



The Corporation of the Town of Milton

Report To: Council

From: Glen Cowan, Chief Financial Officer / Treasurer

Date: February 28, 2022

Report No: CORS-009-22

Subject: Local Funding Contributions for Hospital Expansions

Recommendation: WHEREAS healthcare funding is a provincial and federal responsibility;

AND WHEREAS AMO reports that from 2009 to 2020 a total of \$415.4 million has been transferred Province-wide from municipal operations to fund and build provincial hospitals:

AND WHEREAS AMO reports that the remaining long-term commitments Province-wide to hospitals stand at \$117.5 million (as of 2020), which will also be financed from municipal operations;

AND WHEREAS a hospital is one of many public services that contributes to healthy communities;

AND WHEREAS municipal contributions to hospitals takes away from the resources available for other municipal services that contribute to the health and well-being of residents;

AND WHEREAS a community's total contribution to hospitals also includes the donations made by benevolent individuals, groups, and businesses along with municipal contributions;

AND WHEREAS a community's required local share is to pay 10% of capital construction costs and 100% of the cost of equipment, furniture, and fixtures, which includes very expensive and advanced medical equipment such as MRI machines, CT scanners, and x-ray machines:

AND WHEREAS this translates to a 70% provincial share and 30% local share (individuals, groups, businesses, and municipalities) of the overall cost of provincial hospital operations and capital projects;

AND WHEREAS the adoption of the “design-build-finance” hospital construction model (also known as alternative financing and procurement or P3 projects), has increased local share amounts because they now include the costs of long-term financing;

AND WHEREAS equipment replacement needs are increasingly frequent and increasingly expensive with average equipment lifespan of just ten years;

AND WHEREAS the Town of Milton’s population is expected to grow by a further 142%, which will require further expansion of services and financial pressure to the Town;

AND WHEREAS the Association of Municipalities of Ontario has highlighted the “local share” of hospital capital contributions as a major issue in its 2022 Pre-Budget Submission to the Standing Committee on Finance and Economic Affairs;

NOW THEREFORE BE IT RESOLVED THAT the Council of the Corporation of the Town of Milton does hereby call for a provincial re-examination of the “local share” hospital capital calculation methodology, to better reflect the limited fiscal capacity of municipalities, and the contributions to health care services they already provide to a community;

AND THAT the Council of the Corporation of the Town of Milton does hereby call for a provincial re-examination of the funding tools available to municipalities in relation to any “local share” of hospital capital contributions, and specifically amendments to the Development Charges Act, 1997 that would allow for any such contribution to be recovered from the related growth in a manner consistent with other municipal and provincial services;

AND THEREFORE BE IT RESOLVED THAT a copy of these resolutions be hereby circulated to the Minister of Finance, the Minister of Health, the Minister of Municipal Affairs and Housing, and the Association of Municipalities of Ontario.

EXECUTIVE SUMMARY

- In 2017 the Town of Milton contributed \$35 million to Halton Healthcare Services for the expansion of the Milton District Hospital. The related debt accounted for 60% of the Town's total outstanding debenture obligation.
- As the Town is expected to grow to a population of 334,500, future healthcare facility expansions have the potential to add further financial pressure on existing property taxpayers if an appropriate funding tool is not provided to municipalities.
- In 2021, Town of Milton Council passed resolution 185-21 that called on the Provincial government to stop the practice of requiring municipal contributions to hospital expansions, provide relief for prior contributions, and failing those consider allowing development charges to be utilized towards local contributions.
- In 2022 the Association of Municipalities of Ontario (AMO) has invited municipalities to join their advocacy for a review by the Province of the "local share" hospital capital calculation methodology.

REPORT

Background

In 2013, the Town committed to providing a maximum of \$35 million to Halton Healthcare Services (HHS) for the redevelopment of the Milton District Hospital, and when substantial completion was achieved in early 2017, the Town's \$35 million commitment was provided under the local share agreement. The expansion added 330,000 square feet of patient centered space with 50% more inpatient beds to the existing 125,000 square foot hospital, increasing overall capacity from 63 to 129 inpatient beds. The funding plan and resulting implications to the Town were outlined in reports CORS-073-13 and CORS-015-15. At the time the hospital achieved substantial completion, the hospital-related debt represented over 60% of the Town of Milton's total debenture obligation.

In December 2021, as part of the 2022 Budget process, Milton Town Council approved [resolution 185-21](#), to request that the Province stop the practice of expecting municipal funding towards hospital expansions, provide full relief of Milton's prior contribution and, failing those requests, permit development charges to be a funding source for the growth share of local contributions.



Background

The Association of Municipalities of Ontario's (AMO) [2022 pre-budget submission](#) included a number of municipal priorities for the upcoming provincial budget including re-examining the local funding of provincial hospitals. The submission highlights the impact of the local share capital donations in funding provincial hospital construction and expansion. The local share requirements have fiscal implications for municipal governments pressured to fill funding gaps to get hospital projects off the ground. AMO's submission calls on the provincial government to re-evaluate this approach.

Discussion

Following AMO's pre-budget submission, AMO circulated a suggested resolution for consideration by municipal Councils. That resolution has been included in this report, with one specific addition in relation to development charges as explained further below.

Prior to the updates made to the Development Charges Act in 1997, municipalities were able to utilize development charges as a source of funding for the growth-related component of hospital expansions. As a result of changes in legislation, hospital contributions were no longer an eligible service within the Act.

As a part of funding plan for the local contribution of \$35 million towards the 2017 hospital expansion, the cost was shared between the Town and the development community through the collection of capital provision payments through financial agreements.

With no existing ability to allocate a portion of any local contribution to a future hospital expansion(s) to development charges, as well as no ability to ensure the continuation of a similar capital provision arrangement, existing property tax payers may be required to fully fund the local share of future hospital expansions. This cost may be substantial, as the Town of Milton is expected to grow from a population of 138,000 to as many as 334,500 as per the preferred growth option in the ongoing Regional Official Plan review.

As such, in addition to the resolutions proposed by AMO, an additional resolution has been recommended above to draw specific attention to potential legislative changes to re-introduce hospital contributions as an eligible service under the *Development Charges Act*. This would provide consistency with this capital cost to other growth-funded programs at both the municipal level (fire, police, recreation, etc.) and the provincial level (school boards).

Financial Impact

The Town's most recent fiscal impact study examined the impacts of growth to 2041, and projected a \$3.3 billion capital investment along with average annual pressure on the property tax base of 4.3%. These pressures assumed the expansion of existing service levels to new growth areas, and may be further increased with additional incremental investments in hospital expansions.



Financial Impact

The Town continues to pay the annual debt charges that are associated with the \$35 million local contribution to the 2017 hospital expansion. Half of that debt was issued with a 10-year amortization period (matures in 2027), while the balance was issued as a 30-year sinking fund (final payment in 2045).

Respectfully submitted,

Glen Cowan
Chief Financial Officer / Treasurer

For questions, please contact: Glen Cowan

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Attachments

None

CAO Approval
Andrew M. Siltala
Chief Administrative Officer

Recognition of Traditional Lands

The Town of Milton resides on the Treaty Lands and Territory of the Mississaugas of the Credit First Nation. We also recognize the traditional territory of the Huron-Wendat and Haudenosaunee people. The Town of Milton shares this land and the responsibility for the water, food and resources. We stand as allies with the First Nations as stewards of these lands.