



MEMORANDUM

TO: Mayor Lawlor and Members of Council

FROM: Joseph Vandermeer, Deputy Treasurer

DATE: November 21, 2023

MEMO NO.: CS-2023-004

SUBJECT: Hospital Levy and Healthcare Requests

PURPOSE OF THE MEMORANDUM:

The purpose of this memo is to provide Council with an overview of the potential funding options that the Town can utilize to assist with the construction of a new hospital or other healthcare facilities. Additionally, staff have outlined the various sources of funding available for each of these types of projects, understanding that these will be critical to ensure the successful implementation of quality healthcare facilities in our community.

KEY POINTS:

The following are key points for consideration with respect to this memo:

- Capital funding for healthcare projects is typically provided by the Province, however, contributions can oftentimes be limited, with expectations that large portions of the costs are funded from other sources.
- Healthcare providers such as Halton Healthcare Services (HHS) are expected by the Province to provide a local share contribution to cover remaining costs for Hospital improvements.
- Local share contributions for hospitals are typically funded through community fundraising which sometimes includes contributions from the local municipality.
- Municipal revenue generating capabilities are not adequate or appropriate for the funding of services outside of the municipal jurisdiction, such as healthcare.
- Long-term care homes receive substantial capital funding from the Province that is explicitly meant to cover municipal costs such as fees and development charges.
- Hospices also receive partial funding from the Province but usually rely on fundraising and donations to fund improvements and operations.

- The Town has supported healthcare agencies in the past through community contributions and through the waiver or deferral of municipal fees.

BACKGROUND:

Within the healthcare sector in Ontario, various funding sources contribute to the provision of services. These include provincial and federal funding, municipal funding, and local fundraising efforts. In order to facilitate the development of new healthcare infrastructure and alleviate financial pressures, healthcare agencies seek financial assistance from municipalities. This report aims to offer essential insight into the existing funding mechanisms and establish clear expectations for municipal contributions in healthcare infrastructure.

Hospital Funding

In Ontario, municipal governments are generally expected to contribute financially to the construction of provincial healthcare facilities within their boundaries. This contribution typically ranges from 20% to 30% of the total project cost, including capital construction expenses and equipment requirements. The Ministry of Health and Long-Term Care (MoHLTC) has outlined the funding sources for hospital capital projects, such as new hospitals or improvements, in its Capital Cost Share Guide.

Under this guide the Province will provide funding for:

- 90% funding for eligible construction/capital costs
- 100% of eligible construction costs for longer-term mental health programs
- 100% of eligible planning, design, financing, and transaction costs
- 100% of eligible new major radiation therapy equipment for hospitals with regional cancer centers.

Hospitals will be responsible for the local share, which includes:

- 10% of the construction/capital costs
- 100% of the cost of equipment, new and replacement, except for major radiation equipment
- 100% of the cost of parking lots/parking structure
- 100% of the cost for site servicing
- 100% of the cost for retail space in hospital

To meet their financial obligations, hospitals usually raise funds through community fundraising, donations, ongoing hospital revenues (such as parking fees, premium in-patient services, and other retail income), and contributions from local municipalities. Municipal contributions are typically financed through existing reserves if available, or through the implementation of a special levy. It is important to note that municipal revenue tools for funding hospital contributions are limited.

In 1997, the province approved the Development Charges Act, 1997 which made hospitals ineligible for development charge funding. The changes to the Development Charges Act eliminated municipalities' ability to recover growth-related hospital capital costs from development. As a result, municipalities would have to fully recover any local contributions to hospital capital from property taxes.

Previously, the Town raised a Hospital special levy starting in 2011 for the previous expansion of Georgetown Hospital. This levy was collected at 1% or \$335,000 per year for 10 years to fund the debt-related costs totaling \$3.079 million assumed by the Town to fund the contribution to Halton Healthcare Services of \$2.6 million. Approximately \$267,500 remains in the Town's Georgetown Hospital reserve from the prior special levy and can be allocated to future hospital-related contributions.

Without further details on the future hospital development plans, it is challenging to ascertain the exact level of contribution required and whether a specific special levy amount would be adequate. The table provided below serves as an illustrative example to demonstrate the potential impact of municipal contribution requirements. However, it is important to note that these figures are hypothetical as specific requirements have not been identified.

The illustration uses the estimated project cost for the new South Niagara Hospital as an example. The construction of this hospital is expected to be complete in 2028 and has a fixed-price-contract in the amount of \$3.6 billion which includes the cost to design, build, and finance the project. Another project of note is the Oakville hospital that opened its doors in 2015 with a construction project cost of \$2.7B.

| Illustrated Annual Hospital Special Levy | | | | | |
|--|-------------|------------------|--|----------------|------------------------|
| Total Capital Cost* | Local Share | | Total Municipal Share (Over 20 Years) | | Annual Municipal Share |
| \$ 3,600,000,000 | 30% | \$ 1,080,000,000 | 10% | \$ 108,000,000 | \$ 5,400,000 |
| | | | 25% | \$ 270,000,000 | \$ 13,500,000 |
| | | | 50% | \$ 540,000,000 | \$ 27,000,000 |
| | | | 80% | \$ 864,000,000 | \$ 43,200,000 |
| <i>*Estimated cost of construction of a new hospital (based on South Niagara Hospital)</i> | | | | | |

The 30% local share assumption is based on historical information for previous hospital construction projects. The voluntary contribution of the local share that is covered by the municipality varies between 0-80% historically. The remainder of the local share would be covered by the hospital through fundraising (i.e. government grants, local donations) or securing financing against future revenues for the hospital (i.e. parking).

The following table summarizes the impact per \$100,000 of assessment on a residential property. It should be noted that a hospital special levy would be imposed on all property classes should it be levied.

| 2023 Hospital Levy Tax Impacts (example) | | | | | |
|--|------------------------|--------------------------|----------------------|-------------------|----------------------------------|
| Municipal Contribution Rate | Annual Municipal Share | 2023 Weighted Assessment | Residential Tax Rate | Per \$100,000 CVA | Avg Residential Home (\$632,500) |
| 10% | \$ 5,400,000 | \$ 15,605,922,292 | 0.00034602 | \$ 34.60 | \$ 218.86 |
| 25% | \$ 13,500,000 | \$ 15,605,922,292 | 0.00086506 | \$ 86.51 | \$ 547.15 |
| 50% | \$ 27,000,000 | \$ 15,605,922,292 | 0.00173011 | \$ 173.01 | \$ 1,094.30 |
| 80% | \$ 43,200,000 | \$ 15,605,922,292 | 0.00276818 | \$ 276.82 | \$ 1,750.87 |

**Based on the 2022 Roll Return for illustrative purposes*

The average household assessed at \$632,500 would therefore pay between \$218.86 and \$1,750.87 annually for a special levy depending on the municipal funding share percentage in this hypothetical scenario where the hospital construction project totaled \$3.6 billion.

Long-Term Care Funding

The province of Ontario provides funding for the capital development of long-term care homes through its Long-term Care Home Capital Development Funding Policy. This policy outlines eligibility, funding components, and other requirements for long-term care homes to secure funding. This policy covers both private and public long-term care home development. Funding is provided in three main components:

- A construction funding subsidy per diem (CFS)
- A development grant
- A planning grant, available to non-profit homes

Provincial funding is also provided for other incidental reasons such as basic transition/relocation support when residents are relocating during redevelopment projects, and occupancy reduction protection to assist when beds are temporarily or permanently closed.

Construction funding subsidy

The policy establishes base funding amounts for the CFS component as well as designates different market segments related to CFS funding. This designation provides different funding levels depending on where the project is being constructed. Halton Region falls under the Large urban segment and thus is provided the highest level of base CFS funding.

CFS funding can be used for eligible costs as outlined in the development agreement between the operator and the province. The CFS is paid on a monthly basis for a period of 25 consecutive years. Additional top-ups can be received for eligible operators. This top-up amount also has options to convert to a CFS Construction Grant which can provide alternative funding timing depending on the project needs.

The table below outlines the current CFS per diem rates per the policy:

| Components of CFS per diem and development grant adjustment by market segment | | | | |
|--|--------------------|-----------------|-----------------|-----------------|
| Components of CFS per diem and development grant | Large urban | Urban | Mid-size | Rural |
| Base CFS per diem | \$23.78 | \$20.53 | \$20.53 | \$20.78 |
| Small home (up to and including 96 beds) | +\$1.50 | +\$1.50 | +\$1.50 | +\$1.50 |
| Medium home (97 beds up to and including 160 beds) | +\$0.75 | +\$0.75 | +\$0.75 | +\$0.75 |
| Large home (161 beds and over) | +\$0.00 | +\$0.00 | +\$0.00 | +\$0.00 |
| Maximum CFS top-up (if eligible) | +\$35.00 | +\$35.00 | +\$35.00 | +\$35.00 |
| Maximum CFS per diem | \$60.28 | \$57.03 | \$57.03 | \$57.28 |
| Development grant percentage | 17% | 17% | 10% | 12% |
| Maximum development grant per bed | \$51,376 | \$47,926 | \$24,923 | \$29,246 |

Development grant

Development grant funding is provided by the Province to cover a portion of eligible project costs such as construction, land, signage, and municipal development charge costs. Eligible construction costs include all furniture, equipment, design, financing, and municipal building permit fees.

Planning grant

The Province will provide a one-time grant of \$250,000 to assist with planning for development or redevelopment of long-term care homes for non-profit homes only.

Municipal context

Based on staff research, with the expansion of CFS funding provided by the Province in recent years to promote the development of long-term care homes across Ontario, municipal contributions to these projects are rare. Expectations regarding municipal contributions are not the same for long-term care home development as they are for public hospitals.

As part of the development of the Bennett Centre, which is a private non-profit long-term home provider located in Georgetown, the Town supported this development through its phase 1 development (2004-2009) by deferring Development Charges payments to coincide with occupancy rather than building permit issuance as a more appropriate timing for financing for the operator.

In assessing future community contributions or municipal requirements with respect to municipal development charges, as part of provincial Bill 108 and Bill 23, the Province amended the Development Charges Act 1997 to provide financial relief through the introduction of installment/deferral plans (section 26.1 of the Act) for institutional developments (which includes retirement homes and LTC homes), and full exemptions for non-profit housing development. The Town has received a legal opinion that non-profit long-term care homes would fall under both terms of the legislation and thus would be exempt from development charges.

Other community contributions towards long-term care home development would be at the discretion of Council.

Hospice Funding

Staff have researched the involvement of municipalities in the development of hospices in various locations. While provincial funding is generally provided to support the establishment and ongoing operations of hospices, additional funding is often required, which is usually obtained through donations and fundraising efforts by non-profit organizations that offer hospice services. Some municipalities have shown support for hospices in their communities through various means, including direct capital grants, land donations, and waivers of municipal fees such as building/planning fees and Development Charges.

The following list provides a few examples of municipal contributions towards hospices in other communities:

| Hospice Funding Examples | | | |
|---|-----------------------|---|------|
| Location | Population (Estimate) | Funding/Relief Provided | Year |
| Hospice Quinte, Belleville | 50,720 | Six (6) bed hospice facility received municipal support through the donation of a parcel of land and a contribution of \$1M over 5 years | 2019 |
| The Hospice of Windsor and Essex County | 233,763 | Eight (8) bed hospice facility received a municipal contribution of \$2M. | 2014 |
| Chatham-Kent Hospice | 105,529 | Ten (10) bed hospice facility with outreach programs received a municipal contribution of \$1.5M. Leadership grant to be paid over multiple years based on matched donations received from the community. No other relief given (waivers, etc). Repayment required if operations ceased within 10 years | 2013 |
| Stratford Perth Rotary Hospice | 31,465 | Ten (10) bed hospice facility received a municipal contribution of \$1.5M, which included land. 1.5M over 5 years | 2015 |
| Hospice Kingston | 136,685 | \$502,000 municipal contribution to cover Development Charges and building permit fees | 2019 |
| St. Joseph Hospice London | 404,699 | Ten (10) bed hospice facility received a municipal contribution of \$200,000. | 2014 |

Funding for one-time capital grants or fee waivers such as the examples listed above would typically be funded through allocations from Town reserves such as the Tax Rate Stabilization Reserve. Allocations for community grants would impact property tax rates as replacement funding to maintain reserve balances at healthy levels would be required. These funding requirements would usually be included as part of the development of the base operating budget but could also be included in a special levy for healthcare purposes if outlined in policy adequately.

COMMENTS:

In the foreseeable future, the Town may receive requests for contributions towards various healthcare projects, such as the construction of a new hospital, a long-term care facility, and a hospice facility, each of which will be of significant cost.

It is important to recognize that healthcare falls under the jurisdiction of the provincial government, and the expectation that municipalities bear a substantial local share for hospital expansions or construction lacks support considering the limited revenue-generating capabilities at the local government level.

As of now, the Long-Range Financial Plan does not include any provision to utilize reserves to fund new healthcare infrastructure. The balance of the Tax Rate Stabilization Reserve is currently below the target balance established in the General Reserve and Reserve Fund policy, which has traditionally been the source of funding for such contributions.

Should Council wish to proceed with a local funding share option for healthcare projects, a further update to the Town's long range financial plan will be required to determine affordability.

CONCLUSION:

The information provided in this report is to inform Council of the various funding opportunities that exist for healthcare providers in Ontario. It is essential to note that any financial contributions made by the Town towards healthcare infrastructure in our boundaries will have implications on the annual budget and reserve balances.

Staff will provide more detailed calculations in addition to a long range financial plan update as directed by Council.

REFERENCES:

Hospital Capital Planning and Policy Manual

<https://www.ontariohealth.ca/sites/ontariohealth/files/2022-12/HospitalCapitalPlanningAndPolicyManual-EN.pdf>

Long-Term Care Home Capital Development Funding Policy

<https://www.ontario.ca/page/long-term-care-home-capital-development-funding-policy>

Reviewed and approved by,

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