



REPORT TO: Co-Chairs and Members of the Corporate Services Committee

SUBJECT: Niagara Health System – Update to Council

RECOMMENDATION

That this Committee recommend to Regional Council that:

- 1) The Region's funding commitment of \$21 million, for *new* Regional Health Programs (*Comprehensive Cancer Centre; Regional Longer-Term Mental Health Centre, Regional Cardiac Catheterization Centre*) to be housed within the NHS's new Health Care Complex, be approved.
- 2) That the amount be funded in 2011 through a combination of \$5.6 million in cash, plus the equivalent of \$15.4 million financed with annual payments of \$1 million per year for 30 years, commencing in 2011 as outlined in this report, and
- 3) That these arrangements be formally communicated to the Niagara Health System.

EXECUTIVE SUMMARY

As per the attached, on March 31, 2009 the Niagara Health System announced "financial close" whereby financial arrangements have been finalized for the new health-care complex. Construction is scheduled to begin at the end of April, with the official groundbreaking taking place on April 28th, 2009.

Further good news is that the Region's estimated contribution of between \$21 and \$25 million has now been confirmed at the lower amount of \$21 million, and that the interest rate to be used for purposes of the project is slightly less, at 5%, rather than the estimate used previously by the Region for budget planning purposes (5.5%).

As explained below, as a result of the confirmation of the lower amount, as well as somewhat lower financing charges than were originally estimated, and with one additional year end transfer of \$0.73 million, the Region will be able to meet its \$21 million commitment in 2011 through a cash contribution of \$5.6 million plus annual contributions of \$1 million for 30 years, which will fund the remaining \$15.4 million.

The Region will not need to increase its budget allocations in future budgets for its long term funding commitment to the new NHS health complex, which removes this additional pressure from future years' budget deliberations.

FINANCIAL IMPLICATIONS

Lower Commitment Amount

Originally, since the Region's commitment was estimated to be in the range of \$21 to \$25 million, for purposes of gradually building the necessary budget to fund the Region's NHS contribution, it was estimated that sufficient funding would need to be provided in order for NHS to amortize \$25 million over 30 years at an interest rate of 5.5%.

This resulted in an annual funding target of \$1.72 million and the goal was developed to build this amount gradually with base budget additions of \$0.5 million per year commencing in 2008. As a result, for 2009 the Region now has \$1.0 million in the approved base budget for NHS.

Lower Interest Rate

Furthermore NHS staff has confirmed that the interest rate applicable to the project is 5%, therefore this interest rate should be used in the Region's calculations to fund its long term annual commitment, whereas as noted above the Region had previously used 5.5% in its calculations. Regional staff also believes the 5% rate to be an appropriate rate since existing 30 year debt issued by the province (used as benchmark) is currently yielding very close to the suggested rate at 4.88%.

Accumulation of Funds Prior to Funding NHS

Starting with the 2008 Budget process, Council confirmed its commitment to the NHS by including \$500,000 in the 2008 Current Budget, and further, as part of the 2007 Year End Transfer Report; an additional \$1.2 million was transferred to an NHS reserve. In the 2009 budget the budgeted transfer to the reserve was increased by \$500,000 to a base budget of \$1million. In addition, another \$1.2 million is being recommended to be transferred to the reserve fund as identified in the 2008 Year End Transfer report. These amounts will bring the total amount secured for the NHS to date to \$3.9 million. Since the actual payments to NHS are not anticipated to commence until 2011, a further \$1.0 million will be added to the reserve in 2010, and an additional year end transfer or other funding of \$0.73 million will bring the reserve balance to \$5.63 million summarized as follows.

2007 Year End Transfer	\$1.2 million
2008 Budget	\$0.5 million
2008 Year End Transfer (proposed)	\$1.2 million
2009 Budget	\$1.0 million
2010 Budget	\$1.0 million
2009/10 Year End Transfer (proposed)	<u>\$0.73 million</u>
Total	\$5.63 million

Financing Summary

The combination of the lower confirmed commitment of \$21 million, the lower interest cost, and the accumulation of funds in advance of the actual date (2011) when the funds will be required, mean that with only one further one-time contribution of \$0.73 million, the Region will be in a position to fulfil its funding commitment of \$21 million as follows:

1) \$1 million paid annually for 30 years @ 5% -equivalent to	\$15.37 million
2) Reserves accumulated as noted above	<u>\$5.63 million</u>
Total	\$21.00 million

It is anticipated that the remaining \$0.73 million, would be funded from a one time source such as year end surplus from 2009 or 2010, or from the Contingency Reserve, and that appropriate recommendations will be developed in the 2009 Year End Transfer report.

PURPOSE

This report provides an update on the costs of the project as identified by the NHS on March 31, 2009, in comparison to the results to date of the measures that Council has approved for the financing the new NHS healthcare complex.

BACKGROUND

On May 16, 2007, report CSD 85-2007 was reviewed by the Corporate Services Committee, whereby the recommendation was made to Regional Council that :

"Niagara's commitment to NHS, up to \$25 million (net present value) be made by way of annual payments, not to exceed 30 years, subject to final project costs."

On May 24, 2007, Regional Council by resolution agreed to contribute the amount of \$21 million to \$25 million to the new Niagara Health System healthcare complex to be constructed by the NHS in St. Catharines, subject to providing a strategic plan, which has previously been met; and, directed staff to enter into discussions with NHS for the potential transfer of the leased buildings and property to the Region. These property transfers are the subject of a separate report scheduled to come forward shortly.

REPORT

On March 31, 2009 the NHS released a communiqué and information sheet for stakeholders (see attached). Total costs of the Niagara Health System project have been reported to be approximately \$1.56 billion. This project is expected to help stimulate the Regional/Ontario economy during the construction phase by supporting and creating 5,400 jobs, with approximately 1,000 workers on the site daily during the peak of the construction activity. Construction is scheduled to begin in May 2009, with a projected completion by

year end 2012. The NHS complex expects to open its doors to patients commencing 2013.

The information sheet identifies the local share plan for Niagara of \$116.9 million as follows:

- Fundraising \$25 million
- Retail Commercial opportunities & other funding sources \$27.1 million
- Regional/Municipal tax levies \$60 million
- Other grants/funding sources \$4.8 million

Of the total amount of \$60 million from Regional and Local governments the allocations have been confirmed as:

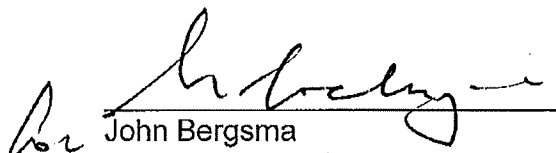
- Niagara Region \$21 million
- City of St. Catharines \$31.2 million
- City of Thorold \$4.3 million
- Town of Niagara on the Lake \$3.5 million

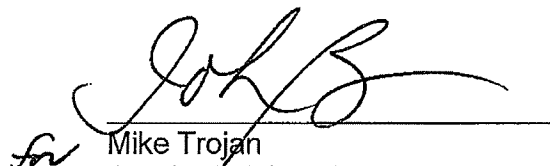
As stated earlier the Region's share for the NHS was originally stated to be \$21 - \$25 million. The NHS has now confirmed Niagara's share at \$21 million. With approval of the 2008 Year End Transfer report, the Region has secured \$3.9 million of the \$21 million required and it is anticipated that additional amounts of \$1.0 million and \$0.73 million will be contributed through the 2010 budget and 2009 Year End Transfer report respectively, for a total accumulation of \$5.63 million.

With the lump sum cash amount of \$5.63 million, combined with the \$1.0 million annual base budget amount, which over 30 years will fund an equivalent of approximately \$15.37 million, the Region will essentially have met its funding commitment of \$21 million.

Submitted by:

Approved by:


John Bergsma
Commissioner of Corporate Services


Mike Trojan
Chief Administrative Officer

This report was prepared by Margaret Murphy, Associate Director, Current & Capital Budgets, and Gord Lockyer, Treasurer /Director, Financial Management & Planning.



NIAGARA HEALTH SYSTEM

SYSTÈME DE SANTÉ DE NIAGARA

TOGETHER IN EXCELLENCE - LEADERS IN HEALTHCARE

INFORMATION SHEET FOR STAKEHOLDERS

March 31, 2009

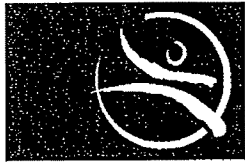
Niagara Health System New Health-care Complex

- This is a great day for healthcare in Niagara.
- Financial close for the new health-care complex has been achieved.
- Site preparation will begin in next few weeks.
- Construction is scheduled to begin in May 2009 and be completed by the end of 2012, meaning that the Niagara Health System (NHS) will open the doors to patients in 2013
- The new health-care complex will: function as an acute-care community hospital with 375 beds, serving residents of St. Catharines, Thorold, Niagara-on-the-Lake and surrounding communities; replace the aging St. Catharines General and Ontario Street Sites; and provide acute and critical inpatient services, surgical, emergency and ambulatory services will all be available under one roof
- The new health-care centre will accommodate regional programs that have never been available in Niagara, including:
 - Comprehensive cancer care at the Walker Family Cancer Centre
 - Cardiac Catheterization services at the Heart Investigation Unit
 - Longer-term mental health beds
- The new health-care complex is an investment in a future with an incredible ability to attract a new generation of doctors, nurses and health-care professionals.
- The local share plan for Niagara is supported as follows:
 - Fundraising - \$25 million (of the \$40 million It's Our Time Campaign
 - Retail/commercial opportunities and other funding sources - \$27.1 million
 - Regional/Municipal tax levies - \$60 million
 - Other grants/funding sources - \$4.8 million

- As committed by the NHS, the tax levy commitments totaling \$60 million from the Region of Niagara, City of St. Catharines, City of Thorold and Town of Niagara-on-the-Lake to support the local share remain at the approved amounts negotiated in 2007.
 - Region of Niagara (\$21 million)
 - City of St. Catharines (\$31.2 million)
 - City of Thorold (\$4.3 million)
 - Town of Niagara-on-the-Lake (\$3.5 million)
- The construction of the new health-care complex will provide a sizeable boost to the regional and Ontario economies during construction by directly and indirectly supporting and creating approximately 5,400 jobs, many of which will be in the Niagara region.
- The building will feature an environmentally friendly design, resulting in LEED® certification as part of the government's commitment to reduce energy use and greenhouse gas emissions.
- More than 300 front-line staff, including nurses, physicians and experts in hospital design participated in the design and planning process for the new health-care complex. Their contributions, along with incorporating international best practices learned post-SARs will make the hospital one of the most innovative facilities in the province.
- The Niagara Health System project will be delivered using an alternative financing and procurement model. Plenary Health Niagara will receive annual payments from Niagara Health System over a 30 year period. Payments cover construction, building maintenance, lifecycle repair and renewal and project financing. Lifecycle refers to ensuring that heating and cooling systems, windows, floors and roofing structures, for example, are kept in excellent working condition over the 30 year period. The payments are like a fixed-rate mortgage with maintenance and repair expenses included and will total approximately \$1.42 billion after 30 years. In today's dollars this is equivalent to approximately \$759 million.
- Groundbreaking will take place the afternoon of Tuesday, April 28, 2009.

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Visit our website for more information:
www.niagarahealth.on.ca/construction/newcomplex



NIAGARA HEALTH SYSTEM

SYSTÈME DE SANTÉ DE NIAGARA

TOGETHER IN EXCELLENCE - LEADERS IN HEALTHCARE

March 31, 2009

Dear Colleague,

This is a great day for healthcare in Niagara. As you may be aware, the Niagara Health System (NHS) in partnership with Infrastructure Ontario held a special technical briefing and news conference this morning to share a very special announcement. After much anticipation, we are pleased to announce that financial arrangements have been finalized for the new health-care complex and construction is scheduled to begin at the end of April, with the official groundbreaking taking place on April 28, 2009!

Construction will be completed by the end of 2012, which means the new health-care complex will open its doors to patients in 2013. Within the next few weeks, a construction crew will begin site preparation work, including building a fence around the site and temporary access roads.

We take great pride in sharing these developments with you. Although there was a delay in finalizing the financial arrangements due to the downturn in the economy, Plenary Health Niagara is still on track to break ground in the spring as originally planned.

This new facility will provide our health-care team with an up-to-date facility to deliver the best possible patient care. This facility is an investment in a future – a future with an incredible ability to attract a new generation of doctors, nurses and health-care professionals who are graduating and looking to practice in environments where they will have the tools, technology, facilities and colleagues to do the best they can to help heal, cure and support their patients and their patients' families. Also exciting is the opportunity we have to apply lessons learned from the planning for the new facility to programs and sites across the NHS that will enhance care for patients and their families, and improve working conditions for physicians, staff and volunteers.

As you will recall, the state-of-the-art health care complex to be located at First Street and Fourth Avenue in St. Catharines will replace the aging St. Catharines General Site and Ontario Street Site (formerly the Hotel Dieu Hospital). The facility will also provide new regional services never before available in Niagara, including treatments for cancer, heart disease and longer-term mental health disease.

Along with the many benefits to patients and health-care providers, the new health-care complex will be a major catalyst for the Niagara economy and local job creation in these difficult economic times.

The project will provide a sizeable boost to the regional and Ontario economies during construction by directly and indirectly supporting and creating approximately 5,400 jobs, many of which will be in the Niagara region. At the peak of development, an average of 1,000 workers are expected on the construction site daily.

Plenary Health Niagara, which has signed a fixed-price contract with NHS to design, build, finance and maintain the facility, will receive annual payments from NHS over a 30-year period. These payments cover construction, building maintenance, repair and renewal and project financing; payments are performance-based and much like a fixed-rate mortgage with maintenance and repair expenses included. The total contract cost of the new NHS health-care complex project after 30 years is approximately \$1.42 billion. In today's dollars, this is equivalent to approximately \$759 million.

The components of the contract with Plenary Health Niagara include:

- Complete design plans for the new health-care complex;
- Building costs – the bricks and mortar;
- Project financing costs for 30 years;
- A 30-year maintenance agreement;
- Repair and renewal of the hospital.
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In addition to the contract costs, the NHS pays for other non-capital and fixed costs such as:

- Replacement furniture, equipment and information technology
 - 100% covered by local share
- Permits, architectural and engineering fees, transaction fees and project management fees
 - Cost shared with Ministry of Health and Long-Term Care

Including these other costs, the total cost of the Niagara Health System project is approximately \$1.56 billion.

To try and explain these large numbers, let's look at the following example. Suppose you bought a house today for \$150,000. According to the Royal Bank website, at the end of the 30 year mortgage term, you would have actually paid approximately \$300,000 -- over twice the purchase price. Further, imagine after paying off your house at the end of 30 years, that all of your maintenance, repair and renewal costs were included in the mortgage payments. This explains in simple terms what we are paying for over 30 years for the hospital – the cost of the hospital, as well as the financing and maintenance of the hospital over 30 years!!

Based on this project cost, the good news is that we do not have to increase our local share, from previous estimates, to pay for the hospital. The local share of \$116.9 million for Niagara is being supported by:

- Fundraising - \$25 million (of the \$40 million It's Our Time Campaign;
- Retail/commercial opportunities and other funding sources - \$27.1 million;
- Regional/Municipal tax levies - \$60 million;
- Other grants/funding sources - \$4.8 million.

We welcome you to learn more about the exciting design elements, development process and cost of the new health-care complex:

- Referencing the project backgrounder (separate attachment) or visiting our website at www.niagarahealth.on.ca/construction/newcomplex;
- Attending one of our open houses that will be occurring in the upcoming months;
- Joining us for the groundbreaking celebration on April 28, 2009.

A lot of hard work has gone into planning and fundraising for one of the most innovative health-care facilities in the province, with countless individuals devoting their time and expertise to this project. On behalf of the patients and families we serve, today and in the future, we can't thank everyone enough.

Best regards,

Debbie Sevenpifer
President and CEO

Gloria Kain
Chief Planning and Development Officer

Media Release – Communiqué



March 31, 2009

FINANCIAL CLOSE REACHED ON NIAGARA HEALTH SYSTEM'S NEW HEALTH CARE COMPLEX

Site preparation and construction set to begin within weeks

ST. CATHARINES – A major milestone has been achieved for the Niagara Health System's (NHS) new health-care complex. The Niagara Health System and Infrastructure Ontario announced today that Plenary Health Niagara and the Niagara Health System reached financial close on March 27, 2009. This means that financing is in place to design, build, finance and maintain the new facility and plans to start construction remains on schedule for spring 2009.

The project will provide a sizeable boost to the regional and Ontario economies during construction by directly and indirectly supporting and creating approximately 5,400 jobs, many of which will be in the Niagara region. At the peak of construction activity, about 1,000 workers are expected on the site daily.

The state-of-the-art health care complex to be located at First Street and Fourth Avenue in St. Catharines will replace the aging St. Catharines General Site and Ontario Street Site (formerly the Hotel Dieu Hospital) and will provide new regional services never before available in Niagara, including treatments for cancer, heart disease and longer-term mental health disease.

The new facility will include:

- The Walker Family Cancer Centre to provide close-to-home treatment for the more than 1,200 cancer patients who currently travel to Hamilton or Toronto for life-saving radiation treatment;
- A new Regional Longer-Term Mental Health Centre with longer-term inpatient mental health beds, combined with acute inpatient mental health beds and ambulatory care services for Niagara residents;
- A new Regional Cardiac Catheterization Centre to provide diagnostic investigation services, reducing hospitalizations for heart disease, lowering wait times and improving access to treatment;
- 80 per cent single patient rooms, the most available in a community hospital in Ontario;
- Environmentally friendly design features resulting in LEED® certification as part of the government's commitment to reduce energy use and greenhouse gas emissions;
- CBRN (chemical, biological, radiological or nuclear) containment capability to deal with infectious outbreaks and disasters;
- 80 per cent paperless system;
- More windows to enhance natural light in patients' rooms and public and staff areas;
- State-of-the-art operating suites designed to take advantage of sophisticated image-guided and laparoscopic surgery; and
- A patient focused site design with healing gardens, ponds and walking paths.

The community-based hospital of up to 375 beds will offer acute and critical inpatient services, surgical, emergency and ambulatory services available under one roof for the residents of St. Catharines, Thorold, Niagara-on-the Lake and the area.

The Niagara Health System project will be delivered using an alternative financing and procurement model. Plenary Health Niagara will receive annual payments from Niagara Health System over a 30 year period.

Payments cover construction, building maintenance, lifecycle repair and renewal and project financing. Lifecycle refers to ensuring that heating and cooling systems, windows, floors and roofing structures, for example, are kept in excellent working condition over the 30 year period. The payments are like a fixed-rate mortgage with maintenance and repair expenses included and will total approximately \$1.42 billion after 30 years. In today's dollars this is equivalent to approximately \$759 million.

Construction of the new facility is on schedule to begin May 2009 and will be completed by the end of 2012, which means the new health-care complex will open its doors to patients in 2013. Within the next few weeks, a construction crew will begin site preparation work, including building a fence around the site and temporary access roads. Groundbreaking will take place the afternoon of Tuesday, April 28, 2009.

Plenary Health Niagara's team includes Plenary Group, Borealis Infrastructure, PCL Constructors Canada Inc., Bregman + Hamann Architects, Silver Thomas Hanley Architects, and Johnson Controls. The long term financing for the NHS project was arranged by TD Securities Inc., RBC Capital Markets and BMO Capital Markets. Société Générale, TD Bank and Bank of Montreal provided construction financing for the project. Long-term financing is provided by the public bond market.

Infrastructure Ontario will post a copy of the Value for Money (VFM) report in the coming months and the project agreement will be posted online at www.infrastructureontario.ca in the coming weeks

Infrastructure Ontario and the Ministry of Health and Long-Term Care will work with the Niagara Health System to build the new health-care complex, which will remain publicly owned, publicly controlled and publicly accountable.

Visit www.infrastructureontario.ca or www.niagarahealth.on.ca/construction/newcomplex for more information

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Quotes

George Smitherman, Deputy Premier and Minister of Energy and Infrastructure

"This project is part of our government's five-year \$30-billion-plus infrastructure investment plan which represents the biggest investment in health care infrastructure in more than a generation. The new health-care complex will be LEED certified and have leading-edge energy efficient features."

Debbie Sevenpifer, President and CEO, Niagara Health System

"The ability of our doctors, nurses and entire health-care team to provide patients with leading edge treatment and quality care will be greatly enhanced once the new health-care complex opens. While we are very excited about the patient care benefits of the project, the fact that the project will be a major catalyst for the Niagara economy and local job creation is truly appreciated during these difficult economic times."

David Caplan, Minister of Health and Long-Term Care

"The new hospital is an essential part of our government's commitment to renew hospitals. It will not only provide a range of state-of-the-art medical services, but also it will help lower wait times and improve access to care for the people in Niagara region."

Jim Bradley, Member of Provincial Parliament, St. Catharines

"Families in Niagara are getting a state-of-the-art facility that will create thousands of jobs now and deliver critical services that will enhance the quality of care for thousands of people across the region for many years to come."

Betty Lou Souter, Chair, Niagara Health System Board of Trustees

"Today is a great day for the future of healthcare in Niagara. This new health care complex will enable the doctors, nurses and our entire health-care team deliver the best healthcare possible for our children and our grandchildren for generations to come."

Mike Marasco, Plenary Health CEO

"Our team is thrilled to have reached this very important milestone and look forward to working with our partners at the Niagara Health System over the next 34 years to build and maintain a state-of-the-art hospital and cancer centre that will be built not only for today, but for generations to come."

Terrence Sullivan, President and CEO, Cancer Care Ontario

"The new Walker Family Cancer Centre will mean that over a thousand patients per year won't have to travel from Niagara to Hamilton or Toronto for radiation treatment. Patients will have access to high-quality cancer services much closer to home in a state-of-the-art facility."

Tom Closson, President and CEO, Ontario Hospital Association (OHA)

"The Ontario Hospital Association supports this type of innovative financing model. It is making possible the construction of a state-of-the-art hospital in St. Catharines -- one that will improve working conditions, improve operating efficiency and, most importantly, improved patient outcomes."

Walter Sendzik, CEO St. Catharines - Thorold Chamber of Commerce

"The economic impact of the new state-of-the-art hospital and regional health care services cannot be underestimated. This project will generate jobs - both short and long term, and just as importantly, it positions our community as a place for businesses to grow and invest. As a vital part of the Paths to Prosperity Plan, today's announcement is key to our future prosperity as a community."

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