

Date: 2022-03-14

Subject: **William Osler Health System Request - Additional Funding Options & Reserve Balance Confirmation**

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Report Number: Corporate Support Services-2022-340

Recommendations:

That the report titled **William Osler Health System Request - Additional Funding Options & Reserve Balance Confirmation**, to the Committee of Council Meeting of March 30, 2022, be received.

Overview:

- At the Committee of Council meeting of March 9th, 2022, members of Council discussed the \$62.5 million commitment to William Osler Health System (WOHS) through approved resolution BC022-2021 (*Appendix 1*) at the December 8th, 2021 Special Council meeting, including confirmation on the status of reserve funding.
- Subsequent to that meeting, the CAO directed staff to provide Council with options to fund the additional remaining \$62.5 million or 50% of the WOHS request. This report provides Council with 2 options for consideration, in order to secure the additional funding.
- Discussion Item 12.3.1, and proposed motion, from Councillor Fortini related to the subject matter of this report is also listed on the March 30 Committee meeting agenda.
- In addition, this report provides confirmation and additional background on the City's previously approved commitment related to WOHS's request, specifically

the reserve balance in *Reserve 126 – Pledge to Peel Memorial Hospital*, including the transaction related to resolution BC022-2021.

Background:

On October 29, 2021, City staff received a briefing note from William Osler Health System (WOHS), 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 following table illustrates the funding breakdown and the requested timing of disbursement to WOHS:

Table 1: WOHS Request – Funding Details

	Peel Memorial	Cancer Care Centre	TOTAL
Funding Request	\$87,500,000	\$37,500,000	\$125,000,000
WOHS Preferred Funding Receipt Date	November 2026	Late 2027 / Early 2028	

Note: Preferred funding receipt timelines were received by staff via email from WOHS staff.

At the City Council meeting of November 3rd, 2021, the report “*Preliminary Feasibility of Financial Support for Healthcare Expansion in Brampton*” was presented. This report identified 4 options for Council’s consideration in support of the WOHS system request. The report was referred to the 2022 Budget Committee.

At the December 8th, 2021 Special Council Meeting, Option 4 from the November 3rd report was approved through resolution BC022-2021 (Appendix 1), which committed the City to \$62.5 million funding equivalent to 50% of the funding requested by WOHS.

At the Committee of Council meeting of March 9th, 2022, members of Council discussed the \$62.5 million commitment approved through resolution BC022-2021, including a request of confirmation on the status of reserve funding.

Subsequent to that meeting, the CAO directed staff to provide Council with additional options to fund the remaining 50% or \$62.5 million of the WOHS request. This report provides Council with 2 options for consideration.

Discussion Item 12.3.1, and proposed motion, from Councillor Fortini related to the subject matter of this report is also listed on the March 30 Committee meeting agenda.

In addition, this report provides confirmation and additional background on the City's previously approved commitment related to WOHS's request, specifically the reserve balance in *Reserve 126 – Pledge to Peel Memorial Hospital*, including the transaction related to resolution BC022-2021.

Current Situation:

As of December 31, 2021, the balance in Reserve #126 – Pledge to Peel Memorial is \$62,550,000. The primary sources of this funding include previously collected \$22,007,000 related to the 2012 Peel Memorial Expansion Agreement between the City and William Osler Heath System (including investment income), combined with \$40,543,000 approved through Council resolution BC022-2021.

The total request from WOHS is \$125,000,000. Therefore, the remaining amount required to satisfy the WOHS request is \$62,450,000, net of Reserve 126 – Pledge to Peel Memorial.

The Region of Peel has referred consideration of funding for the Cancer Care Centre in the amount of \$12,500,000, to future budget deliberations. Should this funding materialize, the remaining amount required would be reduced to \$49,950,000, as illustrated in Table 2 below:

Table 2: Status of WOHS Funding Request

WILLIAM OSLER HEALTH SYSTEM REQUEST		\$125,000,000
2012 Peel Memorial Agreement - Phase 2 Funding (<i>as at September 30, 2021</i>)	-\$21,957,000	
Investment Income for Q4 2021	-\$50,000	
Council Resolution BC022-2021	-\$40,543,000	
Council Approved Funding: Reserve #126 - Pledge to Peel Memorial Hospital		-\$62,550,000
REMAINING BALANCE NET OF RESERVE #126		\$62,450,000
Region of Peel Future Budget Consideration for Cancer Care Centre		-\$12,500,000
REMAINING BALANCE NET OF POTENTIAL REGIONAL CONTRIBUTION		\$49,950,000

FUNDING OPTIONS

Staff have developed 2 funding options for Council's consideration. These options are designed to meet the funding requirements of the entire remaining amount of \$62.5

million or 50% of the WOHS request. Should the Region of Peel decide to contribute funding for this initiative in future budgets, Council can consider adjustments to either option at that time, which is discussed in each option in this report.

OPTION 1: 6-Year City Tax Levy @ 1.76% = \$62.5M

This option provides Council with the property tax percentage increase required to fund the remaining amount of the WOHS request or \$62.5 million. WOHS has requested that the funding related to the Peel Memorial Expansion or \$87.5 million be provided in late 2026 and the remaining \$37.5 million for the Cancer Care Centre in late 2027 or early 2028.

In order to meet the disbursement timelines requested by the WOHS and to smooth the property tax impact over the longest possible duration, this option considers amending the 2022 budget to include a 1.76% tax levy increase, which is the equivalent of a \$93.63 increase to the average residential tax bill. The specific cash flows are illustrated below:

Tax Levy % Increase	1.76
1% Tax Levy Equivalent	\$4,947,827
Investment Income Assumption	2.3%
Average Annual Residential Tax Impact	\$93.63

	2022	2023	2024	2025	2026	2027*
Beginning Balance - Reserve 126	\$62,550,000	\$72,696,826	\$83,077,028	\$93,695,975	\$104,559,158	\$28,172,194
Annual Special Levy	\$8,708,176	\$8,708,176	\$8,708,176	\$8,708,176	\$8,708,176	\$8,708,176
Investment Income	\$1,438,650	\$1,672,027	\$1,910,772	\$2,155,007	\$2,404,861	\$647,960
Funding Disbursement to WOHS					-\$87,500,000	-\$37,500,000
Year-End Balance - Reserve 126	\$72,696,826	\$83,077,028	\$93,695,975	\$104,559,158	\$28,172,194	\$28,330

* As part of the 2028 Budget Deliberations and subsequent to the necessary funds being collected, Council could continue, revise or discontinue the levy.

Should the Region of Peel decide to contribute funding for this initiative in future budgets, City staff can in response propose proportional reductions to the City Levy to account for the increases in regional funding.

OPTION 2: 1% City Tax Levy combined with External Borrowing = \$62.5M

This option is guided by a longer-term view of healthcare funding by the city in the form of a continuing levy. The levy will initially serve to accumulate funding to contribute towards WOHS's funding request and will be supplemented by external borrowing to meet the full requirement of WOHS net of any Region of Peel future contributions. The continuing levy will then serve in part to service the issued borrowing.

Staff recommend that any actual borrowing occur at the time the funding is required in 2026/2027. At that time, staff would evaluate current interest rates and amortization periods and advise Council accordingly.

In comparison to the first option, Option 2 proposes a 1% tax levy, the equivalent of a \$53.20 increase to the average annual residential Tax bill, as illustrated in the following table. It also requires issuing external debt of approximately \$23.9 million in 2027, in case of no contributions by the Region of Peel, which will require 0.29% of the tax levy over the next 30 years to service the issued debt.

Tax Levy % Increase	1.00
1% Tax Levy Equivalent	\$4,947,827
Investment Income Assumption	2.3%
Average Annual Residential Tax Impact	\$53.20

	2022	2023	2024	2025	2026	2027*
Beginning Balance - Reserve 126	\$62,550,000	\$68,936,477	\$75,469,843	\$82,153,476	\$88,990,833	\$8,485,449
Annual Special Levy	\$4,947,827	\$4,947,827	\$4,947,827	\$4,947,827	\$4,947,827	\$4,947,827
Investment Income	\$1,438,650	\$1,585,539	\$1,735,806	\$1,889,530	\$2,046,789	\$195,165
Funding Disbursement to WOHS					-\$87,500,000	-\$37,500,000
Year-End Balance - Reserve 126	\$68,936,477	\$75,469,843	\$82,153,476	\$88,990,833	\$8,485,449	-\$23,871,558

External/Internal Debt Requirements						\$23,871,558
Property Tax Increase to Fund Debt Repayments (30 year term @ 3.15%)						0.29%
Annual Debt Repayment						\$1,409,197

* As part of the 2027 Budget deliberations and with the latest information at that time, staff would advise Council of any additional funding requirements, including an updated cost of borrowing, net of any potential funding from the Region of Peel.

Should the Region of Peel decide to contribute funding for this initiative in future budgets, this will reduce the amount the City will be required to borrow to fully meet WOHS's funding requirements.

In all cases, each annual budget provides Council with the opportunity to continue, adjust or discontinue any given tax levy or uncommitted funding allocation, including the options proposed in this report.

Sale of Surplus Land as a Financing Tool

At the November 3rd, 2021 City Council meeting, resolution C365-2021 directed staff to include the sale of surplus lands as a funding option for Council's consideration.

Staff have evaluated this option and confirmed that the city does not maintain surplus lands. Land and property are acquired and maintained to meet public and community needs.

If Council directs staff to undertake the Sale of its Surplus Lands to fund the balance of the City's local share commitment, then this matter should be referred to staff for a future report for Council to consider lands and/ or properties that can be declared surplus and disposed of at the fair market value.

CONFIRMATION OF RESERVE #126 BALANCE – PLEDGE TO PEEL MEMORIAL HOSPITAL

Reserve 126 – Pledge to Peel Memorial Hospital was established in 2011, as part of the agreement between the City and WOHS to develop and expand Peel Memorial Hospital. The Phase 2 funding from this agreement amounted to \$20 million, which was collected through a special tax levy from 2013 to 2018. The original \$20 million balance has continued to accrue investment income, resulting in a 2021 year-end balance of \$22,007,000.

At the December 8th, 2021, Special Council Meeting, resolution BC021-2021 was approved, which allocated \$40,543,000 in return of capital funding to Reserve #126. A detailed breakdown of projects that contributed to this funding is provided in Appendix 2 of this report.

Staff have confirmed the 2021 year-end balance available in Reserve #126 is \$62,550,000, as illustrated in Table 3 below:

Table 3: Financial Status of Reserve 126 – Pledge to Peel Memorial Hospital (\$000s)

	YE	YE	YE	YE (Preliminary/Unaudited)		
	2018	2019	2020	YE Balance Prior to Resolution BC021-2021	Resolution BC021-2021	Net Balance Available
Reserve # 126 - Pledge to Peel Memorial Hospital	\$20,350	\$20,851	\$21,393	\$22,007	\$40,543	\$62,550

Appendix 2 provides additional background in support of the confirmation of Reserve #126 balance.

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:

This report provides Council with options to fund the additional remaining \$62.5 million or 50% of the WOHS request and provides confirmation of the reserve balance of Reserve #126 – Pledge to Peel Memorial Hospital.

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Attachments:

Appendix 1: Council Resolution BC022-2021

Appendix 2: Breakdown of the \$62.5M balance in Reserve #126