

Date: March 15, 2013

COMMITTEE OF COUNCIL

File: F026-2013

DATE: April 3, 2013

Subject: Budget Amendment: Funding Options for City Contribution to Peel Memorial Centre for Integrated Health and Wellness

Contact: Bonnie Eskelson, Director of Financial Planning and Budgets (x 2253)

Overview:

- City Council was requested by William Osler Health System to contribute \$60 million, half of the required \$120 million local share, towards the new Peel Memorial Centre for Integrated Health and Wellness.
- Council approved the \$60 million grant in 2010 and a Memorandum of Understanding with William Osler was signed in 2012.
- To date, the City has set aside \$1 million in a reserve fund for this project.
- Funding options for the City contribution were presented to Council during the 2013 budget deliberations. To obtain public input on the funding options, Council held a Town Hall meeting on February 20, 2013. Comments were also received via the City website, a dedicated telephone line, and by contacting Councillors directly.
- Staff presented three options for consideration:
 - Option 1: Tax and Save – taxation in advance of payment.
 - Option 2: Borrow – no taxation in advance; borrow when contributions are due (2016 and 2018) and tax to repay the debt.
 - Option 3: Combination – tax in advance for down payment, then borrow when contributions are due (2016 and 2018).
- Based on feedback from citizens, staff recommends Option 1 – Tax and Save, to be implemented through a dedicated tax levy.
- If Option 1 is to be implemented in 2013 with the goal of raising the entire \$60 million prior to payment, approval is required before April 30, 2013 to increase the 2013 tax levy by \$9.8 million (\$52 per year on the average residential property owner).

Recommendations:

1. **THAT** the report from Bonnie Eskelson, Director of Financial Planning and Budgets, dated March 15, 2013, to the Committee of Council Meeting of April 3, 2013, re: **Budget Amendment: Funding Options for City Contribution to Peel Memorial Centre for Integrated Health and Wellness**, be received; and
2. **THAT** Council amend the 2013 budget to include an additional tax levy of \$9,833,333 per year, commencing in 2013 and ending in 2018, to support the new Peel Memorial Centre for Integrated Health and Wellness, funds to be held in Reserve #126 – Pledge to Peel Memorial Hospital until payments are due in accordance with the Memorandum of Understanding between the City of Brampton and William Osler Health Services; and
3. **THAT** details of the dedicated tax levy for the hospital be inserted with the 2013 tax bill; and
4. **THAT** City Council and staff continue efforts to advocate for the reinstatement of health care capital funding as an eligible service for Development Charges.

Background:

The former Peel Memorial Hospital site is being redeveloped by the Province of Ontario. While health care funding is a provincial government responsibility, the Province requires a significant contribution from the local community for any new health care facility. The local contribution required for the new Peel Memorial Centre for Integrated Health and Wellness (PMC) is \$120 million. In March 2010, City Council was asked by the William Osler Health System (William Osler) to commit up to \$60 million of the local contribution to ensure that the development of the new PMC is given priority by the Province. Recognizing how important a second health care facility is to the community, Council agreed.

The balance of the local share will be raised by William Osler through various means.

A Memorandum of Understanding (MOU) was signed between the City and William Osler in 2012, committing \$60 million to the project. Payments are to be made upon substantial completion of each phase of the project. Completion of Phase I is expected in 2016 and Phase II in 2018, with City payments of \$40 million and \$20 million respectively.

The local share of funding for Brampton Civic Hospital was obtained from the Region of Peel (\$37M), donations (\$35M), interest (\$34M) and ancillary sources (\$70M – mainly parking). No City of Brampton municipal contribution was required. Funds for the Region's contribution came from Development Charges (DCs) collected prior to the 1997

changes in DC legislation. Municipalities are no longer permitted to collect DCs towards hospitals.

Regional staff has estimated that they could reasonably have been expected to collect about \$80 million region wide in DCs from September 1999 to December 2012, had the legislation not changed. This estimate is an approximation based on the last known rate for DCs, indexed per established DC indexing rates and multiplied by the number of residential units developed during this period.

Health facilities funding is the responsibility of the provincial government; therefore, the City has not traditionally raised municipal property taxes for this purpose. To reallocate existing funding to the PMC project would therefore have a direct impact on the provision of services that are the responsibility of the municipality.

To date, the City has allocated \$1,000,001 from the 2011 and 2012 budgets. No funds have yet been allocated in the 2013 budget, pending Council's decision on the preferred funding approach. Several models were presented to Council during the 2013 budget deliberations. Council directed that public input be obtained through a public meeting and other means prior to making a final decision.

Current Situation:

The purpose of the Town Hall Meeting held on February 20, 2013 was to obtain public input on methods of raising the remaining \$59 million.

Three options were presented for public feedback (see Appendix A – Fact Sheet and Appendix B – Funding Options for more details):

- Option 1: Tax and Save
- Option 2: Borrow
- Option 3: Combination – Borrow with Down Payment

These options summarize the essential elements of all the variations that were presented to Budget Committee.

Other options considered but eliminated include:

- Use of reserve funds – rejected due to the resulting loss of investment income leading to an indirect tax increase to cover municipal operations, the deficit position in capital reserves and potential impact on the City's credit rating.
- Infrastructure funding from other levels of government – no available funding programs are known at this time.

The opportunities for providing feedback were widely advertised through various media. Tactics included:

- Four ads in the Brampton Guardian (three in advance of the Town Hall, and one follow-up ad to promote other feedback channels)
- Four ads in local South Asian publications
- Multiple references on the City's social media channels (Twitter and Facebook)
- Prominent placement on City's website (homepage tile)
- Article in City Matters e-newsletter
- Brampton Bulletin (Rogers video clip)
- Media relations

Comments were received at the Town Hall meeting, online through the City's website, by telephone, or through the Mayor, a Councillor, or the Clerk's office, before March 6, 2013.

Feedback Received

Public feedback was encouraged and received from numerous sources. The City received a total of 66 responses:

- 20 in-person comments at the Town Hall meeting on February 20, 2013
- 4 forms handed in to staff following the meeting
- 22 comments via the City's web site
- 14 recorded telephone messages on the dedicated telephone line
- 6 responses submitted through contact with elected officials and forwarded to staff.

Preference for one of the three options provided was stated in 24 cases. Of those, two thirds were in support of Option 1 – Tax and Save. Attached appendices provide the breakdown, as well as additional comments, concerns and questions raised.

In the other responses where one of the options was not selected, respondents outlined their concerns and suggestions as noted in Appendix C – Public Feedback Summary. Those comments generally expressed concern about increased taxation, suggesting that the province should pay 100% of the costs and/or reinstate DCs for hospitals, or that those using the services should pay their fair share (e.g. head tax).

In addition to direct responses to the City, feedback was obtained by Rogers via a phone-in broadcast following the Town Hall meeting. Rogers received 16 telephone calls and interviewed two residents. Where a preference was indicated, all selected Option 1 – Tax and Save.

Recommendation

Based on the preponderance of support expressed for Option 1 – Tax and Save, staff recommends that Council approve a dedicated tax levy to commence in 2013 and end in 2018. The annual contribution to Reserve #126 – Pledge to Peel Memorial Hospital will be \$9,833,333, which translates into a City property tax levy increase of 3.3% on all classes. The first year impact on the average residential property assessed at \$347,000 will be \$52. This equates to 1.4% on the overall property tax bill, including the region, city, education and dedicated hospital levy which will increase the overall tax rate for 2013 to 3.9%. In each subsequent year, the dedicated levy will be adjusted downwards to factor in assessment growth from new properties and accrued interest. This will ensure sufficient funding to make payments in accordance with the MOU between the City of Brampton and William Osler Health System, that is, \$40 million in 2016 and \$20 million in 2018 or on substantial completion of each phase.

If a dedicated tax levy is to commence in 2013, a decision must be made by April 30, 2013, in order to incorporate the levy into the 2013 tax bill.

A detailed explanation of the dedicated tax levy will be provided as an insert with the property tax bill because a separate line item directly on the tax bill is not permitted under Sections 343 and 344 of the *Municipal Act, 2001*, as amended. This insert will indicate clearly the portion of tax being collected as a special or dedicated levy towards the Peel Memorial Centre for Integrated Health and Wellness.

A Question and Answer (Q&A) page will be maintained on the City's website (www.brampton.ca) to address issues raised during public consultation.

As additional context, Appendix D – Current Infrastructure Ontario Hospital Projects provides details, including municipal contributions, if any, for current hospital projects being undertaken by Infrastructure Ontario in other communities.

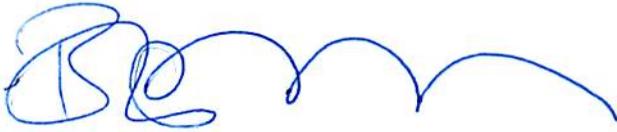
Corporate Implications:

Approval of a dedicated tax levy beginning in 2013 requires an amendment to the approved 2013 budget. Communication to the public will include an insert with the 2013 and subsequent years' tax bills and a Q&A document on the City website.

Conclusion:

Council has committed to a municipal contribution of \$60 million towards the local share of funding for the new Peel Memorial Centre for Integrated Health and Wellness. Before making a final decision on how to raise these funds, Council requested feedback from the

public on the preferred approach to raising the funds. Given a choice between a tax levy to raise 100% of the funds in advance of the required payments or using debt financing to defer the necessary taxation, the majority of the residents who expressed a preference opted for taxation in advance. Accordingly, staff recommends implementation of a dedicated tax levy in 2013 to enable the City to fund the required contribution to the PMC without issuing debt.



Bonnie Eskelson
Director of Financial Planning and Budgets



Mo Lewis
Commissioner, Financial and Information
Services and City Treasurer

Appendices:

- Appendix A – Fact Sheet (distributed at Town Hall meeting)
- Appendix B – Funding Options (presented at Town Hall meeting)
- Appendix C – Public Feedback Summary
- Appendix D – Current Infrastructure Ontario Hospital Projects

Report authored by: Jacqueline Crosbie, Financial Planning Analyst

**Funding strategies for the City's contribution
to the new Peel Memorial Centre for Integrated Health and Wellness
Town Hall Meeting - February 20, 2013**

Background

The former Peel Memorial Hospital site is being developed by the Province of Ontario. While health care funding is a provincial government responsibility, in March 2010, Brampton Council was asked by the William Osler Health System to commit \$60 million in order to ensure that the development of the new Peel Memorial Centre for Integrated Health and Wellness is given priority by the Province. Recognizing how important a second health care facility is to our community, Council agreed.

Council is now considering how to fund this commitment, and is interested to hear public input.

Timeline

- 2010 Brampton City Council committed up to \$60 million (half the estimated local share of \$120 million) towards the new PMC funding, contingent on provincial approval of funding for the project. The balance of the local share will be raised through private donations.
- 2011 The Province of Ontario approved the project.
- 2012 A Memorandum of Understanding (MOU) was signed with William Osler, securing the City's commitment to the project.
- 2013 The City of Brampton holds a Town Hall meeting to discuss funding options.
- 2014 Construction on the new Centre is planned to begin. Two phases of construction are anticipated.
- 2016 Payment of municipal contribution is required on substantial completion of first phase of construction (\$40 million)
- 2018 Payment of municipal contribution is required on substantial completion of second phase of construction (\$20 million)

Funding Considerations

- Health facilities funding is the responsibility of the provincial government; therefore, the City has not traditionally used municipal taxes for this purpose.
- Brampton Civic Hospital's local share of funding was obtained from the Region of Peel (\$37M), donations (\$35M), interest (\$34M) and ancillary (\$70M – mainly parking). No City of Brampton municipal contribution was required.
- To date, the City has allocated \$1,000,001 from the 2011 and 2012 budgets. No funds have yet been allocated in the 2013 budget, pending Council decision on the preferred funding approach.
- The purpose of this Town Hall Meeting is to obtain public input on methods of raising the remaining \$59 million.

Funding Options

Option 1 Tax and Save

- Taxation to raise total contribution in advance of payment.
- Payments to be made in 2016 and 2018 (or when each phase is substantially completed).
- No debt financing will be issued.

Who pays?

- The cost will be borne entirely by those taxpayers who reside or operate in the City over the next six years.

Option 2 Borrow

- Debt financing issued when contribution is due (2016 and 2018, or when each phase is substantially completed).
- Spreads the impact on taxpayers over a longer time period, reducing the annual impact.
- Delays the start of the property tax impact until the first contribution is required.

Who pays?

- The cost will be borne entirely by those taxpayers who reside or operate in the City after construction of the PMC and therefore benefit from it.

Option 3 Combination-Borrow with Down Payment

- A combination of options 1 and 2 introduces the dedicated tax levy immediately in 2013 to raise a partial down payment or accumulate a reserve for future debt repayment.
- Debenture debt would be issued when the contribution is due and the tax levy continued in future years for debt repayment.

Who pays?

- The cost will be shared by those taxpayers who reside or operate in the City during and after construction of the PMC and therefore benefit from it.

We want your feedback! Comments are welcome at the Town Hall meeting, and will also be accepted online at www.brampton.ca, by phone at 905.874.5901, or by contacting the Mayor or your Councillor, before March 6, 2013.

Appendix B – Funding Options

	Description	Start Date	End Date	Annual Tax Impact
Tax and Save Option – No Debt (Option #1)	<ul style="list-style-type: none"> • Initiate tax levy in 2013 • Accumulate sufficient funding • Payments: \$40M in 2016 and \$20M in 2018 • <u>No debt financing required</u> 	2013 *	2018	\$52 => \$47 per household** Total \$9.83M (3.3%)
Borrowing Option (Option #2)	<ul style="list-style-type: none"> • Initiate tax levy in 2016 to begin collection for future debenture repayments • Payments: \$40M in 2016 and \$20M in 2018 • Assumes debenture financing: <ul style="list-style-type: none"> • 10 Yrs @ 5% for both debentures 	2016	2025	\$44 => \$36 per household** Total \$8.9M (2.9%)
Combination Option - Borrow with Down Payment (Option #3)	<ul style="list-style-type: none"> • Initiate tax levy in 2013 to collect for partial down payment or reserve for future debenture repayments • Payments: \$40M in 2016 and \$20M in 2018 • Assumes debenture financing: <ul style="list-style-type: none"> • 10 Yrs @ 5% for both debentures 	2013 *	2025	\$36 => \$28 per household** Total \$6.8M (2.2%)

* may vary, depending on construction start date

** \$ per household = impact on average residential property; 2013 assessment value = \$347,000; decreases over time as more households are added to the tax role

K3-9

Appendix C - Public Feedback Summary

Option	Town Hall	Comment Form	Website	Phone Line	Mayor/Council	Total Received	Rogers	Grand Total
Option 1: Tax and Save	5	3	6	1	1	16	10	26
Option 2: Borrow	1	0	3	0	0	4	0	4
Option 3: Combination	1	0	3	0	0	4	0	4
Other (see suggestions)	6	0	4	11	4	25	3	28
None / no preference indicated	7	1	6	2	1	17	3	20
TOTAL	20	4	22	14	6	66	16	82

Other Suggestions	Comments
Get funding from Province	Council will continue to pursue this option
Get Province to reinstate DCs for hospitals	Council will continue to pursue this option but municipalities have been unsuccessful in this regard over many years
Reprioritize current projects	Capital projects are reviewed annually during budget deliberations and are considered essential in provision of municipality's own services
Find funding within existing budget	Budget for municipal operations should not be impacted by health care capital projects
Use reserve funds	Reserve funds are over-committed and interest earned is used towards City operations
Offer discounted fee if paid as lump sum	Municipalities are not permitted to tax in this manner
Charge head tax/levy on secondary suites and rental apartments	Municipalities are not permitted to tax in this manner (note: other than secondary suites, rented apartments are subject to property tax)
Collect a fee-for-service	Not permitted for health care services
Collect from nearby cities	Municipalities do not have this legislative authority
Charge developers	Development charges are not permitted for health care capital funding
Charge levy on new home purchases	Municipalities are not permitted to tax in this manner
Consider privatization	Funding model is a Provincial decision; current model does have private sector assume up-front risk
Various fundraising efforts	The hospital will pursue various fundraising efforts to raise the balance of local funding (private donations are part of hospital fundraising efforts)

K3-10

Appendix D - Current Infrastructure Ontario Hospital Projects

GTA Projects with Known Municipal Funding Support

Municipality	Hospital	Municipal Contribution	Funding Model	Annual Levy	Levy Term	Comments
Burlington	Joseph Brant Memorial	\$62.1M (50% of local share)	tax levy and surplus funds	\$1.2 - \$4.8M (phased out over time)	19 years (to 2028)	Planning, design and compliance team selected
Cambridge	Cambridge Memorial	\$6.3M	tax levy	\$630K	10 years	RFQ planned for spring 2013
Milton	Halton Healthcare Services - expansion of Milton District	\$40M	tax levy, debt financing, Community Fund (OLG revenue)	1%	until retirement of debt	RFQ planned for summer 2013
Oakville	Halton Healthcare Services	\$130M (maximum)	options to be presented to Council for consideration	TBD	TBD	Under construction.
Vaughan	Mackenzie Health (Vaughan)	\$80M	tax levy (phased tax increases over six years totalling 5.45%), and debt financing	5.45% (phased in over six years)	26 years	RFQ planned for winter 2014
York Region	Markham Stouffville, Southlake, Mackenzie Health (Richmond Hill), Mackenzie Health (Vaughan)	\$341M	tax levy (funding not to exceed 1/3 of the Ministry funding and 2/3 of planning & design not covered by Province)	\$12M, indexed for assessment growth	through 2031	Funding for four hospitals through a single hospital reserve account, through 2031

K3-11

Appendix D - Current Infrastructure Ontario Hospital Projects

Projects Outside the GTA with Known Municipal Funding Support

Municipality	Hospital	Municipal Contribution	Funding Model	Annual Levy	Levy Term	Status
Barrie	Royal Victoria Regional Health Centre	\$52.5M	proceeds from sale of hydro + annual dividends from 20% interest in power company	N/A	N/A	Under construction
Brockville	Brockville General; University Hospitals Kingston Foundation	\$50K - BG + \$125K - UHKF	tax levy	\$35K	5 years (end of 2013)	RFQ planned for spring 2014
Hamilton	St. Joseph's Health Care - West 5th Campus	DC discount and deferral	50% discount on DCs + 10-yr interest-free deferral on remaining balance	N/A	N/A	Under construction
	McMaster Children's Health Centre					Short-listed bidders named (RFP spring 2013)
Kingston	University Hospitals Kingston Foundation (current: Providence Care)	\$10M + up to \$6M "earned" (50% DCs and impost fees)	tax levy; 10-yr commitment to University Hospitals Kingston Foundation	\$1.6M (1%)	10 years	RFP open (issued fall 2012); hospital must "earn" funds above \$10M by investing in the community
Simcoe County	Various, as identified by the hospital alliance (current: Waypoint Centre for Mental Health Care)	\$30M	tax levy	\$3M (2.3%)	10 years	Under construction; funding to be used for all hospitals in the county
St. Thomas	St. Thomas Elgin General	\$100K to date	Requesting \$3.5M each from City and County (Mar 25)	\$250K (0.58%) in 2013 budget request	10 years	RFQ planned for spring 2014 Further funding not yet approved
United Counties of Prescott & Russell	Hawkesbury and District General; University Hospitals Kingston Foundation	\$200K - HDG + \$350K - UHKF		\$50K + \$50K	7 years 4 years	RFQ planned for spring 2013 (2010 data; not confirmed)
Wellington County	Groves Memorial Community (Fergus)	\$5M	tax levy, past reserve contributions	\$400K	8 years (end of 2011)	RFQ planned for summer 2014

K2-12