



**Fraser-Fort George
REGIONAL HOSPITAL
DISTRICT**

Main Office: 155 George Street, Prince George, BC V2L 1P8
Telephone: (250) 960-4400 / Fax: (250) 563-7520
Toll Free: 1-800-667-1959 / www.rdffg.ca

REPORT FOR CONSIDERATION

TO: Chair and Directors

FROM: Sarah White, General Manager of Financial Services

DATE: November 8, 2024

SUBJECT: Northern Health Funding Contribution Options

SUMMARY: Purpose: For Information

File No.: H-NOR 3.0

Attachments: PowerPoint Presentation (to be provided as an Additional Item)
Previous Reports: None

RECOMMENDATION(S):

THAT the report and presentation dated November 8, 2024 regarding “Northern Health Funding Contribution Options” be received for information.

ENTITLEMENT	HOW VOTE COUNTED
All 1 Director/1 vote	Majority

ISSUE(S):

During the Fraser-Fort George Regional Hospital District (“RHD”) meeting in October 2024, the Board requested Administration to provide a report on the 2025 Budget and provide options for the Board to reduce the total major project and major equipment expenditure and contribution levels, so as to balance the mega contribution the Board has made to the new Patient Care Tower, while still meeting the mandate that the Regional Hospital District Board sets out.

Administration has prepared this report and will provide a presentation that outlines funding contribution options for consideration and allow for an opportunity for Directors to provide feedback on the proposed 2025-2029 budget approach.

RELEVANT POLICIES:

1. *Hospital District Act*, Section 23(1)
 - the Board must prepare and adopt, before a prescribed date in each year, a provisional budget for the following calendar year.
2. *Hospital District Act*, Section 23(5)
 - on or before March 31st in each year the Board must adopt, by bylaw, the annual budget of the Board.
3. *Hospital District Act*, Section 32(1) and (2)
 - provides requirement for Hospital District boards to enact capital bylaws to permit the borrowing or spending of money to meet capital expenditures.
4. FFGRHD Long-Term Financial Plan 2024 – 2038
 - provides an overview of the future financial impacts that the NHA funding requests will have on the FFGRHD budget and determines a long-term plan for requisition and reserves to meet these funding requests

FINANCIAL CONSIDERATION(S):

Each year, the Northern Health Authority (“NHA”) provides the Fraser-Fort George Regional Hospital District (“RHD”) with a Draft Capital Plan for major projects and equipment proposed for health care facilities within the region.

The Draft Capital Plan provides the RHD an opportunity to consider the NHA's future capital funding needs in preparation for its own budget planning. The NHA's capital funding is typically provided by the Province of British Columbia and any capital plan projects are contingent on Provincial contributions and approval by NHA's Board.

The RHD typically cost shares at the 40% level for major equipment and capital projects over \$100,000 and also provides an annual building integrity grant and minor equipment grant for equipment and projects costing under \$100,000. Cost sharing for information technology or NHA region wide projects are usually subject to a lower contribution request from the RHD.

The FFGRHD received a preliminary funding request from Northern Health on November 4, 2024 outlining projects and anticipated funding for 2025, 2026, 2027 and future years. This list of projects and equipment is subject to change pending NH Board review.

The 2025 proposed RHD funding request includes the following breakdown by type of funding:

Funding Type	2024 Approved Amount	2025 Amount	2026 Amount	2027 Amount	Future Years Amount
Building Integrity	\$100,000	\$100,000	\$100,000	\$100,000	ongoing
Minor Equipment (< \$100,000)	\$1,100,000	\$1,120,400	\$1,142,808	\$1,165,664	ongoing
Major Projects – Continuation of Prior Year Projects	\$7,189,600	\$6,615,600	\$1,092,400	\$0	\$0
Major Projects – New	\$1,667,897	\$2,527,600	\$6,705,040	\$13,399,200	\$35,607,360
Information Technology	\$391,613	\$206,424	\$201,622	\$220,543	\$350,189
Major Equipment	\$1,571,200	\$3,271,600	\$3,394,160	\$3,237,238	\$2,567,000
Total RHD Funding Request	\$12,020,310	\$13,841,624	\$12,636,030	\$18,122,645	\$38,524,549

This total RHD funding request will shape the RHD's 2025 Annual Budget, along with any outstanding commitments that the RHD has approved to fund NHA for remaining amounts on capital bylaws in place up to December 31, 2024.

These commitments include unspent amounts related to Capital Expenditure Bylaw No. 344, 2023 for the UHNBC Acute Care Tower Early Works and Bylaw No. 352, 2024 for the UHNBC Acute Care Tower Construction as well as other project commitments with approved Bylaws which totaled \$10,920,275 as of October 31, 2024.

NHA Commitments:	2024 Remaining Amount	2025 Amount	2026 Amount	2027 Amount	Future Years Amount
Project Commitments as of October 31, 2024	\$0	\$10,920,275	\$0	\$0	\$0
UHNBC Early Works	\$271,510	\$20,000,000	\$16,888,000	\$0	\$0
UHNBC Acute Care Tower	\$0	\$0	\$0	\$0	\$318,712,000
Total RHD Commitments as of October 31, 2024	\$4,400,000	\$30,920,275	\$16,888,000	\$0	\$318,712,000

OTHER CONSIDERATION(S):

The Fraser-Fort George Regional Hospital District ("RHD") has had a Memorandum of Understanding ("MOU") in place with Northern Health since 2003. The MOU was updated in October 2023 and has been signed for a two-year term ending October 2025. The MOU outlines the following responsibilities:

- NH is responsible for all health care services within the Northern British Columbia region comprising of Northwest, Northeast and Northern Interior Health Service Delivery Areas, and
- The RHDs are responsible, on a voluntary basis, for providing funding based on a cost-shared formula to NH for capital, including equipment and clinical information technology projects, within their respective service areas in accordance with the *Hospital District Act*.

The 2024 Long-Term Financial Plan utilized anticipated capital grants based on the funding requests received from Northern Health in November 2023. The funding levels determined through the 2025 annual budgeting process will impact the long-term financial plan and potential requisition rates needed to provide funding at anticipated levels. Funding reductions from NH requested amounts may have an impact on healthcare delivery in the region. An updated Long-Term Financial Plan which incorporates updated key assumptions will be presented to the board in late 2025.

The Provisional Budget for 2025-2029 will be presented at the December 2024 meeting for review. A letter from Northern Health which outlines specific projects included for consideration is anticipated to be received and will be presented to the Board in early 2025. The final 2025 budget bylaw is required to be adopted by the Board prior to the end of March 2025.

DECISION OPTIONS:

1. Approve recommendation to receive the report for information.

Other Options:

- a. Provide additional feedback on the options presented which will be utilized in the preparation of the provisional and final budgets.

COMMENTS:

The presentation will cover the following areas:

- Northern Health Memorandum of Understanding
- Northern Health capital planning process
- Capital project types
- Historical FFGRHD capital funding requests
- 2025 and future anticipated capital funding requests
- Funding options for consideration
- Other considerations
- Next steps

With the inclusion of the RHD's contribution to the UHNBC Acute Care Tower project in the long-term financial plans, the RHD is attempting to maintain fiscal sustainability into the future.

Respectfully submitted,

“Sarah White”

Sarah White
General Manager of Financial Services

SW:bl



Fraser-Fort George
REGIONAL HOSPITAL
DISTRICT

ADDITIONAL ITEM

NOVEMBER 21, 2024

Northern Health Funding Contribution Level Options

AGENDA

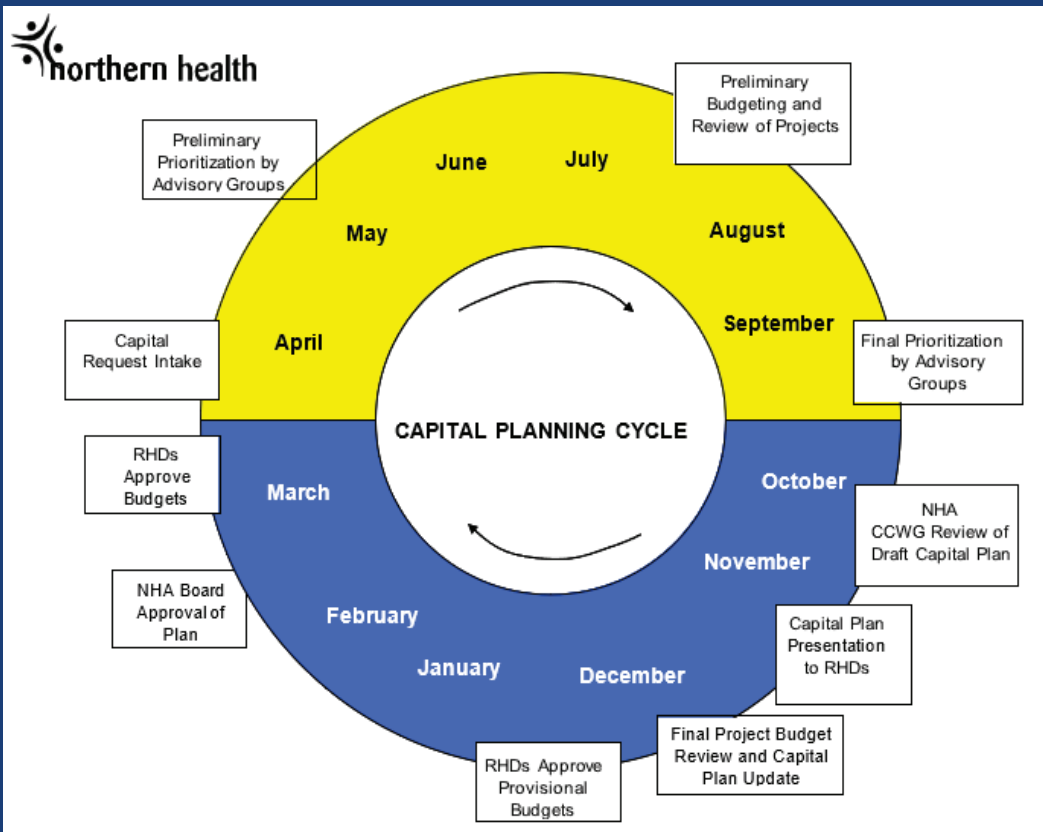
- Northern Health Memorandum of Understanding
- Northern Health (NH) capital planning process
- Capital project types
- Historical NH capital funding requests
- 2025 to 2029 NH capital funding requests
- Funding options
- Next steps
- Questions

NORTHERN HEALTH MEMORANDUM OF UNDERSTANDING

- MOU between NH and Northern Regional Hospital Districts dated October 2023
- NH is responsible for Capital Projects
- RHDs are responsible to the taxpayer and require accountability regarding Capital Projects from Health Authorities
- NH has the expertise to implement projects
- RHDs reserve the right to decide the amount of funding contribution to projects

NORTHERN HEALTH CAPITAL PLANNING PROCESS

- NH provides FFGRHD with a Draft Capital Plan
- FFGRHD utilizes this information for budget planning
- FFGRHD typically funds major equipment and capital projects over \$100,000 at 40% of the total cost
- Annual Building Integrity and Minor Equipment annual grants are provided
- NH Region-wide projects including information technology are typically funded at a lower contribution rate based on population

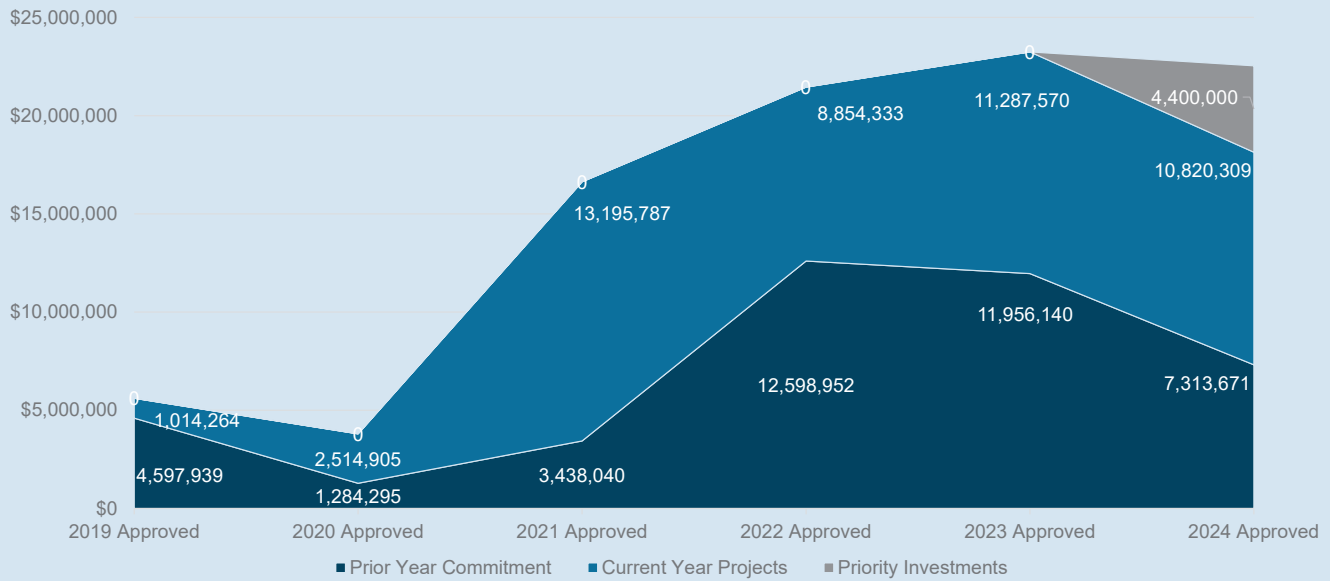


CAPITAL PROJECT TYPES

- Routine Capital Investments (RCI) – standard equipment replacement, major repairs, refits and upgrades, renovations; cost is over \$100,000
- Priority Investment (PI) – Net new health care facility, net new addition to a facility, net new major diagnostic equipment and net new IM/IT infrastructure
- Non-Restricted Capital Grants (Non-RCG) – projects and equipment under \$100,000

HISTORICAL NHA FUNDING REQUESTS

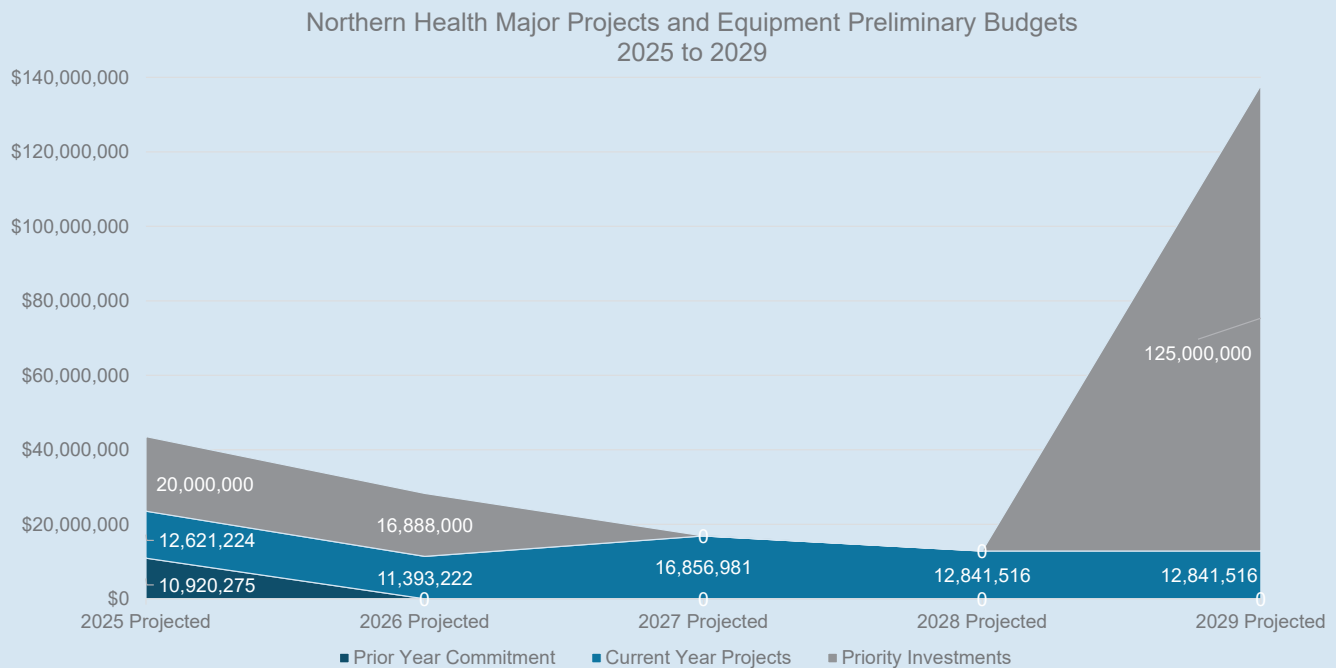
Summary of Northern Health Major Projects and Equipment Budgets 2019 to 2024



2025 DRAFT CAPITAL PLAN RDFFG FUNDING REQUESTS

Funding Type	2024 Approved Amount	2025 Amount	2026 Amount	2027 Amount	Future Years Amount
Major Projects – Continuation of Prior Year Projects	\$7,189,600	\$6,615,600	\$1,092,400	\$0	\$0
Major Projects – New	\$1,667,897	\$2,527,600	\$6,705,040	\$13,399,200	\$35,607,360
Information Technology	\$391,613	\$206,424	\$201,622	\$220,543	\$350,189
Major Equipment	\$1,571,200	\$3,271,600	\$3,394,160	\$3,237,238	\$2,567,000
Total Major Project and Equipment Funding Request	\$10,820,310	\$12,621,224	\$11,393,222	\$16,856,981	\$38,524,549
<i>Anticipated Major Project and Equipment Funding Requests per 2024 NHA Request</i>	\$10,820,310	\$10,893,705	\$5,517,640	\$11,720,750	\$35,441,502

2025 TO 2029 NH FUNDING REQUESTS



FUNDING OPTIONS

- Set an annual funding limit
- Define fixed funding for multiple years
- Increase unrestricted grant threshold
- Decrease funding contribution percentage
- Restrict funding by project type / Select priority projects

SET AN ANNUAL FUNDING LIMIT

The Board could consider establishing an annual funding limit each year.

Benefits:

- Predictability of anticipated funding provides greater certainty for the annual budget.
- Ensure annual requisition rates are sufficient to meet budgetary commitments in the short term.
- Funding amount could vary from year to year based on anticipated projects.

Risks:

- Could result in projects or equipment purchases being delayed or cancelled.
- Project budgets can fluctuate from year to year, so it is difficult to determine which projects will receive funding within the established funding limit.
- Less certainty regarding long-term financial planning.

DEFINE FIXED FUNDING FOR MULTIPLE YEARS

The Board could consider establishing fixed multi-year funding amounts. The fixed amounts should be confirmed for multiple years with a suggested minimum of three years.

Benefits:

- Predictability of anticipated funding provides greater certainty for long-term financial planning.
- Ensure requisition increases are sufficient to meet budgetary commitments.
- Allow defined fixed funding certainty for multiple years with the ability to consider amendments during each budget cycle.

Risks:

- Could result in projects or equipment purchases being delayed or cancelled.
- Project budgets can fluctuate from year to year, so it is difficult to determine which projects will receive funding within the established limit.
- Less flexible to changing capital needs within a three-year timeframe.

INCREASE UNRESTRICTED GRANT THRESHOLD

The Board could consider increasing the non-restricted capital grant threshold which would reduce the need for individual bylaws to be approved. The unrestricted grant amount would be pre-determined through the annual budgeting process.

Benefits

- Predictability of anticipated funding provides greater certainty for long-term financial planning.
- Reduce the need for individual bylaws to be approved on a project-by-project basis.
- Ensure requisition increases are sufficient to meet budgetary commitments.
- This amount could vary from year to year based on anticipated projects.

Risks

- Less FFGRHD discretion on project and equipment priorities funded by local taxpayers.
- Less ability to stagger cash flows during the year.
- Legal determination required to ensure that FFGRHD complies with *Hospital District Act* requirements would need to be explored.
- Administration would be challenged to implement for 2025.

DECREASE FUNDING CONTRIBUTION PERCENTAGE

The Board could consider decreasing the funding contribution percentage from the typical 40%. Based on the latest funding request for 2025, 2026, 2027 and future years a reduction from 40% to

- 35% - could result in savings of approximately \$9.9M
- 30% - could result in savings of approximately \$19.8M

Benefits

- More FFGRHD discretion on project and equipment priorities funded by local taxpayers.

Risks

- Would require Northern Health to identify alternative funding sources for the shortfall on each project.
- Would result in projects or equipment purchases being delayed or cancelled.
- Risk of projects moving to other regions where funding percentage is higher.
- Untested method in relation to compliance with *Hospital District Act*.
- Need to re-assess percentage contribution on an annual or project by project basis.

RESTRICT FUNDING BY PROJECT TYPE/SELECT PRIORITY PROJECTS

The Board could consider alternative funding contributions based on specific project types. Capital project types such as information technology, major equipment, renovations could be restricted, or only specific projects from the NH capital project list could be selected for funding.

Benefits

- More FFGRHD discretion on project and equipment priorities funded by local taxpayers.

Risks

- Specific projects would need to be approved or denied prior to approval of the annual budget bylaw in March each year.
- Would result in projects or equipment purchases being delayed or cancelled.
- May not support Northern Health capital planning priorities.
- Less certainty on annual funding contribution total as individual capital project costs will vary.

OTHER CONSIDERATIONS

- Current commitments
- Funding de-commitments
- Timing of cash flows
- Communication
- Provincial comparability

SUMMARY OF FUNDING REQUESTS

Fiscal Year	2024 LTFP Contribution Level	2025 NH Funding Request	Difference
2025	\$10,893,705	\$12,621,224	\$1,727,519
2026	\$5,517,640	\$11,393,222	\$5,875,584
2027	\$11,720,750	\$16,856,981	\$5,136,228
2028	\$11,720,750	\$12,841,516	\$1,120,766
2029	\$12,000,000	\$12,841,516	\$841,516
5-Year total Major Project and Equipment Funding	\$51,852,845	\$66,554,459	\$14,701,614

REQUISITION CONSIDERATIONS

With funding levels remaining at 2024 anticipated levels:

- Utilize latest Long Term Financial Plan Option: 4.90% in 2025 and 2.60% until 2049
- Consider a blended rate: 2.75% until 2049

With funding levels based on NH funding request for 2025 to 2027 and future years:

- 4.90% in 2025 and 3.05% until 2045
- Consider a blended rate of 3.20% until 2045

SUMMARY LONG-TERM FINANCIAL PLAN OVERVIEW

Utilizing the annual funding amounts identified in the 2024 Long Term Financial Plan as annual limits in the 5-year provisional budget would:

- Allow for requisition increases within previously approved range (4.90% for 2025 and 2.60% for 2026 to 2029 or a blended rate of 2.75%).
- Result in potential savings of \$14.7M for years 2025 to 2029 compared to the Northern Health funding request received in November 2024.
- Allow fixed funding certainty for multiple years with the ability to consider amendments during each budget cycle.

NEXT STEPS

- 2025-2029 provisional budget to December 2024 board meeting
- Funding request letter from NHA to be presented to Board early 2025
- 2025 Budget Bylaw approval March 2025
- Updated Long-Term Financial Plan to Board in late 2025



Fraser-Fort George
**REGIONAL HOSPITAL
DISTRICT**

THANK YOU

Questions?

155 George Street, Prince George, BC

rdffg.ca | district@rdffg.bc.ca | 1-800-667-1959