
Subject: Proposed Funding Policy for Hospital Development in the Niagara Region

Report to: Corporate Services Committee

Report date: Monday, November 9, 2020

Recommendations

1. That staff **BE DIRECTED** to develop a formal policy based on the hybrid option in Boulevard Strategy Group's "The Niagara Region Hospital Funding Report".

Key Facts

- This report has two objectives. Firstly, the West Lincoln Memorial Hospital (WLMH) Foundation Board has requested that the Region of Niagara contribute to the redevelopment of the hospital. The second objective is to respond to committees' request that staff develop a policy framework to guide the council's decision making.
- Hospitals in Ontario are the responsibility of the Province of Ontario. Construction of new sites require local contributions of 10% for construction costs and full cost of new medical equipment.
- Local contributions include contributions from municipalities and community fundraising led by the hospital foundation.
- The Region of Niagara contributed \$21M to Niagara Health System (NHS) – New Healthcare Complex – St. Catharines site. The WLMH request is the first request of this nature since that investment.
- The Region of Niagara did not have a formal funding policy in place when the decision to fund the St. Catharines Hospital site was made.
- The Province of Ontario has indicated that other hospital investments are planned for Niagara, specifically the new build at the South Niagara site scheduled for construction by 2022.
- To assist the Region in developing a policy framework, staff engaged Boulevard Strategy Group, to develop a hospital funding policy based on evidential research of municipal practices in Ontario for the last decade.
- The consultant's report "The Niagara Region Hospital Funding Report" provides the foundational work required to develop a policy. This work has developed guiding principles, developed and evaluated options and has provided an outline of the processes required to action a policy.

- Staff are recommending that the consultant's recommendations be used to finalize the policy in time to evaluate the WLMH request for consideration in the 2021 Budget.
- Staff suggest, if Committee agrees, based on staff's initial review of the request, that a funding commitment in the range between \$5M - \$10.8M will be considered by BCOTW.

Financial Considerations

- WLMH Foundation have committed to raise \$60M towards the hospital development. This amount includes 10% of total construction cost of \$200M plus hospital equipment. This funding commitment is consistent with the NHS New Healthcare Complex in St. Catharines.
- The WLMH proposal includes \$26M in municipal contributions from the Town of Grimsby, the Town of Lincoln and the Town of West Lincoln as well as local fundraising led by the Foundation. The request of the Region's contribution falls into this category of funding. This model is consistent with the precedent set with the development in St. Catharines.
- While the WLMH Foundation has requested that the Region contribute \$14M towards the required \$60M, staff indicate that this is greater proportionally than the \$21M contributed for the NHS St. Catharines site. The Region's contribution to St. Catharines was 18% of the total local contribution. Staff recommend that an upset limit of \$10.8M be established, pending final adoption of a policy and evaluation of the request's submission.
- Regional staff are finalizing the 2021 Budgets and any commitment toward WLMH should be referred to that process.
- The proposed hospital funding policy should be considered in conjunction with the Budget Planning By-law to ensure that there is a permanent funding mechanism in place to fund future requests without impacting other Regional responsibilities.
- It should be noted that the only funding source available for this initiative is through the levy budget, as the use of regional development charges as a source is specifically disallowed in provincial legislation.

Analysis

As indicated in the key facts, this report addresses two objectives. At this juncture, staff will consider Council's request to develop a policy framework that will guide their decision making process for this request and future hospital funding requests. Staff

engaged Boulevard Strategy Group to develop the policy framework and their report is attached (see Appendix 1).

The report “Niagara Region Hospital Funding Report” provides a fulsome response to Council’s request. The motion of Regional Council is included in this report. The highlights of the report are as follows:

- A historical perspective of the practices of other two tier governments in respect to hospital funding in their communities.
- A historical account of the Niagara Region’s decision to contribute to the St. Catharines site.
- The development of guiding principles for the establishment of a Regional funding policy. These principles are:
 - Fairness and equity across the twelve local municipalities in Niagara;
 - Financial certainty and predictability for annual and long-term capital and operating budgets at Niagara Region;
 - Demonstrated benefit for all Niagara residents;
 - Alignment with Niagara Regional goals and priorities; and
 - Regional contribution as a component of a larger community-wide effort.
- Different funding options for council to consider. These are identified as:
 - Proportionate Share Model;
 - Durham Model;
 - Hospital MOU Model;
 - Regional Benefit Model;
 - Limited Regional Participation Model; and
 - Hybrid Model
- Lastly, the report provides a fulsome list of criteria that should be evaluated for each business case with each request.

The attached report provides a thorough explanation of these foundational components. In addition, the consultant has included an evaluation of the different funding options compared to the core policy principles. The hybrid model ranks highest. The rankings of each option have been summarized in Table 1 below.

Table 1: Assessment of Options against Proposed Guiding Principles

Guiding Principles	Options:					
	1	2	3	4	5	6
Fairness and equity across the twelve local municipalities	X			X		X
Financial certainty and predictability for Regional budgets		X	X		X	X
Demonstrated benefit for all Niagara residents		X	X	X		X
Alignment with Regional goals and priorities		X	X	X		X
Regional contribution part of a community-wide effort	X	X				X

The foundational work provide by Boulevard is the initial step in developing a policy. Staff agree with the assessment of options in Table 1 and recommend this option be used to formulate the final Council policy.

Once the policy framework is adopted by Committee, staff can finalize the specifics in the proposal. Specifically, the evaluation scoring metric needs to be finalized. This action item is critical to ensure that each application is evaluated consistently and aligns with Regional Council’s priorities established in the principles above.

Analysis of WLMH Request:

The funding request by the WLMH is an urgent consideration for Council as the requesters need a commitment from Regional Council to comply with the Province of Ontario’s timetable.

Table 2: Niagara Health System – New Healthcare Complex

Source of Contribution	\$ in M	% of Total Local Contributions
Niagara Region	\$21	18.0%
St. Catharines	\$31.2	26.7%
Thorold	\$4.3	3.7%
Niagara-on-the-Lake	\$3.5	3.0%
Total Contribution Municipal Levy	\$60.0	51.4%
Other Local Fundraising	\$56.9	48.6%
Total Local Contribution	\$116.9	100.0%

Table 2 provides a summary of the funding contributed to the NHS – St. Catharines site. As this shows, 51.4% or \$60M was contributed by municipalities through their tax levies, while 48.6% was contributed by other local fundraising led by NHS Foundation. St. Catharines property owners contributed the highest proportional share at 26.7%, while regional property owners contributed \$21M or 18%. Thorold and Niagara-on-the-Lake contributed lower amounts. This model is consistent with the concept that the direct benefit to local residents is made by the LAM's, with the Region contributing a portion reflective of its property tax base.

Since the NHS St. Catharines site established a funding precedent, in the absence of any policy support, this formula can be used to establish the maximum or upset limit of Regional contribution towards the WLMH request. Table 3 sets the Regional contribution at 18% and shows the other partners' contributions.

Table 3: WLMH – Based on Regional Maximum of 18% of Local Contribution

Source of Contribution	\$ in M	% of Total Local Contributions
Niagara Region	\$10.8	18.0%
Total LAM Contribution: Grimsby, Lincoln, West Lincoln	\$26	43.3%
Total Contribution Municipal Levy	\$36.8	61.3%
Other Local Fundraising	\$23.2	38.7%
Total Local Contribution	\$60.0	100.0%

It should be noted that the WLMH request to the Region is to contribute \$14M, however, using the precedent set with the St. Catharines site of 18%, the Region’s contribution would be set at an upset limit of \$10.8M. Since the total contribution of all local partners is \$60M, the difference of \$3.2M would shift to the local fundraising led by the Foundation.

A comparison between projects of the funding contributions can now be provided, and are summarized in Table 4.

Table 4: Contribution Comparisons Between Projects

Contributor	NHS	WLMH
Region	18.0%	18.0%
LAM’s	33.4%	43.3%
Other Fundraising	48.6%	38.7%
Total	100.0%	100.0%

Finally, the WLMH Foundation have submitted a business case to staff highlighting the benefits of the investment at this site. This information is provided in Appendix 2. As

indicated, the adoption of Boulevard's report and of the evaluation metrics will provide the framework that staff would need to evaluate the proposal and determine the funding amount. While the maximum Regional funding is established by the St. Catharines funding precedent, a lower amount could be possible depending on the evaluations.

For the purposes of this report, staff have identified that a minimum Regional contribution based on this submission is \$5M. As stated, a final evaluation and report will be provided to the BCOTW meeting related to the 2021 Levy Budget.

Alternatives Reviewed

1. Utilize one of the other funding options identified in the report in Appendix 1.

Relationship to Council Strategic Priorities

This report will assist Council in achieving its strategic priorities in each of these areas:

- Supporting Businesses and Economic Growth
- Healthy and Vibrant Community
- Responsible Growth and Infrastructure Planning
- Sustainable and Engaging Government

Other Pertinent Reports

Not applicable.

Prepared and Recommended by:

Todd Harrison, CPA, CMA
Commissioner/Treasurer
Corporate Services

Submitted by:

Ron Tripp, P.Eng.
Acting Chief Administrative Officer

Appendices

Appendix 1 Niagara Region Hospital Funding Report

Appendix 2 Niagara Region Corporate Services Committee Case for Support