

Date: 2021-11-02

Subject: **Preliminary Feasibility of Financial Support for Healthcare Expansion in Brampton**

Contact: Mark Medeiros, Manager, Financial Planning
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Recommendations:

1. That the report titled **Preliminary Feasibility of Financial Support for Healthcare Expansion in Brampton** to the City Council meeting of November 3, 2021, be received;
2. That the Province of Ontario and the Ministry of Health and Long-Term Care (MOHLTC), as the regulator for the hospital sector, confirm the legislative, regulatory or policy requirements that inform the calculation of the local share contribution requirement of municipalities. In addition, that historical funding contributions for hospital developments in Ontario, including the local share contributions provided by single-tier, upper-tier and lower-tier municipalities, be provided to the City of Brampton as a decision-support mechanism; and
3. That staff be directed to re-negotiate the 2012 municipal grant agreement with William Osler Health System (WOHS) (*Appendix B*) to ensure the participation of the City of Brampton (City) is aligned with other municipalities, as required by Province of Ontario legislation, regulation or policy with respect to the local share; and
4. That staff, in consultation with WOHS, engage in discussions with the Region of Peel as a key stakeholder to determine the financial contribution of the upper-tier municipality for the proposed redevelopment and expansion of Peel Memorial Hospital (\$700 million) and the Cancer Care Centre (\$365 million); and
5. That WOHS provide residential location of patients to ensure the City of Brampton contribution is aligned with the volume of patients from our community. The data is a decision-support mechanism to evaluate the Fair Share that taxpayers from the City of Brampton could contribute based on local utilization; and
6. That staff requests information from the Province of Ontario and WOHS to determine whether additional provincial or federal infrastructure funding would be available to the

local hospital when the Brampton School of Medicine is approved. The WOHS would be classified as a teaching hospital and may require additional provincial or federal financial support.

Overview:

- At the City Council Meeting of September 29, motion C322-2021 was passed and included the following direction to staff:
*“That the following delegations from William Osler Health System re. **Item 9.1 – Update from Mayor Brown re. COVID-19 Emergency**, to the Council Meeting of September 29, 2021, be **referred** to staff for a report on ways the City can support William Osler Health System in future endeavours in Brampton, as well as provide more information to Council regarding the future of the William Osler Health System”*
- At the City Council Meeting of October 20, motion C353-2021 was passed and included the following direction to staff:
“That staff be directed to bring forward a preliminary report to Council by November 3, 2021, on the feasibility of implementing a special levy to help fund the construction of a new full-service Hospital in the City of Brampton, including identifying cost-sharing opportunities with the Province and other stakeholders.”

LEGISLATIVE FRAMEWORK & BENCHMARKING

- Staff conducted preliminary research to identify Provincial legislation regarding local share contributions and related benchmarking to determine appropriate stakeholders and **comparative contributions made by single-tier, upper-tier or lower-tier municipalities**. This information was not readily available through the Province of Ontario or Ministry of Health and Long-Term Care’s websites.
- Staff contacted WOHS with respect to supporting documentation regarding the local share contribution and received the following response:
“Capital cost sharing for hospital redevelopment is outlined in long-standing Ministry of Health policy (2006). Local share is not a legislative requirement, however, the Ministry’s Capital Cost Share Guide outlines what is eligible / not eligible for Ontario Government in hospital capital projects”
- With respect to benchmarking, transparency around funding arrangements for hospital developments in the Province of Ontario is not readily available. Staff were able to find secondary sources of information through various municipal Council reports and have summarized that information in Appendix A. These

examples indicate a **wide range of contribution percentages across single-tier, upper-tier and lower-tier municipalities**. It must be noted that the benchmarking provided in Appendix A cannot be considered the official record of actual funding arrangements. Funding arrangements may have changed or projects may not have proceeded as indicated, subsequent to the documents identified in Appendix A.

- To fully satisfy motion C353-2021, staff recommend a formal request to the Province of Ontario and the MOHLTC as the regulator for the hospital sector to confirm the legislation, regulation or policy requirements that inform the local share contributions and to provide historical funding contributions for hospital developments in Ontario, including the **local share contributions provided by single-tier, upper-tier and lower-tier municipalities**. The objective of the formal request to the Province of Ontario is to secure data to ensure any contribution from the City of Brampton is aligned with funding contributions for Hospital developments in other Ontario jurisdictions.

WILLIAM OSLER HEALTH SYSTEM PROPOSAL

PEEL MEMORIAL REDEVELOPMENT AND EXPANSION & CANCER CARE CENTRE

- On October 29, 2021, City staff received a briefing note from William Osler Health System, highlighting two projects for consideration with a combined estimated cost of \$1.1 billion, with \$700 million for redevelopment and expansion of Peel Memorial Hospital and \$365 million for a Cancer Care Centre.
- William Osler has estimated the local share required for these projects to be \$250 million or 22.7% of the total \$1.1 billion estimated project costs and is requesting the City of Brampton to fund 50% of the local share or \$125 million, with \$87.5 million for redevelopment and expansion of Peel Memorial Hospital and \$37.5 million for a Cancer Care Centre.
- The City of Brampton and William Osler are currently under agreement to develop and expand Peel Memorial Hospital (*Appendix B*), which culminated in a report to the Committee of Council on April 3, 2013. (*Appendix C*). This agreement consisted of contributions from the City of Brampton in the amount of \$60 million over 2 phases. Phase 1 has been completed, and \$40 million has been contributed to William Osler. The Phase 2 portion of \$20 million is currently maintained in City reserves and, with accumulated interest, has grown to approximately \$22 million.

- Staff recommend that the existing municipal grant agreement be re-negotiated through consideration of the \$125 million proposal, as Phase 2 of the original agreement includes expansion of Peel Memorial Hospital. In addition, the Region of Peel should be included in the re-negotiation and new agreement as a key community stakeholder. For reference, the Region of Peel contributed \$37 million to construct the Brampton Civic Hospital in 2007, and no contributions were required from the City of Brampton.
- Staff recommend that the City of Brampton submits a formal request to the WOHS for a report that outlines the volume of patients who benefit from hospital health care services by residential address. The volume of patients across the lower-tier municipalities should be considered in the calculation of the local share, in combination with patients that utilize services from outside the Regional jurisdiction.
- Notwithstanding the above, staff have developed various funding scenarios for Council's consideration, including potential impacts to the average household depending on the level of support provided by the City vs other key stakeholders. (Appendix D).

NEW FULL-SERVICE HOSPITAL

FEASIBILITY OF IMPLEMENTING A SPECIAL LEVY

- Special Tax Levies are typically approved by Council through the annual budget process. Subsequent to this approval, staff calculate the amount of taxes required from each property to fund the approved budget and issue Tax Bills to collect the funds.
- The 1% Tax Levy Equivalent at the time of writing this report is \$4,947,827.
- Staff do not currently have an estimated project cost for a new full-service hospital; however, Appendix D illustrates various scenarios for utilizing special levy's and can be scaled to different levels, as required.
- Affordability by the community is a key consideration when determining the feasibility of a special levy for constructing a new full-service hospital. Staff recommend that a social and economic impact study be completed, along with a comprehensive public engagement process, in order to gauge the level of contribution that is deemed affordable for the community.
- The Fair Share for the City of Brampton is based on access to critical health care services that have been underfunded for years. Staff recommend

continued advocacy to the Province of Ontario to demonstrate that years of funding shortfalls should not be the responsibility of the local taxpayer but accommodated by the system that created the current service and financial circumstances.

Background:

In 2007, Brampton Civic Hospital was completed at an estimated cost of \$821 million with a municipal contribution of \$37 million from the Region of Peel or 4.6% of the estimated total project costs. No contributions were required from the City of Brampton.

In 2010, William Osler Health System requested the City of Brampton to contribute \$60 million towards a two-phase \$420 million project for the Peel Memorial Centre for Integrated Health and Wellness with Phase 1 and 2 consisting of \$40 million and \$20 million contributions respectively. This municipal contribution for this project was 14.2%, and the Region of Peel did not contribute to the project.

Brampton City Council approved the \$60 million grant in 2010, and a Memorandum of Understanding with William Osler was signed in 2012. In 2013, Council approved a dedicated tax levy of \$9,833,333, which translated into a City property tax levy increase of 3.3% on all classes, to commence in 2013 and end in 2018. Brampton taxpayers provided the agreed-upon \$60 million, and Council has contributed \$40 million to William Osler Health System at substantial completion of Phase 1. Phase 2 was not completed and the associated municipal contribution of \$20 million is maintained in City reserves.

In February of 2021, as part of its 2021 Pre-Provincial Budget Submission, the City of Brampton requested the Province of Ontario to expedite approvals for expanded Phase II development of Peel Memorial to include post-acute beds that support comprehensive rehabilitation, seniors care, complex continuing care and mental health and addiction services. The provincial budget released March 2021 by the Ontario government included funding for the construction of over 250 net new beds as part of Peel Memorial Phase II.

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Current Situation:

LEGISLATIVE FRAMEWORK & BENCHMARKING

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With respect to benchmarking, transparency around funding arrangements for hospital developments in the Province of Ontario is not readily available. Staff were able to find secondary sources of information through various municipal Council reports and have summarized that information in Appendix A. These examples indicate a **wide range of contribution percentages across single-tier, upper-tier and lower-tier municipalities**. It must be noted that the benchmarking provided in Appendix A cannot be considered the official record of actual funding arrangements. Funding arrangements may have changed or projects may not have proceeded as indicated, subsequent to the documents identified in Appendix A.

To fully satisfy motion C353-2021, staff recommend a formal request to the Province of Ontario and the MOHLTC as the regulator for the hospital sector to confirm the legislation, regulation or policy requirements that inform the local share contributions and to provide historical funding contributions for hospital developments in Ontario, including the **local share contributions provided by single-tier, upper-tier and lower-tier municipalities**. The objective of the formal request to the Province of Ontario

is to secure data to ensure any contribution from the City of Brampton is aligned with funding contributions for Hospital developments in other Ontario jurisdictions.

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Staff recommend that the existing municipal grant agreement be re-negotiated through consideration of the \$125 million proposal, as Phase 2 of the original agreement includes expansion of Peel Memorial Hospital. In addition, the Region of Peel should be included in the re-negotiation and new agreement as a key community stakeholder. For reference, the Region of Peel contributed \$37 million to construct the Brampton Civic Hospital in 2007, and no contributions were required from the City of Brampton.

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The Fair Share for the City of Brampton is based on access to critical health care services that have been underfunded for years. Staff recommend continued advocacy to the Province of Ontario to demonstrate that years of funding shortfalls should not be the responsibility of the local taxpayer but accommodated by the system that created the current service and financial circumstances.

Term of Council Priorities:

This report fulfils the Council Priority of a Well-Run City through strict adherence to effective financial management policies and supports Brampton's 2040 Vision by ensuring sustainable financial operations.

Conclusion:

The recommendations in this report are aligned with the Fair Share for the City of Brampton campaign. It is essential to ensure that a local share contribution to the hospital construction is aligned with provincial legislation, regulation, policy, and the past practice in other jurisdictions.

Authored by:

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Appendix A: Hospital Funding Benchmarks

Appendix B: 2012 Agreement for Use of Municipal Grant

Appendix C: Council Report Peel Memorial – 2013

Appendix D: Funding Scenarios