health before consideration of the board.

Debt funding may be required for CSRHD board approved projects over \$1,500,000. The debt repayment schedule shall be no longer than the useful life of the funded asset.

### **7. Debt management**

As a sustainable and long term funding strategy, the operating as well as the capital equipment/projects under \$1,500,000 budgets in any year are funded from that year's tax levies.

### **8. Legal obligations**

As per section 23(1) of the *Hospital District Act*, a provisional budget is to be adopted by a prescribed date each year for the following calendar year. For the CSRHD, this date is December 31<sup>st</sup>. On or before March 31<sup>st</sup> in each year, the board must adopt, by bylaw, the annual budget.

## 9. Strategic alignment

The CSRHD:

- cost shares with Island Health for eligible capital equipment and projects for eligible facilities on an approved annual basis;
- is guided by a long-term financial strategy that provides for an annual fixed allocation towards Island Health’s annual equipment/project needs under \$1.5 million for eligible facilities;
- board will consider major projects greater than \$1,500,000 for eligible facilities on a case-by-case basis;
- establishes a sustainable tax rate that supports the strategic objectives of the board which take into consideration affordability and life cycle costing; and
- is in a capital funding partnership with Island Health and seeks to collaboratively fund capital health facility priorities for the Comox-Strathcona region while respecting Island Health’s responsibility for the delivery of health services to Vancouver Island communities.

## 10. Timeline and schedule

Budget Type	Timeline	Time Period	Content
Provisional	Adopted by December 31 of current year	1 year	<ul style="list-style-type: none"> <li>• New budget year summary &amp; details</li> <li>• Previous 4 years of comparative actual figures (years 1-3 audited, year 4 actual to date). (Appendix B)</li> </ul>
Recommended	March of new budget year	1 year	<ul style="list-style-type: none"> <li>• Budget summary and details</li> </ul>
Adopted	March of new budget year <sub>1</sub>	1 year	<ul style="list-style-type: none"> <li>• Budget summary</li> <li>• Annual budget bylaw</li> <li>• Capital expenditure bylaw</li> </ul>

<sup>1</sup> The annual budget must be adopted by March 31<sup>st</sup> as per section 23 (5) of the *Hospital District Act*.

## 11. Presentation of the annual budget

- The annual budget is provided to the CSRHD board in open session.
- The one-year provisional budget includes budget details.
- Budget documentation includes audited comparative actual figures for previous four years prior to the year being budgeted. See appendix B for sample report.

## 12. Accountability

The annual budget is presented in open session and posted on the CSRHD website at the provisional, recommended and adopted stages.

**13. Administration fee for corporate and administrative support**

The CSRHD is charged an annual administration fee by the Comox Valley Regional District (CVRD) for the provision of corporate and administrative supports (including the services of the CAO for the CSRHD).

The annual administration fee is reviewed periodically to reflect the inflationary impacts on providing the service.

**14. Approvals**

This policy recognizes the Comox Strathcona Regional Hospital District board as the governance body for the Comox Strathcona Regional Hospital District. The CSRHD board has the authority and responsibility for the approval and adoption of the CSRHD annual budget no later than March 31<sup>st</sup> each year.

**Approval history**

Policy adopted:	September 2011
Policy amended:	November 2011
Policy amended	June 2012
Policy amended	November 2016
Policy amended	

Appendix A – “Annual Funding allocation”

Appendix B – “Sample Budget Departmental Report”

## Appendix 'A'

### **Comox Strathcona Regional Hospital District annual funding allocation to the Vancouver Island Health Authority (Island Health)**

By October 31<sup>st</sup> each year, the CSRHD will advise Island Health of the recommended annual funding allocation for the next year. Funding will be subject to final budget adoption in March each year.

By January 31<sup>st</sup> each year, Island Health will advise the CSRHD as to how the annual allocation will be distributed by equipment/project category.

#### **Category 1**

- |      |   |                                      |
|------|---|--------------------------------------|
| (i)  | Equipment > \$100,000                   | (i) \$ per Island Health Submission  |
| (ii) | Capital Improvement Projects >\$100,000 | (ii) \$ per Island Health Submission |

The dollars allocated to Category No. 1 are to be prioritized and recommended by North Island Capital Planning Committee. The CSRHD will issue payment upon receipt and processing of invoices. A quarterly status report of all active projects is to be submitted to the CSRHD.

#### **Category 2**

- |   |  |
|---|--|
| Equipment >\$5,000 and < \$100,000<br>and<br>Minor Capital Projects > \$5,000 and < \$100,000 | \$ per Island Health submission<br>(A combined total for the category) |
|---|--|

Island Health must submit a report to the CSRHD at least quarterly, in a format determined by CSRHD, of the equipment purchased or completed projects along with a request for payment of the 40 per cent RHD cost share. Payments will be issued upon receipt of reporting requirements.

#### **Category 3**

Unconditional Grant - for 'Other named facilities' only. Annual allocation of \$5,000 (or an amount approved by the CSRHD board in any given year) per other named facility. Payment will be issued by August 15th each year. An annual report on the use of grant funds will be required. The report format is determined by the CSRHD.

Gold River Health Centre	\$5,000.00
Tahsis Health Centre	\$5,000.00
Cortes Island Health Centre	\$5,000.00
Kyuquot Health Clinic	\$5,000.00
Zeballos Health Centre	\$5,000.00
Sayward Primary Medical Health Care Clinic	\$5,000.00

Budget Departmental by Class

APPENDIX 'B'

From Category : 0 To Category : 0  
Account Code : 5?-?-?-??? To : 5?-?-?-???

Account Code	Account Description	2012 Actual Values	2012 Budget Values	2013 Actual Values	2013 Budget Values	2014 Actual Values	2014 Budget Values	2015 Actual Values	2015 Budget Values
<b>50 --&gt; GENERAL REVENUE FUND</b>									
50-1-0-005	GRANTS IN LIEU OF TAXES	269,860	82,000	281,064	82,000	291,182	82,000	289,126	82,000
50-1-0-015	REQUISITION - ELECTORAL AREAS	5,823,645	5,812,013	6,060,815	6,119,600	6,144,938	6,173,884	6,223,667	6,208,221
50-1-0-020	REQUISITION - MUNICIPAL	9,430,902	9,442,534	9,968,963	9,910,177	10,555,061	10,526,116	10,776,333	10,791,779
50-1-0-120	INTEREST REVENUE	1,008,091	60,000	1,034,586	60,000	1,044,339	60,000	217,265	60,000
50-1-0-126	DEBENTURE REFUNDS	91,163	0	521,925	0	167,117	0	14,854	0
50-1-0-150	SURPLUS PRIOR YEAR	302,997	302,996	295,127	295,127	266,832	266,832	293,790	293,790
<b>REVENUE Total</b>		<b>16,926,656</b>	<b>15,699,543</b>	<b>18,162,481</b>	<b>16,466,904</b>	<b>18,469,468</b>	<b>17,108,832</b>	<b>17,815,036</b>	<b>17,435,790</b>
50-2-0-200	ADMINISTRATION EXPENSE	151,000	151,000	151,000	151,000	151,000	151,000	151,000	151,000
50-2-0-220	GOVERNANCE EXPENSES	27,245	54,000	21,952	54,000	24,594	54,000	28,260	54,000
50-2-0-225	BENEFITS	6	100	0	100	0	100	18	100
50-2-0-246	BANK CHARGES	311	500	309	500	472	500	416	500
50-2-0-320	TRAVEL	6,368	18,000	4,374	18,000	4,828	18,000	7,135	18,000
50-2-0-353	PUBLIC RELATIONS	0	0	0	0	100	0	0	0
50-2-0-381	LEGAL FEES	0	10,000	0	10,000	0	10,000	0	10,000
50-2-0-387	PROFESSIONAL FEES	20,760	110,290	17,734	98,500	12,144	78,500	15,256	58,500
50-2-0-480	TRANSFER TO CAPITAL	540,786	1,867,500	34,269	1,642,912	122,053	598,545	51,500	883,677
50-2-0-485	FUNDS FOR FUTURE EXPENDITURES	2,096,072	545,854	2,992,831	581,355	2,538,366	1,672,444	2,793,479	1,298,429
50-2-0-486	FUNDS FOR FUTURE MAJOR PROJECTS	12,374,046	11,500,000	13,366,486	12,500,000	14,331,510	13,500,000	82,655	13,500,000
50-2-0-500	BANK/LOAN INTEREST OPERATING	0	22,000	0	22,000	0	22,000	0	22,000
50-2-0-505	LONG TERM DEBT PRINCIPAL	699,107	699,108	685,811	685,811	571,557	571,557	328,651	328,651
50-2-0-506	LONG TERM DEBT INTEREST	715,828	721,191	620,882	702,726	419,054	432,186	289,757	293,338
50-2-0-507	INTERIM FINANCING PRINCIPAL	0	0	0	0	0	0	13,500,000	0
50-2-0-508	INTERIM FINANCING INTEREST	0	0	0	0	0	0	449,610	817,595
<b>EXPENSES Total</b>		<b>16,631,529</b>	<b>15,699,543</b>	<b>17,895,649</b>	<b>16,466,904</b>	<b>18,175,678</b>	<b>17,108,832</b>	<b>17,697,737</b>	<b>17,435,790</b>
<b>GENERAL REVENUE FUND Total</b>		<b>295,127</b>	<b>0</b>	<b>266,832</b>	<b>0</b>	<b>293,790</b>	<b>0</b>	<b>117,299</b>	<b>0</b>
<b>Report Total --&gt;</b>		<b>295,127</b>	<b>0</b>	<b>266,832</b>	<b>0</b>	<b>293,790</b>	<b>0</b>	<b>117,299</b>	<b>0</b>

Budget Departmental by Class

APPENDIX 'B'

From Category : 0 To Category : 0  
Account Code : 5?-?-?-??? To : 5?-?-?-???

Account Code	Account Description	2012 Actual Values	2012 Budget Values	2013 Actual Values	2013 Budget Values	2014 Actual Values	2014 Budget Values	2015 Actual Values	2015 Budget Values
<b>51 --&gt; CAPITAL &amp; LOAN FUND</b>									
51-1-0-140	INTERIM FINANCING PROCEEDS	0	0	0	0	0	0	74,388,437	60,943,477
51-1-0-145	TRANSFER FR RESERVE	2,359,030	4,083,044	7,287,283	8,420,262	53,902,487	65,476,463	29,962,093	43,629,934
51-1-0-148	TRANSFER FR GENERAL	540,786	1,867,500	34,269	1,642,912	122,053	598,545	51,500	883,677
51-1-0-150	UNEXPENDED DEBT PROCEEDS PRIOR YR	84,514	84,514	32,097	32,097	15,497	15,497	0	0
<b>REVENUE Total</b>		<b>2,984,329</b>	<b>6,035,058</b>	<b>7,353,649</b>	<b>10,095,271</b>	<b>54,040,037</b>	<b>66,090,505</b>	<b>104,402,029</b>	<b>105,457,088</b>
51-2-0-470	CAPITAL GRANTS FUNDED BY DEBT	52,417	84,514	16,599	32,097	15,497	15,497	0	0
51-2-0-471	CAPITAL GRANTS FUNDED BY OPERATING	523,286	1,850,000	16,769	1,625,412	104,553	581,045	34,000	866,177
51-2-0-472	GLOBAL GRANTS FUNDED BY OPERATING	17,500	17,500	17,500	17,500	17,500	17,500	17,500	17,500
51-2-0-473	CAPITAL GRANTS FUNDED BY RESERVES	2,359,030	4,083,044	1,903,283	3,036,262	1,930,561	2,576,963	715,529	938,411
51-2-0-474	MAJOR CAPITAL PROJECTS	0	0	5,384,000	5,384,000	51,971,925	62,899,500	103,635,000	103,635,000
<b>EXPENSES Total</b>		<b>2,952,233</b>	<b>6,035,058</b>	<b>7,338,152</b>	<b>10,095,271</b>	<b>54,040,037</b>	<b>66,090,505</b>	<b>104,402,029</b>	<b>105,457,088</b>
<b>CAPITAL &amp; LOAN FUND Total</b>		<b>32,096</b>	<b>0</b>	<b>15,497</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Report Total --&gt;</b>		<b>32,096</b>	<b>0</b>	<b>15,497</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>