

Subject: Hospital Funding Contribution Policy

Report to: Budget Review Committee of the Whole

Report date: Thursday, January 14, 2021

Recommendations

1. That Council **APPROVE** the Hospital Funding Contribution Policy and Scoring Matrix;
2. That Council **APPROVE** a funding commitment of \$9.072M toward the required local contribution for the West Lincoln Memorial Hospital (WLMH) project pending the completion of a formal contribution agreement;
3. That staff **BE DIRECTED** to develop a comprehensive financing strategy for Regional contributions to hospital projects and be completed as part of the 2022 Budget process.

Key Facts

- This report has two objectives. The primary objective is to meet Corporate Services Committee's request that staff develop a policy and scoring matrix for Regional funding on hospital projects that is consistent with past precedent and scaled according to objective measures of regional benefit.
- The second objective is to utilize the policy to respond to the West Lincoln Memorial Hospital (WLMH) Foundation Board's funding request.
- 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, resulting in a local share that is typically in the range of 30% of total project costs. The hospital funding policy is for funding hospitals only.
- 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.

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- 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.
 - Staff engaged Boulevard Strategy Group, to assist in the development of a hospital funding policy based on feedback from Council.
 - Staff expedited the development of the policy, the evaluation of the WLMH proposal, and have included an initial funding allocation in the 2021 Levy Budget. A further report to Budget Review Committee of the Whole (BRCOTW) will be presented for the 2022 Budget.
 - Staff have assessed the request from WLMH and are recommending a funding commitment of \$9.072M based on the policy and scoring matrix contained in this report.

Financial Considerations

- WLMH Foundation have committed to raise the required local contribution of \$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 Region's contribution is included in the local contribution category. This model is consistent with the precedent set with the development in St. Catharines.
- WLMH Foundation requested that the Region contribute \$14M towards the required \$60M. Staff relied on the precedent established in the funding of the NHS St. Catharines site, to determine the maximum contribution available. The Region's \$21M contribution to St. Catharines was 18% of the total local contribution of \$116.9M. This information is outlined in CSD 75-2009 which represents all the information Council had at the time to consider. Staff recommend that an upset limit of \$10.8M be established.
- Regional staff has finalized the 2021 Budgets and have included a \$1.5M transfer to reserve for future hospital funding. A future financing strategy will be necessary to fully fund the WLMH commitment and other future requests.
- 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.
- Council's decision on the WLMH funding request will set a standard for future hospital funding requests that are anticipated over the next one to five years.

Analysis

As indicated in the key facts, this report addresses two objectives. The primary objective was to develop a hospital funding policy and scoring matrix that could be used to evaluate projects. Staff developed the policy based on the direction received at the Corporate Services Committee Meeting of November 9, 2020 and engaged Boulevard Strategy Group to assist in the development of the policy. The policy, the scoring matrix and accompanying notes explaining the matrix are included (see Appendices 3, 4 and 5).

The policy "Niagara Region Hospital Funding Contribution Report" provides a fulsome response to Council's request. The highlights of the policy are as follows:

- The development of guiding principles of the 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.

This policy applies to requests for Regional contributions to capital construction, expansion and redevelopment of hospitals as defined in the Public Hospitals Act.

The new policy set a maximum threshold for Regional funding contributions and specifies a number of mandatory requirements for applicants and staff's roles and responsibilities to evaluate applications. Funding applications that meet the mandatory requirements are assessed according to objective measures of Regional benefit to determine the final Regional contribution.

These criteria and allocated scoring is provided below:

- a) Mandatory Requirements – 35 points
- b) Economic Benefits – 15 points
- c) Social Benefits (Access and Inclusion) – 10 points
- d) Direct Regional Healthcare Benefits – 20 points
- e) Indirect Regional Healthcare Benefits – 20 points

Further details including specific, objective measures under each of these categories are included in the Scoring Matrix (see Appendices 5 and 6).

Lastly, as has been noted, the precedent for hospital funding was established with the NHS development of the St. Catharines site. The Region's contribution of \$21M was 18% of the total local contribution of \$116.9M as outlined in CSD 75-2009. Staff have confirmed with NHS senior staff that the funds raised, as outlined in the report, were used at the St. Catharines site. As a consequence, the funding policy limits the maximum contribution of any project to 18% of the local contribution.

Table 1: 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%

Analysis of WLMH Request:

Council received a formal funding request for the hospital project in the fall of 2020. This was referred to 2021 Budget deliberations. In addition, Council requested that staff develop a formal policy to evaluate this request and future requests. As stated, the policy has been developed for Council's consideration. Concurrent to the development of the policy, Regional staff have met regularly with officials of the WLMH Board and officials of the Towns of Grimsby, Lincoln and West Lincoln.

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.

Senior staff have met regularly through the latter part of 2020 and held multiple meetings since November 9, 2020. Staff recognize that the development of a funding policy running concurrently with the Foundation's revising of their proposal has been challenging. However this accelerated work plan was necessary to meet the Council's direction to establish a fulsome policy, evaluate the proposal and recommend a funding commitment for consideration in the 2021 Budget. Staff have exercised flexibility in the evaluation process in recognition of the unique circumstances and concurrent timelines associated with this request.

Senior Regional staff met and evaluated the WLMH application against the criteria established in the hospital funding policy. The scoring matrix is provided in Appendix 6 to this report. It should be noted that the original evaluation scored a lower total, however the CAO, Commissioner of Corporate Services with assistance reviewed the original scoring matrix to ensure final scores reflect ongoing dialogue with WLMH and provide flexibility given the unique circumstances surrounding this request. The application had a final evaluation at a score of 84 out of 100.

As a result of the evaluation, the staff recommendation of 84 out of 100 points or 84% of maximum amount of \$10.8M results in a proposed funding out of \$9.072M.

Need for a Sustainable Funding Strategy

If Council approves the recommendation within this report and the reserve funding provided in the 2021 Levy Budget, staff will need to develop a sustainable funding policy for these investments. The transfer to reserve recommended in the 2021 Budget will generate \$6M by the time that the Region will need to fund its contribution. As a result, future budgets will need to include additional funding options to meet this obligation. As stated in the policy, hospital contributions would be considered a separate allocation during the annual budget process.

In addition, staff have had preliminary discussions with NHS officials regarding the South Niagara Hospital. While the request is not finalized, staff are aware that the total contribution exceeds the costs of NHS St. Catharines site. Since the construction timetable is similar to WLMH, staff will need to address this potential commitment in a hospital funding strategy. Council's decision on the WLMH funding request will set a standard for this and future requests.

Alternatives Reviewed

- The report presented to Corporate Services Committee on November 9, 2020 presented six potential models for Regional hospital funding contributions. For example, some upper tiers municipalities do not contribute to hospital projects as part of the local contribution. Regional Council, through Corporate Services Committee, selected option 6, "Hybrid Model". This policy direction is the basis for this report.

Relationship to Council Strategic Priorities

This report directly and indirectly addresses Council Strategic Priorities, particularly those related to businesses and economic growth, healthy and vibrant community and responsible growth and infrastructure planning. In highlighting the need for a sustainable financing strategy, this report also promotes priorities under sustainable and engaging government.

Other Pertinent Reports

CSD 75-2009	Niagara Health System – Update to Council
CSD 73-2020	Proposed Hospital Funding Policy for Hospital Development in the Niagara Region

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	CSD 75-2009 Niagara Health System – Update to Council
Appendix 2	CSD 73-2020 Proposed Hospital Funding Policy for Hospital Development in the Niagara Region
Appendix 3	West Lincoln Memorial Hospital Foundation Addendum
Appendix 4	Niagara Region Hospital Funding Contribution Policy
Appendix 5	Niagara Region Hospital Funding Scoring Matrix
Appendix 6	Niagara Region Hospital Funding Scoring Matrix – Long Form Explanation
Appendix 7	WLMH Funding Evaluation Scoring Matrix