

ADDITIONAL ITEM



Fraser-Fort George
REGIONAL HOSPITAL
DISTRICT

FFGRHD FUNDING FOR UHNBC ACUTE CARE TOWER

SEPTEMBER 12, 2024

Agenda

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- 2 Current Financial Position
- 3 Funding Sources
- 4 Financial Analysis
- 5 Negotiation Objectives
- 6 Project Benefits, Risks & Alignment
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Fraser-Fort George
REGIONAL HOSPITAL
DISTRICT

Regional Hospital District 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.

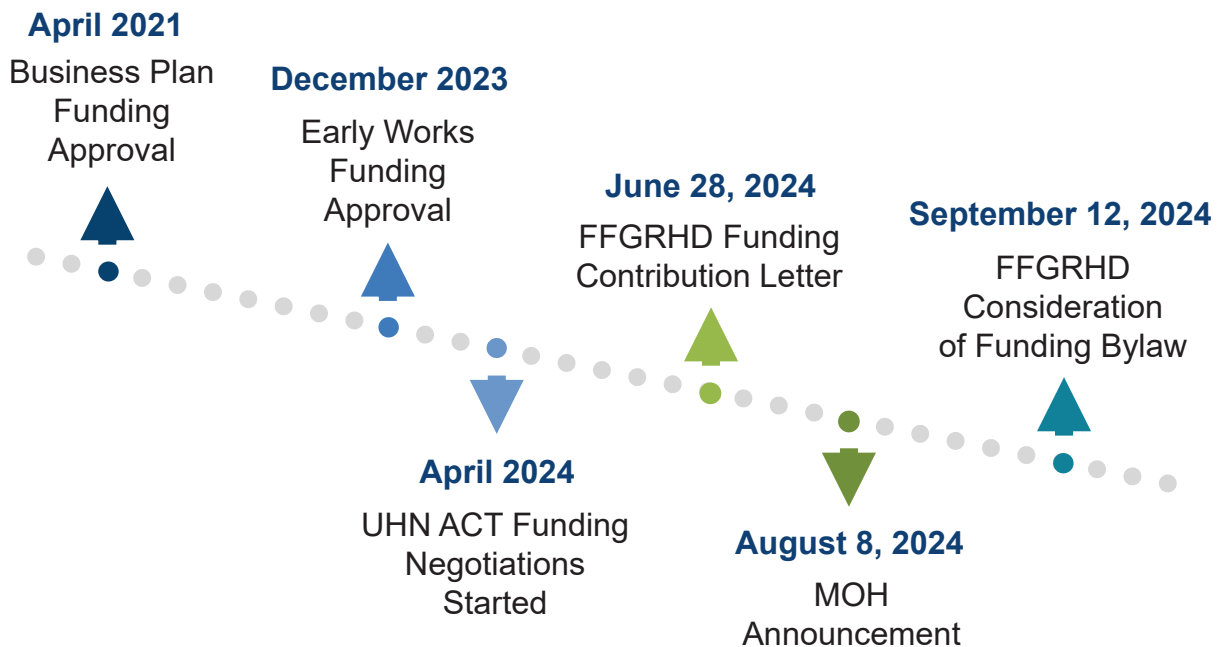
This investment can include:

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

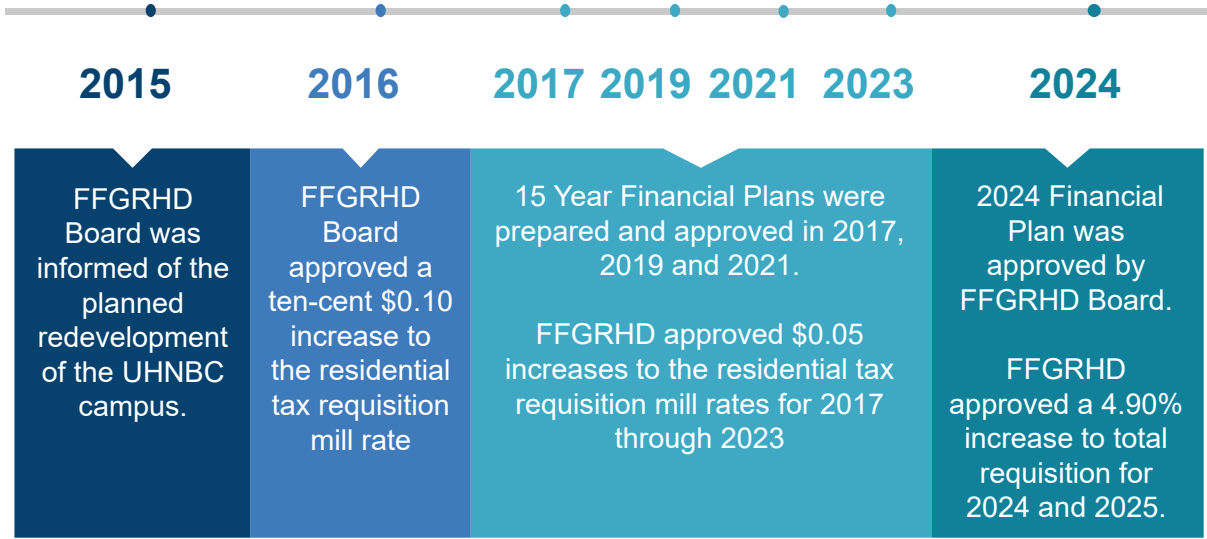
Typically, the contribution from RHDs is set at 40% of the total capital expenditure when a project benefits residents within the RHD's service area or boundary.



Background – Project Timeline

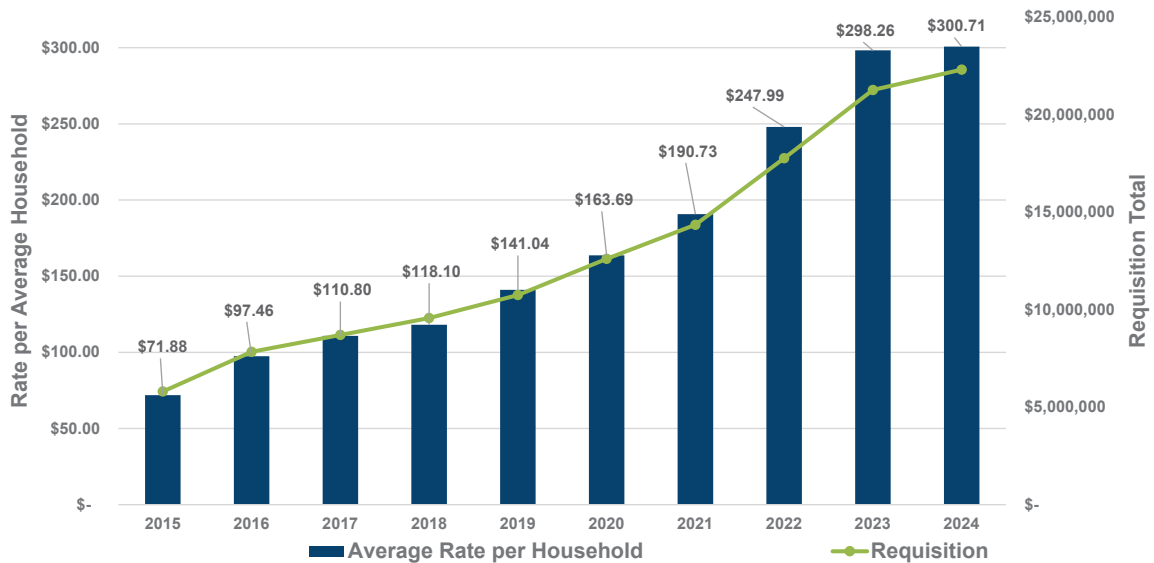


Financial Planning History



Historical Requisition Increases

Requisition Amounts with Rates per Average Household



Current Financial Position

Financial Metric	Actual - 2024	2024 – Estimate per 2024 Financial Plan	Difference
Residential Requisition Rate per \$100K	\$ 73.95	\$ 77.34	\$ (3.39)
Requisition	\$ 22,312,230	\$ 22,312,230	\$ 0
Payment by Average Residential Household	Based on \$406,639 avg: \$ 300.71	Based on \$404,541 avg: \$ 312.88	\$ (12.17)
Capital Reserve Fund*	\$ 71,256,496	\$ 70,652,294	\$ 604,202

*Capital Reserve Fund balance stated as of the beginning of the fiscal year (January 1st)



UHNBC ACT Funding Contribution

	Total Project Cost Estimate	FFGRHD Contribution	Percentage Contribution
Business Plan	\$ 5,000,000	\$ 5,000,000	100.00%
Early Works	\$ 103,220,000	\$ 41,288,000	40.00%
UHN Acute Care Tower	\$ 1,579,487,000	\$ 318,712,000	20.18%
Total Project Estimate	\$ 1,687,707,000	\$ 365,000,000	21.63%

A 40% contribution to the Total Project Estimate would be \$675,082,800, a total contribution of \$365,000,000 represents a savings of \$310,082,800 to FFGRHD taxpayers.



FFGRHD Funding Sources

Funding sources available:

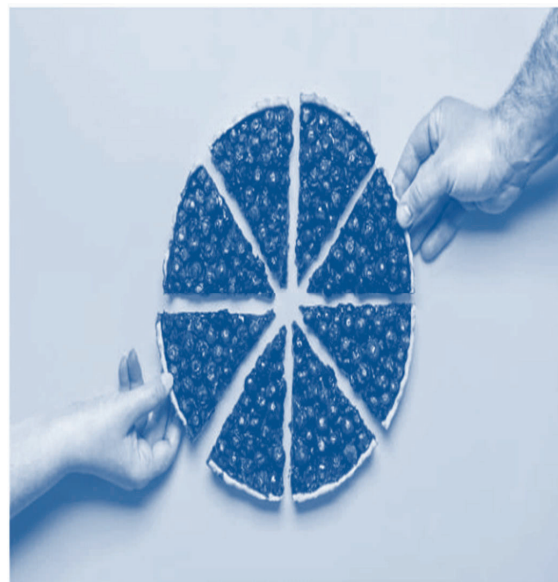
- Tax Requisition
- Capital Reserve Funds
- Borrowing from Municipal Finance Authority (MFA)
- Combination of the above



Tax Requisition

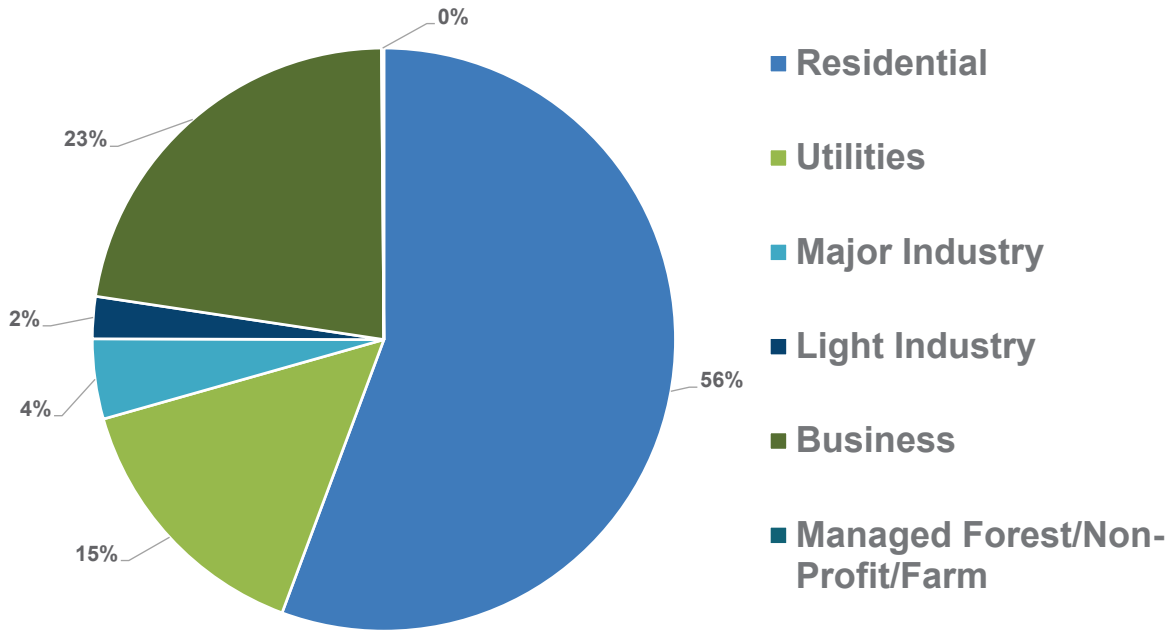
Tax Requisition is allocated between all participants, based on converted assessment values in specified property classes.

Non-Market Changes impact individual tax requisitions as we add new residential properties, industries and businesses in the area.



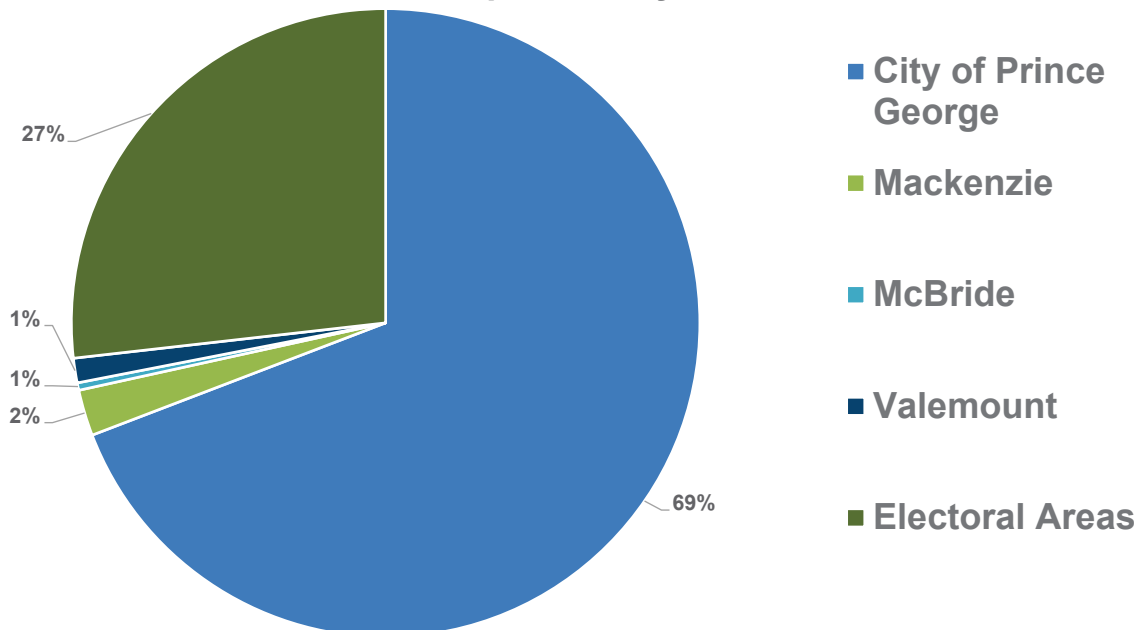
2024 Requisition Breakdown

2024 Requisition by BC Assessment Property Class



2024 Requisition Breakdown

2024 Requisition by Area



FFGRHD Current Reserve Balances

Reserve Balance of July 31, 2024:

- \$73,402,222

NHA Commitments as of July 31, 2024:

- \$47,097,882

Unrestricted Reserve Balance as of July 31, 2024:

- \$26,304,340



Borrowing from the Municipal Finance Authority



MFA offers a unique loan structure that allows for favorable long-term borrowing rates.

Additional information will be provided to the Board regarding interest rate and loan term options to ensure the most fiscally responsible options are considered prior to entering into a loan agreement with the MFA



Key Financial Updates

The Financial Model from the 2024 Financial Plan was updated to include:

- A reduction in borrowing amount from \$350,000,000 to \$318,712,000
- Revised cash flow timing based on the approved Northern Health business case includes funding draws from 2026 to 2033 (previously estimated 2025 to 2029)
- A negotiated funding delay with anticipated FFGRHD funding requests to start in 2029.

Reduction of Borrowing Amount

- Considering a reduced borrowing from \$350M to \$318.712M significantly reduces the expected annual debt payments as well as interest costs over the loan term.
 - Early Works Contributions \$41.288 Million funded from Capital Reserves over 2024 to 2026
 - Minimum Annual Requisition Increase 3.90% until 2038
 - Annual Debt Payments reduced to \$22.01 Million



Project
funding
amount to be
borrowed
\$318.712M

Revised Construction Timeline

- Considering an updated construction timeline and reducing the contribution amount that will be funded by debt allows more time to build reserve funds and increase investment earnings before starting to obtain debt financing.

Construction
Timeline
from 2026 to
2033

- Allows increased reserves savings and investment returns
- Minimum annual requisition Increase 3.00% until 2044
- Debt financing to start in 2026

Funding Requests at the end of Construction Timeline

- Considering an updated construction timeline with a delayed payment timeline to begin in 2029

Funding for
the ACT
project would
occur starting
in 2029

- Debt financing to start in 2029
- Over \$1 billion of construction costs incurred prior to FFGRHD contributions begin
- Minimum Annual Requisition Increase 2.60% until 2049

Scenario Summary

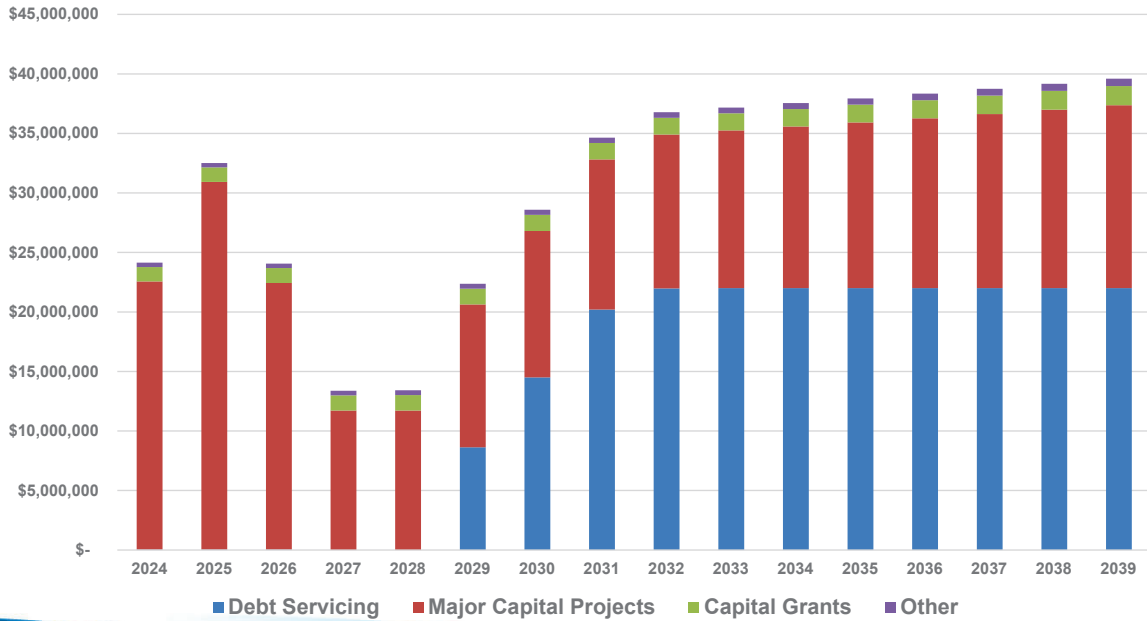
Scenario	Borrowing	Requisition Increase Needed	End Date of Requisition Increase
Financial Plan	\$ 350,000,000	4.90%	Until 2036
Reduced Borrowing	\$ 318,712,000	3.90%	Until 2038
Revised Construction Timeline	\$ 318,712,000 starting in 2026	3.00%	Until 2044
Delayed Payment Timeline	\$ 318,712,000 starting in 2029	2.60%	Until 2049

Financial Metrics

Delayed Payment Timeline	Actual - 2024	Estimate as of 2039 (15-year)	Difference
Residential Requisition Rate per \$100k	\$ 73.95	\$ 111.12	\$ 37.17
Requisition	\$ 22,312,230	\$ 33,525,983	\$ 11,213,753
Payment by Average Household	Based on \$406,639 avg: \$ 300.71	Based on \$406,639 avg: \$ 451.84	\$ 151.13
Capital Reserve Fund	\$ 71,256,496	\$ 54,965,305	\$ (16,291,191)
Annual Debt Servicing Cost	\$ 33,240	\$ 22,008,553	\$ 21,975,313

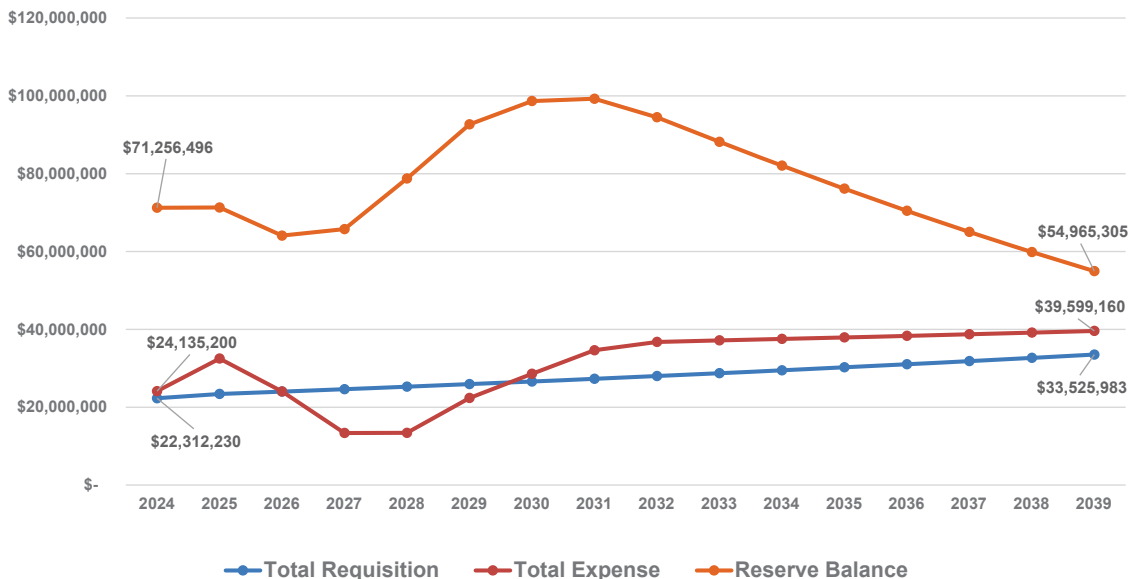
15-Year Projected Expenditure Estimates

Delayed Payment Timeline



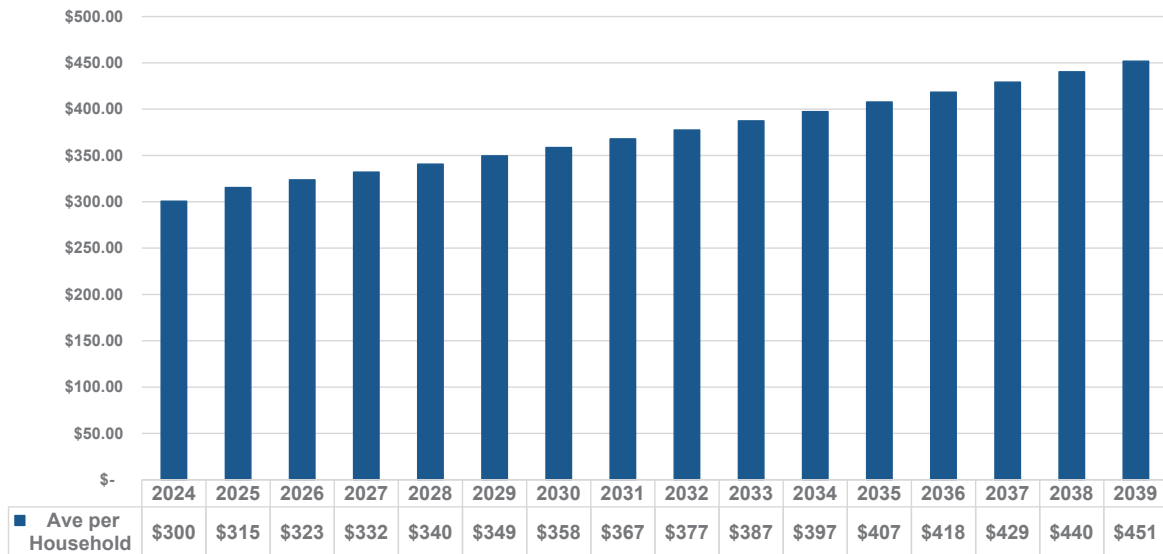
15-year Projected Cash Flow

Delayed Payment Timeline



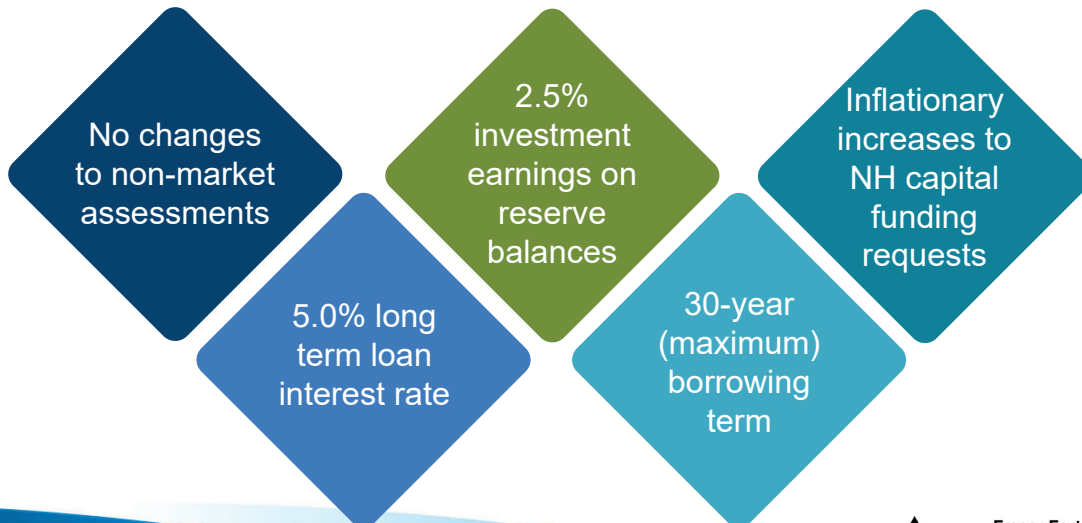
15-Year Projected Cost per Average Household

Delayed Payment Timeline

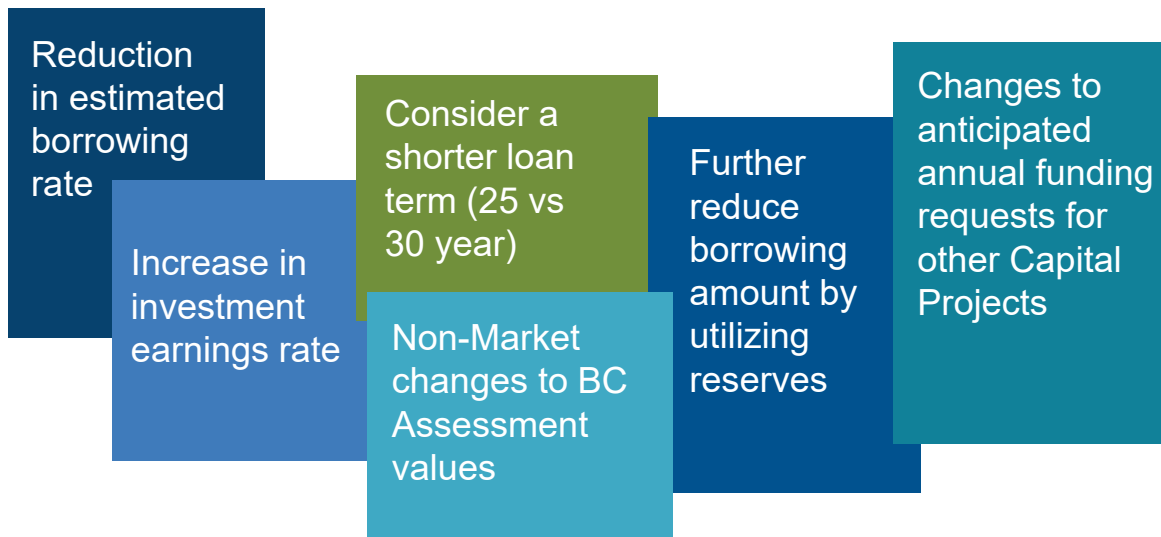


Other Financial Considerations

The following key rates and assumptions were used in the 2024 version of the Financial Plan:



Sensitivity Analysis



Modeling Analysis of these factors will be further explored in the next version of the Long-Term Financial Plan anticipated for late 2025.

Negotiation Objectives

- ✓ See project announcement occur prior to 2024 election
- ✓ Negotiate an affordable contribution for FFGRHD taxpayers
- ✓ Cap the funding contribution to protect from future inflation and cost escalation
- ✓ Timing of FFGRHD funding draws to the end of the project timeline
- ✓ Ensure negotiated contribution is in line with provincial comparables

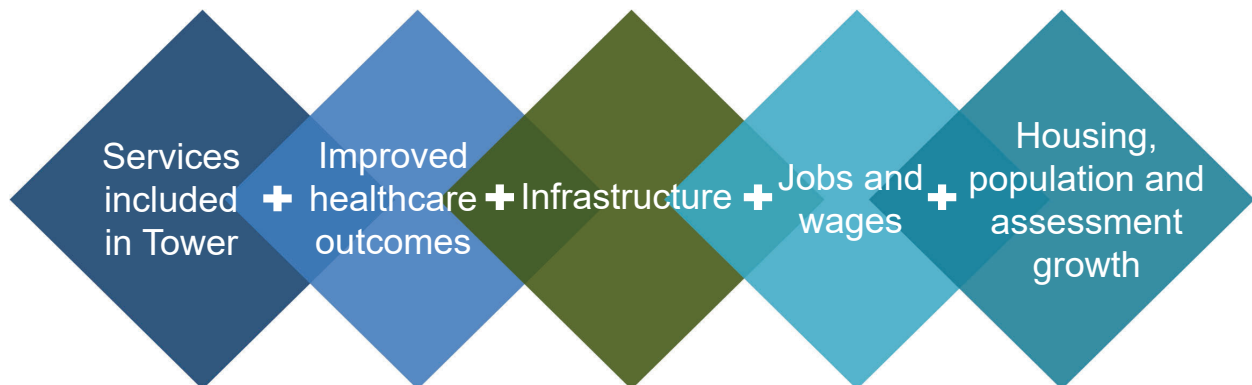
Outcome:
\$365,000,000
Global Funding
Contribution To
Project

Provincial Comparability

Other significant hospital construction projects in BC:

Project	Total Project Cost	RHD Contribution	Percentage RHD Contribution
Mills Memorial Hospital Replacement	\$633 Million	\$120 Million	19%
Dawson Creek & District Hospital Replacement	\$590 Million	\$177 Million	30%
Cowichan District Hospital Replacement	\$1,446 Million	\$283 Million	20%
Nanaimo Regional General Hospital ICU & High Acuity Unit Redevelopment	\$60 Million	\$20 Million	33%

Project Benefits for the Region



Acute Care Tower Project Scope

Component	Existing	Business Plan
Surgical Services		
Surgical Patient Care Beds	55	102
Day Surgery and Anesthetic Care Unit		1335.6 m2
OR Booking	20 m2	37.6 m2
Pre-Surgery Screening	105 m2	246.7 m2
OR's	8 + 1 high risk OBS	12
Medical Device Reprocessing	680 m2	1478
Cardiac Services		
Cardiac Diagnostic Services and Clinics	328 m2	1152 m2
Coronary Care Inpatient Unit	X	6 CCU + 20 step down beds
Interventional Cardiac Services	X	2067 m2
Mental Health and Substance Use Services		
Adolescent Psychiatric Assessment Unit	4	11
Adult Psychiatric Assessment Unit	20	36
Opioid Substitution Clinic	✓	Remains*
Psychiatric ICU	4	4+transition space
Withdrawal Management (non-acute care beds)	16	32
Youth Treatment Unit (non-acute care beds)	7	Remains*
Brief Intervention Unit	x	6
Non-Clinical Supports		
Food Services		Added
Stores / Materials Management		Added
Parking		In Develop't

Infrastructure, Jobs and Wages

+ This is a major infrastructure project spending an estimated \$1.682 billion on construction (Early Works & Acute Care Tower combined)

- +** Jobs
- During construction – Estimated 800 jobs at peak
 - Permanent – Estimated 547 net new FTE
 - For every 1 FTE created permanently, 1.27 jobs are created in Prince George (1.27 multiplier)
 - Good paying jobs – medical professionals and adjacent jobs/businesses
 - Creates \$41M (est.) in wages each year once operational

Housing, Population and Assessment Growth

- + With 547 FTEs created permanently, this will create a need for housing and housing starts in the Prince George area
- + Will enhance the local economy and provide assessment growth in the Prince George area
 - o Est. 450 homes needed at avg build cost \$400K /home = \$180M in assessment growth
- + Will enhance PG/RHD population by at least 1,312 to reflect the 547 FTE and their families (average of 2.4 ppl per household)

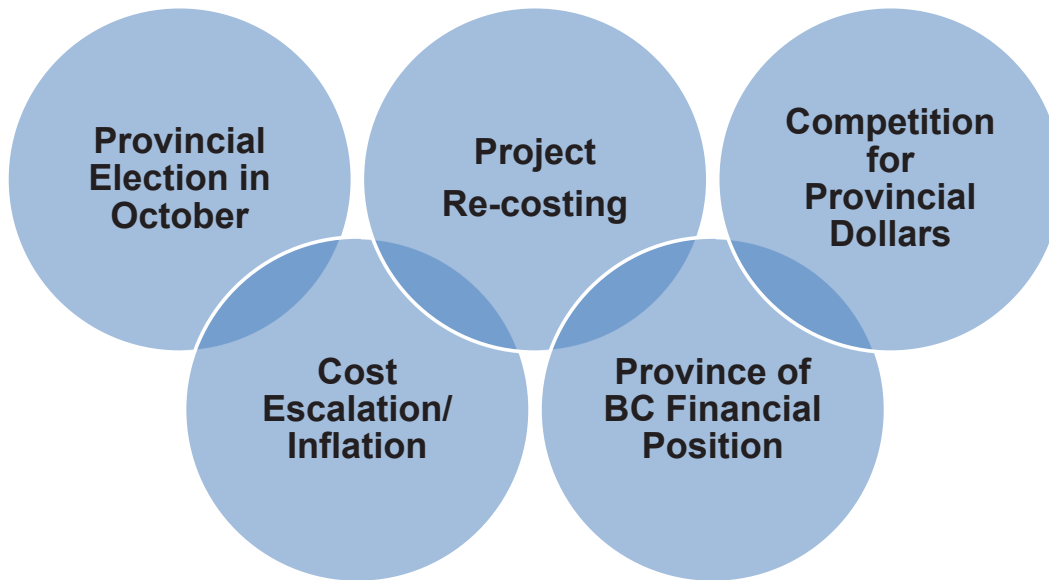
Strategic Alignment

Strategic Priorities 2024 – 2028

- Pillar 3 – Quality Community Services
- Goal 4 – Advance healthcare in the region

MOU – Joint Response to Local Challenges

Project Risks



Potential Cost Escalation

Potential Cost Escalation	RHD Contribution	MOH Contribution	RHD Percentage Contribution
\$1,687,707,000*	\$365,000,000	\$1,322,707,000	21.63%
\$1,800,000,000	\$365,000,000	\$1,435,000,000	20.28%
\$1,900,000,000	\$365,000,000	\$1,535,000,000	19.21%
\$2,000,000,000	\$365,000,000	\$1,635,000,000	18.25%
\$2,100,000,000	\$365,000,000	\$1,735,000,000	17.38%

*Current Project Estimate

Summary

Growth expected for the City of PG and surrounding area cannot be underestimated

Met negotiation objectives

Saved \$310M from 40% contribution level

Enhancement of services is significant

Locked in contribution avoids cost escalation/ inflation

Long-term financial planning work has paid off required requisition increase is within inflationary range at 2.60%



Questions/Discussion

