



Fraser-Fort George
**REGIONAL HOSPITAL
DISTRICT**

Financial Plan 2022 – 2036

November 5, 2021

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Introduction

The purpose of this proposed financial plan (the “proposed plan” or “2021 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 a subsequent update of the document completed in 2019.

As the third version of the FFGRHD Financial Plan, the 2021 Financial Plan contemplates some large 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. Current estimates show this project cost at a total of \$650 million with the final scoping and cost estimates still to be determined. A 40% FFGRHD contribution would be in the order of \$260 million based on the current cost projection with expenditures for construction starting as early as 2024.

The FFGRHD’s current budget structure and annual requisition levels based on the 2019 version of the FFGRHD’s 15-year Financial Plan 2020 – 2034 approved by the Board in 2019 is sufficient to support these projects based on their current estimated timelines and budgets.

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 and 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

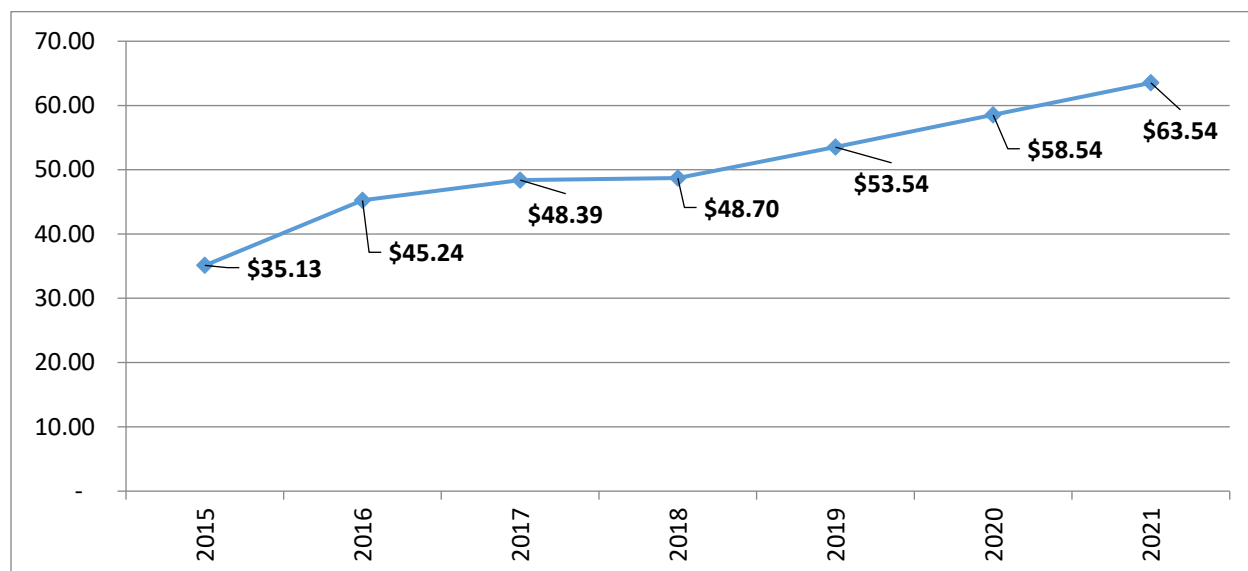
Requisition

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 an updated 15 Year Financial Plan was prepared in 2019 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 \$63.54 per \$100,000 of assessment in 2021 as outlined in Figure 1 below.

Figure 1 – Residential Requisition Rate per \$100,000 Assessment – 2015 - 2021



Expenditures/Commitments

In 2021, through the annual budgeting process and subsequent amended budget process, the FFGRHD committed to funding the projects outlined below in Figure 2.

Figure 2 – 2021 Approved Projects

2021 NHA Funding Request	NHA	FFGRHD	%
UHNBC Echo-cardiac Services Department Upgrade	\$ 3,172,000	\$ 1,268,800	40%
UHNBC Sterile Compounding Room Upgrade	1,610,000	644,000	40%
UHNBC Integrated Fault Detection & Diagnostics	167,770	67,108	40%
UHNBC Transformer Replacement	2,125,000	850,000	40%
Gateway Vocera	497,000	198,800	40%
Long Term Care/Residential Care and Alternative Dementia Beds Business Plan	1,400,000	1,400,000	100%
UHNBC Acute Care Tower Business Plan	5,000,000	5,000,000	100%
EmergCare – Regional Emergency/Trauma Electronic Medical Record	1,540,000	130,403	8%
Regional Personal Health Record/Portal	156,000	21,515	14%
InCare Phase 1	3,207,000	535,027	17%
InCare Phase 2	525,000	82,110	16%
Core Network Infrastructure	949,000	148,424	16%
UHNBC Phone System (Phase II)	300,000	120,000	40%
UHNBC Interventional Radiology Room	1,924,000	769,600	40%

UHNBC Laundry Washing Machine Replacement	426,000	170,400	40%
UHNBC Lab Services Chemistry Automation Project	4,500,000	1,800,000	40%
UHNBC General Fluoroscopy Room	2,053,000	821,200	40%
UHNBC OR Dual Focus Lithotripter Replacement	2,303,000	921,200	40%
Mackenzie X-Ray Room Replacement	952,000	380,800	40%
Total:	\$ 32,806,770	\$ 15,329,387*	47%

**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.*

Reserves

With the increases to the 2016 - 2021 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, 2020, after deducting amounts already committed, was \$35.3 million.

As of September 30, 2021, the FFGRHD has \$11.3 million in committed unexpended funds that have been previously approved by the Board to provide funding for the NHA's capital projects. Another \$4.9 million has been approved by the Board in the 2021 annual budgeting process but has not been approved for funding by capital bylaw as of September 30, 2021.

Taking into account the committed funds for 2021 and funds yet to be formally approved by bylaw, the projected balance of the Capital Reserve Fund as of December 31, 2021, after deducting amounts already committed, will be \$32 million.

Comparison to 2019 Financial Plan

Considering the sections above, Figure 3 below outlines a comparison of key metrics as of 2021 against the estimates for the 2021 year included in the 2019 Financial Plan.

Figure 3 – Actual vs. 2019 Financial Plan Estimates

	Actual - 2021	Estimate per 2019 Financial Plan	Difference
Residential Requisition Rate per \$100K	\$ 63.54	\$ 63.54	\$ 0
Requisition	\$ 14,353,000	\$ 13,115,540	\$ 1,237,460
Payment by Average House	Based on \$334,045 avg: \$212.25	Based on \$296,800 avg: \$188.59	\$ 23.66
Capital Reserve Fund	\$ 35,321,793*	\$ 32,782,416	\$ 2,539,377

**Amount based on actual value at December 31, 2020 as 2021 year end is not complete as of the date of this proposed Plan.*

The residential requisition rate at \$63.54 per \$100,000 matches exactly to the 2021 estimate from the 2019 version of the Financial Plan.

On the requisition side, due to continued assessment growth, the 2021 requisition was \$1.2 million higher than the estimate for 2021 in the 2019 version of the Financial Plan.

Also due to the continued assessment growth, the payment by the average residential house is \$212.25, which is higher than the estimate for 2021 in the 2019 version of the Financial Plan. This is due to the fact that the average house price has increased from \$296,800 in 2019 to \$334,045 in 2021 in Prince George. While using a Prince George average price metric does not directly reflect assessments outside of Prince George, similar trends in the increase of property values have occurred over this time, resulting in the cost paid by an average household to increase in most areas across the region.

The Capital Reserve Fund balance at December 31, 2020 is \$2.5 million ahead of the estimate included in the 2019 Financial Plan. This is the result of the increase in requisition due to assessment growth and some other minor increases in investment income and funding decommitments from the NHA.

Future Funding Needs

The NHA has identified their potential funding needs for the next two (2) years and has projected, with information available as of mid-2021, their future funding needs for outlying years.

The following tables (Figures 4, 5 and 6) identify the proposed funding requests by the NHA for the next few years based on the latest NHA Capital Plan - FFGRHD Funding Request received in July 2021.

The NHA has identified a 40% FFGRHD contribution for each project listed. 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 16% for those specific projects.

Figure 4 – NHA 2022 Draft Funding Request

2022 Draft Funding Request	NHA	FFGRHD	%
UHNBC Echo-Cardiac Services Department Upgrade	\$ 8,331,000	\$ 3,332,400	40%
UHNBC Fire Alarm System Replacement	1,213,000	485,200	40%
Mackenzie Nurse Call System Replacement	146,000	58,400	40%
UHNBC Nuclear Medicine Waiting Area Renovation	802,000	320,800	40%
UHNBC Diabetes and Renal Clinic Space Renovation	1,236,000	494,400	40%
UHNBC 3rd Floor Stores Area Fire Protection Upgrade	684,000	273,600	40%
McBride Domestic Hot Water Storage Tank Replacement	248,000	99,200	40%
Residential Care and Alternative Dementia Beds	50,000,000	18,600,000	40%
InCare Phase 2	4,709,000	736,488	40%
Care in the Right Place	1,000,000	156,400	16%
SurgCare	972,296	152,067	16%
UHNBC Lab Services Chemistry Automation Project	1,246,000	498,400	40%
UHNBC IVUS System	181,000	72,400	40%
UHNBC APLIO 500 Ultrasound Replacement	249,000	99,600	40%
UHNBC LAB Sysmex Equipment Replacement	515,000	206,000	40%
UHNBC Tissue Processor Replacement	420,000	168,000	40%
Total:	\$ 71,952,296	\$ 25,753,355	36%

Figure 5 – NHA 2023 Draft Funding Request

2023 Draft Funding Request	NHA	FFGRHD	%
MCB Nursing Renovation	\$ 767,000	\$ 306,800	40%
UHNBC Food Trayline System	1,068,000	427,200	40%
Residential Care and Alternative Dementia Beds	75,000,000	30,000,000	40%
UHNBC Acute Care Tower	25,000,000	7,300,000	40%
InCare Phase 2	4,504,000	704,426	16%
UHNBC Laundry Equipment Replacement	2,298,000	919,200	40%
Total:	\$ 108,637,000	\$ 39,657,626	37%

Figure 6 – NHA Outlying Years Draft Funding Request (After 2023)

Outlying Years Draft Funding Request (After 2023)	NHA	FFGRHD	%
MCK Primary Care Clinic Renovations	\$ 515,000	\$ 206,000	40%
Valemount Emergency Generator Replacement	473,000	189,200	40%
Residential Care and Alternative Dementia Beds	52,000,000	20,800,000	40%
UHNBC Acute Care Tower	625,000,000	247,300,000	40%
Safer Care	100,000,000	0*	0%
UHNBC Automated Medication Dispensing Cabinets	321,000	128,400	40%
Radiography Replacement (Victoria Medical)	624,000	249,600	40%
Valemount X-Ray Room	757,000	302,800	40%
UHNBC CT 64 Replacement	2,806,000	1,122,400	40%
UHNBC X-Ray Room	889,000	355,600	40%
McBride X-Ray Room Replacement	878,000	1,122,400	40%
UHNBC Ultrasounds x2	569,000	351,200	40%
MCK Phone System	150,000	60,000	40%
UHNBC Nuclear Medicine Hawkeye Replacement	1,465,000	586,000	40%
Total:	\$ 786,447,000	\$ 271,878,800	35%

**Safer Care is a multi-year NHA region wide project that has had a business plan submitted to the Ministry of Health to consider next steps and would require the Ministry's approval to proceed further. The expected funding request for this project from the FFGRHD could reach a total of approximately \$20 million over multiple years of project delivery, but a formal estimate has not been provided as of the date of the 2021 Financial Plan and an implementation date is unknown at this time.*

UHNBC Acute Care Tower

Included in the projected funding request above starting in 2023 and in the outlying years (after 2023) is the UHNBC Acute Care Tower Project (the "UHN ACT Project" or "UHN Acute Care Tower"). The UHN 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.

The UHN 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.

Once a business plan has been prepared, it requires approval from the Ministry of Health based on the scope and finances of the project. Upon business plan approval by the Ministry of Health, the FFGRHD would have its allocation of funding for the UHN ACT Project requested from the Board.

For purposes of the 2021 Financial Plan, the funding has been estimated to be required starting in 2023 as outlined by the NHA's draft funding request but will be required in stages as construction progresses from 2023 to 2027.

Residential Care and Alternative Dementia Beds

Included in the projected funding request above starting in 2022, continuing in 2023 and into the outlying years (after 2023) is the Residential Care and Alternative Dementia Beds Project (the "RCAD Project"). This Project has been referred to in previous versions of the FFGRHD 15-year Financial Plans as NI Residential Care Beds and Long-Term Care.

The RCAD Project will assist with the issue of seniors' long-term care in our region, something that has been highlighted as a need by the COVID-19 pandemic. This project is currently in the business planning stage following Ministry of Health approval to move directly to business planning given the importance and timeliness of this issue.

Once a business plan has been prepared, it requires approval from the Ministry of Health based on the scope and finances of the project. Upon business plan approval by the Ministry of Health, the FFGRHD would have its allocation of funding for the RCAD Project requested from the Board.

For purposes of the 2021 Financial Plan, the funding has been estimated to be required starting in 2022 as outlined by the NHA's draft funding request but will be required in stages as construction progresses from 2022 to 2025.

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 2021 Financial Plan.

Changes from 2019 Financial Plan (2020 - 2034)

Since the approval of the 2019 version of the Financial Plan in the fall of 2019, 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:

- COVID-19 – The COVID-19 pandemic has had a significant impact on healthcare and has shaped changes to the NHA's capital plan since it began in 2020. This includes bringing forward certain priority projects, highlighted by the expediting of the business plan for the RCAD Project to assist with long term care issues in our region. For the FFGRHD's finances, reductions in interest revenue due to decreases in interest rates has had an effect on the growth of the capital reserve.
- Expected start date and borrowing timelines for the UHN ACT Project – the expected start date for the UHN ACT Project has changed from 2022/23 in the 2019 Financial Plan with borrowing of the full FFGRHD cost in 2024 to a projected start date in late 2023 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 – 2024 – 25%
 - Year 2 – 2025 – 25%
 - Year 3 – 2026 – 25%
 - Year 4 – 2027 – 25%
- Expected start date for Residential Care and Alternative Dementia Beds Project – The expected start date for the RCAD Project has changed from 2024 in the 2019 Financial Plan to a projected start date in late 2022 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 RCAD Project are projected to be borrowed as follows:
 - Year 1 – 2023 – 25%
 - Year 2 – 2024 – 25%
 - Year 3 – 2025 – 25%
 - Year 4 – 2026 – 25%
- Interest rate changes – In the 2019 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 4.0% 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 September 30, 2021, the MFA's indicative market rate for a 20 to 30-year loan was 2.58%. This indicative interest rate is much lower than the interest rate used in the 2019 Financial Plan and is a reflection of historically low interest rates as government attempts to stimulate the economy and maintain a smooth recovery from the COVID-19 pandemic. With the borrowing for the two major projects required to occur within the next two (2) to five (5) years on a prorated basis, there is an expectation that interest rates could increase over that time frame, but to what level they would increase 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 2019 Financial Plan. This has resulted in the RHD funding or projecting to fund larger annual amounts than what was estimated in the 2019 Financial Plan and affects the total amount available to transfer to the Capital Reserve Fund. For the 2021 fiscal year, this was a significant impact with the total RHD funding request totalling \$15.3 million compared to the estimated amount of \$2.5 million for the 2021 year in the 2019 Financial Plan. Even with the funding of business plans for major projects in the amount of \$6.4 million removed, this still leaves a difference of \$6.4 million in extra funding that reduces the ability to transfer funds to the Capital Reserve Fund.

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 both the UHN ACT Project and the RCAD Project estimated to start in the year 2023 and borrowing to occur in segments over a period of three (3) 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 September 30, 2021, the Bank of Canada's overnight interest rate is 0.25%, the current prime rate of the major Canadian banks is 2.45% and MFA's indicative market rates for a 20, 25 or 30-year loan is 2.58%. The overnight and prime rates have held at historic lows since the end of March 2020 when the COVID-19 pandemic started to affect the national and global economies.

As of fall 2021, the COVID-19 pandemic continues to affect longer term recovery scenarios, but major Canadian banks are forecasting increases to the overnight and subsequently prime rate, starting in late 2022 and continuing into 2023. 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. As a result, given the long-term nature of the required borrowing, interest rates for long-term borrowing could range anywhere from 2.5% to 4.5% 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 11-30 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.

Note that a 0.5% increase in the interest rate would result in an increase in debt servicing costs of \$1.275 million per year over a 30-year term for the UHN ACT Project with borrowing of \$255 million (\$38.25 million total over the 30-year term of the loan).

Loan Term

The choice of loan term for the long-term borrowing required to fund the two (2) large projects, the UHN ACT Project and the RCAD Project, is another important strategic decision to be made.

With the scale of the borrowing required to fund the two (2) large projects, the borrowing term must be sufficient to provide reasonable annual principal and interest payments on the debt incurred. Based on this, there are two (2) options available to the FFGRHD in regard to the loan term for these projects. The first option is to utilize a loan term of 25 years, while a second option would be to utilize the maximum borrowing term available of 30 years.

At \$260 million expected cost to the FFGRHD for the UHN ACT Project with \$255 million of that amount being borrowed, a 25-year loan term would result in annual principal and interest payments of \$16,635,177. Based on a 30-year loan term, this would result in annual principal and interest payments of \$14,968,332, a difference of \$1,666,845 per year.

Based on the higher annual cost for the 25-year loan term, this would provide less room for other annual expenditures and future borrowing costs in the FFGRHD budget. At the same time, it would save the interest that is required to be paid over the final 5 years, resulting in savings totaling up to \$44.625 million in interest costs over the total interest costs of the 30-year loan term.

UHN Acute Care Tower Project – Cost to FFGRHD

The latest estimate provided for the UHN ACT Project is a total cost of \$650 million with the FFGRHD funding 40% of the total cost for a contribution of \$260 million. This estimate is a Class D estimate, which is a construction industry standard estimate used for initial cost estimates. As the project progresses through the business planning process, a Class C estimate (more accurate than Class D) will be obtained to provide an updated costing of the project.

Depending on the final scope of the project, potential construction cost escalations (see escalation of capital costs section below) and the percentage of the project funded by the FFGRHD, the project cost to the FFGRHD could change significantly. For the proposed Plan, the total cost to the FFGRHD of \$260 million has been used as 40% of the current \$650 million total cost estimate. In order to estimate the potential impact of a change in the overall project cost and therefore the cost to the FFGRHD, some sensitivity analysis has been completed under the sensitivity analysis section starting on page 19. This sensitivity analysis applies situations where the cost of the UHN ACT Project increases and considers how that fits with the proposed Plan recommendations to determine the financial impact.

Residential Care and Alternative Dementia Beds Project – Cost to FFGRHD

The latest estimate provided for the RCAD Project is a total cost of \$177 million with the FFGRHD funding 40% of the total cost for a contribution of \$70.8 million. This estimate is a Class D estimate, which is a construction industry standard estimate used for initial cost estimates. As the project progresses through the business planning process, a Class C estimate (more accurate than Class D) will be obtained to provide an updated costing of the project.

Depending on the final scope of the project, potential construction cost escalations (see escalation of capital costs section below) and the percentage of the total project cost funded by the FFGRHD, the project cost to the FFGRHD could change significantly. For the proposed Plan, the total cost to the FFGRHD of \$70.8 million has been used as 40% of the current \$177 million total cost estimate. In order to estimate the potential impact of a change in the overall project cost and therefore the cost to the FFGRHD, some sensitivity analysis has been completed under the sensitivity analysis section starting on page 19. This sensitivity analysis applies situations where the cost of the RCAD Project increases and considers how that fits with the proposed Plan recommendations to determine the financial impact.

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. With the COVID-19 pandemic continuing as of the writing of this proposed Plan, there are 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 of the two major projects, the UHN ACT Project and the RCAD Project, the proposed Plan contemplates the most significant expected financial impacts to the FFGRHD over the next fifteen (15) years. While these two (2) projects are major projects, 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 two (2) major projects contemplated in this proposed Plan, thereby providing time for the FFGRHD to add the additional projects to future versions of the FFGRHD Financial Plan.

Assumptions

Before the current funding model, sensitivity analysis and proposed Financial Plan are discussed in the following sections, 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 2021 Financial Plan is based on the following key assumptions:

- funding requests by the NHA for major projects (not including the UHN ACT Project and RCAD Project) will start at a base of \$5 million annually in 2024;
- a 2.5% increase per year has been included for capital funding requests by the NHA for major projects starting in 2025;
- 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 the NHA projections;
- a 2% increase per year has been used for the annual building integrity funding as per the NHA projections;
- the interest rate for the UHN ACT Project and RCAD Project borrowing is estimated at 3.5% for the loan term;
- a 30-year loan term is used for major borrowing;
- funding for other significant capital projects (outside of the UHN ACT and RCAD Projects) will not be requested by the NHA during the course of this proposed Plan;
- long-term borrowing for the RCAD Project will commence in 2023 and be borrowed over a four-year period; and
- long-term borrowing for the UHN ACT Project will commence in 2024 and be borrowed over a four-year period.

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.

Current Funding Model

Following the provision of background information on the FFGRHD’s current financial position and discussion around the strategic issues involved and the assumptions used based on current information, this section will outline the current funding model and determine if it is sufficient to meet the funding demands from the NHA over the coming years.

Figures 7 and 8 below outline the projected cash flow from 2019 to 2034 and 2035 to 2050 under the approved 2019 Financial Plan. As mentioned previously, the 2019 Financial Plan recommended increasing the residential tax requisition mill rate by five (5) cents in each of the four (4) years from 2020 to 2023 (2020, 2021, 2022 and 2023) and then commencing in 2024, the total requisition requested would be increased by 4% on an annual basis.

Figures 7 and 8 show that reserves were projected to increase each year until 2023. Starting in 2024, the FFGRHD would draw on the Capital Reserve Fund to meet its funding commitments (inclusive of debt payments) until 2035, at which time the annual requisition will have increased to a level where it would be able to cover annual debt servicing obligations, the NHA capital funding requests and administrative cost requirements, thereby allowing contributions back to the Capital Reserve Fund.

Figure 7 – Projected Cash flow 2019 – 2034 – 2019 Approved Financial Plan

Figure 7: 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

Figure 8 – Projected Cash flow 2035 – 2050 – 2019 Approved Financial Plan

Figure 8: 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

If the same presentation as Figures 7 and 8 is utilized, with the tables updated to use 2021 as the first year, and the values in the tables are updated based on the most recent funding requests for the next couple of years and the outer years from the NHA (Figures 2, 4, 5, 6), along with the effect of the assumptions in this proposed Financial Plan, we arrive at Figures 9 and 10 below.

Figure 9 outlines the projected cash flow from 2021 to 2036 based on the current funding requests received from the NHA, most recently in July 2021. Figure 10 outlines the next 15 years of projected cash flows from 2037 to 2052. While the information in Figure 10 is outside of the 15-year planning window, it is important to provide a full picture of the projected financial results to see the trending longer term.

Figure 9 – Projected Cash Flow 2021 – 2036 Under Current Funding Model

Figure 9: Projected Cash Flow Forecast 2021 - 2036 Under Current Funding Model

	Revenues			Expenses						Reserve Balance
	Requisition	Grants in Lieu & Interest	From Reserves	Debt Service	Major Projects	Minor Equipment Grant	Building Integrity	Administration	Tsf to Reserve	
2021	\$ 14,353,000	\$ 100,000	\$ -	\$ 786,375	\$ 18,609,927	\$ 1,050,000	\$ 102,000	\$ 304,270	\$ (6,399,572)	\$ 32,360,260
2022	\$ 15,478,000	\$ 100,000	\$ -	\$ 786,375	\$ 715,355	\$ 1,071,000	\$ 104,040	\$ 311,877	\$ 12,589,353	\$ 44,949,613
2023	\$ 16,603,000	\$ 100,000	\$ -	\$ 1,302,598	\$ 3,778,800	\$ 1,092,420	\$ 106,121	\$ 319,674	\$ 10,103,388	\$ 55,053,001
2024	\$ 17,267,120	\$ 100,000	\$ -	\$ 6,071,919	\$ 5,000,000	\$ 1,114,268	\$ 108,243	\$ 327,666	\$ 4,745,024	\$ 59,798,025
2025	\$ 17,957,805	\$ 100,000	\$ -	\$ 10,565,880	\$ 5,125,000	\$ 1,136,554	\$ 110,408	\$ 335,857	\$ 784,106	\$ 60,582,130
2026	\$ 18,676,117	\$ 100,000	\$ 3,428,364	\$ 15,335,201	\$ 5,253,125	\$ 1,159,285	\$ 112,616	\$ 344,254	\$ -	\$ 57,153,767
2027	\$ 19,423,162	\$ 100,000	\$ 6,588,774	\$ 19,077,284	\$ 5,384,453	\$ 1,182,471	\$ 114,869	\$ 352,860	\$ -	\$ 50,564,992
2028	\$ 20,200,088	\$ 100,000	\$ 5,981,228	\$ 19,077,284	\$ 5,519,064	\$ 1,206,120	\$ 117,166	\$ 361,681	\$ -	\$ 44,583,765
2029	\$ 21,008,092	\$ 100,000	\$ 5,346,708	\$ 19,077,284	\$ 5,657,041	\$ 1,230,242	\$ 119,509	\$ 370,723	\$ -	\$ 39,237,056
2030	\$ 21,848,415	\$ 100,000	\$ 4,684,074	\$ 19,077,284	\$ 5,798,467	\$ 1,254,847	\$ 121,899	\$ 379,992	\$ -	\$ 34,552,982
2031	\$ 22,722,352	\$ 100,000	\$ 3,992,134	\$ 19,077,284	\$ 5,943,429	\$ 1,279,944	\$ 124,337	\$ 389,491	\$ -	\$ 30,560,849
2032	\$ 23,631,246	\$ 100,000	\$ 3,269,648	\$ 19,077,284	\$ 6,092,014	\$ 1,305,543	\$ 126,824	\$ 399,229	\$ -	\$ 27,291,200
2033	\$ 24,576,496	\$ 100,000	\$ 2,515,327	\$ 19,077,284	\$ 6,244,315	\$ 1,331,654	\$ 129,361	\$ 409,209	\$ -	\$ 24,775,873
2034	\$ 25,559,556	\$ 100,000	\$ 1,727,825	\$ 19,077,284	\$ 6,400,423	\$ 1,358,287	\$ 131,948	\$ 419,440	\$ -	\$ 23,048,048
2035	\$ 26,581,938	\$ 100,000	\$ 905,744	\$ 19,077,284	\$ 6,560,433	\$ 1,385,453	\$ 134,587	\$ 429,926	\$ -	\$ 22,142,304
2036	\$ 27,645,215	\$ 100,000	\$ 47,627	\$ 19,077,284	\$ 6,724,444	\$ 1,413,162	\$ 137,279	\$ 440,674	\$ -	\$ 22,094,677

As you can see in Figure 9, under the current funding model, the FFGRHD is able to contribute to reserves from 2022 to 2025, at which time the majority of the debt for the two (2) major projects will have been issued and the FFGRHD will commence annual debt servicing payments. From 2026 to 2036, there is a net draw from the reserves each year, but the overall reserve balance does not drop below \$22 million, reaching this level in 2036. As a result, the current funding model is a viable financial scenario over the next fifteen (15) years if the amounts and assumptions included in this proposed Plan remain the same.

Figure 10 – Projected Cash Flow 2037 – 2052 Under Current Funding Model

Figure 10: Projected Cash Flow 2037 - 2052 Under Current Funding Model

	Revenues			Expenses						Reserve Balance
	Requisition	Grants in Lieu & Interest	From Reserves	Debt Service	Major Projects	Minor Equipment Grant	Building Integrity	Administration	Tsf to Reserve	
2037	\$ 28,751,024	\$ 100,000	\$ -	\$ 19,077,284	\$ 6,892,555	\$ 1,441,425	\$ 140,024	\$ 451,391	\$ 848,345	\$ 22,943,022
2038	\$ 29,901,065	\$ 100,000	\$ -	\$ 19,077,284	\$ 7,064,869	\$ 1,470,253	\$ 142,825	\$ 462,375	\$ 1,783,459	\$ 24,726,481
2039	\$ 31,097,108	\$ 100,000	\$ -	\$ 19,077,284	\$ 7,241,491	\$ 1,499,659	\$ 145,681	\$ 473,635	\$ 2,759,358	\$ 27,485,839
2040	\$ 32,340,992	\$ 100,000	\$ -	\$ 19,077,284	\$ 7,422,528	\$ 1,529,652	\$ 148,595	\$ 485,176	\$ 3,777,758	\$ 31,263,597
2041	\$ 33,634,632	\$ 100,000	\$ -	\$ 19,077,284	\$ 7,608,091	\$ 1,560,245	\$ 151,567	\$ 497,005	\$ 4,840,440	\$ 36,104,037
2042	\$ 34,980,017	\$ 100,000	\$ -	\$ 19,077,284	\$ 7,798,294	\$ 1,591,450	\$ 154,598	\$ 509,130	\$ 5,949,262	\$ 42,053,298
2043	\$ 36,379,218	\$ 100,000	\$ -	\$ 19,077,284	\$ 7,993,251	\$ 1,623,279	\$ 157,690	\$ 521,558	\$ 7,106,156	\$ 49,159,454
2044	\$ 37,834,386	\$ 100,000	\$ -	\$ 19,077,284	\$ 8,193,082	\$ 1,655,744	\$ 160,844	\$ 534,297	\$ 8,313,135	\$ 57,472,589
2045	\$ 39,347,762	\$ 100,000	\$ -	\$ 19,077,284	\$ 8,397,909	\$ 1,688,859	\$ 164,061	\$ 547,355	\$ 9,572,294	\$ 67,044,883
2046	\$ 40,921,672	\$ 100,000	\$ -	\$ 19,077,284	\$ 8,607,857	\$ 1,722,636	\$ 167,342	\$ 560,739	\$ 10,885,815	\$ 77,930,698
2047	\$ 42,558,539	\$ 100,000	\$ -	\$ 19,077,284	\$ 8,823,053	\$ 1,757,089	\$ 170,689	\$ 574,457	\$ 12,255,967	\$ 90,186,664
2048	\$ 44,260,881	\$ 100,000	\$ -	\$ 19,077,284	\$ 9,043,630	\$ 1,792,231	\$ 174,102	\$ 588,518	\$ 13,685,115	\$ 103,871,780
2049	\$ 46,031,316	\$ 100,000	\$ -	\$ 19,077,284	\$ 9,269,720	\$ 1,828,075	\$ 177,584	\$ 602,931	\$ 15,175,720	\$ 119,047,500
2050	\$ 47,872,568	\$ 100,000	\$ -	\$ 19,077,284	\$ 9,501,464	\$ 1,864,637	\$ 181,136	\$ 617,705	\$ 16,730,343	\$ 135,777,843
2051	\$ 49,787,471	\$ 100,000	\$ -	\$ 19,077,284	\$ 9,739,000	\$ 1,901,930	\$ 184,759	\$ 632,847	\$ 18,351,651	\$ 154,129,494
2052	\$ 51,778,970	\$ 100,000	\$ -	\$ 19,077,284	\$ 9,982,475	\$ 1,939,968	\$ 188,454	\$ 648,368	\$ 20,042,420	\$ 174,171,914

In Figure 10, the annual requisition increases to a sustainable annual level where contributions can be made back to the Capital Reserve Fund starting in 2037. From 2037 for the balance of this table until 2052, an annual transfer to the Capital Reserve Fund can be achieved to help fund future projects outlined by the NHA.

Figure 11 below shows a comparison of the total annual requisition vs. total debt and capital expenditures for the period 2021 – 2036 based on the current funding model approved in the 2019 Financial Plan, using the information from Figure 9 that is updated for the most recent future funding requests and assumptions.

Figure 11 – Annual Requisition vs. Annual Debt & Capital Payments (2021 – 2036)

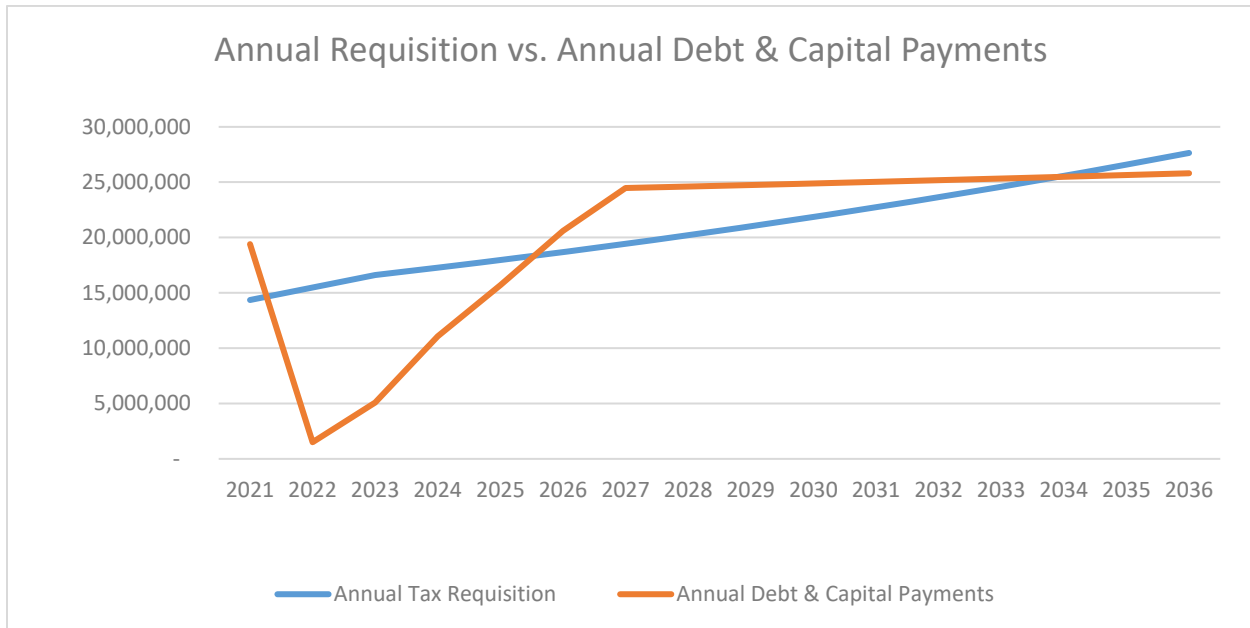


Figure 11 shows that annual debt and capital payments increase to a value greater than the annual requisition in 2026 and remain greater than the annual requisition until 2034. During that period, the Capital Reserve Fund will be used to account for the difference on an annual basis.

Overall, the current funding model that proposes increasing the residential tax requisition mill rate by five (5) cents in each of the next two (2) years (2022 and 2023) and then commencing in 2024 increasing requisition by 4% on an annual basis is financially viable based on current estimates of funding requests and assumptions over the course of the proposed Plan.

Sensitivity Analysis

With the current funding model that originated out of the 2019 Financial Plan being determined to be a viable financial scenario over the next fifteen (15) years if the amounts and assumptions included in this proposed Plan remain the same, there is a need to stress test this scenario.

In order to do this, sensitivity analysis has been performed to determine if the current funding model would remain sustainable if certain significant changes in key assumptions occurred in future years. While there are a number of assumptions that could change, the focus of this section will be on the four (4) most significant changes that could occur.

The significant changes are as follows:

- Change in Loan Terms from 30 Years to 25 Years;
- Increased FFGRHD Cost for Residential Care and Alternative Dementia Beds Project;
- Increased FFGRHD Cost for UHN Acute Care Tower Project; and
- Increased FFGRHD Cost for Residential Care and Alternative Dementia Beds Project and UHN Acute Care Tower Project.

Change in Loan Terms from 30 Years to 25 Years

The first analysis that will be performed is to consider the change in loan terms from 30 years to 25 years. This change adjusts the annual debt servicing obligation to increase the annual amount paid as the principal is paid off over 25 years instead of 30 years. On the interest side, the annual costing remains the same, but there are savings in the years 26 through 30 when the payments end at year 25.

Figure 12 outlines the increased annual debt servicing costs as a result of the change in loan term. The annual escalation of approximately \$2.1 million makes a difference over time and the projection for the capital reserve balance turns negative in the year 2035. Figure 13 outlines the next 15 years of the projected cash flows and shows that the capital reserve balance turns positive again in the year 2041.

Figure 12 – Projected Cash Flow Forecast 2021 – 2036 – 25 Year Term Sensitivity

Figure 12: Projected Cash Flow Forecast 2021 - 2036 - 25 Year Term Sensitivity

	Revenues			Expenses						Reserve Balance
	Requisition	Grants in Lieu & Interest	From Reserves	Debt Service	Major Projects	Minor Equipment Grant	Building Integrity	Administration	Tsf to Reserve	
2021	\$ 14,353,000	\$ 100,000	\$ -	\$ 786,375	\$ 18,609,927	\$ 1,050,000	\$ 102,000	\$ 304,270	\$ (6,399,572)	\$ 32,360,260
2022	\$ 15,478,000	\$ 100,000	\$ -	\$ 786,375	\$ 715,355	\$ 1,071,000	\$ 104,040	\$ 311,877	\$ 12,589,353	\$ 44,949,613
2023	\$ 16,603,000	\$ 100,000	\$ -	\$ 1,416,990	\$ 3,778,800	\$ 1,092,420	\$ 106,121	\$ 319,674	\$ 9,988,996	\$ 54,938,609
2024	\$ 17,267,120	\$ 100,000	\$ -	\$ 6,717,414	\$ 5,000,000	\$ 1,114,268	\$ 108,243	\$ 327,666	\$ 4,099,529	\$ 59,038,138
2025	\$ 17,957,805	\$ 100,000	\$ 392,492	\$ 11,742,478	\$ 5,125,000	\$ 1,136,554	\$ 110,408	\$ 335,857	\$ -	\$ 58,645,645
2026	\$ 18,676,117	\$ 100,000	\$ 5,136,065	\$ 17,042,902	\$ 5,253,125	\$ 1,159,285	\$ 112,616	\$ 344,254	\$ -	\$ 53,509,581
2027	\$ 19,423,162	\$ 100,000	\$ 8,713,186	\$ 21,201,696	\$ 5,384,453	\$ 1,182,471	\$ 114,869	\$ 352,860	\$ -	\$ 44,796,394
2028	\$ 20,200,088	\$ 100,000	\$ 8,105,640	\$ 21,201,696	\$ 5,519,064	\$ 1,206,120	\$ 117,166	\$ 361,681	\$ -	\$ 36,690,755
2029	\$ 21,008,092	\$ 100,000	\$ 7,471,120	\$ 21,201,696	\$ 5,657,041	\$ 1,230,242	\$ 119,509	\$ 370,723	\$ -	\$ 29,219,634
2030	\$ 21,848,415	\$ 100,000	\$ 6,808,486	\$ 21,201,696	\$ 5,798,467	\$ 1,254,847	\$ 121,899	\$ 379,992	\$ -	\$ 22,411,148
2031	\$ 22,722,352	\$ 100,000	\$ 6,116,546	\$ 21,201,696	\$ 5,943,429	\$ 1,279,944	\$ 124,337	\$ 389,491	\$ -	\$ 16,294,603
2032	\$ 23,631,246	\$ 100,000	\$ 5,394,060	\$ 21,201,696	\$ 6,092,014	\$ 1,305,543	\$ 126,824	\$ 399,229	\$ -	\$ 10,900,542
2033	\$ 24,576,496	\$ 100,000	\$ 4,639,739	\$ 21,201,696	\$ 6,244,315	\$ 1,331,654	\$ 129,361	\$ 409,209	\$ -	\$ 6,260,803
2034	\$ 25,559,556	\$ 100,000	\$ 3,852,237	\$ 21,201,696	\$ 6,400,423	\$ 1,358,287	\$ 131,948	\$ 419,440	\$ -	\$ 2,408,566
2035	\$ 26,581,938	\$ 100,000	\$ 3,030,156	\$ 21,201,696	\$ 6,560,433	\$ 1,385,453	\$ 134,587	\$ 429,926	\$ -	\$ (621,590)
2036	\$ 27,645,215	\$ 100,000	\$ 2,172,039	\$ 21,201,696	\$ 6,724,444	\$ 1,413,162	\$ 137,279	\$ 440,674	\$ -	\$ (2,793,629)

Figure 13 – Projected Cash Flow Forecast 2037 – 2052 – 25 Year Term Sensitivity

Figure 13: Projected Cash Flow Forecast 2037 - 2052 - 25 Year Term Sensitivity

	Revenues			Expenses						Reserve Balance
	Requisition	Grants in Lieu & Interest	From Reserves	Debt Service	Major Projects	Minor Equipment Grant	Building Integrity	Administration	Tsf to Reserve	
2037	\$ 28,751,024	\$ 100,000	\$ -	\$ 21,201,696	\$ 6,892,555	\$ 1,441,425	\$ 140,024	\$ 451,391	\$ (1,276,067)	\$ (4,069,696)
2038	\$ 29,901,065	\$ 100,000	\$ -	\$ 21,201,696	\$ 7,064,869	\$ 1,470,253	\$ 142,825	\$ 462,375	\$ (340,953)	\$ (4,410,649)
2039	\$ 31,097,108	\$ 100,000	\$ -	\$ 21,201,696	\$ 7,241,491	\$ 1,499,659	\$ 145,681	\$ 473,635	\$ 634,946	\$ (3,775,703)
2040	\$ 32,340,992	\$ 100,000	\$ -	\$ 21,201,696	\$ 7,422,528	\$ 1,529,652	\$ 148,595	\$ 485,176	\$ 1,653,346	\$ (2,122,357)
2041	\$ 33,634,632	\$ 100,000	\$ -	\$ 21,201,696	\$ 7,608,091	\$ 1,560,245	\$ 151,567	\$ 497,005	\$ 2,716,028	\$ 593,671
2042	\$ 34,980,017	\$ 100,000	\$ -	\$ 21,201,696	\$ 7,798,294	\$ 1,591,450	\$ 154,598	\$ 509,130	\$ 3,824,850	\$ 4,418,520
2043	\$ 36,379,218	\$ 100,000	\$ -	\$ 21,201,696	\$ 7,993,251	\$ 1,623,279	\$ 157,690	\$ 521,558	\$ 4,981,744	\$ 9,400,264
2044	\$ 37,834,386	\$ 100,000	\$ -	\$ 21,201,696	\$ 8,193,082	\$ 1,655,744	\$ 160,844	\$ 534,297	\$ 6,188,723	\$ 15,588,987
2045	\$ 39,347,762	\$ 100,000	\$ -	\$ 21,201,696	\$ 8,397,909	\$ 1,688,859	\$ 164,061	\$ 547,355	\$ 7,447,882	\$ 23,036,869
2046	\$ 40,921,672	\$ 100,000	\$ -	\$ 21,201,696	\$ 8,607,857	\$ 1,722,636	\$ 167,342	\$ 560,739	\$ 8,761,403	\$ 31,798,272
2047	\$ 42,558,539	\$ 100,000	\$ -	\$ 21,201,696	\$ 8,823,053	\$ 1,757,089	\$ 170,689	\$ 574,457	\$ 10,131,555	\$ 41,929,826
2048	\$ 44,260,881	\$ 100,000	\$ -	\$ 20,060,066	\$ 9,043,630	\$ 1,792,231	\$ 174,102	\$ 588,518	\$ 12,702,333	\$ 54,632,160
2049	\$ 46,031,316	\$ 100,000	\$ -	\$ 14,759,642	\$ 9,269,720	\$ 1,828,075	\$ 177,584	\$ 602,931	\$ 19,493,362	\$ 74,125,522
2050	\$ 47,872,568	\$ 100,000	\$ -	\$ 9,459,218	\$ 9,501,464	\$ 1,864,637	\$ 181,136	\$ 617,705	\$ 26,348,409	\$ 100,473,931
2051	\$ 49,787,471	\$ 100,000	\$ -	\$ 4,158,794	\$ 9,739,000	\$ 1,901,930	\$ 184,759	\$ 632,847	\$ 33,270,141	\$ 133,744,072
2052	\$ 51,778,970	\$ 100,000	\$ -	\$ -	\$ 9,982,475	\$ 1,939,968	\$ 188,454	\$ 648,368	\$ 39,119,704	\$ 172,863,776

As a result, in order to proceed with changing the loan term in this proposed Plan from 30 years to 25 years, an increase in revenue is required to ensure the capital reserve balance remains positive throughout the term of the loans (as is required by legislation). This would likely require an additional increase in requisition and could be contemplated in a future year as the capital reserve is funded until the year 2035 in this scenario.

Increased FFGRHD Cost for Residential Care and Alternative Dementia Beds Project

Based on the business planning stage that the RCAD Project is currently at as of the writing of this proposed Plan, there is considerable risk that the total cost and therefore the FFGRHD portion of the cost of the RCAD Project could increase significantly from current estimates.

This is due to a number of factors, mainly the need to still finalize the full scope of the RCAD Project and construction cost increases in the market. The cost has already escalated from an original total budget of \$60 million (as outlined in the 2019 NHA Capital Plan request to the FFGRHD) to a current total budget estimate of \$177 million.

Given the unique nature of the RCAD Project, not having utilized a Concept Plan first that helps to provide an encompassing view of the project scope and potential costs, there is a greater potential for the cost to increase due to large changes in project scope.

Since the current known scope of the Project is to build up to four (4) facilities with three (3) facilities housing an equal number of beds and the fourth facility acting as a logistics hub to service the other three (3) buildings, for sensitivity analysis purposes, a potential total cost escalation of 300% will be used in this scenario.

This would take the current \$177 million budget total and escalate the cost up to \$525 million for the total cost, with the FFGRHD's portion of the project costs at \$210 million based on a 40% contribution level.

Figure 14 outlines the increased annual debt servicing costs as a result of the change in cost to the FFGRHD for the RCAD Project. The annual escalation in debt servicing of approximately \$8.2 million makes a large difference over time and the projection for the capital reserve balance quickly turns negative by the year 2030. Figure 15 outlines the next 15 years of the projected cash flows and shows that the capital reserve balance continues to remain negative throughout the majority of these years.

Figure 14 – Projected Cash Flow Forecast 2021 – 2036 – Increased Cost for Residential Care and Alternative Dementia Beds Project Sensitivity

Figure 14: Projected Cash Flow Forecast 2021 - 2036 Increased Cost for Residential Care and Alternative Dementia Beds Project Sensitivity

	Revenues			Expenses						Reserve Balance
	Requisition	Grants in Lieu & Interest	From Reserves	Debt Service	Major Projects	Minor Equipment Grant	Building Integrity	Administration	Tsf to Reserve	
2021	\$ 14,353,000	\$ 100,000	\$ -	\$ 786,375	\$ 18,609,927	\$ 1,050,000	\$ 102,000	\$ 304,270	\$ (6,399,572)	\$ 32,360,260
2022	\$ 15,478,000	\$ 100,000	\$ -	\$ 786,375	\$ 715,355	\$ 1,071,000	\$ 104,040	\$ 311,877	\$ 12,589,353	\$ 44,949,613
2023	\$ 16,603,000	\$ 100,000	\$ -	\$ 3,357,075	\$ 3,778,800	\$ 1,092,420	\$ 106,121	\$ 319,674	\$ 8,048,911	\$ 52,998,524
2024	\$ 17,267,120	\$ 100,000	\$ -	\$ 10,180,873	\$ 5,000,000	\$ 1,114,268	\$ 108,243	\$ 327,666	\$ 636,070	\$ 53,634,594
2025	\$ 17,957,805	\$ 100,000	\$ 5,379,325	\$ 16,729,311	\$ 5,125,000	\$ 1,136,554	\$ 110,408	\$ 335,857	\$ -	\$ 48,255,268
2026	\$ 18,676,117	\$ 100,000	\$ 11,646,272	\$ 23,553,109	\$ 5,253,125	\$ 1,159,285	\$ 112,616	\$ 344,254	\$ -	\$ 36,608,997
2027	\$ 19,423,162	\$ 100,000	\$ 11,064,599	\$ 23,553,109	\$ 5,384,453	\$ 1,182,471	\$ 114,869	\$ 352,860	\$ -	\$ 25,544,397
2028	\$ 20,200,088	\$ 100,000	\$ 10,457,053	\$ 23,553,109	\$ 5,519,064	\$ 1,206,120	\$ 117,166	\$ 361,681	\$ -	\$ 15,087,345
2029	\$ 21,008,092	\$ 100,000	\$ 9,822,533	\$ 23,553,109	\$ 5,657,041	\$ 1,230,242	\$ 119,509	\$ 370,723	\$ -	\$ 48,255,268
2030	\$ 21,848,415	\$ 100,000	\$ 9,159,899	\$ 23,553,109	\$ 5,798,467	\$ 1,254,847	\$ 121,899	\$ 379,992	\$ -	\$ (3,895,088)
2031	\$ 22,722,352	\$ 100,000	\$ 8,467,959	\$ 23,553,109	\$ 5,943,429	\$ 1,279,944	\$ 124,337	\$ 389,491	\$ -	\$ (12,363,046)
2032	\$ 23,631,246	\$ 100,000	\$ 7,745,473	\$ 23,553,109	\$ 6,092,014	\$ 1,305,543	\$ 126,824	\$ 399,229	\$ -	\$ (20,108,520)
2033	\$ 24,576,496	\$ 100,000	\$ 6,991,152	\$ 23,553,109	\$ 6,244,315	\$ 1,331,654	\$ 129,361	\$ 409,209	\$ -	\$ (27,099,672)
2034	\$ 25,559,556	\$ 100,000	\$ 6,203,650	\$ 23,553,109	\$ 6,400,423	\$ 1,358,287	\$ 131,948	\$ 419,440	\$ -	\$ (33,303,322)
2035	\$ 26,581,938	\$ 100,000	\$ 5,381,569	\$ 23,553,109	\$ 6,560,433	\$ 1,385,453	\$ 134,587	\$ 429,926	\$ -	\$ (38,684,891)
2036	\$ 27,645,215	\$ 100,000	\$ 4,523,452	\$ 23,553,109	\$ 6,724,444	\$ 1,413,162	\$ 137,279	\$ 440,674	\$ -	\$ (43,208,343)

Figure 15 – Projected Cash Flow Forecast 2037 – 2052 – Increased Cost for Residential Care and Alternative Dementia Beds Project Sensitivity

Figure 15: Projected Cash Flow Forecast 2037 - 2052 Increased Cost for Residential Care and Alternative Dementia Beds Project Sensitivity

	Revenues			Expenses						Reserve Balance
	Requisition	Grants in Lieu & Interest	From Reserves	Debt Service	Major Projects	Minor Equipment Grant	Building Integrity	Administration	Tsf to Reserve	
2037	\$ 28,751,024	\$ 100,000	\$ 3,627,480	\$ 23,553,109	\$ 6,892,555	\$ 1,441,425	\$ 140,024	\$ 451,391	\$ -	\$ (46,835,823)
2038	\$ 29,901,065	\$ 100,000	\$ 2,692,366	\$ 23,553,109	\$ 7,064,869	\$ 1,470,253	\$ 142,825	\$ 462,375	\$ -	\$ (49,528,189)
2039	\$ 31,097,108	\$ 100,000	\$ 1,716,467	\$ 23,553,109	\$ 7,241,491	\$ 1,499,659	\$ 145,681	\$ 473,635	\$ -	\$ (51,244,656)
2040	\$ 32,340,992	\$ 100,000	\$ 698,067	\$ 23,553,109	\$ 7,422,528	\$ 1,529,652	\$ 148,595	\$ 485,176	\$ -	\$ (51,942,723)
2041	\$ 33,634,632	\$ 100,000	\$ -	\$ 23,553,109	\$ 7,608,091	\$ 1,560,245	\$ 151,567	\$ 497,005	\$ 364,615	\$ (51,578,108)
2042	\$ 34,980,017	\$ 100,000	\$ -	\$ 23,553,109	\$ 7,798,294	\$ 1,591,450	\$ 154,598	\$ 509,130	\$ 1,473,437	\$ (50,104,672)
2043	\$ 36,379,218	\$ 100,000	\$ -	\$ 23,553,109	\$ 7,993,251	\$ 1,623,279	\$ 157,690	\$ 521,558	\$ 2,630,331	\$ (47,474,341)
2044	\$ 37,834,386	\$ 100,000	\$ -	\$ 23,553,109	\$ 8,193,082	\$ 1,655,744	\$ 160,844	\$ 534,297	\$ 3,837,310	\$ (43,637,031)
2045	\$ 39,347,762	\$ 100,000	\$ -	\$ 23,553,109	\$ 8,397,909	\$ 1,688,859	\$ 164,061	\$ 547,355	\$ 5,096,469	\$ (38,540,562)
2046	\$ 40,921,672	\$ 100,000	\$ -	\$ 23,553,109	\$ 8,607,857	\$ 1,722,636	\$ 167,342	\$ 560,739	\$ 6,409,990	\$ (32,130,572)
2047	\$ 42,558,539	\$ 100,000	\$ -	\$ 23,553,109	\$ 8,823,053	\$ 1,757,089	\$ 170,689	\$ 574,457	\$ 7,780,142	\$ (24,350,431)
2048	\$ 44,260,881	\$ 100,000	\$ -	\$ 23,553,109	\$ 9,043,630	\$ 1,792,231	\$ 174,102	\$ 588,518	\$ 9,209,290	\$ (15,141,140)
2049	\$ 46,031,316	\$ 100,000	\$ -	\$ 23,553,109	\$ 9,269,720	\$ 1,828,075	\$ 177,584	\$ 602,931	\$ 10,699,895	\$ (4,441,245)
2050	\$ 47,872,568	\$ 100,000	\$ -	\$ 23,553,109	\$ 9,501,464	\$ 1,864,637	\$ 181,136	\$ 617,705	\$ 12,254,518	\$ 7,813,273
2051	\$ 49,787,471	\$ 100,000	\$ -	\$ 23,553,109	\$ 9,739,000	\$ 1,901,930	\$ 184,759	\$ 632,847	\$ 13,875,826	\$ 21,689,099
2052	\$ 51,778,970	\$ 100,000	\$ -	\$ 23,553,109	\$ 9,982,475	\$ 1,939,968	\$ 188,454	\$ 648,368	\$ 15,566,595	\$ 37,255,694

As a result, if an increase in the projected cost to the FFGRHD for the RCAD Project was to occur in an amount similar to that shown in this sensitivity analysis, an increase in revenue would be required to ensure that the FFGRHD can cover the required debt servicing costs, along with other required expenditures on an annual basis. This would likely require an additional increase in annual requisition and would need to be contemplated expediently upon learning of a cost increase for the RCAD Project to allow enough time for requisition to increase to reach a sustainable annual level.

Increased FFGRHD Cost for the UHN Acute Care Tower Project

For the UHN Acute Care Tower Project, while also in the business planning stage, as of the writing of this proposed Plan, the scope of this Project was outlined in a Concept Plan that was approved by the Ministry of Health for this Project. Therefore, this results in a project where significant changes in scope are less likely to occur and as a result, the potential cost escalation is lessened. Cost escalations are still possible based on a final scope similar to the Concept Plan and the annual increases that have been observed in construction costs. As a result, for sensitivity analysis purposes, a cost escalation of \$150 million (23%) has been used to reflect the potential cost increase to the current total \$650 million price tag.

Therefore, the total estimated cost for this analysis is \$800 million, with a FFGRHD contribution of \$320 million at a 40% contribution level.

Figure 16 outlines the increased annual debt servicing costs as a result of the change in cost to the FFGRHD for the UHN ACT Project. The annual escalation in debt servicing of approximately \$3.8 million makes a significant difference over time and the projection for the capital reserve balance turns negative by the year 2032. Figure 17 outlines the next fifteen (15) years of the projected cash flows and shows that the requisition reaches a sustainable level in 2041 and the capital reserve balance turns positive again in the year 2047.

Figure 16 – Projected Cash Flow Forecast 2021 – 2036 – Increased Cost for the UHN ACT Tower Project Sensitivity

Figure 16: Projected Cash Flow Forecast 2021 - 2036 Increased Cost for UHN ACT Project Sensitivity

	Revenues			Expenses						Reserve Balance
	Requisition	Grants in Lieu & Interest	From Reserves	Debt Service	Major Projects	Minor Equipment Grant	Building Integrity	Administration	Tsf to Reserve	
2021	\$ 14,353,000	\$ 100,000	\$ -	\$ 786,375	\$ 18,609,927	\$ 1,050,000	\$ 102,000	\$ 304,270	\$ (6,399,572)	\$ 32,360,260
2022	\$ 15,478,000	\$ 100,000	\$ -	\$ 786,375	\$ 715,355	\$ 1,071,000	\$ 104,040	\$ 311,877	\$ 12,589,353	\$ 44,949,613
2023	\$ 16,603,000	\$ 100,000	\$ -	\$ 1,302,598	\$ 3,778,800	\$ 1,092,420	\$ 106,121	\$ 319,674	\$ 10,103,388	\$ 55,053,001
2024	\$ 17,267,120	\$ 100,000	\$ -	\$ 7,025,783	\$ 5,000,000	\$ 1,114,268	\$ 108,243	\$ 327,666	\$ 3,791,160	\$ 58,844,161
2025	\$ 17,957,805	\$ 100,000	\$ 1,123,622	\$ 12,473,608	\$ 5,125,000	\$ 1,136,554	\$ 110,408	\$ 335,857	\$ -	\$ 57,720,538
2026	\$ 18,676,117	\$ 100,000	\$ 6,289,956	\$ 18,196,793	\$ 5,253,125	\$ 1,159,285	\$ 112,616	\$ 344,254	\$ -	\$ 51,430,583
2027	\$ 19,423,162	\$ 100,000	\$ 10,404,230	\$ 22,892,740	\$ 5,384,453	\$ 1,182,471	\$ 114,869	\$ 352,860	\$ -	\$ 41,026,352
2028	\$ 20,200,088	\$ 100,000	\$ 9,796,684	\$ 22,892,740	\$ 5,519,064	\$ 1,206,120	\$ 117,166	\$ 361,681	\$ -	\$ 31,229,669
2029	\$ 21,008,092	\$ 100,000	\$ 9,162,164	\$ 22,892,740	\$ 5,657,041	\$ 1,230,242	\$ 119,509	\$ 370,723	\$ -	\$ 22,067,504
2030	\$ 21,848,415	\$ 100,000	\$ 8,499,530	\$ 22,892,740	\$ 5,798,467	\$ 1,254,847	\$ 121,899	\$ 379,992	\$ -	\$ 13,567,974
2031	\$ 22,722,352	\$ 100,000	\$ 7,807,590	\$ 22,892,740	\$ 5,943,429	\$ 1,279,944	\$ 124,337	\$ 389,491	\$ -	\$ 5,760,385
2032	\$ 23,631,246	\$ 100,000	\$ 7,085,104	\$ 22,892,740	\$ 6,092,014	\$ 1,305,543	\$ 126,824	\$ 399,229	\$ -	\$ (1,324,720)
2033	\$ 24,576,496	\$ 100,000	\$ 6,330,783	\$ 22,892,740	\$ 6,244,315	\$ 1,331,654	\$ 129,361	\$ 409,209	\$ -	\$ (7,655,503)
2034	\$ 25,559,556	\$ 100,000	\$ 5,543,281	\$ 22,892,740	\$ 6,400,423	\$ 1,358,287	\$ 131,948	\$ 419,440	\$ -	\$ (13,198,784)
2035	\$ 26,581,938	\$ 100,000	\$ 4,721,200	\$ 22,892,740	\$ 6,560,433	\$ 1,385,453	\$ 134,587	\$ 429,926	\$ -	\$ (17,919,984)
2036	\$ 27,645,215	\$ 100,000	\$ 3,863,083	\$ 22,892,740	\$ 6,724,444	\$ 1,413,162	\$ 137,279	\$ 440,674	\$ -	\$ (21,783,067)

Figure 17 – Projected Cash Flow Forecast 2037 – 2052 – Increased Cost for the UHN ACT Tower Project Sensitivity

Figure 17: Projected Cash Flow Forecast 2037 - 2052 Increased Cost for UHN ACT Project Sensitivity

	Revenues			Expenses						Reserve Balance
	Requisition	Grants in Lieu & Interest	From Reserves	Debt Service	Major Projects	Minor Equipment Grant	Building Integrity	Administration	Tsf to Reserve	
2037	\$ 28,751,024	\$ 100,000	\$ 2,967,111	\$ 22,892,740	\$ 6,892,555	\$ 1,441,425	\$ 140,024	\$ 451,391	\$ -	\$ (24,750,176)
2038	\$ 29,901,065	\$ 100,000	\$ 2,031,997	\$ 22,892,740	\$ 7,064,869	\$ 1,470,253	\$ 142,825	\$ 462,375	\$ -	\$ (26,782,175)
2039	\$ 31,097,108	\$ 100,000	\$ 1,056,098	\$ 22,892,740	\$ 7,241,491	\$ 1,499,659	\$ 145,681	\$ 473,635	\$ -	\$ (27,838,273)
2040	\$ 32,340,992	\$ 100,000	\$ 37,698	\$ 22,892,740	\$ 7,422,528	\$ 1,529,652	\$ 148,595	\$ 485,176	\$ -	\$ (27,875,971)
2041	\$ 33,634,632	\$ 100,000	\$ -	\$ 22,892,740	\$ 7,608,091	\$ 1,560,245	\$ 151,567	\$ 497,005	\$ 1,024,984	\$ (26,850,987)
2042	\$ 34,980,017	\$ 100,000	\$ -	\$ 22,892,740	\$ 7,798,294	\$ 1,591,450	\$ 154,598	\$ 509,130	\$ 2,133,806	\$ (24,717,182)
2043	\$ 36,379,218	\$ 100,000	\$ -	\$ 22,892,740	\$ 7,993,251	\$ 1,623,279	\$ 157,690	\$ 521,558	\$ 3,290,700	\$ (21,426,482)
2044	\$ 37,834,386	\$ 100,000	\$ -	\$ 22,892,740	\$ 8,193,082	\$ 1,655,744	\$ 160,844	\$ 534,297	\$ 4,497,679	\$ (16,928,803)
2045	\$ 39,347,762	\$ 100,000	\$ -	\$ 22,892,740	\$ 8,397,909	\$ 1,688,859	\$ 164,061	\$ 547,355	\$ 5,756,838	\$ (11,171,965)
2046	\$ 40,921,672	\$ 100,000	\$ -	\$ 22,892,740	\$ 8,607,857	\$ 1,722,636	\$ 167,342	\$ 560,739	\$ 7,070,359	\$ (4,101,606)
2047	\$ 42,558,539	\$ 100,000	\$ -	\$ 22,892,740	\$ 8,823,053	\$ 1,757,089	\$ 170,689	\$ 574,457	\$ 8,440,511	\$ 4,338,904
2048	\$ 44,260,881	\$ 100,000	\$ -	\$ 22,892,740	\$ 9,043,630	\$ 1,792,231	\$ 174,102	\$ 588,518	\$ 9,869,659	\$ 14,208,564
2049	\$ 46,031,316	\$ 100,000	\$ -	\$ 22,892,740	\$ 9,269,720	\$ 1,828,075	\$ 177,584	\$ 602,931	\$ 11,360,264	\$ 25,568,828
2050	\$ 47,872,568	\$ 100,000	\$ -	\$ 22,892,740	\$ 9,501,464	\$ 1,864,637	\$ 181,136	\$ 617,705	\$ 12,914,887	\$ 38,483,715
2051	\$ 49,787,471	\$ 100,000	\$ -	\$ 22,892,740	\$ 9,739,000	\$ 1,901,930	\$ 184,759	\$ 632,847	\$ 14,536,195	\$ 53,019,910
2052	\$ 51,778,970	\$ 100,000	\$ -	\$ 22,892,740	\$ 9,982,475	\$ 1,939,968	\$ 188,454	\$ 648,368	\$ 16,226,964	\$ 69,246,874

Therefore, if an increase in the projected cost to the FFGRHD for the UHN ACT Project was to occur in an amount similar to that shown in this sensitivity analysis, an increase in revenue would be required to ensure that the FFGRHD can cover the required debt servicing costs, along with other required expenditures on an annual basis. This would likely require an additional increase in annual requisition and would need to be contemplated expediently upon learning of a cost increase for the UHN ACT Project to allow enough time for requisition to increase to reach a sustainable annual level by the time the full amount of debt is incurred by the FFGRHD.

Increased FFGRHD Cost for Residential Care and Alternative Dementia Beds Project and UHN Acute Care Tower Project.

The final scenario for sensitivity analysis is that the cost increases for both the Residential Care and Alternative Dementia Beds Project and the UHN Acute Care Tower. For this scenario, for the reasons outlined above within each individual project's section, the individual cost escalations will be added together

to determine a total cost escalation for the Projects. With an escalation of \$348 million for the Residential Care and Alternative Dementia Beds Project and \$150 million for the UHN ACT Project, the total escalation considered will be \$498 million, which adds \$199.2 million of cost to the FFGRHD, at a 40% contribution level.

Figure 18 outlines the increased annual debt servicing costs as a result of the change in cost to the FFGRHD for the both the Residential Care and Alternative Dementia Beds and UHN ACT projects. The annual escalation in debt servicing of approximately \$12 million is not sustainable and the projection for the capital reserve balance turns negative very quickly by the year 2028.

Figure 18 – Projected Cash Flow Forecast 2021 – 2036 – Increased Cost for Residential Care and Alternative Dementia Beds & UHN ACT Tower Projects Sensitivity

Figure 18: Projected Cash Flow Forecast 2021 - 2036 Increased Cost for Residential Care and Alternative Dementia Beds and UHN ACT Projects Sensitivity

	Revenues			Expenses						Reserve Balance
	Requisition	Grants in Lieu & Interest	From Reserves	Debt Service	Major Projects	Minor Equipment Grant	Building Integrity	Administration	Tsf to Reserve	
2021	\$ 14,353,000	\$ 100,000	\$ -	\$ 786,375	\$ 18,609,927	\$ 1,050,000	\$ 102,000	\$ 304,270	\$ (6,399,572)	\$ 32,360,260
2022	\$ 15,478,000	\$ 100,000	\$ -	\$ 786,375	\$ 715,355	\$ 1,071,000	\$ 104,040	\$ 311,877	\$ 12,589,353	\$ 44,949,613
2023	\$ 16,603,000	\$ 100,000	\$ -	\$ 3,357,075	\$ 3,778,800	\$ 1,092,420	\$ 106,121	\$ 319,674	\$ 8,048,911	\$ 52,998,524
2024	\$ 17,267,120	\$ 100,000	\$ -	\$ 10,987,990	\$ 5,000,000	\$ 1,114,268	\$ 108,243	\$ 327,666	\$ (171,047)	\$ 52,827,477
2025	\$ 17,957,805	\$ 100,000	\$ 7,287,055	\$ 18,637,041	\$ 5,125,000	\$ 1,136,554	\$ 110,408	\$ 335,857	\$ -	\$ 45,540,421
2026	\$ 18,676,117	\$ 100,000	\$ 14,507,867	\$ 26,414,704	\$ 5,253,125	\$ 1,159,285	\$ 112,616	\$ 344,254	\$ -	\$ 31,032,555
2027	\$ 19,423,162	\$ 100,000	\$ 18,622,141	\$ 31,110,651	\$ 5,384,453	\$ 1,182,471	\$ 114,869	\$ 352,860	\$ -	\$ 12,410,413
2028	\$ 20,200,088	\$ 100,000	\$ 18,014,595	\$ 31,110,651	\$ 5,519,064	\$ 1,206,120	\$ 117,166	\$ 361,681	\$ -	\$ (5,604,181)
2029	\$ 21,008,092	\$ 100,000	\$ 17,380,075	\$ 31,110,651	\$ 5,657,041	\$ 1,230,242	\$ 119,509	\$ 370,723	\$ -	\$ (22,984,257)
2030	\$ 21,848,415	\$ 100,000	\$ 16,717,441	\$ 31,110,651	\$ 5,798,467	\$ 1,254,847	\$ 121,899	\$ 379,992	\$ -	\$ (39,701,698)
2031	\$ 22,722,352	\$ 100,000	\$ 16,025,501	\$ 31,110,651	\$ 5,943,429	\$ 1,279,944	\$ 124,337	\$ 389,491	\$ -	\$ (55,727,198)
2032	\$ 23,631,246	\$ 100,000	\$ 15,303,015	\$ 31,110,651	\$ 6,092,014	\$ 1,305,543	\$ 126,824	\$ 399,229	\$ -	\$ (71,030,214)
2033	\$ 24,576,496	\$ 100,000	\$ 14,548,694	\$ 31,110,651	\$ 6,244,315	\$ 1,331,654	\$ 129,361	\$ 409,209	\$ -	\$ (85,578,908)
2034	\$ 25,559,556	\$ 100,000	\$ 13,761,192	\$ 31,110,651	\$ 6,400,423	\$ 1,358,287	\$ 131,948	\$ 419,440	\$ -	\$ (99,340,100)
2035	\$ 26,581,938	\$ 100,000	\$ 12,939,111	\$ 31,110,651	\$ 6,560,433	\$ 1,385,453	\$ 134,587	\$ 429,926	\$ -	\$ (112,279,211)
2036	\$ 27,645,215	\$ 100,000	\$ 12,080,994	\$ 31,110,651	\$ 6,724,444	\$ 1,413,162	\$ 137,279	\$ 440,674	\$ -	\$ (124,360,205)

Due to the fact that the increases to the FFGRHD's contribution to project costs was unsustainable individually, it is no surprise that a scenario where the costs for both projects escalate simply highlights further financial challenges. If a similar scenario were to occur, significant changes to the annual requisition would be required to increase to a sustainable annual level by the time the full amount of debt is incurred by the FFGRHD.

Should any of the four scenarios discussed above occur, changes to the annual requisition collected by the RHD would be required in order to proceed with the scenario. It should be noted that the scenarios considered are the most significant potential changes to the current assumptions and the amounts included are estimates of what could happen under each scenario to provide an idea of whether or not the current funding model could absorb such a change.

Proposed 2021 Financial Plan

In order for the FFGRHD to maintain a Capital Reserve Fund for future unidentified projects while funding the annual debt obligations under the current proposed project plans for the UHN ACT Project and the RCAD Project, it is recommended that the FFGRHD increase the residential tax requisition mill rate by five (5) cents in 2022 and 2023. These increases will conclude the five (5) cent increases that were approved in the original financial plan for the years 2017 to 2019 and in the 2019 Financial Plan for 2020 to 2023.

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.

Cash Flow Projections

Figure 19 outlines the projected cash flow from 2021 to 2036 based on the current funding requests received from the NHA, most recently in July 2021. This matches to Figure 9 discussed earlier under the current funding model section. Figure 20 outlines the next 15 years of projected cash flows from 2037 to 2052 and matches to Figure 10 also discussed earlier.

Figure 19 – Projected Cash Flow 2021 – 2036 Under Proposed Funding Model

Figure 9: Projected Cash Flow Forecast 2021 - 2036 Under Current Funding Model

	Revenues			Expenses						Reserve Balance
	Requisition	Grants in Lieu & Interest	From Reserves	Debt Service	Major Projects	Minor Equipment Grant	Building Integrity	Administration	Tsf to Reserve	
2021	\$ 14,353,000	\$ 100,000	\$ -	\$ 786,375	\$ 18,609,927	\$ 1,050,000	\$ 102,000	\$ 304,270	\$ (6,399,572)	\$ 32,360,260
2022	\$ 15,478,000	\$ 100,000	\$ -	\$ 786,375	\$ 715,355	\$ 1,071,000	\$ 104,040	\$ 311,877	\$ 12,589,353	\$ 44,949,613
2023	\$ 16,603,000	\$ 100,000	\$ -	\$ 1,302,598	\$ 3,778,800	\$ 1,092,420	\$ 106,121	\$ 319,674	\$ 10,103,388	\$ 55,053,001
2024	\$ 17,267,120	\$ 100,000	\$ -	\$ 6,071,919	\$ 5,000,000	\$ 1,114,268	\$ 108,243	\$ 327,666	\$ 4,745,024	\$ 59,798,025
2025	\$ 17,957,805	\$ 100,000	\$ -	\$ 10,565,880	\$ 5,125,000	\$ 1,136,554	\$ 110,408	\$ 335,857	\$ 784,106	\$ 60,582,130
2026	\$ 18,676,117	\$ 100,000	\$ 3,428,364	\$ 15,335,201	\$ 5,253,125	\$ 1,159,285	\$ 112,616	\$ 344,254	\$ -	\$ 57,153,767
2027	\$ 19,423,162	\$ 100,000	\$ 6,588,774	\$ 19,077,284	\$ 5,384,453	\$ 1,182,471	\$ 114,869	\$ 352,860	\$ -	\$ 50,564,992
2028	\$ 20,200,088	\$ 100,000	\$ 5,981,228	\$ 19,077,284	\$ 5,519,064	\$ 1,206,120	\$ 117,166	\$ 361,681	\$ -	\$ 44,583,765
2029	\$ 21,008,092	\$ 100,000	\$ 5,346,708	\$ 19,077,284	\$ 5,657,041	\$ 1,230,242	\$ 119,509	\$ 370,723	\$ -	\$ 39,237,056
2030	\$ 21,848,415	\$ 100,000	\$ 4,684,074	\$ 19,077,284	\$ 5,798,467	\$ 1,254,847	\$ 121,899	\$ 379,992	\$ -	\$ 34,552,982
2031	\$ 22,722,352	\$ 100,000	\$ 3,992,134	\$ 19,077,284	\$ 5,943,429	\$ 1,279,944	\$ 124,337	\$ 389,491	\$ -	\$ 30,560,849
2032	\$ 23,631,246	\$ 100,000	\$ 3,269,648	\$ 19,077,284	\$ 6,092,014	\$ 1,305,543	\$ 126,824	\$ 399,229	\$ -	\$ 27,291,200
2033	\$ 24,576,496	\$ 100,000	\$ 2,515,327	\$ 19,077,284	\$ 6,244,315	\$ 1,331,654	\$ 129,361	\$ 409,209	\$ -	\$ 24,775,873
2034	\$ 25,559,556	\$ 100,000	\$ 1,727,825	\$ 19,077,284	\$ 6,400,423	\$ 1,358,287	\$ 131,948	\$ 419,440	\$ -	\$ 23,048,048
2035	\$ 26,581,938	\$ 100,000	\$ 905,744	\$ 19,077,284	\$ 6,560,433	\$ 1,385,453	\$ 134,587	\$ 429,926	\$ -	\$ 22,142,304
2036	\$ 27,645,215	\$ 100,000	\$ 47,627	\$ 19,077,284	\$ 6,724,444	\$ 1,413,162	\$ 137,279	\$ 440,674	\$ -	\$ 22,094,677

As you can see in Figure 19, under the proposed funding model, the FFGRHD is able to contribute to reserves from 2022 to 2025, at which time the majority of the debt for the two (2) major projects will have been issued and the FFGRHD will commence making annual debt servicing payments to repay the debt. From 2026 to 2036, there is a net draw from the reserves each year to fund the debt servicing, but the overall reserve balance does not drop below \$22 million, reaching this level in 2036.

Figure 20 – Projected Cash Flow 2037 – 2052 Under Proposed Funding Model

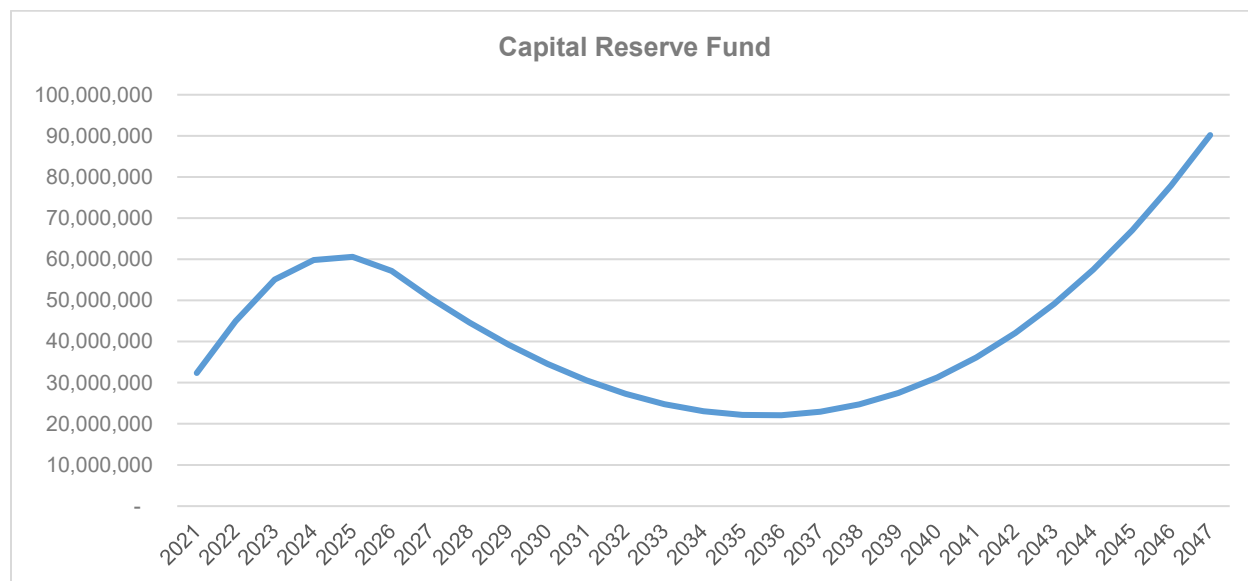
Figure 10: Projected Cash Flow 2037 - 2052 Under Current Funding Model

	Revenues			Expenses						Reserve Balance
	Requisition	Grants in Lieu & Interest	From Reserves	Debt Service	Major Projects	Minor Equipment Grant	Building Integrity	Administration	Tsf to Reserve	
2037	\$ 28,751,024	\$ 100,000	\$ -	\$ 19,077,284	\$ 6,892,555	\$ 1,441,425	\$ 140,024	\$ 451,391	\$ 848,345	\$ 22,943,022
2038	\$ 29,901,065	\$ 100,000	\$ -	\$ 19,077,284	\$ 7,064,869	\$ 1,470,253	\$ 142,825	\$ 462,375	\$ 1,783,459	\$ 24,726,481
2039	\$ 31,097,108	\$ 100,000	\$ -	\$ 19,077,284	\$ 7,241,491	\$ 1,499,659	\$ 145,681	\$ 473,635	\$ 2,759,358	\$ 27,485,839
2040	\$ 32,340,992	\$ 100,000	\$ -	\$ 19,077,284	\$ 7,422,528	\$ 1,529,652	\$ 148,595	\$ 485,176	\$ 3,777,758	\$ 31,263,597
2041	\$ 33,634,632	\$ 100,000	\$ -	\$ 19,077,284	\$ 7,608,091	\$ 1,560,245	\$ 151,567	\$ 497,005	\$ 4,840,440	\$ 36,104,037
2042	\$ 34,980,017	\$ 100,000	\$ -	\$ 19,077,284	\$ 7,798,294	\$ 1,591,450	\$ 154,598	\$ 509,130	\$ 5,949,262	\$ 42,053,298
2043	\$ 36,379,218	\$ 100,000	\$ -	\$ 19,077,284	\$ 7,993,251	\$ 1,623,279	\$ 157,690	\$ 521,558	\$ 7,106,156	\$ 49,159,454
2044	\$ 37,834,386	\$ 100,000	\$ -	\$ 19,077,284	\$ 8,193,082	\$ 1,655,744	\$ 160,844	\$ 534,297	\$ 8,313,135	\$ 57,472,589
2045	\$ 39,347,762	\$ 100,000	\$ -	\$ 19,077,284	\$ 8,397,909	\$ 1,688,859	\$ 164,061	\$ 547,355	\$ 9,572,294	\$ 67,044,883
2046	\$ 40,921,672	\$ 100,000	\$ -	\$ 19,077,284	\$ 8,607,857	\$ 1,722,636	\$ 167,342	\$ 560,739	\$ 10,885,815	\$ 77,930,698
2047	\$ 42,558,539	\$ 100,000	\$ -	\$ 19,077,284	\$ 8,823,053	\$ 1,757,089	\$ 170,689	\$ 574,457	\$ 12,255,967	\$ 90,186,664
2048	\$ 44,260,881	\$ 100,000	\$ -	\$ 19,077,284	\$ 9,043,630	\$ 1,792,231	\$ 174,102	\$ 588,518	\$ 13,685,115	\$ 103,871,780
2049	\$ 46,031,316	\$ 100,000	\$ -	\$ 19,077,284	\$ 9,269,720	\$ 1,828,075	\$ 177,584	\$ 602,931	\$ 15,175,720	\$ 119,047,500
2050	\$ 47,872,568	\$ 100,000	\$ -	\$ 19,077,284	\$ 9,501,464	\$ 1,864,637	\$ 181,136	\$ 617,705	\$ 16,730,343	\$ 135,777,843
2051	\$ 49,787,471	\$ 100,000	\$ -	\$ 19,077,284	\$ 9,739,000	\$ 1,901,930	\$ 184,759	\$ 632,847	\$ 18,351,651	\$ 154,129,494
2052	\$ 51,778,970	\$ 100,000	\$ -	\$ 19,077,284	\$ 9,982,475	\$ 1,939,968	\$ 188,454	\$ 648,368	\$ 20,042,420	\$ 174,171,914

In Figure 20, the annual requisition increases to a sustainable annual level where contributions can be made back to the Capital Reserve Fund starting in 2037. From 2037 for the balance of this table until 2052, an annual transfer to the Capital Reserve Fund can be achieved to help fund future projects outlined by the NHA.

As identified in Figure 21 below, under this proposed funding plan, reserves are funded each year until 2025. Starting in 2026, the FFGRHD will draw on the Capital Reserve Fund to meet its funding commitments until 2036 at which time the annual requisition will have increased to a level where it would be able to cover annual debt servicing obligations and the NHA capital funding requests and administrative cost requirements (all annual costs of the FFGRHD).

Figure 21 – Proposed Capital Reserve Fund Balance - 2021 to 2047

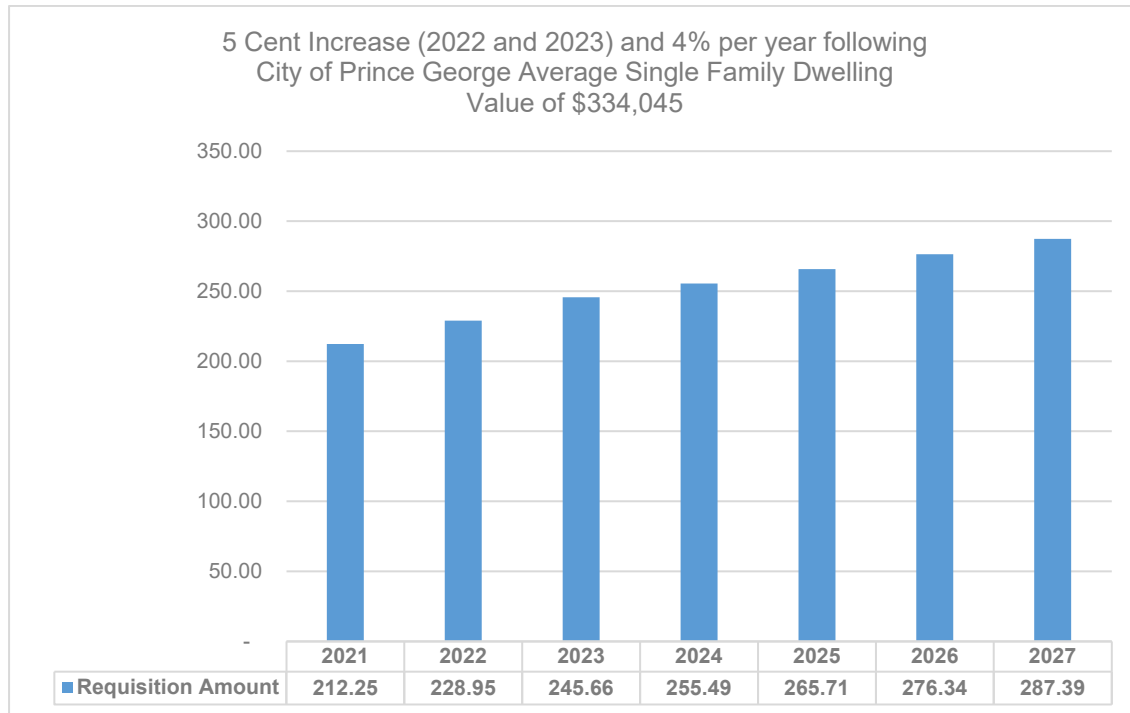


Impact of Proposed Financial Plan

The proposed Plan includes annual five (5) cent increases to the residential tax requisition mill rate for the years 2022 & 2023 and an increase in the annual requisition of 4% per year following 2023. Based on the 2021 completed assessment roll, the average single-family dwelling in the City of Prince George is assessed at \$334,045.

Figure 22 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 \$16.70 per year based on the current assessment information for the City of Prince George.

While Figure 22 outlines the impact based on an average single family dwelling in Prince George, the effect across the RHD to residential taxpayers is the same per \$100,000 of assessment.

Figure 22 – Impact of Proposed Plan on Average Single-Family Dwelling – 2021 to 2027

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 the FFGRHD requisition under the proposed financial plan:

- 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
- 2026 - \$82.72 per \$100,000
- 2027 - \$86.03 per \$100,000

The requisition per \$100,000 is likely to change in the year 2024 and beyond from the estimates provided here based on the change in assessment values each year. As assessment values increase on the whole, the increase to the requisition rate required to achieve a 4% increase in total requisition will be less than outlined.

Recommendations

Based on the consideration of the current funding model and various scenarios under sensitivity analysis, Financial Services Administration recommends the following:

1. That the Board approve the proposed 2022-2036 Financial Plan with a five-cent increase to the residential tax requisition mill rate in 2022 and 2023, followed by a 4% increase to the total requisition per year thereafter.
2. That the FFGRHD Financial Plan be reviewed and updated every two years, creating a timeline for review in the fall of 2023.

The proposed Plan is consistent with the 2019 version of the Financial Plan and 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 2021 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.