



Fraser-Fort George
**REGIONAL HOSPITAL
DISTRICT**

Fraser-Fort George Regional Hospital District

Financial Plan 2020 – 2034

November 8, 2019



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Introduction

The purpose of this proposed financial plan (the “proposed 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 largest anticipated project includes development to the University Hospital of Northern British Columbia (UHNBC) campus. Detailed estimates show this project cost at a total of \$600 million. A 40% FFGRHD contribution would be in the order of \$240 million with expenditures starting as early as 2022 or 2023.

The FFGRHD’s current budget structure and requisition level based on the original version of the FFGRHD’s 15-year Financial Plan 2017-2031 (the “original plan”) approved by the Board in February 2017 is insufficient to support these projects based on changes to estimated project timelines and budgets.

This proposed plan will serve as a review and update of the original 15-year Financial Plan that was approved in February 2017 by the Board in accordance with the three-year timeframe for review and updating outlined in the original plan.

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. 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 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 RHDs have a Memorandum of Understanding that commits the NHA to consult with, and update, its RHD partners in the preparation of capital plans which typically occurs at the fall and spring joint meetings between NHA and the northern RHDs.

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 an RHD to continue to meet its financial expenditure commitments. Annual budgets must be prepared and adopted by the RHD’s Board by March 31st of each year. RHDs are not required to prepare five-year financial plans.

Current Financial Position

In November 2015, the FFGRHD Board was informed of the future capital funding projections from the NHA, and at that time, the Board approved a ten-cent 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.

In 2015, the average residential tax requisition mill rate per \$100,000 was \$35.13 and in 2016 with the \$0.10 increase (per \$1,000) to the residential tax requisition mill rate the cost increased to \$45.24 per \$100,000. Based upon the recommendations outlined in the original plan approved by the Board in February 2017, the residential tax requisition mill rate was increased by an amount equivalent to a \$0.05 increase based on 2016 assessment values for the years 2017 and 2018, resulting in a 2017 residential tax requisition mill rate of \$48.39 per \$100,000 and a 2018 residential tax requisition mill rate of \$48.70 per \$100,000.

In 2019, the \$0.05 increase was applied directly to the residential tax requisition mill rate, resulting in a 2019 residential tax requisition mill rate of \$53.54 per \$100,000.

In 2019, the FFGRHD committed to funding the projects outlined below in Table 1.

Table 1 – 2019 Approved Projects

2019 NHA Funding Request	NHA Contribution	FFGRHD Contribution	RHD %
UHN Inpatient Bed Capacity	\$ 2,500,000	\$ 1,000,000	40%
IT Community Health Record - Mental Health/HCC/Clinical Data Repository/ Reporting (Regional)	2,657,245	363,898	14%
IT - HLN Cerner Upgrade (Regional)	200,000	0	0%
EmergCare – Regional Emergency/Trauma Electronic Medical Record (Regional)	1,900,000	160,056	8%
Regional Personal Health Record/Portal (Regional)	338,000	46,238	14%
Endoscopy System Replacement (Phase 1) (Regional)	788,000	225,672	29%
UHN Pharmacy Fastpak Verifier	169,000	67,600	40%
UHN Phone System (Phase 1)	377,000	150,800	40%
Total:	\$ 8,929,245	\$ 2,014,264	23%

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

As of October 31, 2019, the FFGRHD has \$1.9 million in committed unexpended funds that have been previously approved by the FFGRHD Board for the NHA’s capital projects.

With the increases to the 2016, 2017, 2018 and 2019 residential tax requisition mill rates, more funds were transferred into the Capital Reserve Fund for future funding requests. The balance of the Capital Reserve Fund as of December 31, 2018, after deducting amounts already committed, was \$20.4 million. The projected balance of the Capital Reserve Fund as of December 31, 2019, after deducting amounts already committed, is \$24.6 million.

Future Funding Needs

The NHA has identified their potential funding needs for the next two years and has projected, with information available as of late 2018, their future funding needs for outlying years. Please note that these projects have not been approved by the NHA Board nor the Province of BC and are still subject to change in terms of timing and total cost. Projects of note are as follows (amounts provided reflect the FFGRHD’s estimated contribution amount):

- \$240 million for UHN Surg MHA Cardiac Tower (formerly known as UHNBC Development Phase #2)- Estimated to start as early as 2022 and 2023
 - For the purposes of this proposed financial plan, the funding has been estimated to be required starting in 2024 (end of the project)
- \$24 million for the NI Residential Care Beds- expected start/completion date not provided by NHA
 - For the purposes of this proposed financial plan, the funding has been estimated to be required starting in 2024

The following tables (Tables 2, 3 and 4) identify the proposed funding requests by the NHA for the next few years based on the latest NHA FFGRHD Funding Request received in January 2019.

The NHA has identified a 40% FFGRHD contribution for each project listed. The exceptions to these contribution rules are Information Technology (IT) projects. IT projects 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.

Table 2 – 2020 Draft Funding Request

2020 Draft Funding Request	NHA Contribution	FFGRHD Contribution	RHD %
UHN Echo-Cardiac Services Department Upgrade	\$ 3,396,000	\$ 1,358,400	40%
IT - Community Health Record - Mental Health/HCC/Clinical Data Repository/ Reporting (Regional)	300,000	41,084	14%
EmergCare – Regional Emergency/Trauma Electronic Medical Record (Regional)	1,900,000	160,056	8%
Regional Personal Health Record/Portal (Regional)	343,000	46,922	14%
CPOE Lite – Lab and Imaging Electronic Ordering (Regional)	750,000	102,600	14%
CritCare – Regional Critical Care Electronic Medical Record (Regional)	1,350,000	184,680	14%
UHN Phone System (Phase 1)	1,500,000	600,000	40%
Mackenzie X-Ray Room Replacement	700,000	280,000	40%
Valemount X-Ray Room Replacement	672,000	268,800	40%
Total:	\$ 10,911,000	\$ 3,042,542	28%

Table 3 – 2021 Draft Funding Request

2021 Draft Funding Request	NHA Contribution	FFGRHD Contribution	RHD %
UHN Atrium Railing	\$ 550,000	\$ 220,000	40%
UHN Ultrasound Dept Air Conditioning	1,500,000	600,000	40%
MCB Nursing Renovation	358,000	143,200	40%
EmergCare – Regional Emergency/Trauma Electronic Medical Record (Regional)	550,000	46,332	8%
Regional Personal Health Record/Portal (Regional)	516,000	70,589	14%
Endoscopy System Replacement (Phase 2) (Regional)	810,000	0	0%
CritCare – Regional Critical Care Electronic Medical Record (Regional)	1,350,000	184,680	14%
Regional Bedside Diagnostics and Specimen Collection Device Integration (Regional)	750,000	102,600	14%
McBride X-Ray Room Replacement	670,000	268,000	40%
UHN Sterile Processing Low Temp Sterilizer	242,000	96,800	40%
OR Video Towers General Surgery (UHN)	400,000	160,000	40%
Nuclear Medicine (UHN)	1,412,000	564,800	40%
Total:	\$ 9,108,000	\$ 2,457,001	27%

Table 4 – Outlying Years Draft Funding Request (After 2021)

Outlying Years Draft Funding Request	NHA Contribution	FFGRHD Contribution	RHD %
UHN Surg MHA Cardiac Tower	600,000,000	240,000,000	40%
NI Residential Care Beds	60,000,000	24,000,000	40%
UHN Transformer Upgrade	1,767,000	706,800	40%
Endoscopy System Replacement (Phase 2)	706,000	0	0%
MatCare – Regional Maternity Electronic Medical Record (Regional)	3,900,000	533,520	14%
SurgCare – Regional Surgical Electronic Medical Record (Regional)	750,000	102,600	14%
Workforce Timekeeper (Regional)	1,860,000	254,448	14%
GTW Vocera	167,000	66,800	40%
UHN X-Ray Room	869,000	347,600	40%
UHN Fluoroscopy Room	1,994,000	797,600	40%
UHN Interventional Radiology Room	2,832,000	1,132,800	40%
PRG Radiography Replacement (Victoria Medical Centre)	621,000	248,400	40%
UHN Lab Services Chemistry Automation Project	2,792,000	1,116,800	40%
UHN Food Services Cell System	206,000	82,400	40%
Total:	\$ 678,464,000	\$ 269,389,768	40%

Strategic Issues

Changes from Original 15-year Financial Plan (2017-2031)

When the FFGRHD Board was informed of the future capital funding projections from the NHA in November 2015, the original plan was created and approved by the Board. Since the approval of the original financial plan in February 2017, there have been some key changes that affect the original plan, including:

- Interest rate changes for borrowing- In the original plan, the interest rate used to estimate the debt repayments for the expected \$240 million RHD contribution to the UHN Surg MHA Cardiac Tower and the \$24 million NI Residential Care Beds was 2.6% (based on MFA's Spring 2016 10-year issue rate). As of September 2019, MFA's indicative market rate for a 20 to 30-year loan is 2.82%. While this indicative interest rate is quite similar to the interest rate used in the original plan, this interest rate is a reflection of current recessionary pressures within the economy and is not expected to hold at such a low percentage over the next 4-5 years when the project will be completed, nor for the life of the borrowing for this project (estimated at 30 years).
 - See Interest Rate Uncertainty section below for further discussion on this change.
- Expected start date for UHN Surg MHA Cardiac Tower- The expected start date for the UHN Surg MHA Cardiac Tower project (previously referred to as UHNBC Development- Phase #2) has changed from 2027 in the original plan to an earlier projected start and completion date (as early as 2022/2023). The FFGRHD's funding is required once costs have been incurred by NHA on the project. For purposes of this proposed financial plan, we will assume that the \$240 million will be required from FFGRHD in the year 2024. This is a significant change as the original plan accounted for the borrowing of money to fund the \$240 million contribution in 2027 and this contribution/borrowing will now be required earlier between 2022 and 2027 (estimated at 2024 for the purposes of this financial plan).

Interest Rate Uncertainty

A key assumption in both the original and proposed financial plan is the expected interest rates for future borrowing.

With expected borrowing for both the NI Residential Care Beds and UHN Surg MHA Cardiac Tower estimated to start in the year 2024, there is uncertainty surrounding the interest rates to be obtained on the expected borrowing. The interest rate obtained will be based on Municipal Finance Authority's debt issuing rates at the time of borrowing. These 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 October 31, 2019, the Bank of Canada's overnight interest rate is 1.75%, the current prime rate of the major Canadian banks is 3.95% and MFA's indicative market rates for a 20, 25- or 30-year loan is 2.91%.

As of fall 2019, there is an expectation that interest rates are expected to remain level or decrease slightly in the near term, but then are expected to increase in future years as the economy improves after a small decline in 2019 and into 2020. The Bank of Canada has a target overnight rate between 2% and 3%, which typically results in prime rates of the major Canadian Banks being in the 4% to 5% range. As a result, interest rates could very easily be in the 4% to 5% range by the time the FFGRHD looks to borrow for the major projects discussed above.

Note that a 0.5% increase in the interest rate would result in an increase in debt servicing costs of \$1.2 million per year over a 30-year term for the UHN Surg MHA Cardiac Tower project of \$240 million (\$36 million total over the 30-year term of the loan).

With the borrowing for the UHN Surg MHA Cardiac Tower being contemplated over a longer term of 25-30 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 years 11-30 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.

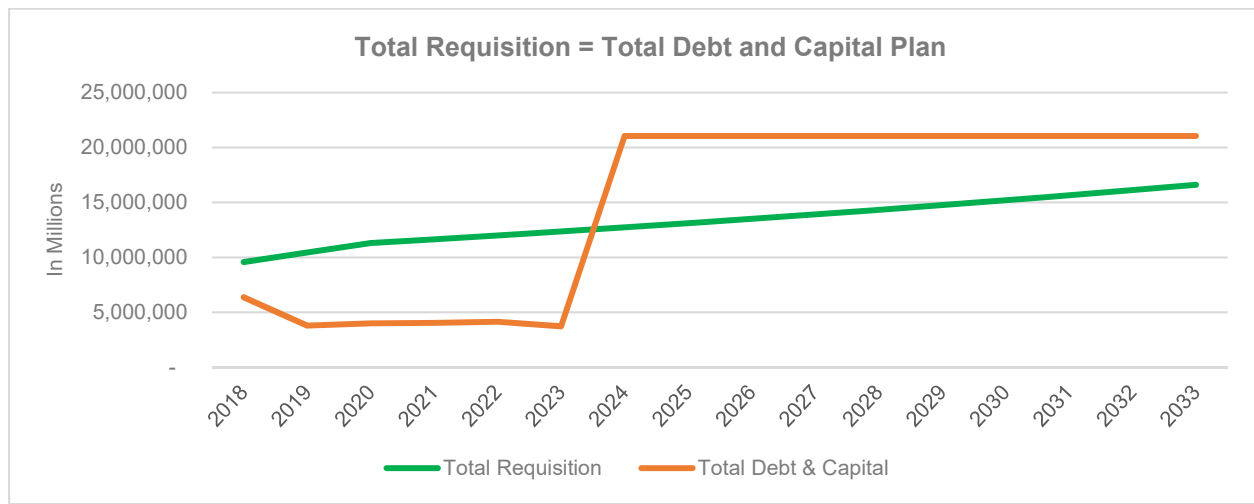
Current Funding Model

Even with the five cent increase to the residential tax requisition mill rate in 2017, 2018 and 2019 respectively, if the FFGRHD was to continue with the funding model approved in the original plan to increase the residential tax requisition mill rate by \$0.05 in 2020 and then increase the requisition by 3% annually in the years following 2020, the FFGRHD would not be able to fund the proposed capital requests from the NHA over the next fifteen years and beyond.

As an example, the proposed \$600 million project (\$240 million for FFGRHD’s portion) estimated for 2024 would result in a thirty-year annual debenture payment of \$15.1 million at a projected interest rate of 4%, which is higher than the current projected requisition of \$13.4 million in the year 2024 (the first full year of debt repayment). This example also does not consider the other large project that is planned in the future by the NHA, the NI Residential Care Beds project, which would add another \$1.5 million to the annual debt servicing amount once this project is completed, bringing the total annual debt servicing to approximately \$16.6 million.

The graph below shows the shortfall of the requisition over debt and capital expenditures for the period 2023 – 2033 based on the funding model approved in the original plan approved by the Board in February 2017 with the debt obligation at a projected interest rate of 4%.

Graph 1 – Funding Method Based on Original 15-year Financial Plan (2018 – 2033)



The table below shows the cash flow for the period 2019 – 2033 based on the funding model approved in the original plan to increase the residential tax requisition mill rate in 2017, 2018, 2019 and 2020 by 5 cents each year and 3% in the years following. Current reserves could be used, but at a projected interest rate of 4% and with the borrowing for the UHN Surg MHA Cardiac Tower and NI Residential Care Beds estimated to occur in 2024, the FFGRHD would experience a deficit by 2030 demonstrating that increasing total requisition by the funding model outlined in the original plan approved in February 2017 is not sustainable.

Table 5 – Cash flow 2019 – 2033 –Increasing mill rate by 5 cents from 2017-2020 and increase requisition 3% per year following 2020

Table 5: Cash Flow Forecast 2019 – 2033 (assumes borrowing for 2024 projects) 5 cent residential mill rate lift for 4 years (2017 - 2020) and 3% following

	Revenues			Expenses						Reserve Balance
	Requisition	Grants in Lieu & Interest	From Reserves	Debt Service	Major Projects	Minor Equipment Grant	Building Integrity	Administration	Tsf to Reserve	
2019	\$ 10,754,000	\$ 55,000	\$ -	\$ 2,226,670	\$ 5,612,205	\$ 1,145,460	\$ 90,670	\$ 288,950	\$ 1,445,045	\$ 26,222,672
2020	\$ 11,934,770	\$ 55,000	\$ -	\$ 830,458	\$ 3,042,542	\$ 1,168,369	\$ 90,670	\$ 297,318	\$ 6,560,412	\$ 32,783,085
2021	\$ 12,292,813	\$ 55,000	\$ -	\$ 786,367	\$ 2,457,001	\$ 1,191,737	\$ 90,670	\$ 305,938	\$ 7,516,101	\$ 40,299,185
2022	\$ 12,661,597	\$ 55,000	\$ -	\$ 786,367	\$ 4,000,000	\$ 1,215,571	\$ 90,670	\$ 314,816	\$ 6,309,173	\$ 46,608,358
2023	\$ 13,041,445	\$ 55,000	\$ -	\$ 275,360	\$ 4,100,000	\$ 1,239,883	\$ 90,670	\$ 323,961	\$ 7,066,572	\$ 53,674,930
2024	\$ 13,432,689	\$ 55,000	\$ 9,252,198	\$ 16,848,657	\$ 4,202,500	\$ 1,264,680	\$ 90,670	\$ 333,379	\$ -	\$ 44,422,732
2025	\$ 13,835,669	\$ 55,000	\$ 8,748,666	\$ 16,608,048	\$ 4,307,563	\$ 1,289,974	\$ 90,670	\$ 343,081	\$ -	\$ 35,674,066
2026	\$ 14,250,740	\$ 55,000	\$ 8,477,077	\$ 16,608,048	\$ 4,415,252	\$ 1,315,773	\$ 90,670	\$ 353,073	\$ -	\$ 27,196,990
2027	\$ 14,678,262	\$ 55,000	\$ 8,161,792	\$ 16,573,297	\$ 4,525,633	\$ 1,342,089	\$ 90,670	\$ 363,365	\$ -	\$ 19,035,197
2028	\$ 15,118,610	\$ 55,000	\$ 7,872,028	\$ 16,573,297	\$ 4,638,774	\$ 1,368,931	\$ 90,670	\$ 373,966	\$ -	\$ 11,163,169
2029	\$ 15,572,168	\$ 55,000	\$ 7,572,737	\$ 16,573,297	\$ 4,754,743	\$ 1,396,309	\$ 90,670	\$ 384,885	\$ -	\$ 3,590,432
2030	\$ 16,039,333	\$ 55,000	\$ 7,263,613	\$ 16,573,297	\$ 4,873,612	\$ 1,424,236	\$ 90,670	\$ 396,132	\$ -	\$ (3,673,181)
2031	\$ 16,520,513	\$ 55,000	\$ 6,944,342	\$ 16,573,297	\$ 4,995,452	\$ 1,452,720	\$ 90,670	\$ 407,716	\$ -	\$ (10,617,523)
2032	\$ 17,016,128	\$ 55,001	\$ 6,614,598	\$ 16,573,297	\$ 5,120,338	\$ 1,481,775	\$ 90,670	\$ 419,647	\$ -	\$ (17,232,121)
2033	\$ 17,526,612	\$ 55,002	\$ 6,274,046	\$ 16,573,297	\$ 5,248,347	\$ 1,511,410	\$ 90,670	\$ 431,937	\$ -	\$ (23,506,167)

Proposed Financial Plan

In order for the FFGRHD to maintain a capital reserve fund for future unidentified projects while funding the debt obligations under the current proposed project plan for the UHN Surg MHA Cardiac Tower and the NI Residential Care Beds, it is recommended that the FFGRHD increase the residential tax requisition mill rate by five (5) cents in each of the four years from 2020 to 2023 (2020, 2021, 2022 and 2023). This increase will follow the completion of the five (5) cent increases approved in the original financial plan for the years 2017 to 2019 (2017, 2018, 2019). Commencing in 2024, the total requisition requested will be increased by 4% 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.

Assumptions

The proposed Financial Plan 2020- 2034 is based on the following key assumptions:

- funding requests by the NHA for major projects will start at a base of \$4 million annually in 2022;
- a 2.5% increase per year has been included for capital funding requests by the NHA for major projects starting in 2023;
- a 2.5% inflation rate has been used for increases in the FFGRHD overhead burden, which includes administration and Chair and Acting Chair remuneration;
- a 2% increase per year has been used for the minor equipment grant as per NHA projections;
- a 2% increase per year has been used for the annual building integrity funding as per NHA projections;
- the FFGRHD will make a 40% contribution to the UHN Surg MHA Cardiac Tower and the NI Residential Care Beds projects;
- the interest rate for the UHN Surg MHA Cardiac Tower and NI Residential Care Beds capital project borrowing is estimated at 4.0% for a 30-year loan term (assumes same interest rate for entire 30-year term); and
- funding for other significant capital projects (outside of the UHN Surg MHA Cardiac Tower and NI Residential Care Beds) will not be requested by NHA during the course of this plan

Any changes to the key assumptions outlined above will affect the proposed financial plan as there are assumptions/variables used in the creation of the proposed financial 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 3 years at a minimum) to update the key assumptions and ensure that actual results are following in line with the financial plan that has been set out in this document.

Cash Flow Projections

As identified in Table 6 below, under this proposed funding plan, reserves are funded each year until 2023. Starting in 2024, the FFGRHD will draw on the Capital Reserve Fund to meet its funding commitments until 2035 (see Table 7) at which time the annual requisition will have increased to a level where it would be able to cover annual debt servicing obligations, NHA capital funding requests and administrative cost requirements.

Table 6 – Cash flow 2019 – 2034 – utilizing the proposed plan

Table 6: Cash Flow Forecast 2019 – 2034 (assumes borrowing for 2024 projects) 5 cent increase for 4 years (2020 to 2023) and 4% following

	Revenues			Expenses						Reserve Balance
	Requisition	Grants in Lieu & Interest	From Reserves	Debt Service	Major Projects	Minor Equipment Grant	Building Integrity	Administration	Tsf to Reserve	
2019	\$ 10,754,000	\$ 55,000	\$ -	\$ 2,226,670	\$ 5,612,205	\$ 1,145,460	\$ 90,670	\$ 288,950	\$ 1,445,045	\$ 26,222,672
2020	\$ 11,934,770	\$ 55,000	\$ -	\$ 830,458	\$ 3,042,542	\$ 1,168,369	\$ 92,483	\$ 296,174	\$ 6,559,744	\$ 32,782,416
2021	\$ 13,115,540	\$ 55,000	\$ -	\$ 786,367	\$ 2,457,001	\$ 1,191,737	\$ 94,333	\$ 303,578	\$ 8,337,524	\$ 41,119,940
2022	\$ 14,296,310	\$ 55,000	\$ -	\$ 786,367	\$ 4,000,000	\$ 1,215,571	\$ 96,220	\$ 311,168	\$ 7,941,984	\$ 49,061,924
2023	\$ 15,477,080	\$ 55,000	\$ -	\$ 275,360	\$ 4,100,000	\$ 1,239,883	\$ 98,144	\$ 318,947	\$ 9,499,746	\$ 58,561,671
2024	\$ 16,096,163	\$ 55,000	\$ 6,591,702	\$ 16,848,657	\$ 4,202,500	\$ 1,264,680	\$ 100,107	\$ 326,920	\$ -	\$ 51,969,969
2025	\$ 16,740,010	\$ 55,000	\$ 5,813,026	\$ 16,573,297	\$ 4,307,563	\$ 1,289,974	\$ 102,109	\$ 335,093	\$ -	\$ 46,156,943
2026	\$ 17,409,610	\$ 55,000	\$ 5,287,334	\$ 16,573,297	\$ 4,415,252	\$ 1,315,773	\$ 104,151	\$ 343,471	\$ -	\$ 40,869,609
2027	\$ 18,105,995	\$ 55,000	\$ 4,738,316	\$ 16,573,297	\$ 4,525,633	\$ 1,342,089	\$ 106,234	\$ 352,058	\$ -	\$ 36,131,293
2028	\$ 18,830,234	\$ 55,000	\$ 4,164,985	\$ 16,573,297	\$ 4,638,774	\$ 1,368,931	\$ 108,359	\$ 360,859	\$ -	\$ 31,966,308
2029	\$ 19,583,444	\$ 55,000	\$ 3,566,312	\$ 16,573,297	\$ 4,754,743	\$ 1,396,309	\$ 110,526	\$ 369,880	\$ -	\$ 28,399,995
2030	\$ 20,366,781	\$ 55,000	\$ 2,941,227	\$ 16,573,297	\$ 4,873,612	\$ 1,424,236	\$ 112,737	\$ 379,127	\$ -	\$ 25,458,768
2031	\$ 21,181,453	\$ 55,000	\$ 2,288,614	\$ 16,573,297	\$ 4,995,452	\$ 1,452,720	\$ 114,991	\$ 388,606	\$ -	\$ 23,170,155
2032	\$ 22,028,711	\$ 55,000	\$ 1,607,311	\$ 16,573,297	\$ 5,120,338	\$ 1,481,775	\$ 117,291	\$ 398,321	\$ -	\$ 21,562,844
2033	\$ 22,909,859	\$ 55,000	\$ 896,110	\$ 16,573,297	\$ 5,248,347	\$ 1,511,410	\$ 119,637	\$ 408,279	\$ -	\$ 20,666,733
2034	\$ 23,826,254	\$ 55,000	\$ 153,753	\$ 16,573,297	\$ 5,379,555	\$ 1,541,638	\$ 122,030	\$ 418,486	\$ 0	\$ 20,512,980

The proposed plan also maintains a healthy Capital Reserve Fund balance so that unforeseen capital funding requests from NHA during the period from 2035 – 2050 are possible to accommodate as demonstrated in Table 7.

Table 7 – Cash flow 2035 – 2050 – utilizing the proposed plan

Table 7: Cash Flow Years 2035-2050

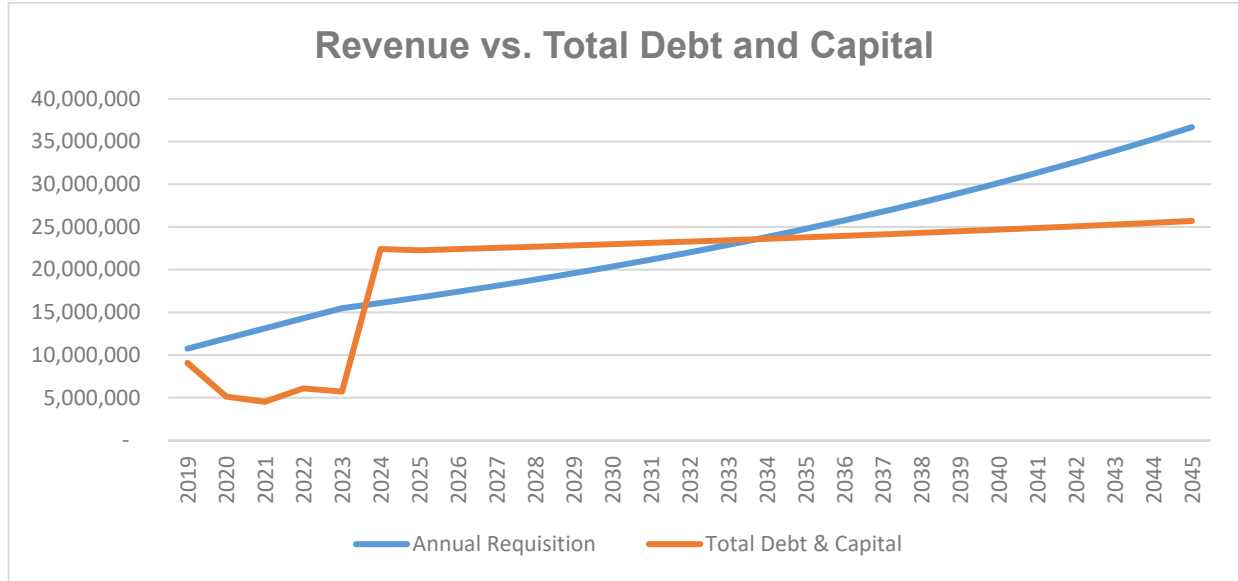
	Revenues			Expenses						Reserve Balance
	Requisition	Grants in Lieu & Interest	From Reserves	Debt Service	Major Projects	Minor Equipment Grant	Building Integrity	Administration	Tsf to Reserve	
2035	\$ 24,779,304	\$ 55,000	\$ -	\$ 16,573,297	\$ 5,514,044	\$ 1,572,471	\$ 124,470	\$ 428,648	\$ 621,373	\$ 21,134,353
2036	\$ 25,770,476	\$ 55,000	\$ -	\$ 16,573,297	\$ 5,651,895	\$ 1,603,921	\$ 126,960	\$ 439,064	\$ 1,430,339	\$ 22,564,693
2037	\$ 26,801,295	\$ 55,000	\$ -	\$ 16,573,297	\$ 5,793,193	\$ 1,635,999	\$ 129,499	\$ 449,741	\$ 2,274,567	\$ 24,839,259
2038	\$ 27,873,347	\$ 55,000	\$ -	\$ 16,573,297	\$ 5,938,022	\$ 1,668,719	\$ 132,089	\$ 460,684	\$ 3,155,535	\$ 27,994,794
2039	\$ 28,988,281	\$ 55,000	\$ -	\$ 16,573,297	\$ 6,086,473	\$ 1,702,093	\$ 134,731	\$ 471,901	\$ 4,074,785	\$ 32,069,579
2040	\$ 30,147,812	\$ 55,000	\$ -	\$ 16,573,297	\$ 6,238,635	\$ 1,736,135	\$ 137,425	\$ 483,399	\$ 5,033,920	\$ 37,103,500
2041	\$ 31,353,724	\$ 55,000	\$ -	\$ 16,573,297	\$ 6,394,601	\$ 1,770,858	\$ 140,174	\$ 495,184	\$ 6,034,611	\$ 43,138,110
2042	\$ 32,607,873	\$ 55,000	\$ -	\$ 16,573,297	\$ 6,554,466	\$ 1,806,275	\$ 142,977	\$ 507,263	\$ 7,078,595	\$ 50,216,705
2043	\$ 33,912,188	\$ 55,000	\$ -	\$ 16,573,297	\$ 6,718,327	\$ 1,842,401	\$ 145,837	\$ 519,645	\$ 8,167,681	\$ 58,384,386
2044	\$ 35,268,676	\$ 55,000	\$ -	\$ 16,573,297	\$ 6,886,286	\$ 1,879,249	\$ 148,754	\$ 532,336	\$ 9,303,755	\$ 67,688,141
2045	\$ 36,679,423	\$ 55,000	\$ -	\$ 16,573,297	\$ 7,058,443	\$ 1,916,834	\$ 151,729	\$ 545,345	\$ 10,488,776	\$ 78,176,917
2046	\$ 38,146,600	\$ 55,000	\$ -	\$ 16,573,297	\$ 7,234,904	\$ 1,955,170	\$ 154,763	\$ 558,678	\$ 11,724,787	\$ 89,901,704
2047	\$ 39,672,464	\$ 55,000	\$ -	\$ 16,573,297	\$ 7,415,776	\$ 1,994,274	\$ 157,859	\$ 572,345	\$ 13,013,913	\$ 102,915,617
2048	\$ 41,259,362	\$ 55,000	\$ -	\$ 16,573,297	\$ 7,601,171	\$ 2,034,159	\$ 161,016	\$ 586,354	\$ 14,358,366	\$ 117,273,983
2049	\$ 42,909,737	\$ 55,000	\$ -	\$ 16,573,297	\$ 7,791,200	\$ 2,074,842	\$ 164,236	\$ 600,713	\$ 15,760,449	\$ 133,034,431
2050	\$ 44,626,126	\$ 55,000	\$ -	\$ 16,573,297	\$ 7,985,980	\$ 2,116,339	\$ 167,521	\$ 615,430	\$ 17,222,559	\$ 150,256,990

The proposed fifteen-year financial plan helps the FFGRHD stabilize the requisition with gradual increases and minimize the annual impact of the future funding requests by the NHA. This plan utilizes the Capital Reserve Fund to cover the shortfall between the requisition revenue and the annual cost of debt and capital payments starting in 2024 as a result of the \$240 million for the UHN Surg MHA Cardiac Tower project and the \$24 million for the NI Residential Care Beds project. By 2035, the FFGRHD is planned to have sufficient requisition income to cover debt costs, administration costs and capital payments (all annual costs of the FFGRHD).

Graph 2 – Revenue vs. Total Debt & Capital Under Proposed Plan

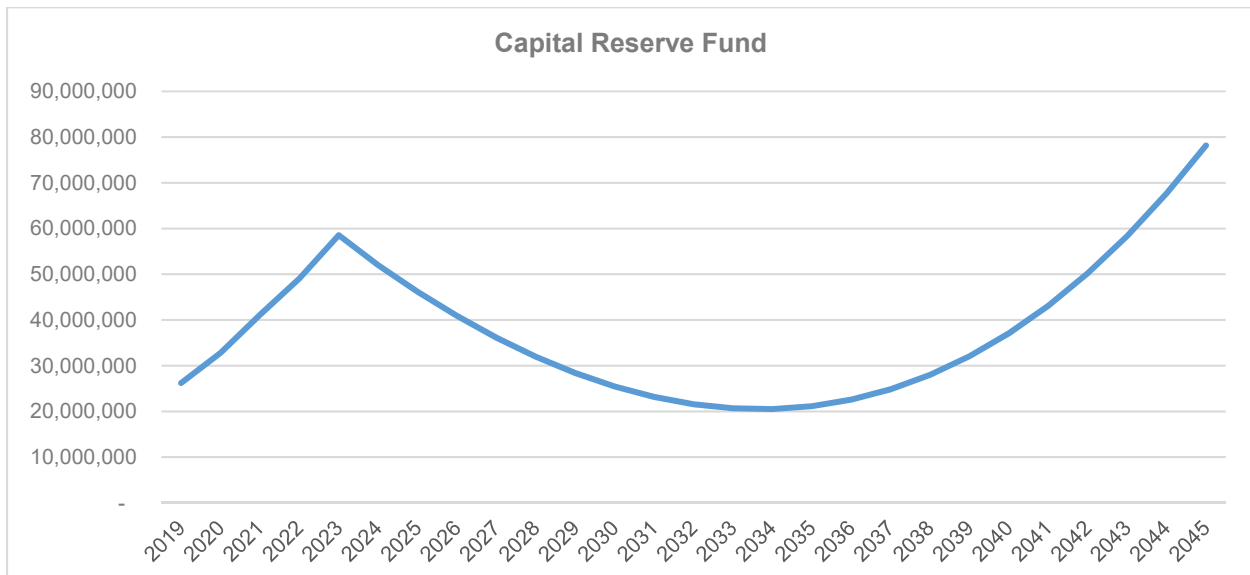
Graph 2 below shows the requisition revenue in comparison to the debt and capital payments under the proposed plan.

This graph highlights that in 2024, the annual cost of debt and capital will exceed the annual requisition. With the proposed annual increases to requisition, the requisition will gradually increase until it exceeds annual debt and capital costs in 2035.



Currently, as of December 31, 2018, the capital reserve fund balance was \$24.8 million (prior to considering commitments). This may seem like a substantial amount, but not in comparison to some of the funding requests projected by the NHA. Graph 3 below shows how the Capital Reserve Fund will increase from 2019 until 2023 and then start being drawn down from 2024 until 2034 to fund the excess of debt servicing and capital funding obligations over the annual requisition amounts collected. The Capital Reserve Fund is projected to have a minimum balance of \$20.5 million in 2034, ensuring that the FFGRHD will have the ability to fund additional capital funding requests from the NHA that fall outside of the assumptions listed on page 7 of this financial plan.

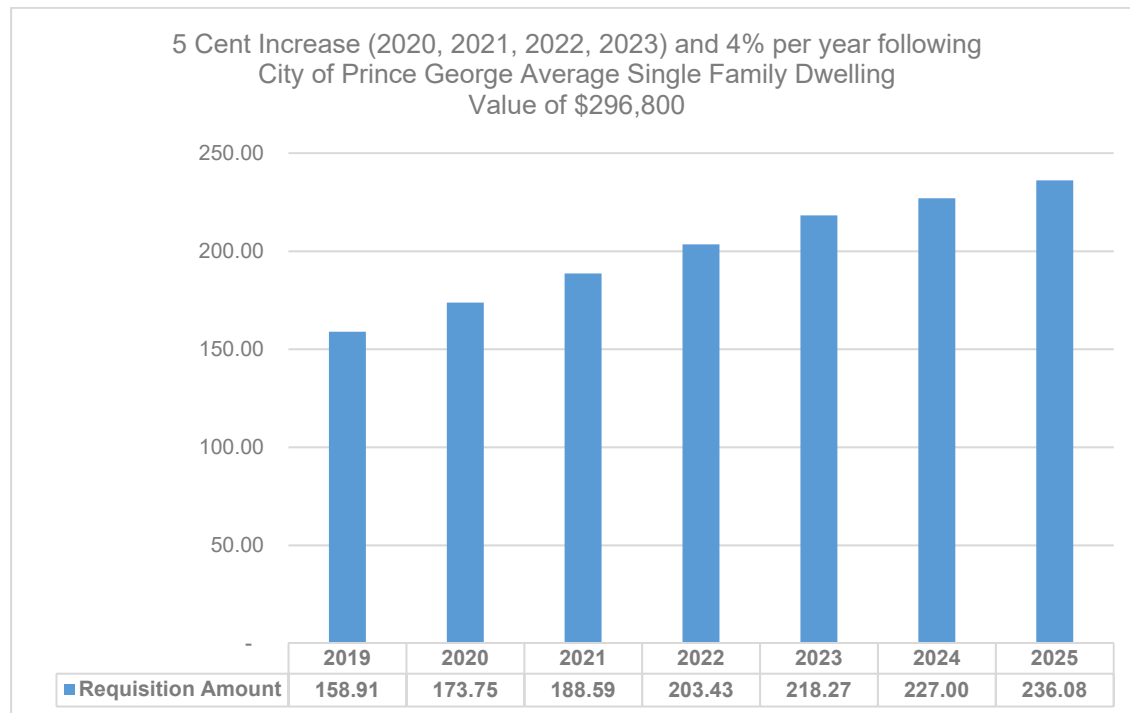
Graph 3 – Proposed Capital Reserve Fund Balance - 2019 to 2045



Impact of Proposed Financial Plan on Average Single-Family Dwelling in Prince George

The proposed Financial Plan includes annual five (5) cent increases to the residential tax requisition mill rate for the years 2020 - 2023 and an increase in the annual requisition of 4% per year following 2023. Based on the 2019 completed assessment roll, the average single-family dwelling in the City of Prince George is assessed at \$296,800. Graph 4 below shows the impact of the increases on the average single-family dwelling in the City of Prince George. A five-cent increase to the residential tax requisition mill rate would result in an increase of \$14.84 per year based on the current assessment information for the City of Prince George.

Graph 4 – Impact of Proposed Plan on City of Prince George Single-Family Dwelling – 2019 to 2025



Since the FFGRHD's service area includes the entire regional district geographical area, all residential property owners will pay the following estimated amounts (per \$100,000 of assessed value) each year for RHD requisition under the proposed financial plan:

- 2019 - \$53.54 per \$100,000
- 2020 - \$58.54 per \$100,000
- 2021 - \$63.54 per \$100,000
- 2022 - \$68.54 per \$100,000
- 2023 - \$73.54 per \$100,000
- 2024 - \$76.48 per \$100,000
- 2025 - \$79.54 per \$100,000

Recommendation

Financial Services Administration recommends that the Board approve the proposed 2020-2034 Financial Plan with a five-cent increase to the residential tax requisition mill rate in 2020, 2021, 2022 and 2023, followed by a 4% increase to the total requisition per year thereafter. It is also recommended that the Financial Plan be reviewed and updated every three years, creating a timeline for review in the fall of 2022.

The proposed financial 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.