

NOVA SCOTIA DEPARTMENT OF HEALTH CONTINUING CARE BRANCH

Subject: CAPITAL RENEWAL RESERVE POLICY

Original Approval Date: July 25, 2007 Revised Date: October 15, 2010

Approved by: ***Original Signed by Keith Menzies***

Keith Menzies, Executive Director, Continuing Care Branch

1.0 INTRODUCTION

- 1.1 Funding to a Service Provider operating under a Service Agreement will be provided through two envelopes:
- Protected Envelope (see *Protected Envelope Funding Policy*)
 - Unprotected Envelope (see *Unprotected Envelope Funding Policy*)
- 1.2 Funding shall also be available to the Service Provider in accordance with the Capital Renewal Reserve Policy.

2.0 POLICY STATEMENT

- 2.1 The Department of Health will provide funding to replace Facility Components. This Policy outlines how the Capital Renewal Reserve should be managed and administered by Service Providers.

3.0 DEFINITIONS

Additional Space is the building space that is outside the requirements outlined in the applicable 2007 Long Term Care Facility Requirements – Space & Design for the Service Provider.

Business Plan is the annual submission to the Department of Health by the Service Provider with respect to a Facility, which serves as a planning tool for the Service Provider to be able to identify and convey Residents' needs to the Department of Health, and to assist the Department of Health in responding to those needs.

Capital Renewal Reserve is the funds received and invested by the Service Provider with respect to a Facility to support the replacement of Facility Components.

Development Agreement is a legal agreement between the Minister of Health and the Service Provider governing the acquisition of land, development of Facility, purchase of equipment and furnishings, inspection, licensing, and occupancy.

Existing Facility is a Licensed Facility operating under the jurisdiction of the Minister of Health prior to the signing of the Service Agreement.

Facility is the building, its furnishings, and equipment used to provide long term care to Residents pursuant to the *Homes for Special Care Act*.

Facility Component is a component that is normally capitalized as part of the original construction or generally used to provide service for more than one year. Examples include boilers, roofing, windows, flooring, resident beds, resident tubs, and dining room furniture.

Gross Square Footage is the approved area as measured using CSA Z317.11 Area Measurement for Health Care Facilities, modified for the exterior wall to a point within the wall and 6 inches (150 mm) from the inside face.

License is defined as a License issued pursuant to the *Homes for Special Care Act*.

Protected Envelope means that portion of the Approved Budget as defined in the *Protected Envelope Funding Policy*.

Service Agreement is a legal agreement between the Minister of Health and the Service Provider governing the provision of services and operation of the Facility.

Service Provider refers to the owner and operator of the Facility.

Theoretical Life is the estimated point in time at which a Facility Component is no longer able to function as intended, assuming normal wear and tear and proper maintenance.

Traditional Funding Process involves requesting funding approval for capital renewal initiatives through the annual long term care Business Planning Process.

Unprotected Envelope means that portion of the Approved Budget as defined in the *Unprotected Envelope Funding Policy*.

4.0 POLICY OBJECTIVES

- 4.1 The objective of this Policy is to provide a high quality physical environment by maximizing the life of the Facility which is assumed to be up to 50 years, while making the most efficient use of government resources.

5.0 APPLICATION

- 5.1 This Policy applies to each Facility or part of a Facility which was constructed under the terms of a Development Agreement and is being operated under a Service Agreement with the Minister of Health.

6.0 POLICY DIRECTIVES

6.1 Management of the Capital Renewal Reserve

- 6.1.1 Funding for Capital Renewal will be provided by the Department of Health to each Service Provider with respect to a Facility based on \$3.30 per approved Gross Square Footage (GSF) for each Facility or part of a Facility, subject to a Development and Service Agreement between the Minister of Health and Service Provider. The amount of \$3.30 per approved GSF is a fixed annual amount for the life of the 25 year mortgage.
- 6.1.2 To qualify for Capital Renewal Reserve Funding, each Service Provider must provide the Department of Health with electronic as-built drawing(s) in Design Web Format (DWF) or similar that easily allows verification, through electronic measurement, of the actual building gross square footage.
- 6.1.3 In the first year, funding for the Capital Renewal Reserve will be prorated based on the number of days the Facility is licensed that year. In subsequent years, funding for the Capital Renewal Reserve will be provided through a lump sum payment each April.
- 6.1.4 Service Providers will be responsible for managing the Capital Renewal Reserve and investing Department of Health funding provided for Capital Renewal within this Reserve.
- 6.1.5 The Department of Health will not provide any additional funding for the replacement or upgrading of Facility Components for each Facility or part of a Facility which was constructed under the terms of a Development Agreement and is being operated under a Service Agreement with the Minister of Health.

6.2 Administration of the Capital Renewal Reserve

- 6.2.1 This funding should be used for the replacement of a Facility Component that has failed or is about to fail provided that:
- The Facility Component was developed under the Development Agreement;

- Facility Component is in normal use and location within the Facility in accordance with the terms of the Development Agreement;
 - The Facility Component is listed in Appendix A (included herein); and
 - The Theoretical Life of the Facility Component as provided in Appendix A, included herein, has been met or exceeded.
- 6.2.2 Ongoing regular maintenance costs and the replacement of any items not listed in Appendix A, included herein, should not be funded through the Capital Renewal Reserve.
- 6.2.3 For an Existing Facility where new beds are attached – it is intended that only the replacement of a Facility Component approved to be constructed under the Development Agreement would be funded through the Capital Renewal Reserve. The replacement of a common Facility Component that is not included within the Development Agreement should be funded as a percentage of the whole. For example, if 10% of the Facility square footage was constructed under the Development Agreement, a Service Provider should only fund 10% of the costs to replace the whole Facility roof from the Capital Renewal Reserve.
- 6.2.4 For an Existing Facility where new beds are attached – the Service Provider should apply for funding from the Department of Health through the Traditional Funding Process for the replacement of a Facility Component that is part of the original Facility.
- 6.2.5 The replacement of a Facility Component can be a betterment or improvement over the quality or serviceability of the original Facility Component.
- 6.2.6 The Capital Renewal Reserve is not intended to fund a Facility adaptation as a consequence of technology or changing user needs.
- 6.2.7 The Capital Renewal Reserve is not intended to fund the replacement of Facility Components in Additional Space areas.
- 6.2.8 The Service Provider should invest interest earned by the Capital Renewal Reserve per Facility within the Capital Renewal Reserve.
- 6.2.9 Ownership of the Capital Renewal Reserve remains with the Service Provider. If the Service Agreement expires or is terminated, the Capital Renewal Reserve will remain with the Service Provider.
- 6.2.10 Service Providers will be responsible for submitting an audited financial statement for the Capital Renewal Reserve to the Department of Health annually.

7.0 ACCOUNTABILITY

- 7.1 The Executive Director, Continuing Care Branch is responsible for ensuring compliance with this Policy.

8.0 MONITORING

- 8.1 The implementation, performance, and effectiveness of this Policy will be monitored by the Executive Director, Continuing Care Branch.

9.0 REFERENCES

Homes for Special Care Act
Homes for Special Care Regulations
Long Term Care Policy Manual, Nova Scotia Department of Health
2007 Long Term Care Facility Requirements – Space & Design, Nova Scotia Department of Health

10.0 ENQUIRIES

Director, Infrastructure Management
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11.0 APPENDICES

Appendix A: Facility Components and their Respective Theoretical Life, as determined by the Department of Health.

**Appendix A:
Facility Components and their Respective Theoretical Life,
as determined by the Department of Health**

#	Facility Component	Theoretical Life (Years)
1	Underground Utilities	50
2	Aboveground Utilities	40
3	Signage	10
4	Site Related Stairs, Plazas & Decks	20
5	Storm Water Management Systems	44
6	Septic Systems	25
7	Water Well Systems	25
8	Paved Parking Lots	20
9	Paved Roadway	20
10	Paved Walkways	22
11	Footings & Foundations	200
12	Structural Framing	200
13	Exterior Walls	75
14	Exterior Exit Doors	22
15	Exterior Entry Doors	22
16	Exterior Door Hardware	15
17	Windows	32
18	Roofing	22
19	Partitions	75
20	Millwork	20
21	Interior Doors	25
22	Interior Door Hardware	15
23	Stucco Wall Finish	20
24	Ceramic Wall Tile	20
25	Painted/Sealed Concrete Floor	15
26	Ceramic Floor Tile	25
27	Quarry Tile	30
28	Carpeting	10
29	Vinyl Floor Tile	20
30	Sheet Vinyl Floor	20
31	Hardwood	20
32	Gypsum Board Ceiling	30
33	Suspended Acoustic Panel Ceiling	25
34	Lath & Plaster Ceiling	30
35	Painted Ceiling Structures	15
36	Wood Ceiling	25
37	Washroom Accessories	15
38	Interior Stairs	43
39	Vertical Movement	30

#	Facility Component	Theoretical Life (Years)
40	Boilers	35
41	Boiler Fuel Supply Systems	28
42	Heating & Cooling Piping Systems	45
43	Terminal Units	40
44	AHU Heating & Cooling Coils	26
45	DX Split & Packaged Units	22
46	Chillers	26
47	Cooling Towers	25
48	Air Handling Units	30
49	Humidifiers	22
50	Make-Up Air Units	25
51	Duct Systems	55
52	Ventilation Fans	25
53	Building Automation System	25
54	Plumbing Fixtures	25
55	Domestic Water Heaters	10
56	Plumbing Pumps	20
57	Plumbing Piping Systems	37
58	Water Treatment Systems	20
59	Stacks & Breaching	25
60	Standpipe Systems	47
61	Sprinkler Systems	47
62	Fire Pumps	30
63	Fire Protection Water Storage Tanks	45
64	Primary Switchgear	42
65	Primary Transformer	48
66	Secondary Switchgear	40
67	Secondary Transformer	30
68	Electrical Power Meter	50
69	Cabling, Raceways & Bus Ducts	40
70	Interior Lighting	30
71	Exterior Lighting	15
72	Exit Lighting	30
73	Emergency Lighting	18
74	Fire Alarm System	25
75	Emergency Power System	30
76	Communication Systems	25
77	Nurse Call System	25
78	Security System	25
79	Automatic Door Devices	15
80	Resident Lifts: ceiling, tub, mechanical	20
81	Therapeutic Bathing Systems	15
82	Window Coverings	18

#	Facility Component	Theoretical Life (Years)
83	Resident Beds	15
84	Resident Mattresses	10
85	Resident Room Furniture	22
86	Dining Room Furniture	17
87	Program Room Furniture	17
88	Walk-in-Coolers	20
89	Walk-in-Freezers	20
90	Commercial Dishwashers	15
91	Commercial Stock Pots	15
92	Commercial Stoves/Ranges	15
93	Commercial Steamers	10
94	Servery Equipment	15
95	Commercial Washers	25
96	Commercial Dryers	25