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**For Information**

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**REPORT TITLE:**     **Update – Hospital Funding**

**FROM:**               Gary Kent, CPA, CGA, ICD.D, Chief Financial Officer and Commissioner  
                              of Corporate Services

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**OBJECTIVE**

To provide Regional Council with updated information on matters related to local share funding requirements for hospital capital costs.

**REPORT HIGHLIGHTS**

- In October 2021, William Osler Health System (William Osler) submitted a request to the City of Brampton Council for a municipal funding contribution of \$125 million towards the two hospital development and redevelopment projects in Brampton.
  - City of Brampton passed a resolution in 2021 and a budget amendment in 2022 which provided a funding commitment in the amount of \$125 million, as requested by William Osler.
  - Regional Council referred a motion asking the Region of Peel (Region) to commit a \$12.5 million contribution towards the new Brampton Cancer Care Centre to the 2023 Regional Council budget process.
  - Any decision made on funding for the requested contribution for the William Osler project likely will set precedent for future potential requests to fund local hospitals.
  - Regional staff reviewed various funding/financing options and determined that any municipal contribution towards the local share requirement from the Region would have to be funded from property taxes.
  - Costs for potential Regional contribution towards the local share of a future hospital have not been included as a part of the proposed 2023 Regional Budget.
  - The Region continues to advocate to the Province to re-examine the local share hospital capital calculation methodology to better reflect the limited fiscal capacity of municipalities and acknowledge the contributions to health care services that municipalities already provide to their community.
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**DISCUSSION**

**1. Background**

In March 2021, Premier Ford announced a funding commitment to build an additional 250 net new hospital beds in Brampton.

In October 2021, City of Brampton staff received a briefing note from William Osler Health System (William Osler) which highlighted two hospital development projects and outlined its request for a municipal funding contribution of \$125 million.

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**Table 1–Capital Costs and Local Share Contributions Estimated by William Osler**

	<b>Estimated Project Costs</b>	<b>Estimated Local Share</b>	<b>Requested Municipal Funding Contribution</b>
Redevelopment and Expansion of Peel Memorial Hospital	\$700 million	\$175 million	\$87.5 million
New Cancer Care Centre	\$365 million	\$75 million	\$37.5 million
<b>Total</b>	<b>\$1.1 billion</b>	<b>\$250 million</b>	<b>\$125 million</b>

At a special council meeting held on December 8, 2021, Brampton City Council approved a funding commitment in the amount of \$62.5 million which is equivalent to 50 per cent of the municipal funding requested by William Osler.

Through a motion at the Regional Council meeting on November 11, 2021, the City of Brampton requested that the Region commit to funding the remaining 50 per cent contribution in the amount of \$62.5 million towards the local share of construction costs for the proposed Brampton hospital development projects. Regional Council referred the item to staff for a future report.

On March 10, 2022, Regional Council considered a report titled “Hospital Funding” (see Appendix I) that provided Regional context and impact with respect to funding sources and options for future health care and hospital development in Peel, and passed the following resolutions(see Appendix II):

- Resolution 2022-152 - provided direction on next-step advocacy efforts.
- Resolution 2022-154 – referred Regional Councillor Fortini’s motion requesting that the Region of Peel commit to contribute, in the amount of \$12.5 million, to the City of Brampton’s local share for the proposed Cancer Care Centre, to the Regional Council budget process.

This report provides Regional Council with updated information for Council consideration of the hospital funding contribution.

## 2. Updates

### a) City of Brampton Funding Commitment

City of Brampton passed a resolution in 2021 and a budget amendment in 2022 which provided a funding commitment in the amount of \$125 million, as requested by William Osler. That included an option of external borrowing in absence of a \$12.5 million Regional funding.

### b) Advocacy

In response to the Regional Council Resolution 2022-152, the Regional Chair sent a letter to Premier Ford on March 17, 2022, requesting the Province re-examine the local share hospital capital calculation methodology, which needs to better reflect the limited

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fiscal capacity of municipalities and acknowledge the contributions to health care services that municipalities already provide to their community (see Appendix III).

The Region reinforced this position in a delegation meeting with the Minister of Finance at the Association of Municipalities of Ontario (AMO) Annual Conference, held in August 2022. The Region's advocacy will continue through appropriate channels, including the upcoming 2023 Provincial Pre-budget consultations.

### **c) Environmental Scan**

Regional staff have expanded their scan of Ontario hospital projects to better understand the scope of differing approaches to municipal and community contributions put towards the local share of their community hospitals.

The Provincial government's hospital capital funding policy – as laid out in the 2016 Ontario Capital Cost Share Guide for hospitals, mandates that hospitals are responsible for 10 per cent of the eligible construction costs, as well as 100 per cent of other costs such as furnishings and equipment. That funding requirement is commonly known as Local Share.

The funding policy does not include an exemption for hospitals in Toronto or any other municipality. The local share requirement, sometimes referred to as "local community commitment", does not stipulate that the funding must come from municipalities. As such, fundraising plays a critical role and money raised from donors are accounted for as a part of local share.

The City of Toronto has not made municipal contribution to the local share requirement, as historically the funding contribution has been made up through hospital fundraising efforts. For example, the Humber River Hospital Foundation set itself a fundraising goal of \$225 million, for its 2015 Humber River Hospital project build. This represented approximately 11 per cent of its total project cost (\$1.975 billion) and the entire amount required for the local share capital contribution.

At the same time, as indicated in the municipal scan provided through the March 10<sup>th</sup> Council Report (see Appendix I), many municipalities (including the Region of Peel) have made significant contributions to support their community hospital capital projects, in part to minimize the risk of losing these critical projects and the associated provincial funding.

### **d) Funding**

In 1997, the Province eliminated hospital capital costs from Development Charge (DC) eligibility. As a result, municipalities were no longer allowed to collect DCs for hospital related costs. The Region was able to contribute \$37 million to the 2007 Brampton Civic Hospital and \$25 million to the Credit Valley expansion, using DC funds collected prior to the eligibility elimination. Additionally, the Region and the local municipalities' current DC by-laws provide DC exemptions for eligible hospital capital developments.

Since DC funding has been exhausted, any municipal contribution towards the local share from the Region would have to be funded by property taxes. A detailed discussion of funding options was provided in the March 10, 2022, staff report (see Appendix I).

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### **e) Other Hospital Funding Announcements from the Province**

The Ontario government made an announcement in December 2021 to make a multi-billion-dollar investment to build a new hospital in Mississauga and to expand Queensway Health Care, both of which are part of Trillium Health Partners.

On April 3, 2022, Premier Ford announced \$21 million in additional funding for William Osler, with \$18 million for an Emergency Room at Peel Memorial and \$3 million for a Cancer Care Centre. City of Brampton staff confirmed with William Osler that the Province's recent announcement does not change the municipal contribution amount towards the local share requirement.

## **FINANCIAL IMPLICATIONS**

Hospitals and health care facilities located in Peel have struggled to keep up with population growth and an aging population in Peel. While provincial announcements that commit partial funding to building more hospital beds and facilities are important and very much welcome, the Region continues to advocate for the position that the health care system is a provincial responsibility and should be funded through provincial revenue source(s).

The Region has been facing financial challenges, such as funding constraints resulting from the cost of responding to the Covid-19 pandemic, as well as budgetary pressures associated with priorities, such as responding to the housing crisis, the climate emergency, aging infrastructure, a slowing economy, rising service demand for Public Health, affordable housing, and other community pressures.

The province recently passed Bill 23 which represents a serious financial risk to the Region. A report that focused on challenges associated with managing growth and the impact of Bill 23 is on today's Regional Council Budget agenda for Council review.

Additionally, there are increased risks of an economic downturn in Canada in 2023, which would put further pressure on the Region's capacity to meet growing service needs.

Peel Region has experienced rapid population growth in the past decades and is expected to see continued growth over the next decades; the Region and the local municipalities will likely be faced with funding requests for future hospital construction. Any decision made on funding for the requested contribution to William Osler will set a precedent for future requests to fund local hospitals. The compounded impact of the financial challenges discussed above would leave the Region with limited fiscal capacity to absorb additional financial pressure.

Costs for potential Regional contribution towards the local share of a future hospital have not been included as a part of the proposed 2023 Regional Budget.

## **CONCLUSION**

The rapidly changing economic and legislative environment further highlight the financial challenge faced by the municipal sector, in that, there are increasing demands on the sector (including helping to fund provincial projects) while they are meeting the growing and changing needs of the community, using financial tools that are old and not adequate to address evolving needs. This continues to present significant risks to the Region's long-term financial sustainability.

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The Region continues to advocate for the position that the health care system is a provincial responsibility and should be funded through provincial revenue sources. This is particularly important in the current fiscal climate where the Region is facing funding constraints as result of a number of factors, including legislative changes such as Bill 23.

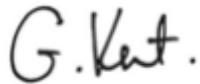
### **APPENDICES**

Appendix I – Council Report titled “Hospital Funding” dated March 10, 2022

Appendix II – Council Resolutions Regarding Hospital Funding, dated March 10, 2022

Appendix III – Letter to Premier Ford Regarding Hospital Funding, dated March 17, 2022

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