



Fraser-Fort George
**REGIONAL HOSPITAL
DISTRICT**

FRASER-FORT GEORGE REGIONAL HOSPITAL DISTRICT

15 YEAR FINANCIAL PLAN

2024 - 2038

JANUARY 15, 2024

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Introduction

The purpose of this proposed financial plan (the “proposed plan” or “2024 Financial Plan”) is to provide an overview of the future financial impacts that the Northern Health Authority (NHA) funding requests will have on the Fraser-Fort George Regional Hospital District (FFGRHD) budget and how the FFGRHD will meet these funding requests over the next fifteen years and beyond.

The initial long-term financial plan for the FFGRHD was approved by the FFGRHD Board (Board) in 2017, with subsequent updates of the document completed in 2019 and 2021.

The FFGRHD’s current budget structure and annual requisition levels based on the 2021 version of the FFGRHD’s 15-year Financial Plan 2022 – 2036 approved by the Board in 2021 has increased requisitions significantly in anticipation of NHA funding requests, but further increases must be considered to support these projects based on their current estimated timelines and budgets.

As the fourth version of the FFGRHD Financial Plan, the 2024 Financial Plan contemplates the financial impacts of anticipated NHA funding requests for capital projects that are on the horizon to be funded by the NHA and the FFGRHD. The largest anticipated project includes development to the University Hospital of Northern British Columbia (UHNBC) campus with the proposed building of an Acute Care Tower, known as the UHNBC Acute Care Tower project or UHNBC ACT Project.

Included in this version is a focus on requisition affordability and the application of this affordability model to the anticipated funding requests from NHA. Further detail will be provided in the Affordability section on [Page 15](#).

Background

Purpose

The primary purpose of regional hospital districts (RHD(s)) is to raise revenue from the local property tax base to assist with the funding of capital investment in health care facilities.

This can include:

- acquisition of property;
- renovations;
- new construction; and
- medical equipment.

RHDs provide grants for these purposes and can apply for and distribute grants provided by the Federal Government. The *Hospital District Act* also has provisions for RHDs to operate and maintain hospitals and hospital facilities, but there would be a need to satisfy other Provincial regulatory requirements to undertake such activities.

RHD funding commitments can be either direct contributions from a RHD's annual operating budget, reserves, or it can be by way of borrowing through the Municipal Finance Authority (MFA). Typically, the contribution from RHDs is set at 40% of the total capital expenditure when a project benefits residents within the RHD's service area or boundary. There are certain projects where the benefit to residents is on a health authority region wide basis. For those projects, all RHDs within the NHA boundaries will pay into the project based on different metrics such as population or emergency department visits, thereby leading to a different percentage contribution level with each project. Unlike local governments, RHDs are able to borrow to fund capital investment in health care facilities without requiring elector's approval.

Financial Planning and Budgeting

Planning for capital investment is undertaken by the regional health authorities. Typically, RHDs provide up to 40% of the capital cost of a project. The other 60% is provided by the health authorities either through funds provided by the Province of BC for specific capital projects, health authority operational budgets, or third parties such as health care foundations or community service clubs.

There is no legislative requirement for health authorities to include RHDs in capital planning. However, the NHA and the northern BC RHDs have a Memorandum of Understanding that commits the NHA to consult with, and update, its RHD partners in the preparation of annual capital plans which typically occurs at the fall and spring joint meetings between the NHA and the northern BC RHDs. The most recent Memorandum of Understanding was signed in the fall of 2021.

RHD provisional budgets for the next budget year must be prepared and adopted prior to the end of a calendar year. The provisional budget provides the ability for a RHD to continue to meet its financial expenditure commitments until requisition is received annually on August 1st. Annual budgets must be prepared and adopted by the RHD's Board by March 31st of each year. RHDs are not legislatively required to prepare five-year financial plans.

Current Financial Position

Requisition

In November 2015, the Board was informed of the future capital funding projections from the NHA that included the redevelopment of the UHNBC campus. The proposed capital investment is unprecedented in the FFGRHD and due to the significant nature of this information, the Board approved a ten-cent (\$0.10) increase to the residential tax requisition mill rate for 2016. The additional funds raised were allocated to the Capital Reserve Fund as an initial step to work towards being able to fund the NHA’s proposed capital program. The original 15 Year Financial Plan was prepared in 2017 and updated 15 Year Financial Plans were prepared in 2019 and 2021 that informed requisition rates and overall budget guidance for future years to support the ability for the FFGRHD to contribute to this project.

Since 2015, the average residential tax requisition mill rate has increased from \$35.13 up to \$73.73 per \$100,000 of assessment in 2023 as outlined in Figure 1 below.

Figure 1 – Residential Requisition Amounts with Rate per \$100,000 Assessment – 2015 – 2023

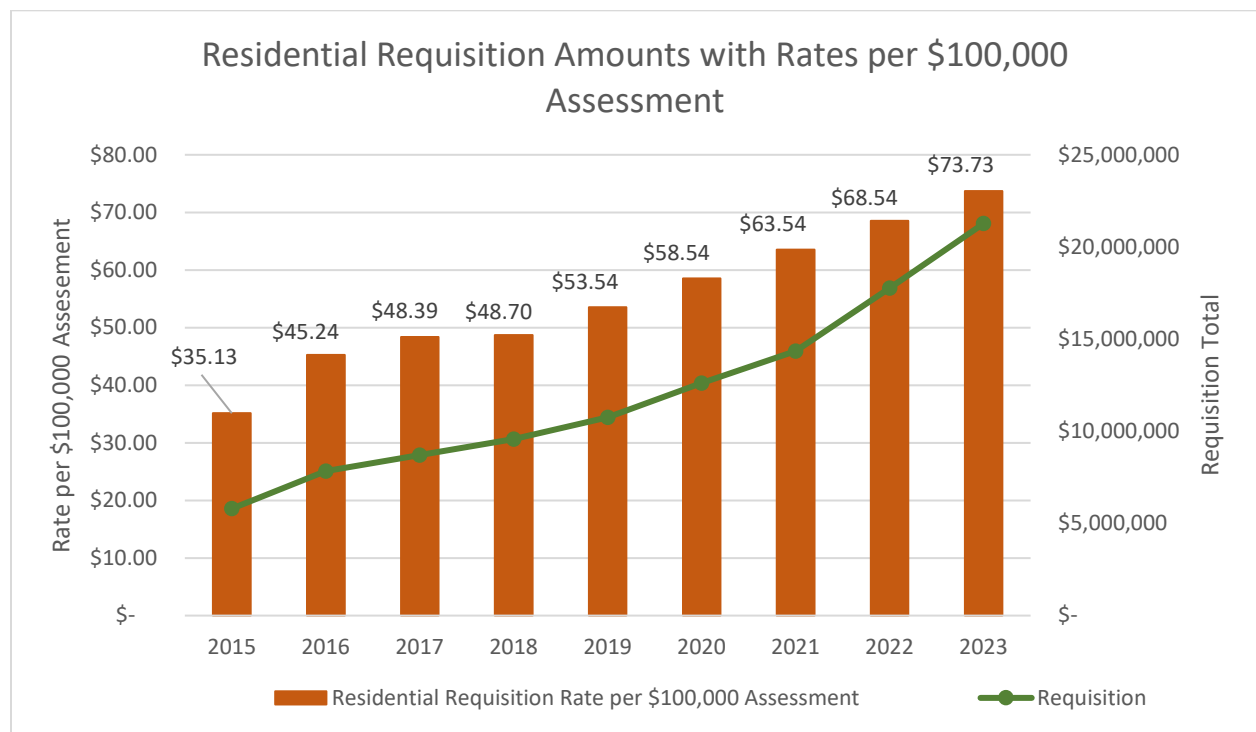
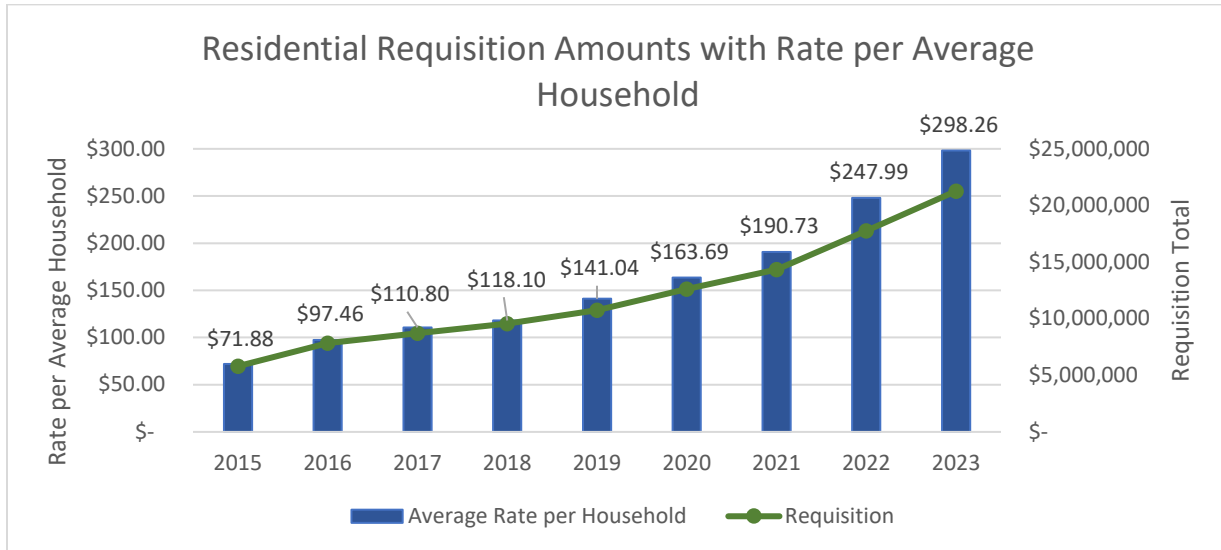


Figure 2 outlines the residential requisition amounts with the rate per average household from 2015 to 2023. This utilizes the average house price within the geographical boundary of the Fraser-Fort George Regional Hospital District and showcases that the average household rate has increased from \$71.88 in 2015 up to \$298.26 in 2023.

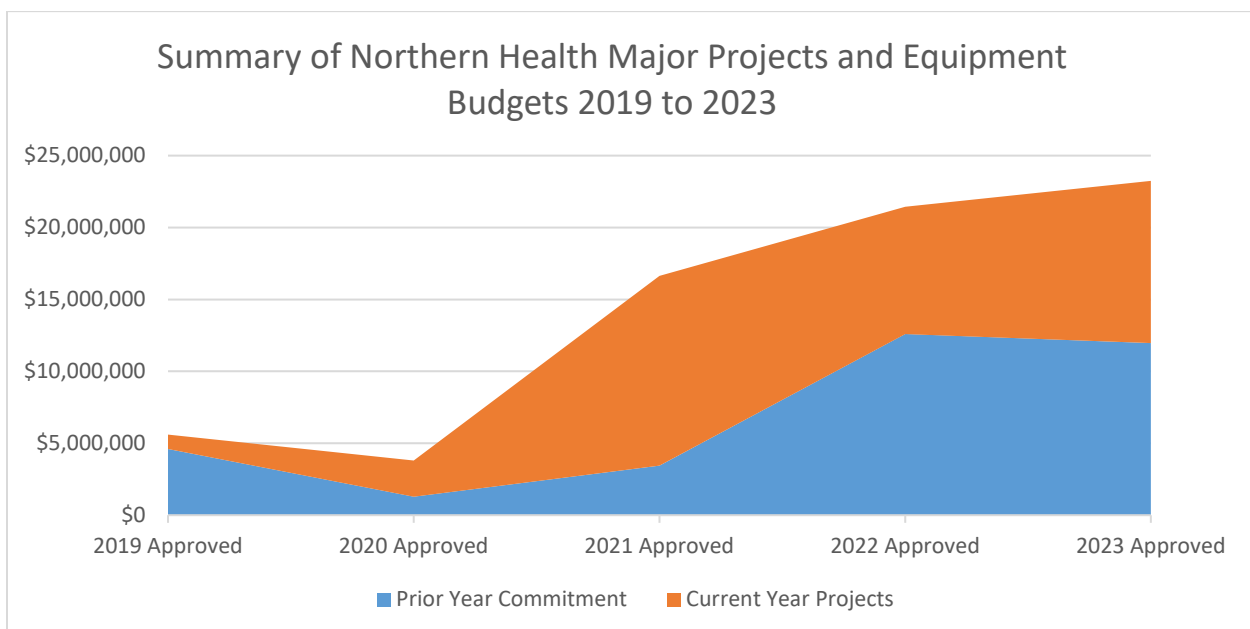
Figure 2 – Residential Requisition Amounts with Rate per Average Household – 2015 – 2023



Expenditures/Commitments

Through the annual budgeting process and subsequent amended budget process, the FFGRHD committed to funding projects in the amounts outlined below in Figure 3. This shows that the prior year commitment amounts carried forward have increased since the start of COVID, the result of supply chain and resourcing challenges. Additionally, an overall escalation in capital costs has resulted in an increase in the annual current year project funding requested.

Figure 3 – Summary of Northern Health Major Projects and Equipment Budgets – 2019 to 2023



Note that the approved projects outlined in Figure 3 above do not include the Building Integrity Funding and the Major Equipment Grant, which are annual requests that are made by the NHA.

Reserves

With the increases to the 2015 - 2023 residential tax requisition mill rates (as outlined in Figure 1), additional funds were transferred into the Capital Reserve Fund to save for future funding requests. The balance of the Capital Reserve Fund as of December 31, 2022, after deducting amounts already committed, was \$45.8 million.

As of November 30, 2023, the FFGRHD has \$7.8 million in committed unexpended funds that have been previously approved by the Board to provide funding for the NHA's capital projects. Another \$5.0 million has been approved by the Board in the 2023 annual budgeting process but has not been approved for funding by capital bylaw as of November 30, 2023.

Taking into account the committed funds for 2023, the projected balance of the Capital Reserve Fund as of December 31, 2023, after deducting amounts already committed, will be \$62.8 million.

Comparison to 2021 Financial Plan

Considering the sections above, Figure 4 below outlines a comparison of key metrics as of 2023 against the estimates for the 2023 year included in the 2021 Financial Plan.

Figure 4 – 2023 Actual vs. 2021 Financial Plan Estimates

Financial Metric	2023 Actual	2023 Estimate per 2021 Financial Plan	Difference
Residential Requisition Rate per \$100K	\$ 73.73	\$ 73.54	\$ 0.20
Requisition	\$ 21,270,000	\$ 16,603,000	\$ 4,667,000
Payment by Average House	Based on \$448,911 avg: \$330.98	Based on \$334,045 avg: \$245.66	\$ 85.32
Capital Reserve Fund	\$ 57,787,178*	\$ 44,949,613	\$ 12,837,565

*Amount based on actual value at December 31, 2022 as 2023 year end is not complete as of the date of this proposed Plan.

The residential requisition rate at \$73.73 per \$100,000 is \$0.20 different from the 2023 estimate from the 2021 version of the Financial Plan due to changes in BC Assessment Rolls after annual budget approval.

On the requisition side, due to continued assessment growth, the 2023 requisition was \$4.7 million higher than the estimate for 2023 in the 2021 version of the Financial Plan.

Also due to the continued assessment growth, the payment by the average residential house in Prince George is \$330.98, which is higher than the estimate for 2023 in the 2021 version of the Financial Plan. This is due to the fact that the average Prince George house price has increased from \$334,045 in 2021 to \$448,911 in 2023.

In this version of the Financial Plan, when considering the average house price and payment by the average house metrics, a regional average house price measure will be utilized. This encompasses the average house price within the geographical boundary of the Fraser-Fort George Regional Hospital District. Comparably, the average house price in Prince George for 2023 is \$448,911 as noted above and the average house price on a regional scale is \$404,541, resulting in the payment by the average house of \$298.26.

The Capital Reserve Fund balance at December 31, 2022 is \$12.8 million ahead of the estimate included in the 2021 Financial Plan. This is the result of the increase in requisition due to assessment growth and some significant increases in investment income and funding decommitments from the NHA.

Future Funding Needs

The NHA has identified their potential future funding needs for upcoming years with projected information available as of mid-2023.

The following table (Figure 5) outlines the proposed funding requests by the NHA for the next few years based on the latest NHA Capital Plan - FFGRHD Funding Request received in November 2023.

The NHA has identified a 40% FFGRHD contribution for most projects. The exceptions to these contribution rules are Information Technology (IT) projects as they are a benefit to the whole NHA region and RHD contributions are split among all RHDs within the NHA geographic area typically using a per capita formula. The FFGRHD contribution is currently calculated at approximately 14% for those specific projects.

Figure 5 – Northern Health Major Projects and Equipment Preliminary Budgets – 2024 – 2028

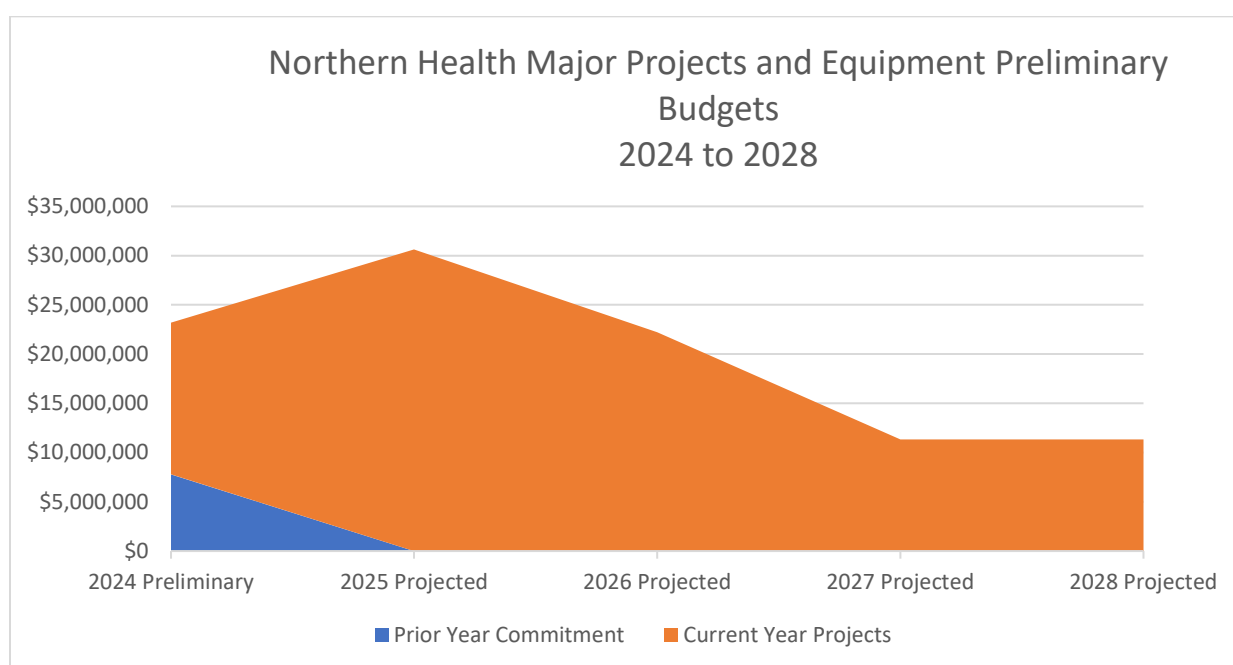


Figure 5 includes the prior year commitment amount that will be carried forward from the 2023 year of \$7.0 million. This relates to projects with approved capital bylaws, upon which the full bylaw amount has not been spent by Northern Health to date.

UHNBC Acute Care Tower – Early Works

Also included in the Figure 5 summary is the funding request for the UHNBC Acute Care Tower Early Works Agreement.

The UHNBC Acute Care Tower Project was split into two segments during 2023, with the Ministry of Health providing approval for the Early Works Agreement on November 1, 2023. This outlined the portion of the project for initial works including construction of a parkade and demolition of the Northern Interior Health Unit building. Funding for the Early Works portion of the project was approved by the FFGRHD Board on December 14, 2023.

For purposes of the 2024 Financial Plan, the funding for the Early Works portion of the project has been estimated to be required starting in 2024 as outlined by the NHA’s draft funding request but will be required in stages as construction progresses from 2024 to 2026.

UHNBC Acute Care Tower

The main portion of the UHNBC Acute Care Tower Project (the “UHN ACT Project” or “UHN Acute Care Tower”) still requires approval from the Ministry of Health before proceeding. As a result, the main portion of the project would be an additional request for funding from the FFGRHD Board and is not included in the above summary.

The UHNBC Acute Care Tower will house surgical, cardiac and mental health and addictions services and is currently in the business planning stage. Representatives from the FFGRHD Administration sit on the project steering committee and oversee discussions on the planning of the project alongside representatives from the NHA and Infrastructure BC.

For clarity, the UHNBC ACT Project has been referred to in previous versions of the FFGRHD 15-year Financial Plans as UHNBC Development Phase #2 and the UHNBC Surg MHA Cardiac Tower.

Residential Care and Alternative Dementia Beds

Previously included in the NHA’s future capital funding requests was the Residential Care and Alternative Dementia Beds Project (the “RCAD Project”). Based on the Ministry of Health announcement on November 14, 2023, this project was shifted to a partnership model with Providence Living to build and operate a 200-bed long term care facility in Prince George.

Due to the announcement of this partnership model and the fact that Providence Living will provide the capital for the project, the FFGRHD will no longer be requested to fund this project in a future year(s).

Strategic Issues

As the Regional Hospital District renews its long-term Financial Plan, there are a number of key strategic issues that must be considered in the preparation of the 2024 version of the Financial Plan.

Changes from 2021 Financial Plan (2022 - 2036)

Since the approval of the 2021 version of the Financial Plan in the fall of 2021, there have been some key changes that affect the FFGRHD's actual financial results compared to the FFGRHD Financial Plan.

These changes will inform decisions in the proposed Plan and include:

- Inflation - Significant inflationary pressures have increased the estimated cost of individual capital items and construction significantly from original estimates. This has created increases over the past two years to the date of this report. While there are signs of inflation slowing down into 2024 in terms of the year over year Consumer Price Index (CPI) metric, there are no guarantees that inflation on healthcare related capital equipment and construction costs will be reduced.
- Early Works Agreement – The UHN ACT Project business plan has been split into two portions with the Ministry of Health approving the initial phase, referred to as the Early Works Agreement by announcement on November 1, 2023. The FFGRHD Board approved funding for the Early Works Project on December 14, 2023.
- Expected start date and borrowing timelines for the UHN ACT Project – the expected start date for the UHN ACT Project has changed from 2024 in the 2021 Financial Plan with borrowing divided equally over 4 years (2024 to 2027) to a projected start date in 2025 with the borrowing staged over the construction of the project which is expected to last approximately four (4) to five (5) years. With the FFGRHD's funding required once costs have been incurred by the NHA on the Project, for purposes of this proposed Plan, the borrowing will be prorated over the construction timeframe. In order to include more specific information in the proposed Plan, the funds required for the UHN ACT Project are projected to be borrowed as follows:
 - Year 1 – 2025 – 10%
 - Year 2 – 2026 – 10%
 - Year 3 – 2027 – 30%
 - Year 4 – 2028 – 30%
 - Year 5 – 2029 – 20%
- Removal of Residential Care and Alternative Dementia Beds Project from draft capital plan – Based on the Ministry of Health's announcement on November 14, 2023, regarding the partnership with Providence Living to build a 200 bed long term care facility in Prince George, this removes this project from future capital funding requests from NHA to FFGRHD.
- Interest rate changes – In the 2021 Financial Plan, the interest rate used to estimate the debt repayments for the expected \$240 million FFGRHD contribution to the UHN ACT Project and the \$24 million Residential Care and Alternative Dementia Beds Project was 3.5% based on an expected increase in interest rates over the coming years to reach a target interest rate level for the overnight rate and bank prime rate. As of December 31, 2023, the MFA's indicative market rate for a 20 to 30-year loan was 4.17%. This indicative interest rate is much higher than the interest rate used in the 2021 Financial Plan and is a reflection of government attempts to manage inflation by increasing overnight interest rates. With the borrowing for the UHNBC ACT project required to occur within the next two (2) to six (6) years on a prorated basis, there is an expectation that interest rates could change over that time frame, but to what level they would adjust to is a matter of much speculation.
 - See the Interest Rate Uncertainty section below for further discussion on this change.
- Increased annual funding requests – The annual capital funding requests from NHA have increased since the set of assumptions were used in the 2021 Financial Plan. As a baseline, the 2021

Financial Plan assumed Major project funding requests starting at \$5 million in 2024 with a 2.5% inflation factor. The funding amount requested excluding prior year commitments carried forward is \$11 million in 2024 and \$12 million in 2025. Though this can fluctuate from year to year, it is anticipated that this is reflective of increased annual costs that will likely continue.

Interest Rate Uncertainty

A key assumption in previous versions of the FFGRHD Financial Plans and in this proposed Financial Plan, is the expected interest rates for future borrowing.

With expected borrowing for the UHN ACT Project estimated to start in the year 2025 and borrowing to occur in segments over a period of four (4) to five (5) years, there is uncertainty surrounding the interest rates to be obtained on the expected borrowing. The interest rates obtained will be based on the MFA's long-term debt issuing rates at the various times of borrowing. These long-term interest rates will vary based on the Bank of Canada's overnight rate, upon which the major Canadian banks and MFA set their borrowing rates.

As of December 31, 2023, the Bank of Canada's overnight interest rate is 5.04%, the current prime rate of the major Canadian banks is 7.2% and MFA's indicative market rates for a 20, 25 or 30-year loan is 4.17%. The overnight and prime rates have been increasing in recent months in an attempt to slow down high inflation.

As of the end of 2023, the Bank of Canada is actively attempting to tame inflation within the economy and appears to be at the tail end of a rate hiking cycle. Major Canadian banks are forecasting decreases to the overnight and subsequently prime rate, starting in mid to late 2024. The Bank of Canada has a target overnight rate of between 2% and 3%, which typically results in the prime rates of the major Canadian Banks being in the 4% to 5% range. Based on market events over the past couple of years, it is believed that the Bank of Canada's overnight rate target on a go forward basis will shade closer to the 3% side of their range than the 2% side. As a result, given the long-term nature of the required borrowing, interest rates for long-term borrowing could range anywhere from 3.5% to 5.5% by the time the FFGRHD looks to borrow for the major projects discussed above.

With the borrowing for the UHN ACT Project being contemplated over a longer term of 25 or 30 years, the interest rate that will be obtained will be valid for the first 10 years of the borrowing term and then will have to be renewed after the first 10 years (likely for another 10 years). This causes greater uncertainty in the interest rate for the years 11 to 30 of the loan term as the interest rate for the remaining term is determined based on the market interest rates when the loan comes up for renewal at the end of year 10. This could create an increase or decrease in the annual debt servicing obligation depending on the available rates when the first 10-year term comes due for renewal.

Loan Term

The choice of loan term for the long-term borrowing required to fund the UHN ACT Project is another important strategic decision to be made.

With the scale of the borrowing required to fund the large project, the borrowing term must be sufficient to provide reasonable annual principal and interest payments on the debt incurred. Based on this, utilizing the longest borrowing term available of 30 years is the base assumption used in this version of the Financial Plan. When the time comes to borrow funds for the UHN ACT Project on a long-term basis, Financial Services Administration will prepare an analysis of loan term options and estimated interest rates to determine the most effective approach to taking on the debt. If a shorter loan term is used, this would result in higher annual principal payments and a reduction in the number of annual interest payments required to pay off the loan. This will be balanced against the cash flow needs of the FFGRHD to fund other projects and annual funding requests from the NHA while maintaining a minimum reserve balance.

UHN Acute Care Tower Project – Cost to FFGRHD

The expected funding request amount from NHA for the UHNBC Acute Care Tower Project is still unknown. The project requires Ministry approval before a request will be made to FFGRHD to fund a portion of the project cost.

In order to prepare for this unknown cost in the future, this Financial Plan contemplates the affordability of some potential funding level scenarios. The final project cost and FFGRHD contribution agreed to by Board will have a significant impact on FFGRHD's finances over the time period of this long-term financial plan.

Minimum Reserve Balance

The use of Reserve Balances is key to ensuring that FFGRHD is able to manage uncertainty in project costs and be prepared in the event that other capital priorities arise. Reserve funds are earning investment income which helps to offset inflation. For the purposes of this financial plan, Financial Services Administration recommends maintaining a minimum reserve balance of \$20 million in all scenarios. The amount is a reasonable minimum to ensure that FFGRHD can fund other projects and maintain a strong financial position that can weather changes in assumptions such as interest rates or inflation.

Escalation of Capital Costs

Over the past couple of years, there has been a significant increase in the cost of construction that has exceeded typical annual Consumer Price Index or inflation levels. There continue to be shortages on both the labour side and supply of construction related goods. These shortages could have a significant impact on the costs included in the NHA's future capital plans, both for large construction projects and the procurement of individual capital equipment. Any escalation in capital costs could be passed on to the FFGRHD as a funding partner based on the percentage of funding provided for a capital project by the FFGRHD.

Other Capital Projects

With the inclusion of the funding for the UHN ACT Project, the proposed Plan contemplates the most significant expected financial impacts to the FFGRHD over the next fifteen (15) years. While this project is a significant project, there is the potential that other significant capital projects could be added to the NHA's capital plan over the next fifteen (15) years that require FFGRHD funding. This will depend on the Province's service priorities, the NHA's capital priorities and government funding availability. Likely, any additional major capital projects would be implemented following the completion of the major UHNBC ACT project contemplated in this proposed Plan, thereby providing time for the FFGRHD to add any additional large-scale projects to future versions of the FFGRHD Long-Term Financial Plan as more information becomes available.

Assumptions

It is important to consider the assumptions upon which the financial modeling has been prepared. Consideration was given to various sources of information including discussion with the NHA Capital Department representatives and prevailing market information.

The proposed 2024 Financial Plan is based on the following key assumptions:

- projected capital funding requests for 2024 to 2028 have been included based on the Preliminary 5-year Budget from NHA;
- funding requests by the NHA for major projects (not including the UHN ACT Project) are included based on 5-year estimates from NHA with a base of \$12 million annually starting in 2029;
- funding for other significant capital projects will not be requested by the NHA during the course of this proposed Plan;
- the interest rate for the UHN ACT Project borrowing is estimated at 5.0% for the loan term;
- a 30-year loan term is used for major long-term borrowing;
- the minimum capital reserve balance throughout the course of the 15 years is \$20 million to ensure a base of sufficient funds are on hand at all times;
- a 2.5% increase per year has been included for capital funding requests by the NHA for major projects starting in 2029;
- a 2.0% increase per year has been used for the minor equipment grant as per the NHA projections;
- a 2.0% increase per year has been used for the annual building integrity funding as per the NHA projections; and
- a 4.0% inflation rate has been used for increases in the FFGRHD overhead burden, which includes administration and Chair and Acting Chair remuneration.

Any changes to the key assumptions outlined above will affect the proposed Plan as there are assumptions/variables used in the creation of the proposed Plan that are sensitive to minor changes and could have a large impact on the proposed Plan if altered.

Therefore, it is important to revisit this Financial Plan document on a regular basis (every two (2) years at a minimum) to update the key assumptions and ensure that actual results are following in line with the proposed Plan that has been set out in this document.

Affordability

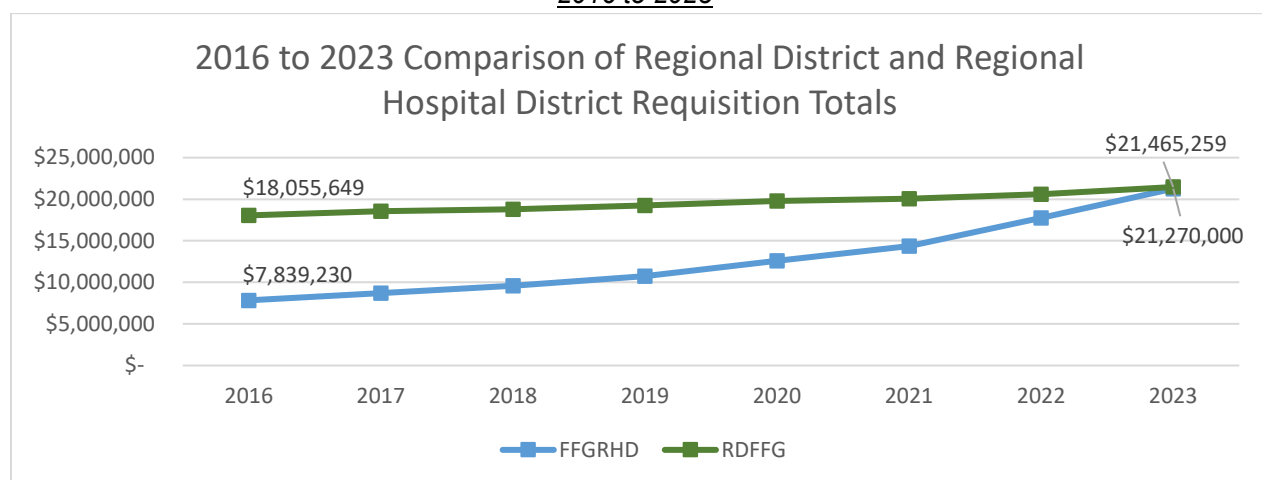
Taking into account the expectation of the large total cost of the UHN Acute Care Tower Project in the last Financial Plan, the idea of considering affordability of FFGRHD requisition in the future arose.

This idea outlines what level of requisition rate, total requisition and requisition per average household is reasonable and can be afforded by the taxpayers in FFGRHD at large, both currently and into the future. Knowing that funding a percentage of this large project will create requisition increases of some amount, consideration was given to where the affordable range of requisition is for FFGRHD taxpayers.

In order to prepare an analysis on this, Financial Services Administration started with the FFGRHD's current financial position and researched RHD financial metrics from across the Province to see where FFGRHD stacks up on comparable metrics such as total requisition, requisition rates, requisition per average household and debt levels.

One important comparison to make at this juncture is that of Regional Hospital District requisition vs. Regional District requisition for all Regional District services. As shown in Figure 6, the gap between annual Regional Hospital District requisition and Regional District requisition has closed quickly over the last number of years with the 2023 requisitions being approximately \$200,000 apart.

Figure 6 – Comparison of Regional District and Regional Hospital District Requisition Totals – 2016 to 2023



Provincial Comparability

This information looks at comparing the FFGRHD's current financial position against its peer RHD's from around the province. While there are many metrics that could be considered, the most relevant for comparison were deemed to be:

- Total requisition
- Residential requisition rate
- Requisition per average household

Figure 7 outlines total requisition values over the past three years (2021, 2022 and 2023) for Regional Hospital Districts with comparable populations – two larger and two smaller. This shows that FFGRHD has seen significant year over year increases in total requisition dollars compared with others of similar population size and in fact has the second largest requisition per capita of all RHDs in BC for 2023.

Figure 7 – Three Year Requisition Values for Regional Hospital Districts with Comparable Populations

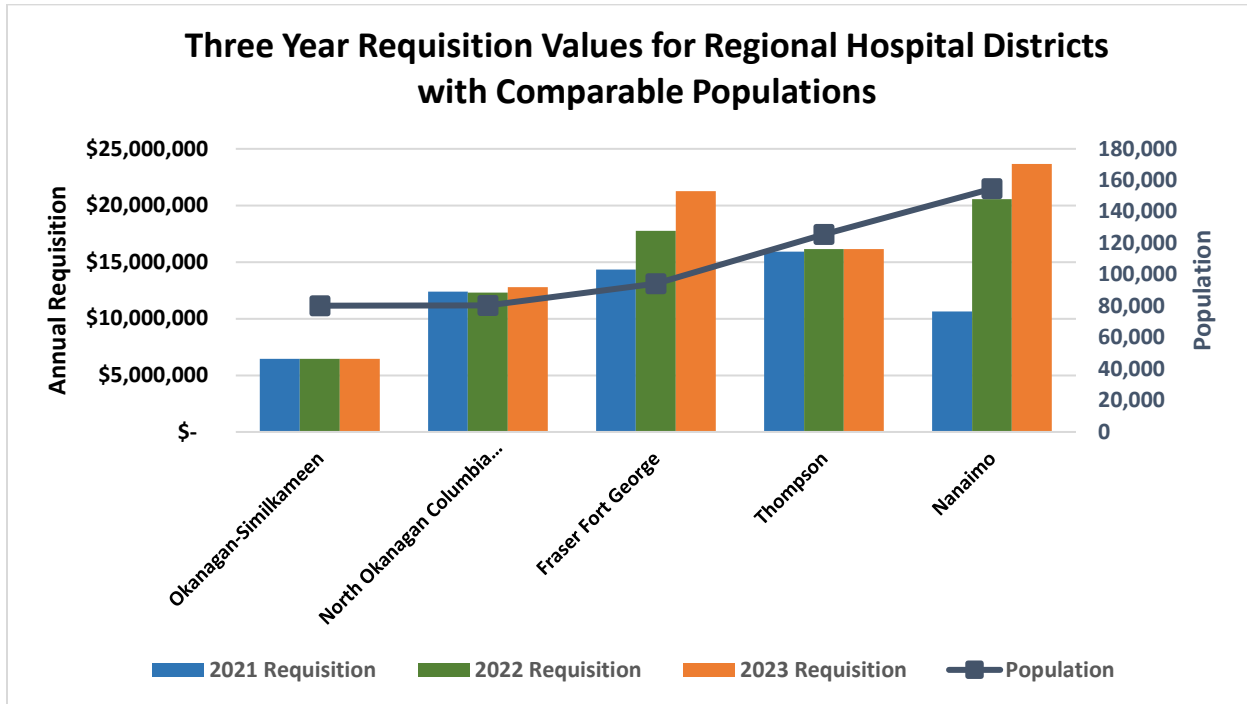


Figure 8 outlines the five (5) Regional Hospital Districts in BC with the highest overall 2023 Requisition amounts. For comparability, Rates per \$100k and Average rates per household have been added. Capital RHD has the highest overall requisition amount, but a significantly lower rate per average household due to the larger number of properties and higher assessed values in their area. On a more comparable note, FFGRHD has a very similar rate per household to Nanaimo RHD but with double the rate per \$100K, again reflective of differences in the number of properties and assessed values.

Figure 8 – Comparison of Top 5 2023 Requisition Amounts with Rates per \$100K & Per Household

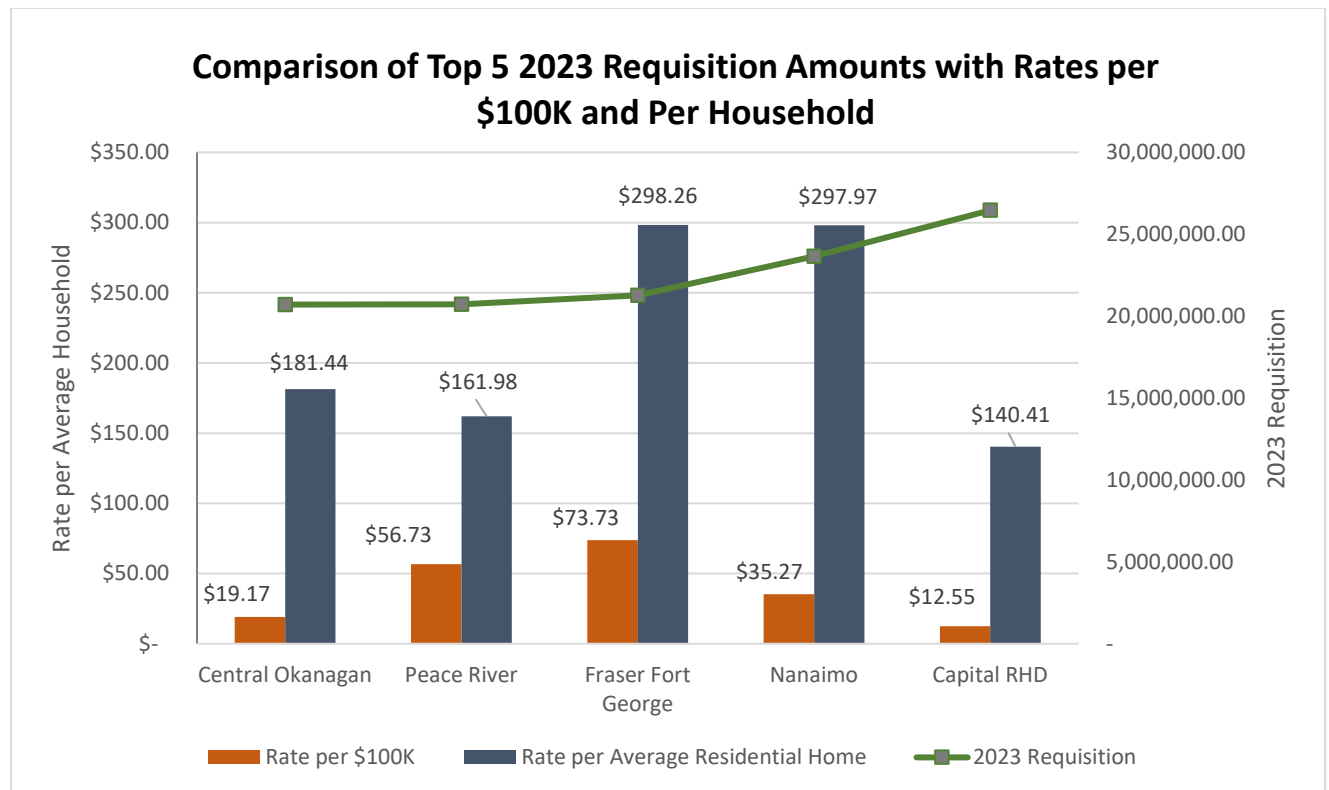
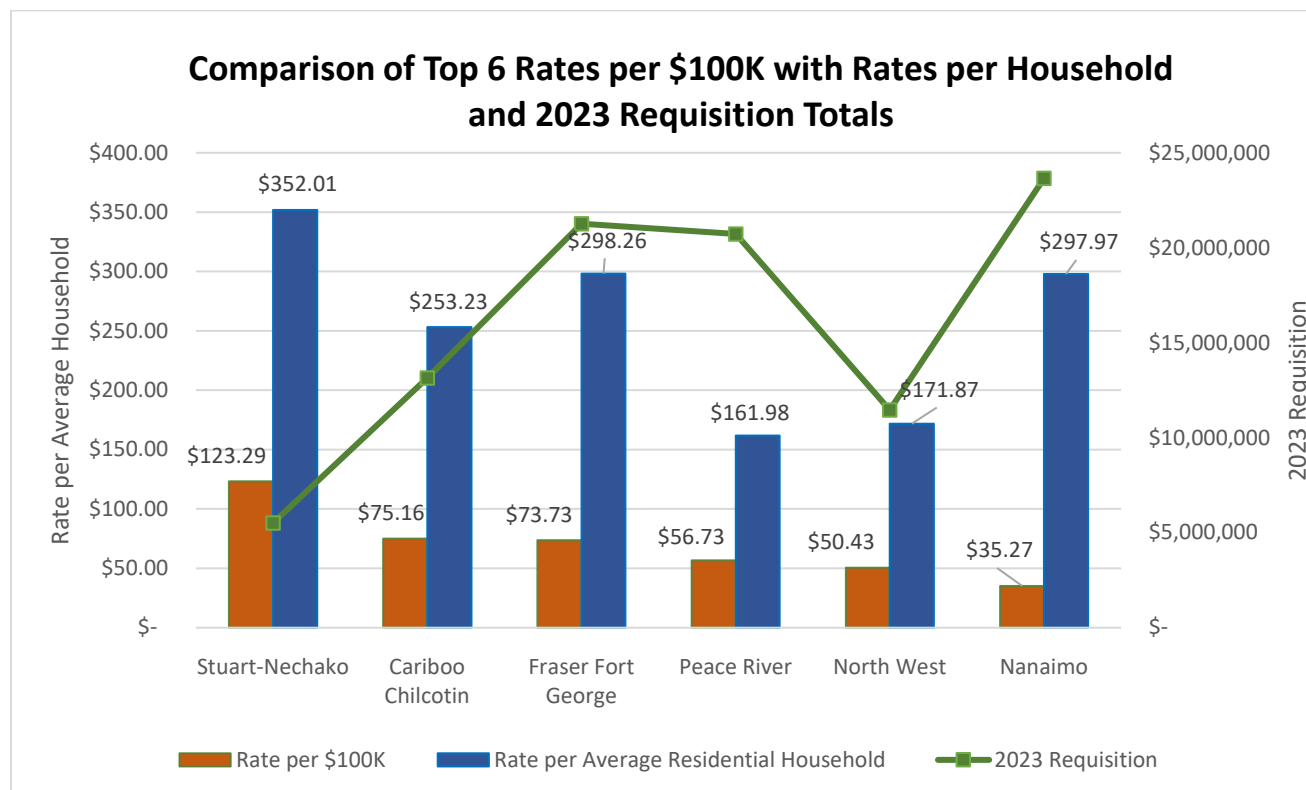


Figure 9 outlines the Regional Hospital Districts with the highest rates per \$100k of BC Assessment Residential Values. A trend that arises from this graph is that Regional Hospital Districts in Northern BC have higher rates per \$100k, as well as higher total household rates when compared to other RHDs in the province.

Figure 9 – Comparison of Top 6 Rates per \$100K with Rates per Household and 2023 Requisition Totals



Provincial Comparability Overview

When comparing FFGRHD to other peer RHDs around the Province, there is considerable evidence to show that FFGRHD is near the top of most key metrics.

Based on 2023 requisition amounts, FFGRHD falls at:

- 2nd highest rate per average residential home
- 3rd highest in residential requisition rate
- 3th highest annual requisition

This information provides a baseline for the future looking analysis that will be discussed in the Financial Analysis section.

Financial Analysis

Scenario Analysis

Following the provision of background information on the FFGRHD's current financial position and discussion around the strategic issues involved, the assumptions used based on current information and outlining affordability metrics, this section will provide financial analysis of potential funding scenarios for the UHN ACT Project and determine what annual requisition increase is needed to meet the funding demands from the NHA over the coming years.

This model considers 4 scenarios with different funding levels and outlines the resulting residential requisition rates per \$100k. requisition amounts, payments by average household and reserve fund balances.

The 4 scenarios are:

- Scenario #1 - \$250 million funding contribution
- Scenario #2 - \$350 million funding contribution
- Scenario #3 - \$450 million funding contribution
- Scenario #4 - \$550 million funding contribution

The actual amount of funding that the FFGRHD provides can differ from these scenarios, but the increments provided allow for the impact of the different scenarios/funding levels to be made clear. Based on the assumptions previously outlined on [page 14](#), the following is a summary of the requisition increases required for each scenario

Figure 10 – Requisition Increases Required under each Scenario

Scenario	Funding Contribution	Requisition Increase Needed	Minimum End Date of Requisition Increase
1	\$250 million	2.65%	Until 2044
2	\$350 million	4.90%	Until 2036
3	\$450 million	7.30%	Until 2033
4	\$550 million	9.75%	Until 2035

Under each scenario below, further information will be provided showing the impact to total requisition amount, residential requisition rates, average requisition per household and reserve levels in the 15-years between 2023 and 2038.

Projected Cash Flow graphs compare the total requisition, total expenditure and total reserve balances each year from 2023 to 2038.

Projected Cost Estimates graphs show how the total expenditures for each year from 2023 to 2038 as well as the portion of expenditures related to debt servicing, major capital projects, capital grants and other expenses including administration and board remuneration.

Scenario #1 - \$250 Million

A 2.65% minimum increase in requisition each year would be required until 2044 to ensure cash flow and reserves are sufficient to pay all debt over the 30-year loan term. The rate per \$100,000 residence region-wide would increase by \$35.42 and the average residential household would result in an increase of \$143.29 (48%) by 2038 as outlined in Figure 11(a).

Figure 11(a) – 2023 Actual vs. 2038 Financial Plan Estimates

Financial Metric	Actual - 2023	Estimate as of 2038 (15-year)	Difference
Residential Requisition Rate per \$100K	\$ 73.73	\$ 109.15	\$ 35.42
Requisition	\$ 21,270,000	\$ 31,488,487	\$ 10,218,487
Payment by Average House	Based on \$404,541 avg: \$298.27	Based on \$404,541 avg: \$441.56	\$ 143.29
Capital Reserve Fund	\$ 70,652,294	\$ 25,618,561	\$ (45,033,733)

Figure 11(b) shows that a funding a level of \$250 Million would result in a slower increase to projected requisition, while offsetting total expenses with reserve funding.

Figure 11(b) – Scenario #1 Projected Cash Flow

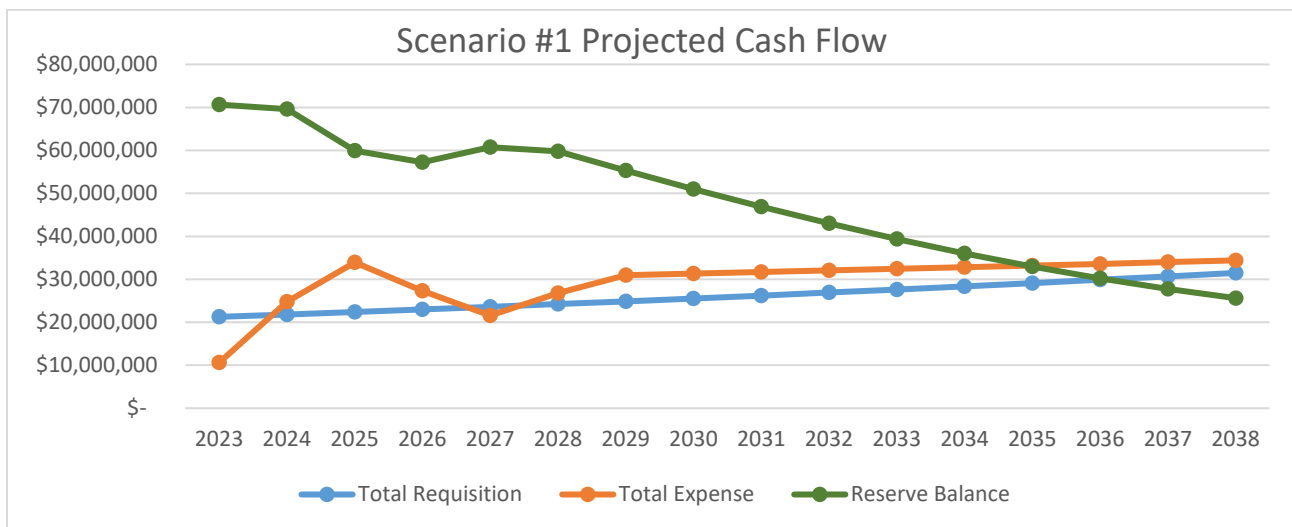
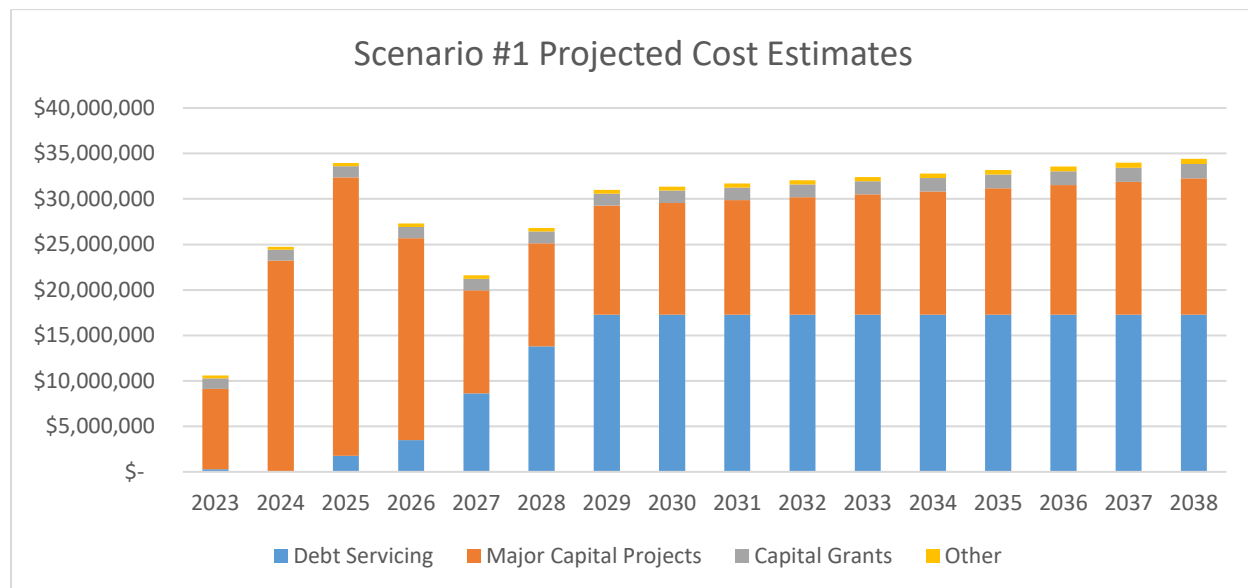


Figure 11(c) outlines that Major capital project funding in years 2024 to 2026 reflect Early Works funding as approved in the preliminary 5-year budget. Debt increases through years 2025 to 2029 until the full \$250 million of funding is borrowed at which time, the debt servicing amount would be \$17.264 million per year.

Figure 11(c) – Scenario #1 Projected Cost Estimates



Scenario #2 - \$350 Million

A 4.90% minimum increase in requisition each year would be required until 2036 to ensure cash flow and reserves are sufficient to pay all debt over the 30-year loan term. The rate per \$100,000 residence region-wide would increase by \$77.37 and the average residential household would result in an increase of \$313.01 (105%) by 2038 as outlined in Figure 12(a).

Figure 12(a) – 2023 Actual vs. 2038 Financial Plan Estimates

Financial Metric	Actual - 2023	Estimate as of 2038 (15-year)	Difference
Residential Requisition Rate per \$100K	\$ 73.73	\$ 151.10	\$ 77.37
Requisition	\$ 21,270,000	\$ 43,591,299	\$ 22,321,299
Payment by Average House	Based on \$404,541 avg: \$298.27	Based on \$404,541 avg: \$611.28	\$ 313.01
Capital Reserve Fund	\$ 70,652,294	\$ 25,170,942	\$ (45,481,352)

Figure 12(b) shows that a funding a level of \$350 Million would result in a moderate increase to projected requisition, while offsetting total expenses with reserve funding.

Figure 12(b) – Scenario #2 Projected Cash Flow

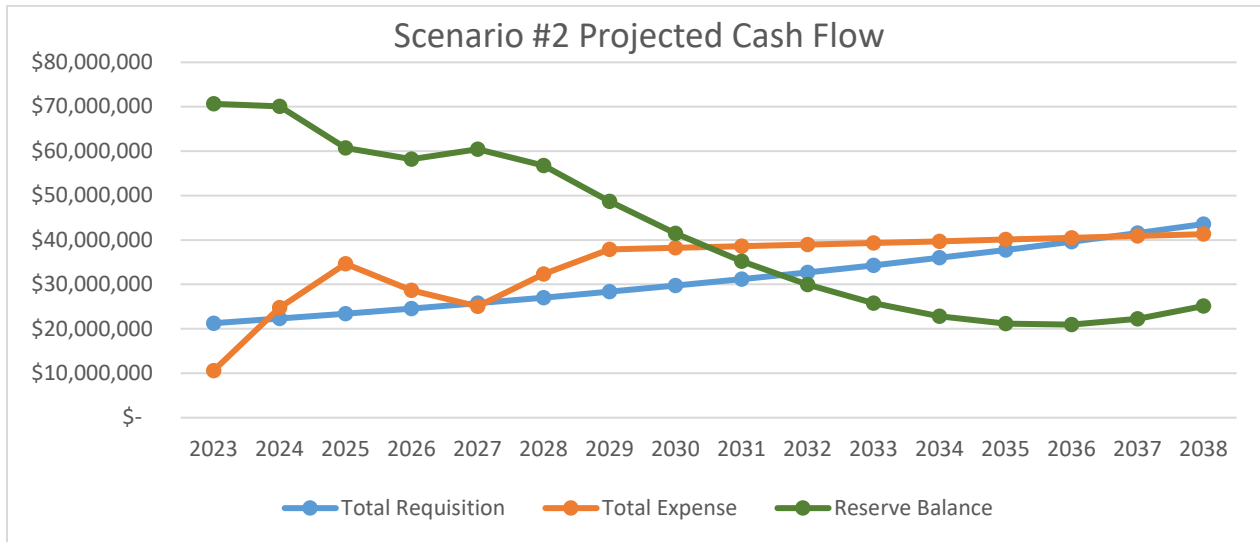
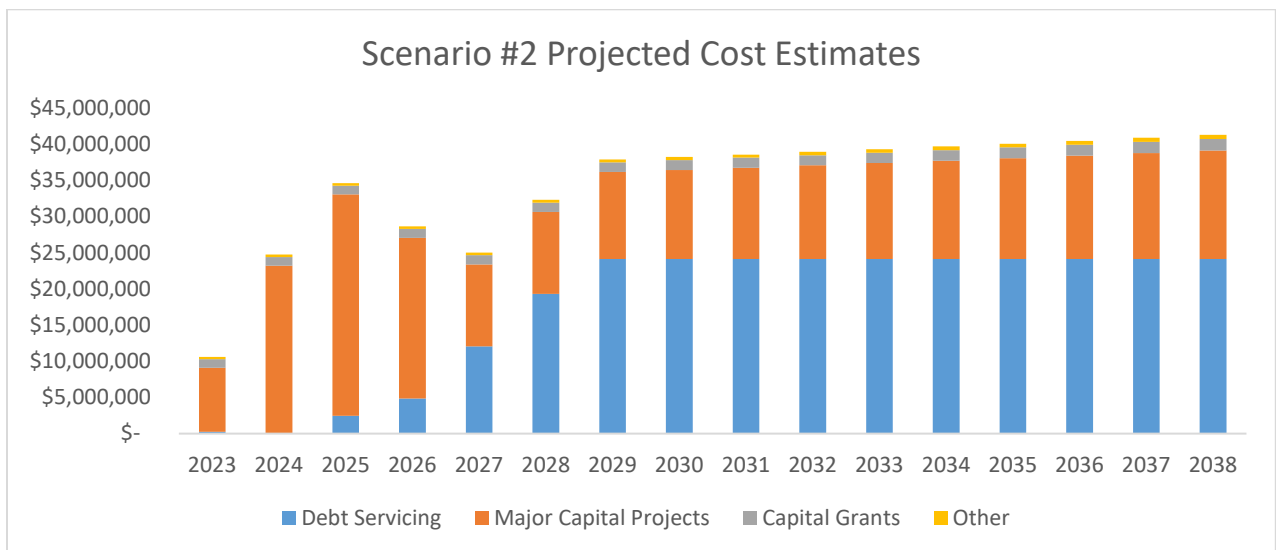


Figure 12(c) outlines that Major capital project funding in years 2024 to 2026 reflect Early Works funding as approved in the preliminary 5-year budget. Debt increases through years 2025 to 2029 until the full \$350 million of funding is borrowed at which time, the debt servicing amount would be \$24.169 million per year.

Figure 12(c) – Scenario #2 Projected Cost Estimates



Scenario #3 - \$450 Million

A 7.30% minimum increase in requisition each year would be required until 2033 to ensure cash flow and reserves are sufficient to pay all debt over the 30-year loan term. Rate per \$100,000 residence region-wide would increase by \$138.42 and the average residential household would result in an increase of \$559.96 (188%) by 2038 as outlined in Figure 13(a).

Figure 13(a) – 2023 Actual vs. 2038 Financial Plan Estimates

Financial Metric	Actual - 2023	Estimate as of 2038 (15-year)	Difference
Residential Requisition Rate per \$100K	\$ 73.73	\$ 212.15	\$ 138.42
Requisition	\$ 21,270,000	\$ 61,201,677	\$ 39,931,677
Payment by Average House	Based on \$404,541 avg: \$298.27	Based on \$404,541 avg: \$858.23	\$ 559.96
Capital Reserve Fund	\$ 70,652,294	\$ 54,026,055	\$ (16,626,239)

Figure 13(b) shows that a funding level of \$450 Million would result in a substantial increase to projected requisition, while offsetting total expenses with reserve funding. The reserve fund would reach the minimum threshold of \$20 million in 2033.

Figure 13(b) – Scenario #3 Projected Cash Flow

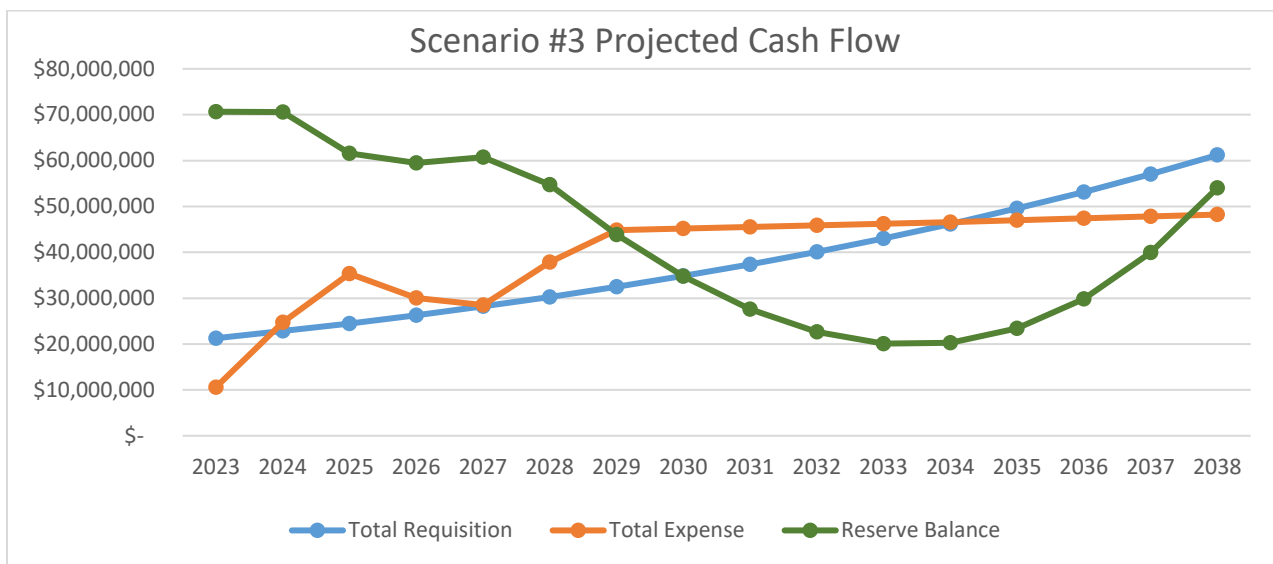
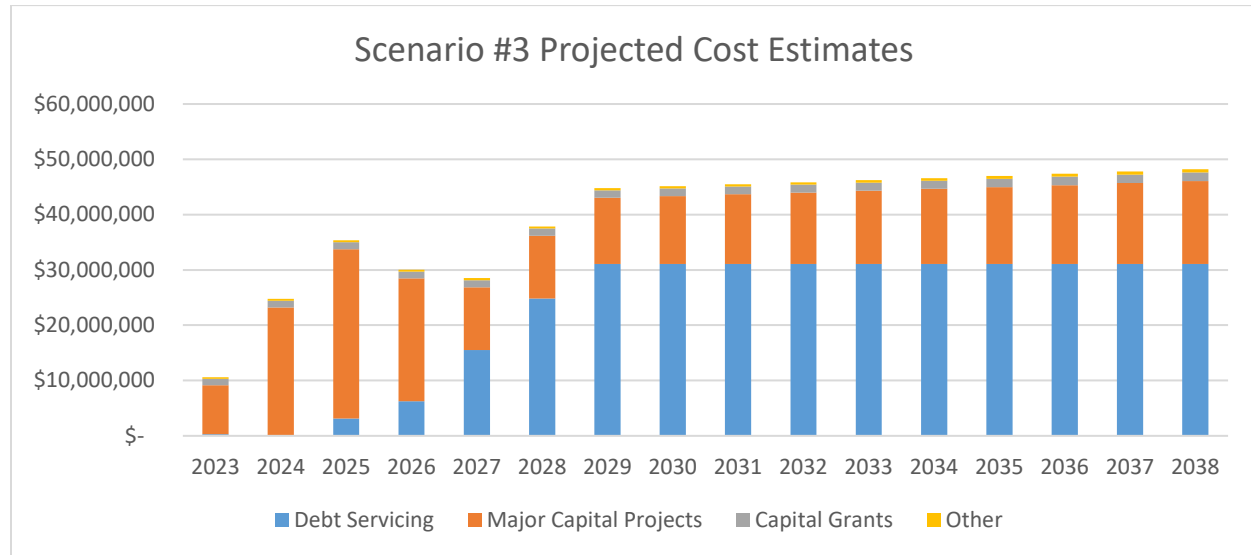


Figure 13(c) outlines that Major capital project funding in years 2024 to 2026 reflect Early Works funding as approved in the preliminary 5-year budget. Debt increases through years 2025 to 2029 until the full \$450 million of funding is borrowed at which time, the debt servicing amount would be \$31.074 million per year.

Figure 13(c) – Scenario #3 Projected Cost Estimates



Scenario #4 - \$550 Million

A 9.75% minimum increase in requisition each year would be required until 2035 to ensure cash flow and reserves are sufficient to pay all debt over the 30-year loan term. Rate per \$100,000 residence region-wide would increase by \$155.17 and the average residential household would result in an increase of \$627.72 (210%) by 2038 as outlined in Figure 14(a).

Figure 14(a) – 2023 Actual vs. 2038 Financial Plan Estimates

Financial Metric	Actual - 2023	Estimate as of 2038 (15-year)	Difference
Residential Requisition Rate per \$100K	\$ 73.73	\$ 228.90	\$ 155.17
Requisition	\$ 21,270,000	\$ 66,034,069	\$ 44,764,069
Payment by Average House	Based on \$404,541 avg: \$298.27	Based on \$404,541 avg: \$925.99	\$ 627.72
Capital Reserve Fund	\$ 70,652,294	\$ 77,317,126	\$ 6,664,832

Figure 14(b) shows that a funding level of \$550 Million would result in a moderate increase to projected requisition, while offsetting total expenses with reserve funding. The reserve fund would reach the minimum threshold of \$20 million in 2032.

Figure 14(b) – Scenario #4 Projected Cash Flow

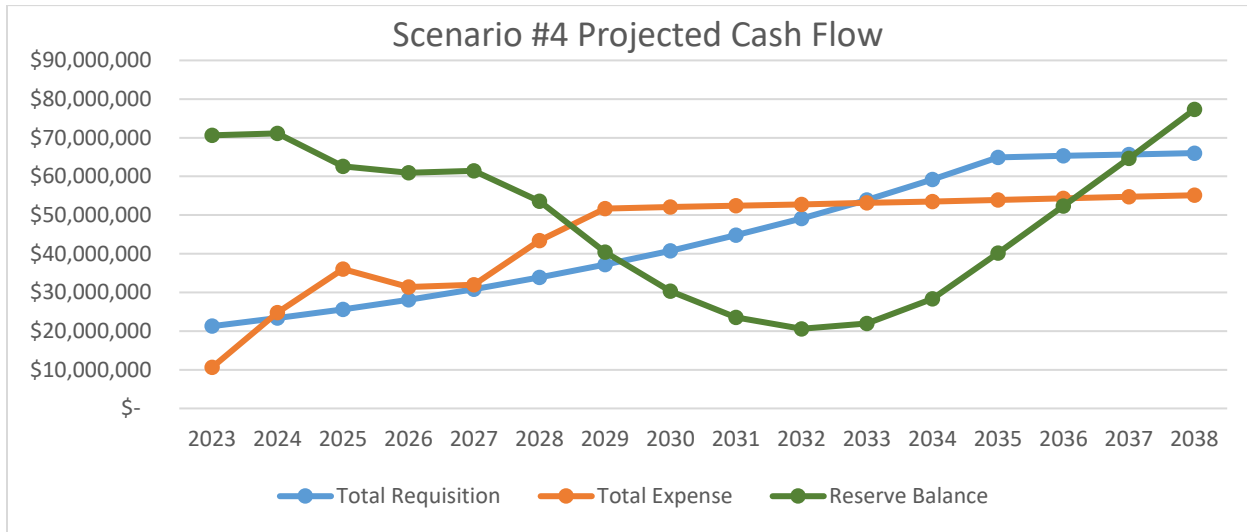
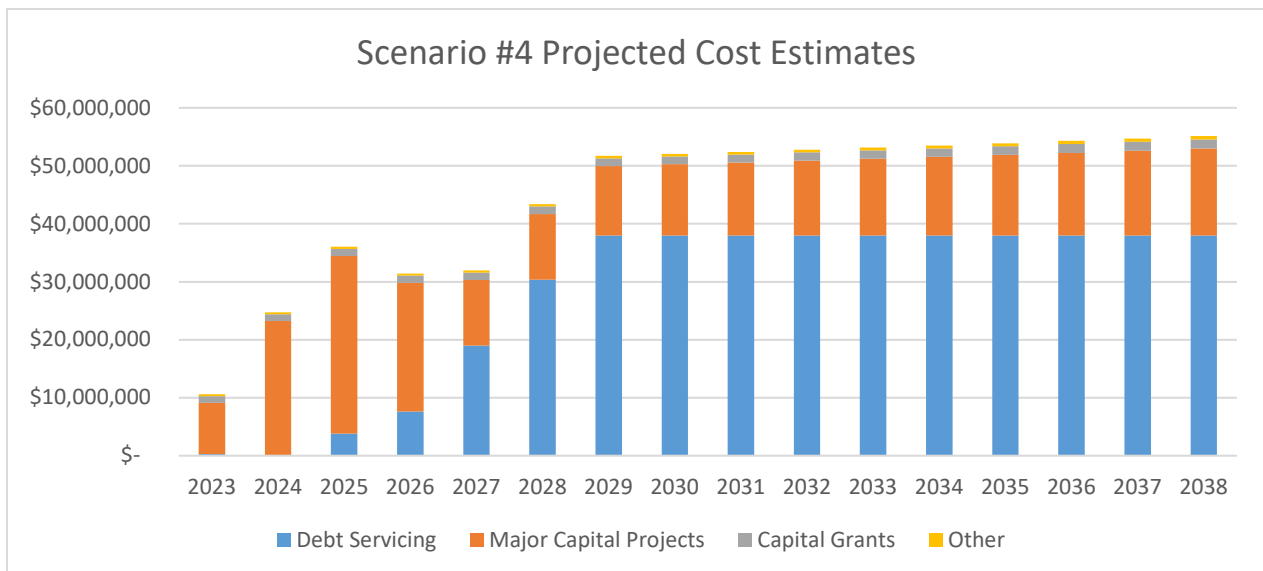


Figure 14(c) outlines that Major capital project funding in years 2024 to 2026 reflect Early Works funding as approved in the preliminary 5-year budget. Debt increases through years 2025 to 2029 until the full \$550 million of funding is borrowed at which time, the debt servicing amount would be \$37.980 million per year.

Figure 14(c) – Scenario #4 Projected Cost Estimates



Scenario Comparisons

The following graphs capture a comparison of each of the four scenarios presented across key financial metrics.

Figure 15 shows the Requisition Totals for each of the next 15 years with increases as outlined in Figure 10 above.

Figure 15 – Requisition Totals

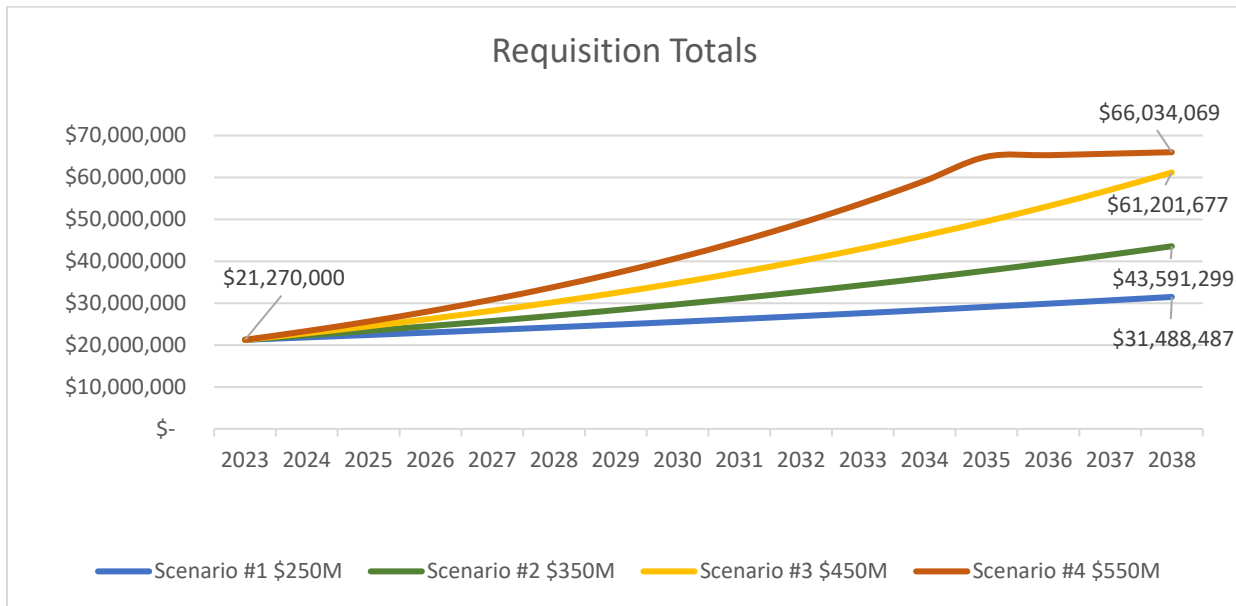


Figure 16 shows the range of Residential Requisition Rates over each of the four Scenarios ranging from \$109.15 to \$228.90 in 2038 as compared to the current rate of \$73.73.

Figure 16 – Residential Requisition Rates

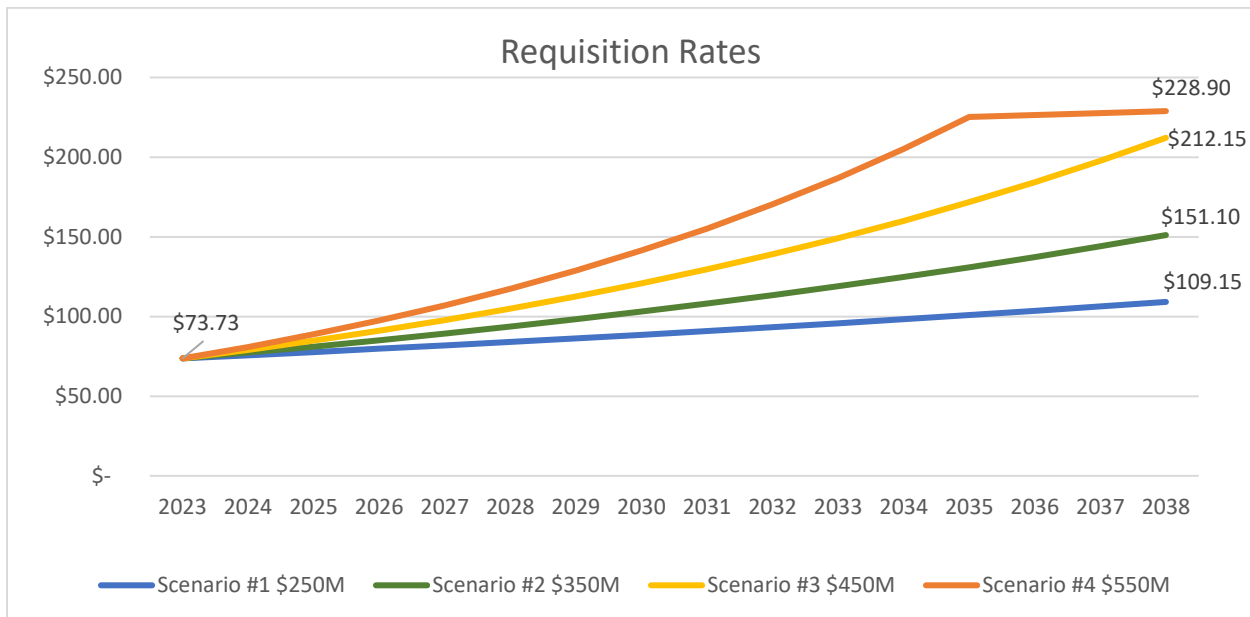


Figure 17 shows the range of Average Cost Per Household across each of the four Scenarios. These rates are based on the 2023 average BC Assessment rate of \$404,541. Cost per Average Household over each of the four Scenarios ranging from \$441.56 to \$925.99 in 2038 as compared to the current rate of \$298.27.

Figure 17 – Cost Per Average Household

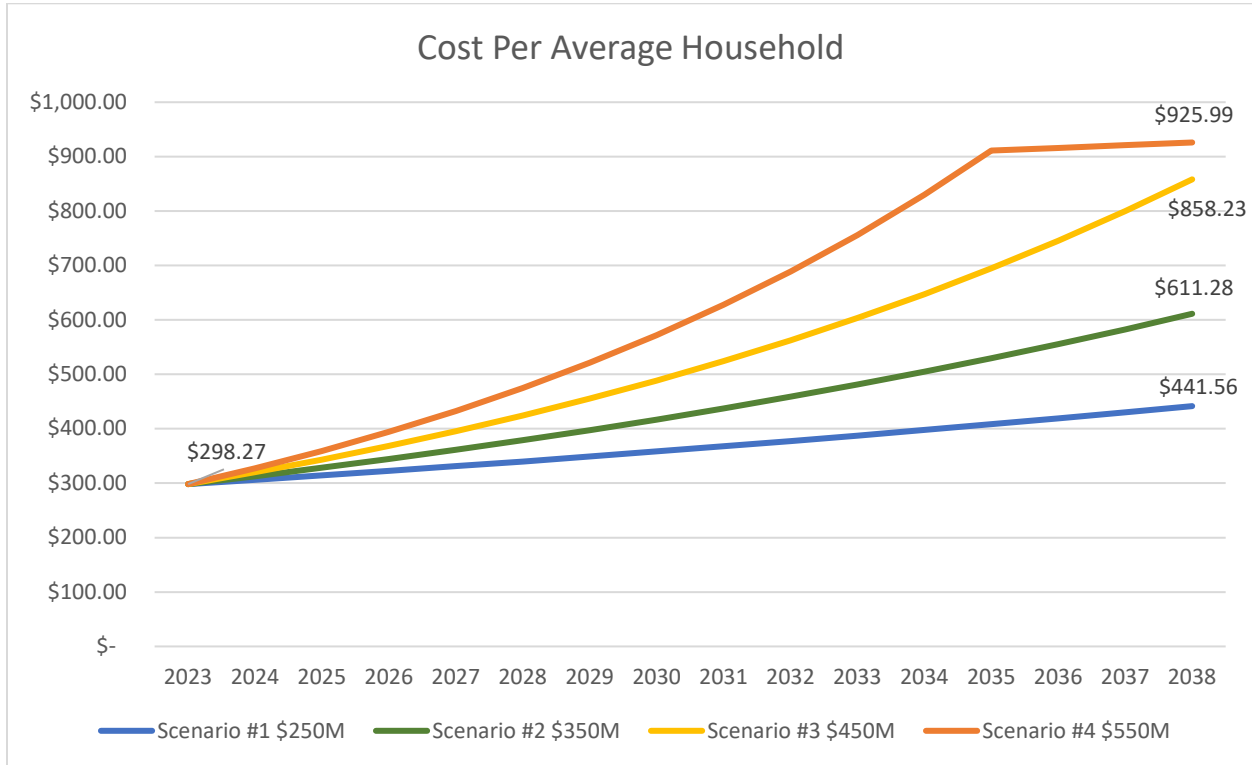


Figure 18 shows the amounts required to pay Principal and Interest portions of the debt under each of the four Scenarios over the next 15 years. As indicated above, it is assumed that the funding would be borrowed over four (4) to five (5) years.

Figure 18 – Debt Servicing

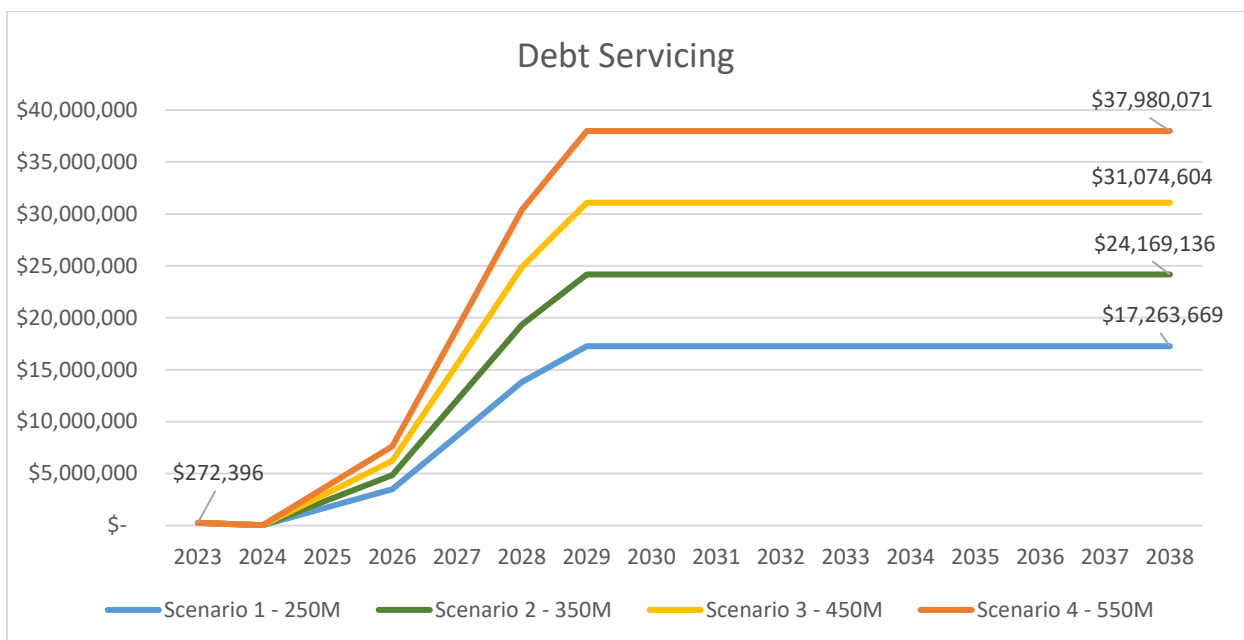
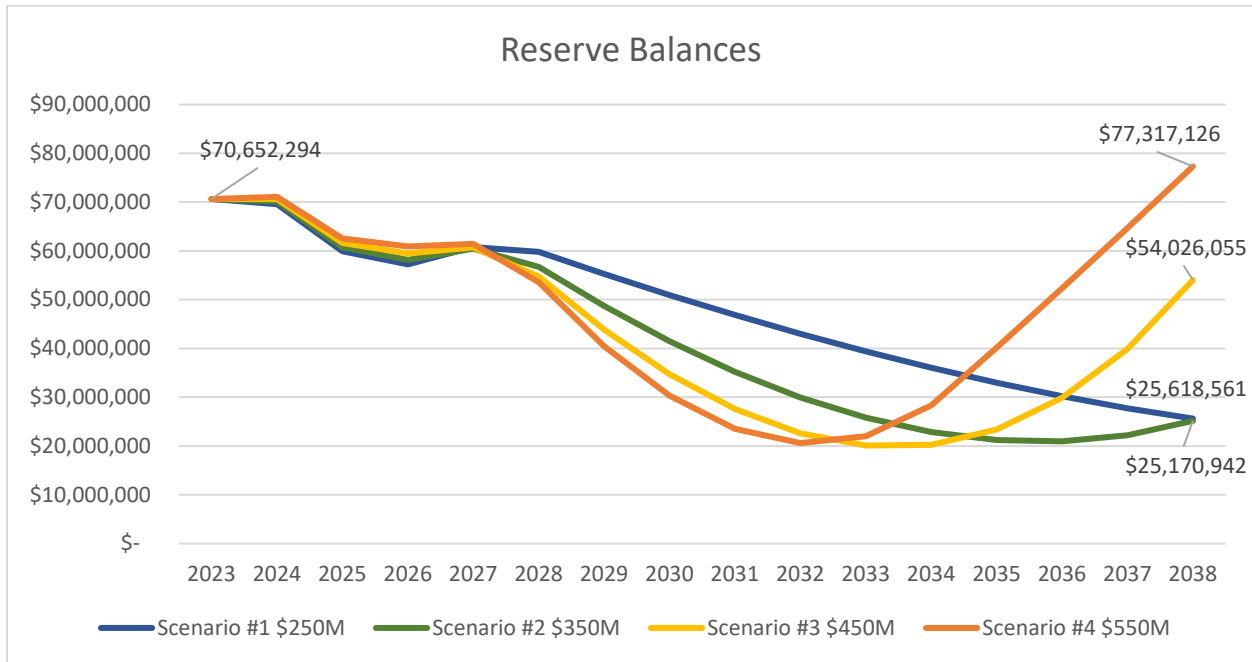


Figure 19 shows the impact of each Scenario on the balance in the reserve account over the next 15 years. The reserve balance is calculated as the net difference between revenues and expenditures each year. As debt servicing costs rise above requisition rates, reserve balances will be decreased each year until they reach the minimum reserve balance of \$20 million. After this point, requisition increases could be reduced below the rates indicated in Figure 10 above.

Figure 19 – Reserve Balances



Proposed 2024 Financial Plan

Due to fluctuations in the BC Assessment Values of property in the Fraser-Fort George Regional Hospital District, it is recommended that the proposed 2024 Financial Plan consider a percentage increase on total requisition rather than a rate increase to the residential tax requisition mill rate.

Balancing affordability and provincial rate comparability, Scenario #2 is recommended. Commencing in 2024, the total requisition requested will be increased by 4.90% on an annual basis to ensure that the annual revenues of the FFGRHD meet the required debt servicing obligations, capital funding requests and administrative cost requirements based on a total funding level of \$350 million for the UHNBC ACT Project. There is a possibility that a different funding amount may be approved; however, selecting Scenario #2 will help to ensure preparedness for funding in the event that other sensitivity factors change.

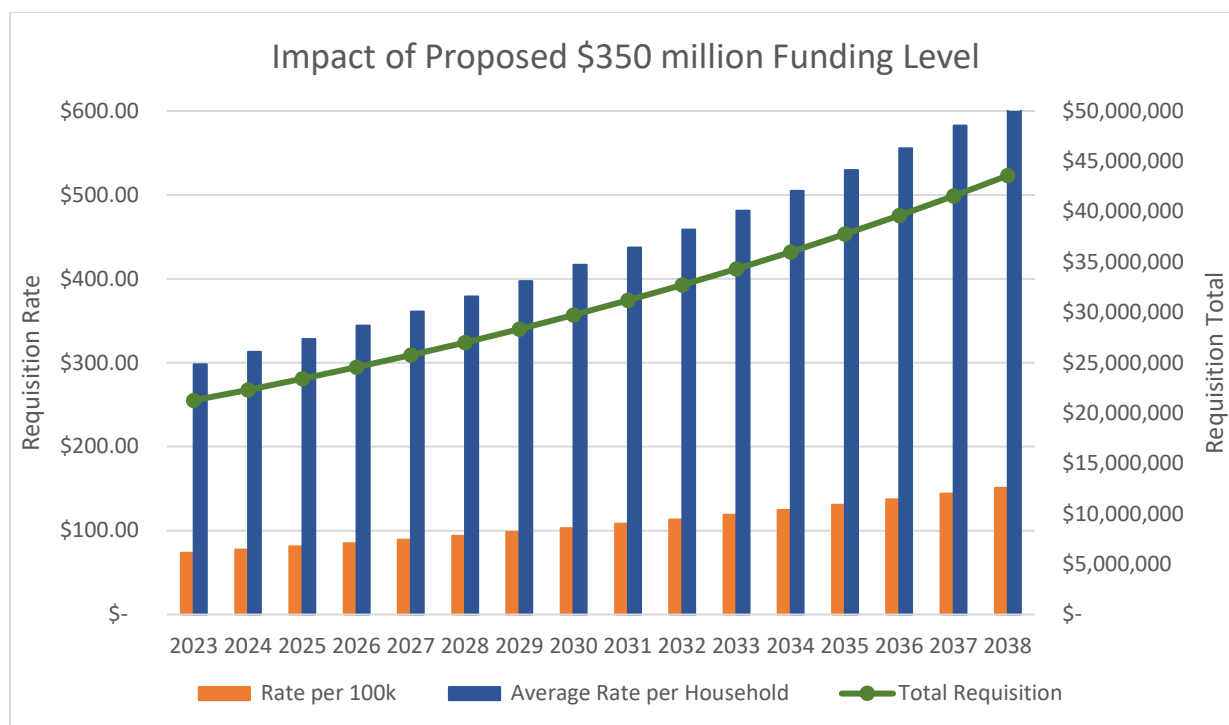
Impact of Proposed Financial Plan

The proposed Plan includes an increase in the annual requisition of 4.90% per year starting in 2024.

Figure 20 below shows the impact of the increases on the average residential home in the Fraser-Fort George Regional Hospital District valued at \$404,541 based on the 2023 revised assessment roll. A 4.90% increase to the total requisition amount would result in an average increase of \$20.87 per year based on the current assessment information.

2024 Completed Roll Assessments that were available as of January 2, 2024 are showing a minimal change to the average residential home in the Fraser Fort George Regional Hospital District from \$404,541 to \$407,076.

Figure 20 - Impact of Proposed Financial Plan



Recommendations

Based on the consideration of the current funding model and consideration given to affordability and provincial comparability, Financial Services Administration recommends the following:

1. That the Board approve the proposed 2024 – 2038 Financial Plan with a 4.9% increase to the total requisition for 2024 and 2025.
2. That the FFGRHD Financial Plan be reviewed and updated every two years, creating a timeline for review in the fall of 2025.

The proposed Plan provides for a sustainable requisition strategy over the coming years which will allow the FFGRHD to be in a position to invest in improvements to health care infrastructure over the next twenty-five to thirty years.

Should significant changes to the assumptions or cost estimates used in the 2024 Financial Plan occur prior to the required timeline to review the Financial Plan document, an update or revised Financial Plan will be provided to the Board for their consideration.