

Niagara Region Hospital Funding Research and Policy Report

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Introduction

To ensure fairness and equity across Niagara's municipalities and provide financial certainty in municipal budgeting, Niagara Region requires policy direction to govern its future contributions to healthcare facilities.

Municipal governments in Ontario are generally expected to contribute to the construction of provincial healthcare facilities within their boundaries. Between capital construction costs and equipment needs, the local share for Ontario projects has typically been in the range of 30 per cent.

In two-tier municipal structures, there is no pre-established formula at a provincial level for dividing the local share of hospital contributions between local area municipalities and regional governments. While Niagara Region has set a precedent for contribution with the recently completed Niagara Health System (NHS) site in St. Catharines, there is no set policy to govern future regional contributions. Further consideration is required to accommodate current and future funding requests in a manner that is fair and equitable across Niagara's municipalities.

This report provides information, analysis and options to assist Niagara Region in developing a policy and funding approach for local hospitals that will clarify the Region's expectations surrounding hospital funding requests and provide certainty and predictability in the preparation of long-term regional budgets. It was prepared using information from publicly available documents and government websites.

Current State

In August 2020, Niagara Region received a \$14 million funding request for the redevelopment of West Lincoln Memorial Hospital in Grimsby.

Since 1997, the West Niagara municipalities of the Town of Lincoln, Town of Grimsby, and Township of West Lincoln, together with their communities, have been actively advocating for the redevelopment of West Lincoln Memorial Hospital. The current West Lincoln Memorial facility is over 80 years old and at the end of its lifecycle. Unless a new building is constructed, it is unlikely this hospital will continue to serve West Niagara.

On November 28, 2018, the provincial government announced its intention to rebuild the site and the provincial commitment was reaffirmed by the Premier in 2020. The estimated construction cost of the new facility is \$200 million.¹ At 30 percent, the local share of the project is estimated at \$60 million.

The new facility, to be located in Grimsby, will be 119,705 square feet and is expected to include 56 inpatient beds, eight nursery bassinets, and five labour birthing and recovery suites. It will offer acute inpatient services, emergency department, ambulatory services, complex continuing care, maternal and newborn services, and day surgical services and endoscopy.

On August 25, 2020, the Chief Administrative Officers from the Town of Lincoln, Town of Grimsby, and Township of West Lincoln submitted a joint memo to Niagara Region, officially requesting financial support from the Region to assist in funding the local share of the project. The municipalities of the Town of Lincoln, Town of Grimsby and Township of West Lincoln have collectively committed \$26 million to the \$60 million local requirement and fundraising through the West Lincoln Memorial foundation is expected to cover \$20 million of these costs. Niagara Region has been requested to commit to funding the balance of the local share at \$14 million. This figure represents 7 per cent of the total construction costs of \$200 million, 23 per cent of the local share of \$60 million, and 35 per cent of the tax levy supported contribution of \$40 million.

While financial contributions are not required until 2024, a firm commitment from Niagara Region is required by the province on or before November 15, 2020.

¹ \$200 million was the anticipated total project cost at the time of the funding request. In September 2020, the provincial government updated the funding envelope to allow for project costs of up to \$499 million.

With continuing growth in Niagara, it is expected that Niagara Region will continue to receive funding requests for provincial healthcare facilities. In the medium-term, momentum is building for a new South Niagara Hospital, the expansion at Hotel Dieu Shaver Health and Rehabilitation Centre in St. Catharines.

Regional Council has mandated a holistic examination of potential hospital funding options and directed staff to recommend a policy and set of principles that incorporate formulaic, fairness and governance considerations in Niagara Region's approach to healthcare facility contributions. This direction was passed by Niagara Region's Corporate Services Committee on September 9, 2020 (CSC-C 17-2020) and approved by Council on September 17, 2020. A copy of the resolution is included here in Appendix 1.

Provincial Policy Context

In Ontario, capital construction costs for hospital facilities are funded through a provincial share of 90 per cent and a local share² of 10 per cent. In addition to 10 per cent of capital construction costs, the local community is also routinely expected to contribute to furnishing and equipment costs. When these investments are considered together, the local contribution to hospital facilities has typically amounted to 30 per cent of total project costs.³

While municipalities are not explicitly required by the province to fund hospital projects, in Ontario it has come to be widely understood that municipalities will play a role in funding the local share of hospital costs and are usually approached by hospital foundations or local health systems for support. In many cases, hospital boards look to municipal governments to fund ongoing capital contributions.⁴

Municipal governments in Ontario have questioned the appropriateness of the property tax base as a financing tool for hospital construction, and whether this is a fair practice given that healthcare and hospital services are clearly an area of provincial jurisdiction. According to the Association of Municipalities of Ontario (AMO) 2019 policy paper, “Partners for a Healthy Ontario,” property taxes are not a sustainable source of funding for healthcare costs:

“Municipal governments often raise the issue of whether it is appropriate for them to pay for health services from the property tax base, especially since they have little say on how these dollars are spent. Already stretched, the property tax base barely covers core-mandated responsibilities within the current fiscal environment, let alone the provincial responsibility for health services. Municipal governments do their best to meet resident needs using only nine cents of every household tax dollar. Funding more health costs is not an option.”⁵

² The terms “local share” and “community share” are used interchangeably to refer to non-provincial contributions to hospital projects.

³ Gillespie, Leigh-Anne, PhD Candidate – Health Policy. Hospital Redevelopment Research Paper. McMaster University, 2017, p3.

⁴ A Compendium of Municipal Health Activities and Recommendations. Association of Municipalities of Ontario. January 18, 2019, p18. <https://www.amo.on.ca/AMO-PDFs/Reports/2019/AMO-Compendium-of-Municipal-Health-Activities-and.aspx>

⁵ Partners for a Healthy Ontario: A Check-up on the Municipal Role for Health. Association of Municipalities of Ontario. January 18, 2019, p8. <https://www.amo.on.ca/AMO-PDFs/Reports/2019/AMO-Partners-for-a-Healthy-Ontario-2019-01-18.aspx>

The AMO Board of Directors' position states that, with the exception of public health services, "healthcare is a provincial area of responsibility under the Canadian Constitution, costs should not be borne by the property tax base."⁶

Notwithstanding concerns from Ontario municipal governments regarding the need for local contributions to the capital costs of provincial healthcare facilities, this practice continues in Ontario. For many projects, there are fears that if municipal tax dollars are not allocated to support healthcare facilities, provincial priorities will be redirected.

There is much work to be done to reverse this trend in Ontario. While AMO's policy positions express concern regarding the need for municipal capital contributions, their recommendations to the current provincial government emphasize increased municipal engagement ("local say for local pay") rather than decreased expectations for municipal financial commitments.

While it is important for municipalities to continue to advance concerns regarding capital healthcare contributions from the property tax base, it is unlikely that this issue will be resolved in the near future. As such, it remains important for Niagara Region to develop a funding policy solution for short and medium term healthcare facilities planned in Niagara.

⁶ Ibid., p9.

Niagara Region Hospital Funding Precedent: Niagara Health System (NHS) St. Catharines Site

Past regional funding commitments to local hospital projects provide a useful reference in decisions regarding future contributions. For Niagara, the Niagara Health System (NHS) St. Catharines site provides a past precedent for Council's consideration.

In 2007, Niagara Regional Council approved a \$21 million funding commitment for a new NHS site in St. Catharines.⁷ The commitment was in response to a presentation from NHS as part of its "It's Our Time" fundraising campaign on May 3, 2007. At the time of the presentation, the local share of the project was estimated at \$100 million⁸ which included 10 per cent in construction costs, 100 per cent of equipment costs, 100 per cent of parking amenities and 100 per cent of retail space.

The NHS plan to fund the \$100 million local share included: \$25 million in fundraising, \$15 million in retail and revenue generating strategies, and \$60 million in tax levies and grants through the support of municipal governments.

The local area municipalities of the City of St. Catharines, City of Thorold and the Town of Niagara-on-the-Lake also made a levy-supported contribution to the local share of the project, with each municipality contributing as follows:

- City of St. Catharines: \$31.2 million
- City of Thorold: \$4.3 million
- Town of Niagara-on-the-Lake: \$3.5 million
- Niagara Region: \$21 million

At the time of the presentation, NHS communicated that Niagara Region's contribution to the project was intended to fund regional services that will benefit all Niagara residents, including: new cancer treatments and radiation; cardiac catheterization; tertiary mental health; level 3 intensive care and the existing chemotherapy; inpatient oncology; vascular and thoracic surgery; diabetes education and tertiary nephrology.

On May 24, 2007, Regional Council approved a motion committing \$21 million (net present value), subject to final project costs, to be made by way of annual payments, commencing in 2008, and not to exceed 30 years, to support the components of the new complex that provide regional health services. The Region's contribution was

⁷ Council's May 2007 resolution approved a \$21 to \$25 million contribution. The final contribution from Niagara Region was \$21.3 million.

⁸ Upon project completion, the final local share has been reported at \$116.9 million.

subject to verification of costs, allocation of regional components, Ministry funding, and documentation to support the net regional cost components. The full resolution is included as Appendix 2.

Table 1 below provides a summary of how the local share was funded for the NHS St. Catharines Site.

Table 1: Funding for Local Share of NHS St. Catharines Site

Contributor	% of Tax Levy ⁹	% of Local Share ¹⁰
City of St. Catharines	52 per cent	31.2 per cent
City of Thorold	7 per cent	4.3 per cent
Town of Niagara-on-the-Lake	6 per cent	3.5 per cent
Niagara Region ¹¹	35 per cent	21 per cent ¹²
Fundraising	N/A	25 per cent
Retail/ Revenue Generation	N/A	15 per cent

The funding request for West Lincoln Memorial Hospital cites Regional funding for the NHS site in St. Catharines as a past precedent. Table 2 below compares key features of the NHS request and the request received from West Niagara municipalities in August 2020.

Table 2: Comparison of Features, NHS Request and WLMH Request

Features	NHS Precedent	WLMH Request
Year of Request	2007	2020
Requestor	Niagara Health System	West Niagara municipalities
Anticipated Total Project Cost	\$759 million ¹³	\$200 million ¹⁴
Anticipated Local Share	\$100 million	\$60 million
Amount Requested from Niagara Region	\$21 million ¹⁵	\$14 million

⁹ The total tax levy contribution for the project was \$60 million.

¹⁰ Assumes a local share of \$100 million.

¹¹ Assumes a Regional contribution of \$21 million.

¹² This percentage share is based on the anticipated local share of \$100 million. The final local share has been reported as \$116.9 million, resulting in an end contribution of 18 per cent.

¹³ \$759 million is the contract price listed by Infrastructure Ontario.

¹⁴ \$200 million was the anticipated total project cost at the time of the funding request. In September 2020 the provincial government updated the funding envelope to allow for project costs of up to \$499 million.

¹⁵ NHS's request also included a 20 per cent upper limit and, as a result, the approved funding contribution was in the range of \$21 to \$25 million.

Features	NHS Precedent	WLMH Request
Niagara Region portion of total project costs	2.7 per cent	7 per cent ¹⁶
Niagara Region portion of local share	21 per cent ¹⁷	23 per cent
Niagara Region portion of tax levy contribution	35 per cent	35 per cent
Nature of request for Niagara Region contribution	Health care services that are regional in nature	Stimulus funding during COVID-19 Social and economic benefits Health and wellbeing of Niagara residents Consistency with hospital funding past precedents

¹⁶ Should the contract price reach an upper limit of \$499 million, a \$14 million contribution from Niagara Region would equate to 2.8 per cent of total project costs.

¹⁷ This percentage share is based on the anticipated local share of \$100 million. The final local share has been reported as \$116.9 million, resulting in an end contribution of 18 per cent.

Hospital Funding Arrangements in Other Two-Tier Municipal Structures

Niagara is one of five two-tier regional government structures in Ontario. To further inform Niagara Regional Council's decisions regarding regional hospital contributions, the practices by each of the other four Ontario regional governments are described below.

DURHAM REGION

In 2019, the Council of the Regional Municipality of Durham approved a new Community Investment Grant policy that governs the allocation of regional government funding to hospital projects and post-secondary institutions. The new policy addressed a long standing "No Grants policy" from 1977 and provided flexibility to allocate regional funding to needed community infrastructure that supports Regional strategic goals.

Under the policy, applicants are required to submit a business case that:

- Demonstrates alignment with Regional strategic priorities
- Clearly defines desired project outcomes, including Region-wide benefits
- Analyzes alternative options capable of generating desired outcomes
- Includes sound technical, economic, financial, and cost-benefit assumptions
- Reviews available financing and long-term financial implications; and
- Assesses potential risks

In order to be eligible, requests must:

- Demonstrate Provincial project approval
- Commit at least 70 per cent Provincial funding of total project costs at the time of request (this relates to all capital projects, excluding capital equipment)
- Include donations raised from the community
- Adhere to a Regional contribution representing 25 per cent of the community component or a maximum of 7.5 per cent of the total project cost
- Recognize funds will only be provided for long-term capital assets; and
- Provide proof of project benefits to residents of the entire Region

To support potential requests under the policy, Durham Region includes a "Special Contributions" line item for hospital funding in Regional Business Plans and Budgets. Contributions represent approximately \$3.5 - \$4.5 million per year (or 0.4-0.6 per cent of the annual levy).

Recent Case Study: Bowmanville Hospital Expansion

In 2018, the provincial government announced the expansion of Bowmanville Hospital. The facility is located in the Municipality of Clarington in Durham Region. The redevelopment plan includes the construction of a new hospital wing, which will replace the existing north wing to better meet the growing healthcare needs of those living in East Durham. The new wing includes a new emergency department, new surgical services, critical care unit and inpatient units, and diagnostic imaging. The redevelopment and expansion of the Bowmanville hospital is expected to cost approximately \$100 million (2018). The provincial government confirmed its commitment to the project in 2019. Construction has not yet begun.

The Municipality of Clarington donated \$5 million to the project. To date, Durham Region has approved \$750,000 for the site.

YORK REGION

York Region has a long history of regional contributions to area hospital projects. Prior to 2009, the municipality contributed approximately \$113.4 million to hospitals for expansions and capital projects. In 2009, York Region formalized long-term funding arrangements through an MOU with York Region hospitals to govern the allocation of funding from the regional municipality for eligible hospital projects. Since the establishment of the MOU, annual capital contributions to the Region's Hospital Financing Reserve have been \$12 million.

Parties to the MOU include York Region, Markham Stouffville Hospital, Southlake Regional Hospital and Mackenzie Health. To help manage the costs of Paramedic Services, the Region tied contribution levels to progress on reducing processing time for emergency patients. The MOU provides that, in the event the 30 minute Paramedic Services off-load delay targets are not achieved, York Region may, at the discretion of Council, reduce hospital funding based on the additional operating costs incurred by Paramedic Services for the time above the targets.

When the MOU was signed in 2009, Regional Council approved annual contributions for capital funding until 2031. Recently, Regional Council determined it would maintain funding for existing hospital commitments only and discontinue additional funding through the MOU. The regional municipality exercised its right to terminate the MOU by providing one year's notice in 2019.

Recent Case Study: Cortellucci Vaughan Hospital

The Cortellucci Vaughan Hospital (formerly known as Mackenzie Vaughan), operated by Mackenzie Health, is a 12-million-square-foot, 11-floor hospital integrating digital technology systems intended to enhance patient care by delivering the right information to the right location at the right time. Between 80 and 90% of the rooms will be single-occupancy for acute-care patients, for infection prevention and control purposes. It will open with 350 beds, with room to expand to 550. It is being constructed using a Design-Build-Finance-Maintain (DBFM) procurement model with an estimate cost ranging between \$1.3 billion and \$1.6 billion. The facility is expected to open in 2021.

York Region's estimated contribution to the project is \$154.4 million (2020). The City of Vaughan is a key partner in the project through the initial purchase of an 82 acre parcel of land in the community (approximately \$80 million in 2009). In 2019, the City entered into an MOU with York University, Mackenzie Health and ventureLAB to maximize the use of surrounding lands.

The project includes an ambitious community fundraising target of \$250 million and secured large donations including \$40 million from the Cortellucci family and \$10 million from Magma International.

PEEL REGION

While the research did not uncover recent regional contributions to the capital hospital project by Peel Region, historical contributions are outlined in an October 2015 staff report. From the period 1996 to 2008, Peel Region collected funds from new development for hospital construction in the amount of \$91.2 million. These investments included: \$33.9 million for Credit Valley Hospital; \$16.7 million for Trillium-Mississauga; \$4 million for Peel Memorial Hospital; \$33.6 million to Brampton Civic Hospital; and \$3 million to Headwaters. Due to provincial changes to the *Development Charges Act*, Peel Region and municipalities across Ontario are no longer able to collect development charges for the purpose of funding local hospitals.

Recent Case Study: Peel Memorial Hospital Redevelopment

Peel Memorial Hospital, located in Brampton, Ontario, is undergoing redevelopment. Phase 1 of the redevelopment had a contract value of \$491 million¹⁸ and was completed in 2017. The new facility is open from 8:00 am to 9:00 pm daily and

¹⁸ Source: Infrastructure Ontario

provides outpatient care, surgeries that do not require overnight care, and high tech diagnostics.

The City of Brampton has committed \$60 million to the redevelopment of Peel Memorial, with \$40 million allocated to Phase 1 and \$20 million allocated to Phase 2. The research did not uncover any direct contributions from Peel Region for the local capital share of this project.¹⁹

HALTON REGION

In Halton, the local share for hospital projects is normally funded through local fundraising, foundations and local area municipalities. For new or expanded project sites, the Region may contribute in the form of in-kind and servicing costs.

Recent Case Study: Oakville Trafalgar Memorial Hospital

The Oakville Trafalgar Memorial Hospital is located in Oakville, Ontario and opened in 2015. The project cost was approximately \$2.7 billion²⁰ and was constructed through a Design-Build-Finance-Maintain procurement model.

At 1.6 million square feet, the new facility is three times the size of the hospital it replaced. The new complex includes:

- 457 inpatient beds
- A full range of health services, including maternal and childcare, critical care, emergency care, surgery, complex continuing care, rehabilitation, diagnostics, ambulatory care, and a variety of support services
- Inpatient and outpatient mental health services for adults, adolescents and children
- Enhanced patient privacy and infection-prevention measures, including 80 percent single-patient rooms
- Patient-centred enhancements such as oversized windows, patient-controlled lighting and temperature, room service food delivery, and patient rooms with a pull-out couch so a family member can stay overnight with a loved one
- Calm, quiet indoor and outdoor spaces

¹⁹ It should be noted that prior to the change in legislation for development charges, Peel Region was the primary contributor to the tax levy portion of the local share for hospitals. For example, Peel Region contributed \$33.6 million to Brampton Civic Hospital prior to 2009 and a contribution from local area municipalities was not required at that time.

²⁰ Source: Infrastructure Ontario

The Town of Oakville contributed \$130 million to the project, funded through debt debenture financing (\$90 million) and transfers from the local hydro reserve (\$40 million). While no direct contribution was provided specifically to the local share portion of hospital funding, Halton Region contributed \$23 million in water and wastewater servicing costs and \$71 million in new road construction.

Recent Case Study: Milton District Hospital Expansion

The Milton District Hospital is located in Milton, Ontario, and includes a recent expansion that opened in 2017. The project added 330,000 square feet of space to the existing 125,000-square-foot hospital, with services that include:

- Expansion of emergency, surgical services, medical/surgical inpatient units, critical care, maternal newborn and diagnostic imaging and support services
- Overall capacity increase from 63 to 129 inpatient beds
- 80 per cent single-patient rooms for improved infection prevention and control and to provide increased patient privacy and a quieter healing environment
- Addition of the hospital's first Magnetic Resonance Imaging (MRI) machine
- A Level 2A Special Care Nursery with capacity for eight bassinets in the Maternal Newborn Unit

According to Infrastructure Ontario, the contract price for the project was approximately \$512 million.²¹ The Town of Milton contribution was \$35 million. No direct funding contribution was identified from Halton Region.

²¹ Source: Infrastructure Ontario.

Regional Benefit Considerations

Regional benefit was a primary factor in Niagara Regional Council's past decisions to contribute to local hospital projects. Potential considerations for assessing regional benefit are described below.

POTENTIAL REGIONAL BENEFITS OF NEW HOSPITAL PROJECTS

It is anticipated the prospective benefits of a new hospital in Niagara could fall under two categories: broad economic and social benefits, and healthcare services and facilities that are regional in nature.

Broad economic and social benefits

It is generally understood that new hospital construction, expansion, and redevelopment anywhere in Niagara's boundaries would deliver broad economic and social benefits to Niagara as a region. For example, the 2020 funding request for West Lincoln Memorial speaks to benefits including economic activity, creating 200 construction jobs, sustaining 300 full time jobs and the ability to continue to attract talent and investment to the Region. The redevelopment also maintains community access to a local hospital and related healthcare services.

These kinds of broad economic and social benefits align with Regional Council's strategic priorities related to business and economic growth, and healthy and vibrant communities, and are part of delivering benefits to residents across Niagara.

Healthcare facilities and services that are regional in nature

Depending on the project, hospital redevelopments and expansions could include specific services and facilities that are intended to serve a regional population. For example, the 2007 funding request from NHS for the St. Catharines site requested a regional contribution that was commensurate with services that would be accessed by all Niagara residents including: new cancer treatments and radiation; cardiac catheterization; tertiary mental health; level 3 intensive care and the existing chemotherapy; inpatient oncology; vascular and thoracic surgery; diabetes education and tertiary nephrology.

The 2020 funding request for West Lincoln Memorial indicates that the current emergency department is regional in nature as 10 percent of visits are from Niagara residents outside the municipalities of Grimsby, Lincoln, and West Lincoln.

To ensure consistency across funding requests under consideration by Niagara Region, it is recommended that assessment of the regional health services provided in a hospital be described and quantified by the Health System delivering the service.

INVOLVEMENT OF LOCAL HEALTH SYSTEMS

In order to ensure accountability for public funds, it is important for Niagara Region to understand commitments from the organizations directly accountable for the delivery of hospital projects. Niagara Region's decision to contribute to the NHS St. Catharines site was the result of a funding request from NHS in 2007.

In 2014, West Lincoln Memorial Hospital became part of the family of hospitals under the administration of Hamilton Health Sciences (HHS). In 2016, HHS submitted *Our Healthy Future*, a plan for the redevelopment of hospitals including West Lincoln Memorial which was approved by Hamilton Niagara Haldimand Brant Local Health Integration Network (HNHB LHIN) in 2017. HHS recognizes West Lincoln Memorial Hospital Foundation as the agency that works with the community to help raise funds for equipment, upgrading of facilities, and special projects for Hamilton Health Sciences' West Lincoln Memorial Hospital site.

While West Lincoln Memorial Hospital Foundation and West Niagara's municipalities are important stakeholders in the success of the redevelopment, it is ultimately Hamilton Health Sciences who is responsible for the successful completion of the project as well as ongoing operation. Prior to any final decision by Regional Council, it is recommended that Niagara Region receive confirmation from HHS regarding its commitment to the hospital and use of the local share as part of its funding plan.

EXPLORING OTHER POTENTIAL FUNDING PARTNERS

Where new, expanded, or redeveloped hospitals have the potential to benefit residents outside of Niagara, it may be appropriate for additional municipal partners to contribute to the local share.

Given close adjacency to the West Lincoln Memorial Hospital site, the City of Hamilton may also have an interest in the redevelopment project. The site location in Grimsby is easy to access by residents in growing areas of Hamilton, such as Winona, Stoney

Creek and Binbrook. It would be appropriate for Niagara Region to inquire if Hamilton Health Sciences has approached the City of Hamilton for support and request any available information on historical usage by Hamilton residents, and potential future usage based on recent and projected community growth.

Analysis and Options

The September 9 Corporate Services Committee Resolution (included in Appendix 1) directed staff to recommend a policy and set of principles that incorporate formulaic, fairness and governance considerations in Niagara Region's approach to healthcare facility contributions. In order to satisfy the direction, the following analysis is provided in this section:

1. Proposed guiding principles for regional funding contributions to local hospital projects for Regional Council's consideration.
2. Six potential options for future funding commitments that include formulaic, fairness and governance considerations:
 - i. Proportionate Share Model
 - ii. Durham Model
 - iii. Hospital MOU Model
 - iv. Regional Benefit Model
 - v. Limited Regional Participation Model, and
 - vi. Hybrid Model
3. Proposed criteria for Niagara Region funding contributions.

This analysis leverages the research described in the previous sections to inform potential approaches for Regional Council's consideration.

PROPOSED GUIDING PRINCIPLES

The following principles are recommended to guide current and future decisions regarding regional financial contributions to hospital projects:

1. **Fairness and equity across the twelve local municipalities in Niagara.**
2. **Financial certainty and predictability for annual and long-term capital and operating budgets at Niagara Region.**
3. **Demonstrated benefit for all Niagara residents.**
4. **Alignment with Niagara Regional goals and priorities.**
5. **Regional contribution as a component of a larger community-wide effort.**

OPTIONS FOR CONSIDERATION

After researching the current provincial policy context, past Niagara Region hospital funding precedent, practices in other two-tier regional structures, and potential measures of regional benefit, the following six options are provided to assist Regional Council in determining an evidence-based approach to hospital funding.

Option #1 – Proportionate Share Model

Given that Niagara Region has set a past precedent of contributing to hospital projects with the NHS St. Catharines site, Council may wish to use this precedent to develop a policy for supporting future hospital projects.

Niagara Region's support for the NHS St. Catharines site was 21 per cent of the anticipated local share, 18 per cent of the final local share²² and 35 per cent of the tax levy portion. Given that one of the proposed guiding principles is to encourage a larger community-wide effort, it is recommended that Niagara Region allocate potential funding commitments proportionate to total local share as opposed to the tax levy portion, to encourage greater use of community fundraising and revenue generation in financing the local share.

Option #2 – Durham Model

Durham Region's Community Investment Fund Policy, established in 2019 and described on page 11, offers guidance as a comprehensive regional government approach to supporting local hospital projects.

In Durham, the regional government will consider funding requests for hospital projects as long as the request does not exceed 25 per cent of the community share or 7.5 per cent of the total project costs. The project must be approved by the provincial government, with at least a 70 per cent provincial funding contribution. Durham Region proactively plans for potential funding requests by setting aside \$3.5 - \$4.5 million (between 0.4 per cent and 0.6% per cent of the annual levy).

Durham Region's policy sets specific parameters, providing clear expectations to requestors and a greater degree of financial certainty for the Region.

²² This percentage share is based on the anticipated local share of \$100 million. The final local share has been reported as \$116.9 million, resulting in an end contribution of 18 per cent.

Option #3 – Hospital MOU Model

York Region's 2009 MOU with area hospitals of York Region, Markham Stouffville Hospital, Southlake Regional Hospital and Mackenzie Health provides another potential option for Niagara Region's consideration. In this model, York Region negotiated directly with York hospitals on regional contributions between the period of 2009 and 2031.

The MOU established a total funding envelope, indexed annually, and percentage shares allocated to each hospital. Working directly with hospitals allowed York Region to influence health outcomes for the community and reduce budget impacts for its paramedic operations. The MOU provides that, in the event the 30 minute Paramedic Services off-load delay targets are not achieved, York Region may, at the discretion of Council, reduce hospital funding based on the additional operating costs incurred by Paramedic Services for the time above the targets.

Though the MOU was terminated early by York Region, it provides a model that predetermined hospital funding allocations over a long-term time horizon and provided a high degree of financial certainty for regional budgeting.

Option #4 – Regional Benefit Model

Option 4 allocates funding based on the benefits the project will provide to Niagara residents on a region-wide basis. As described on page 16, there are two potential categories that Niagara Region may use in considering regional benefits: broad economic and social benefits and specific healthcare facilities and services that are regional in nature.

Broad economic and social benefits align with Regional goals of business and economic growth and vibrant, healthy communities, and consider metrics such as jobs created, jobs sustained, economic spin-off benefits through adjacent development, talent attraction and retention, and access to healthcare facilities. Specific regional healthcare services and facilities would consider the types of services and equipment being provided in the hospital and anticipated usage by residents across Niagara.

Under this option, Niagara Region would scale its contribution based on regional benefits as demonstrated by the requestor. For example, using a past precedent of 21

per cent Regional contribution to the local share, Niagara Region may wish to allocate between 5 and 10 per cent of its contribution based on evidence of broad economic and social benefits, and between 5 and 10 per cent of its contribution based on evidence of healthcare services and facilities that are regional in nature.

Option #5 – Limited Regional Participation Model

Niagara Region may decide that it has no role in contributing directly to the local share and limit its involvement in providing infrastructure and services required to enable hospital projects. This is the model in Halton Region, where the regional government involvement to the recently completed Oakville Trafalgar Memorial Hospital included \$23 million in water and wastewater servicing costs and \$71 million in new road construction.

Since Niagara has set a past precedent of contributing to hospital projects, this option is not recommended. Also, Niagara Region contains municipalities with small populations where local tax bases and community fundraising capacity are limited compared to communities over 100,000 in population.

Option #6 – Hybrid Model

The hybrid model combines best practices from each of the above models and considers Niagara's unique circumstances. This option consists of the following features:

- Total Regional contributions available for each hospital funding request are consistent with past precedents of between 18 and 21 per cent²³ of the local share (as in Option #1).
- The Regional contributions are scaled according to demonstrated evidence of regional benefit (as in Option #4).
- To support current and future funding requests, there is a policy that sets annual allocations for hospital projects as part of the annual budgeting process (as in Option #2 and Option #3).²⁴
- A policy is established to set parameters for funding requests and provide clear expectations to requestors (as in Option #2).

²³ A 21 per cent share is based on the anticipated local share of \$100 million. The final local share has been reported as \$116.9 million, resulting in an end contribution of 18 per cent.

²⁴ Annual hospital allocations are generally treated as a separate line item during municipal budgeting processes, to provide clarity on use of funds and protect hospital funding for current and future requests.

Table 3, below, presents how each of the six options advances the proposed guiding principles outlined on page 19.

Table 3: 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

PROPOSED FUNDING CRITERIA

Any funding provided by Niagara Region should include criteria to ensure funds are used in the best interest of Niagara residents. Consistent with the best practices identified through the research, the following funding criteria are suggested as pre-requisites for Regional contributions to hospital projects:

1. The request must come from the organization directly responsible for project delivery.
2. The requestor must provide evidence of regional benefit.
3. The requestor must explain how the project advances Niagara Region’s goals and priorities.
4. The requestor must provide a detailed review of available financing and long-term financial implications, assessment of potential risks and analysis of potential funding alternatives.
5. The project must be approved by the Provincial government and supported with a minimum 70 per cent provincial funding commitment.
6. Community fundraising and revenue generation must exceed Niagara Region’s contribution as part of the funding plan.
7. The project must be located within the municipal boundaries of Niagara Region.
8. The requestor and funding partners must agree to recognize regional contributions in all communications related to the project.

Conclusion

This report provides information, analysis, and options to assist Niagara Region in developing a policy and funding approach for local hospitals that will clarify the Region's expectations surrounding hospital funding requests and provide certainty and predictability in the preparation of long-term regional budgets.

The report is intended to contribute to a long-term, sustainable approach to contributing to local hospital projects. While it is also intended to assist Niagara Region in its current decision regarding contribution to West Lincoln Memorial Hospital, it should be noted that some of the suggested criteria and policies outlined in this report would not have been known to requestors at the time of their submission, and cannot be applied retroactively given the upcoming provincial deadline of November 15, 2020. Some degree of flexibility will be required in addressing the current request while planning for requests over a long-time horizon.

Appendix 1

Corporate Services Committee Resolution, September 9, 2020 (CSC-C 17-2020)

Niagara Region Funding for Future Hospitals in Niagara

Moved by Councillor Foster

Seconded by Councillor Ip

Given that the local share of financing is a provincial requirement for the building of every new hospital project in the Province of Ontario;

And further, this requirement is estimated to be 30% of the overall project costs;

And further, with population growth and increasing requirements being seen within Niagara with regards to healthcare needs;

And further, with at least 3 new hospital projects slated to be developed in the Region of Niagara (West Lincoln Memorial Hospital, the South Niagara Hospital, and The Shaver Rehab Centre);

And further, that these healthcare projects will require funds to be raised within our communities to meet the provincial requirements;

And further, that the local share has been a combination of fundraising in the community and through local municipal governments;

And further, that the Region has previously demonstrated its commitment to healthcare in Niagara with local share financial contributions, most recently providing funding to the St. Catharines General Hospital during that recent building campaign;

And further, given there is no current agreed upon policy or set of principles when it comes to hospital projects and financial support from the Region of Niagara to help finance these important institutions;

NOW THEREFORE BE IT RESOLVED:

1. That the Region of Niagara DEVELOP a policy and a set of principles when it comes to the local share funding of future hospital projects in Niagara;
2. That this policy and set of principles INCLUDE a potential combination of a formulaic, fairness and governance approach when it comes to such regional contributions; and
3. That given that there are some time constraints with financial commitments required for at least one hospital project late this fall, that this policy and set of procedures BE DEVELOPED and PRESENTED for review to the October Corporate Services Committee meeting.

The following friendly amendment was accepted by the Committee Chair, and the mover and seconder of the motion, so that clause 3 reads as follows:

3. That given that there are some time constraints with financial commitments required for at least one hospital project late this fall, that this policy and set of procedures BE DEVELOPED and PRESENTED for review to the November Corporate Services Committee meeting.

Moved by Councillor Heit
Seconded by Councillor Rigby

That clause 1 BE AMENDED to read as follows:

1. That the Region of Niagara DEVELOP a policy and a set of principles when it comes to the local share funding of future hospital projects in Niagara consistent with previous funding commitments;

Recorded Vote:

Yes: (10) Bradley, Diodati, Easton, Edgar, Fertich, Foster, Gale, Heit, Rigby, Whalen.

No: (3) Butters, Ip, Redekop.

Carried

The Committee Chair called the vote on the motion as amended, as follows:

1. That the Region of Niagara DEVELOP a policy and a set of principles when it comes to the local share funding of future hospital projects in Niagara consistent with previous funding commitments;
2. That this policy and set of principles INCLUDE a potential combination of a formulaic, fairness and governance approach when it comes to such regional contributions; and
3. That given that there are some time constraints with financial commitments required for at least one hospital project late this fall, that this policy and set of procedures BE DEVELOPED and PRESENTED for review to the November Corporate Services Committee meeting.

Recorded Vote:

Yes: (13) Bradley, Butters, Diodati, Easton, Edgar, Fertich, Foster, Gale, Heit, Ip, Redekop, Rigby, Whalen.

No: (0).

Carried

Appendix 2

Niagara Regional Council Resolution

May 24, 2007

Support for the Niagara Health System – New Healthcare Complex

Moved by Councillor Goulbourne

Seconded by Councillor McMullan

WHEREAS the Niagara Health System is planning the new Healthcare Complex in St. Catharines that will replace 2 existing hospital sites with a state-of-the-art facility; WHEREAS this complex includes a community hospital component that serves northern Niagara (estimated at approx. 65% of the facility) and a regional component that will provide cancer treatment, cardiac catheterization, tertiary mental health and existing regional services provided at the St. Catharines hospital sites (representing the remaining approx. 35%);

WHEREAS the Ministry of Health & Long Term Care has committed to an investment of 90% of the capital costs of the new facility, conditional upon a local share investment of 10%, including equipment costs (primarily 100% locally funded), representing the local share of approx. \$90-\$110M;

WHEREAS a successful commitment for the overall local share will allow plans to proceed with a target completion date of 2011; and

WHEREAS the Regional Council confirms to the Niagara Health System that the proposed Healthcare Complex will continue to remain exempt from Regional Development Charges under the Region's proposed new Development Charges by-law (as per the recommendations outlined in Report CSD 84-2007), save and except any commercial space located within the hospital complex pursuant to provisions within the Region's Development Charges by-law.

THEREFORE, BE IT RESOLVED: That the Regional Municipality of Niagara supports the Niagara Health System – new Healthcare Complex in St. Catharines (per recommendations outlined in Report CSD 85-2007) with a commitment of \$21-\$25 million (net present value), subject to final project costs, be made by way of annual payments, commencing in 2008, and not to exceed 30 years, to support the components of the new complex that provide regional health services; and That the Region's contribution be subject to verification of costs, allocation of regional components, and Ministry funding, and that documentation to support the net regional cost components be provided prior to Phase 2 funding commitment (Spring 2008), and

That staff be directed to enter into discussions with the Niagara Health System for the potential transfer of buildings and property currently leased/occupied by the Regional Municipality of Niagara.

Carried.