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The Regional Municipality of Durham Report

To: Finance and Administration Committee
From: Commissioner of Finance
Report: #2019-F-34
Date: October 8, 2019

Subject:

Durham Region Community Investment Grant Policy

Recommendation:

That the Finance and Administration Committee recommend to Regional Council that the attached Durham Region Community Investment Grant Policy (Attachment #1) be approved, including the following key aspects:

- A) Community Investment Grants will be available for capital infrastructure investments in healthcare and post-secondary education institutions at the discretion of Regional Council and subject to approval during the annual Business Planning and Budget process;
- B) In addition, financial support will continue to be considered, on a case-by-case basis, for one-time special projects that are applicable or complimentary to Regional program areas (e.g. Economic Development, Innovation, Climate Change and Environment, Conservation Authorities, PARA/COMRA), support the strategic direction of the Region and provide a Region-wide benefit;
- C) All community investment requests must be submitted in writing to the Commissioner of Finance, and the business case will include the following components:

Regional Community Investment Funding Business Case Components

- Demonstrate alignment with Regional strategic priorities;
- Clearly defined desired project outcomes, including Region-wide benefits;
- Analysis of alternative options capable of generating desired outcomes;
- Sound technical, economic, financial, and cost-benefit assumptions;
- Detailed review of available financing and long-term financial implications;
- and,
- Assessment of potential risks;

- D) Institutions that receive funding approval will be required to enter into a funding agreement with the Region which will outline terms and conditions, including:
- Funds will be distributed upon completion of key project milestones;
 - The requirement for annual reports detailing project completion status and progression toward key milestones; and,
 - The form of recognition of the financial support from the Region of Durham;

- E) Regional investment grants to post-secondary education and healthcare institutions will also need to conform to the following funding formulas:

Healthcare Institution Funding Formula

- The need for Provincial project approval;
- The commitment of at least 70 per cent Provincial funding of total project costs at the time of request. This relates to all capital projects, excluding capital equipment;
- The proposed financing must include donations raised from the community;
- Region's contribution representing 25 per cent of the community component or a maximum of 7.5 per cent of the total project cost;
- Funds will only be provided for long-term capital assets; and
- Must provide proof of project benefits to residents of the entire Region.

Post-Secondary Education Institution Funding Formula

- The need for Provincial project approval;
- The proposed financing must include donations raised from the community;
- Region's contribution representing a maximum of 7.5 per cent of the total project cost;
- Funds will only be provided for long-term capital assets; and
- Must provide proof of project benefits to residents of the entire Region.; and,

- F) The Durham Region Cancer Centre/Hospital Reserve Fund be renamed the Durham Region Healthcare Institution Reserve Fund and the Regional Solicitor be instructed to undertake the necessary actions.

Report:**1. Purpose**

1.1 The purpose of this report is to:

- a. Respond to the questions raised during the February 12, 2019 Finance and Administration Committee meeting regarding the conditions to be met for the funding of healthcare and post-secondary institutions;
- b. Seek Regional Council approval for a Durham Region Community Investment Grant Policy which ensures transparency, accountability, and equity; and,
- c. Reaffirm that one-time special projects that are applicable to specific Regional program areas (e.g. Economic Development, Innovation, Climate Change and Environment, etc.) and align with Regional strategic priorities and service plans (e.g. Conservation Authorities, PARA/COMRA, etc.) will continue to be considered for financial support through the established Business Planning and Budget process.

2. Background

2.1 The Region of Durham has a long standing No Grants Policy, which was established through the following Council resolution in 1977:

“THAT all organizations receiving or requesting grants from the Region in 1977 be informed that no grants will be available in 1978 and subsequent years, except statutory grants.”

2.2 Since the initial passage of the resolution, several community agencies have approached the Region in search of grant funding. Although the No Grants Policy has largely been upheld, there have been cases where large ad-hoc funding requests for healthcare and post-secondary education institutions have been approved by Council, subject to specific requirements.

2.3 One-time special projects related to specific Regional program areas, such as Economic Development, PARA/COMRA, and Conservation Authorities, have also been funded through the Regional Business Planning and Budget process.

2.4 All financial contributions provided by Regional Council have supported large scale community projects, with Region-wide benefits, and have been aligned with Regional strategic priorities.

2.5 This report proposes the formation of the Community Investment Grant Policy and related process to ensure transparency and consistency in approach.

3. Current Funding Model for Healthcare Institutions

- 3.1 In Durham Region, the Lakeridge Health Corporation receives 80 per cent of its operational funding from the Provincial Government, with the remaining 20 per cent coming from various other sources (hospital parking fees, donations, etc.).
- 3.2 Capital costs for healthcare institutions are treated differently than operational costs. Although some capital costs are completely funded by the province, such as eligible radiation equipment for regional cancer centres, most capital costs are subject to a provincial cost sharing policy.
- 3.3 The two main components of the provincial cost sharing policy are as follows:
- The province will provide 90 per cent funding for eligible construction/capital costs; hospitals will be responsible for the remaining 10 per cent; and,
 - Hospitals are responsible for all other costs associated with new furnishings and equipment, as well as replacement of equipment.
- 3.4 Ineligible costs include costs associated with revenue generating activities (parking structures, gift shops, etc.), as well as retail research and associated costs (escalation, grossing factor, site development, etc).
- 3.5 The majority of unfunded capital costs are normally provided by the hospital charitable foundation and other various community donations.

4. Regional Grants to Healthcare Institutions

- 4.1 The first healthcare funding request to receive Regional Council approval came on June 12, 2002. Representatives from the “Heroes of Hope” campaign requested \$7.5 million towards the new Regional Cancer Centre at the Lakeridge Health Oshawa facility, with a total project cost of \$94.6 million.
- 4.2 This funding request came after the Province of Ontario committed to providing 70% of the total project funding, leaving approximately \$30 million (30 per cent) to be raised by the community. A total of \$15 million had already been raised by the community, leaving another \$15 million still outstanding. Regional Council ultimately approved the request for \$7.5 million and agreed to distribute the funds over three years. This approval represented a funding contribution of 25 percent of the \$30 million community component, or roughly 7.5 per cent of total project costs.
- 4.3 The approval of funding for the Durham Cancer Centre effectively established a precedent for a set of guidelines or conditions upon which future requests for hospital funding would be considered. These general guidelines, which are still in place today, include:
- a. The need for Provincial project approval;
 - b. The commitment of at least 70 per cent Provincial funding;
 - c. The necessity of financing including donations raised from the community;

- d. Region's contribution representing 25 per cent of the community component or 7.5 per cent of the total cost; and,
- e. Proof of project benefits to residents of the entire Region.
- 4.4 In order to fund the Durham Cancer Centre request, Regional Council approved the transfer of \$7.5 million from an uncommitted balance of \$27.5 million in the General Levy Rate Stabilization Reserve Fund, to a Special Reserve set up for the Durham Cancer Centre, which could be paid out as required.
- 4.5 Since this initial funding commitment, Regional Council has approved funding to a number of healthcare institutions for various projects. Table 1 provides a list of all Council approved healthcare institution funding requests, along with the actual amount of funds paid out to date.

Table 1: Funding Contributions to Healthcare Institutions

Healthcare Institution	Approved Funding (\$)	Payments (\$)
Durham Cancer Centre	7,500,000	7,500,000
Rouge Valley - Ajax	3,500,000	3,500,000
Lakeridge Health - Port Perry	250,000	250,000
Lakeridge Health - Bowmanville	750,000	
Lakeridge Health - Oshawa	10,500,000	9,276,225
Rouge Valley Ajax/Pickering	1,500,000	1,500,000
Brock Community Health Centre	225,000	
Clarington Hospice	265,650	
Port Perry Hospice	350,000	
Whitby Hospice	569,250	
Special Contributions - Hospital Funding	<u>18,430,100</u>	
Totals	<u>43,840,000</u>	<u>22,026,225</u>

- 4.6 In order to address future funding requests, a "Special Contributions" line item for hospital funding has been included in the Regional Business Plans and Budgets since 2014. These contributions have represented approximately \$3.5 - \$4.5 million per year (or 0.4-0.6% of the annual levy).
- 4.7 In 2018, the funding amounts for the Brock Community Health Centre and the three hospice facilities (Clarington, Port Perry, Whitby) were drawn from the 2018 Special Contributions.
- 4.8 In 2019, funding commitments to Trent University Durham (\$474,000) and the Spark Centre (\$325,000) were included in the \$4.11 million 2019 Special Contributions for hospitals leaving a remaining balance in the Hospital Reserve Fund of approximately \$19.8 million.

5. Current Funding Model for Post-Secondary Education Institutions

- 5.1 The two main sources of revenue for post-secondary education institutions are tuition fees and operating grants provided by the Province of Ontario.
- 5.2 In 2018, provincial government grants accounted for approximately 39 per cent of total revenue for Durham College, and approximately 34 per cent for Ontario Tech University (University of Ontario Institute of Technology). Tuition fees accounted for roughly 34 per cent of revenue for Durham College and 37 per cent for Ontario Tech. These two revenue sources accounted for 73 per cent of Durham College total revenue, and 71 per cent of Ontario Tech total revenue.
- 5.3 These two main funding sources are expected to experience challenges in the coming years. In terms of provincial grants, the 2019 Ontario Budget proposed to tie a significant portion of grant funds to institutional performance outcomes. Currently, 1.4 per cent of funding is linked to performance outcomes for universities, and 1.2 per cent is linked for colleges. The proposed changes will increase the performance outcome linkage to 60 per cent of funding. The criteria to evaluate post-secondary performance has not been released, so budgetary impacts are currently unknown.
- 5.4 The provincial budget also announced a 10 per cent across the board reduction in tuition fees for all post-secondary institutions in Ontario, along with a proposed decrease in post-secondary spending from \$12.1 billion to \$11.7 billion over four years.
- 5.5 As opposed to healthcare institutions, the provincial government does not have a specific cost share policy for post-secondary education infrastructure projects. Post-secondary education institutions must rely on donor support, government grant applications and other ad-hoc funding contributions.

6. Regional Grants to Post-Secondary Education Institutions

- 6.1 Regional funding to post-secondary institutions began with the establishment of the Durham University Centre Reserve Fund, which was approved in the 1997 Regional Current and Capital Budgets. An annual allocation of \$350,000 was set aside between 1997 and 2001, generating a financial commitment of \$1.8 million. These funds were meant to help fund the expansion of Durham College to accommodate a future university.
- 6.2 In 2003, a \$10 million request for Regional funding to support capital expansion plans came from UOIT. This request came after the provincial government announced a \$60 million contribution towards initial start-up costs, and an \$8 million commitment from the City of Oshawa as part of its partnership agreement.
- 6.3 The \$10 million request was eventually approved by Council, with approximately \$3.84 million provided in the form of in-kind contributions and the remaining \$6.16 million provided as a financial contribution. The in-kind contributions consisted of water and sewer servicing infrastructure as well as Regional road works.

- 6.4 Additional Regional funding has been provided for capital infrastructure projects at Durham College and Trent University Durham. In 2010, Durham College received \$5 million towards the Whitby campus refurbishment and expansion project, while, in 2019, Trent University Durham received approval for \$1.42 million towards the Trent University Durham campus expansion. The total amount of grants approved for post- secondary education institutions are listed in Table 3.

Table 3: Approved Grants to Post-Secondary Education Institutions

Post-Secondary Institution	Contribution	Total Amount (\$)
Durham College	Financial	1,800,000
Ontario Tech University	Work-in-Kind	3,840,000
Ontario Tech University	Financial	6,160,000
Durham College	Financial	5,000,000
Trent University Durham	Financial	<u>1,420,000</u>
Total		<u>18,220,000</u>

7. Durham Region Community Investment Grant Policy – General Guidelines

- 7.1 The Durham Region Community Investment Grant Policy is included as Attachment 1 to this report. The policy clarifies that the Region will continue to consider investment grant funding for capital infrastructure projects related to healthcare and post-secondary education institutions. It also clarifies that one-time special projects related or complimentary to Regional programs will continue to be supported, on a case-by-case basis, through the established Business Planning and Budget process.
- 7.2 The attached policy outlines a number of requirements that need to be met in order for post-secondary education institutions, healthcare institutions, and one-time special projects to receive funding. The following provides a summary of the requirements:
- a. Regional Community Investment Grants will be continued to be available for capital infrastructure investments.
 - b. The Region will continue to consider financial support, on a case-by-case basis, for one-time special projects, applicable to specific program areas (e.g. Economic Development, Innovation, Climate Change and Environment), as part of the established Business Planning and Budgets process. This support will also extend to complimentary services, such as those provided by Conservation Authorities and PARA/COMRA. These types of requests and their supporting business cases will be reviewed by the applicable Regional program area as they are uniquely positioned to ensure the project both corresponds to the Region's strategic mandate and compliments the Region's service and infrastructure programming. Program areas are also best

positioned to assess desired project outcomes, which will be a key measure of project success.

- c. All community investment requests must be submitted in writing to the Commissioner of Finance, with a business case. The business case evaluation will involve Finance Department and Legal Services expertise as appropriate and will include the following components:

Regional Community Investment Funding Business Case Components

- Demonstrate alignment with Regional strategic priorities;
 - Clearly defined desired project outcomes, including Region-wide benefits;
 - Analysis of alternative options capable of generating desired outcomes;
 - Sound technical, economic, financial, and cost-benefit assumptions;
 - Detailed review of available financing and long-term financial implications;
 - and,
 - Assessment of potential risks.
- d. Investment grants to post-secondary education and healthcare institutions will also need to conform to the following funding formulas:

Healthcare Institution Funding Formula

- The need for Provincial project approval;
- The commitment of at least 70 per cent Provincial funding of total project costs at the time of request. This relates to all capital projects, excluding capital equipment;
- The proposed financing must include donations raised from the community;
- Region's contribution representing 25 per cent of the community component or a maximum of 7.5 per cent of the total project cost;
- Funds will only be provided for long-term capital assets;
- Must provide proof of project benefits to residents of the entire Region; and,
- Approval of funding subject to a Regional Community Investment Funding Business Case.

Post-Secondary Education Institution Funding Formula

- The need for Provincial project approval;
 - The proposed financing must include donations raised from the community;
 - Region's contribution representing a maximum of 7.5 per cent of the total project cost;
 - Funds will only be provided for long-term capital assets;
 - Must provide proof of project benefits to residents of the entire Region; and,
 - Approval of funding subject to a Regional Community Investment Funding Business Case.
- e. Organizations that receive funding approval will be required to enter into a funding agreement with the Region. The agreement will outline terms and conditions, including:

- Recognition of financial support from the Region of Durham;
 - Funds will be distributed upon completion of key project milestones; and
 - The requirement to submit annual reports detailing project completion status and progression toward key milestones.
- f. All funding requests will be granted at the discretion of Council and will be subject to approval during the annual Business Planning and Budget process

8. Durham Region Community Investment Grant Policy Funding Formula

- 8.1 The attached policy outlines specific funding formulas for post-secondary education and healthcare institutions. The guidelines in the funding formulas must be met in order for an institution to be considered for Regional funding.
- 8.2 The funding formula for healthcare institutions builds on the existing formula by adding the additional guideline that a Regional contribution will only be provided for large, long-term capital assets (such as building construction and capital equipment).
- 8.3 As indicated in this report, the provincial government relies on communities to fund 10 per cent of eligible capital construction costs, and 100 per cent of capital equipment costs. The provincial government will not allow these projects to go to procurement without financial support from the community.
- 8.4 Currently, there is no funding formula for investments in post-secondary education institutions. The attached policy uses a modified version of the healthcare funding formula as a basis for post-secondary funding. The rationale being that the average Regional contribution, across all disbursements to date is approximately the 7.5 per cent of total project cost guideline included in the healthcare funding formula (Table 4).

Table 4: Regional Post-Secondary Funding as a Percent of Total Project Costs

Who	Project	Year	Total Project Cost (\$millions)	Total Regional Funding (\$millions)	Region Percent of Total
Durham College	Campus Expansion	1997	48.00	1.80	3.75%
Ontario Tech	Capital Expansions - In-Kind Services (Water/Sewer/roads)	2004	60.00	3.84	6.40%
Ontario Tech	Capital Expansions	2004	60.00	6.16	10.27%
Durham College	Capital Expansions	2010	36.00	5.00	13.89%
Trent University Durham	Expansion of Durham Campus	2019	35.60	1.42	3.99%
Average					<u>7.66%</u>

9. Summary

- 9.1 The current Regional Grants Policy was approved by Council in 1977. This report provides an updated policy document that clarifies Regional grants will be available for investments in healthcare and post-secondary institutions. The attached Durham Region Community Investment Grant Policy outlines the requirements that need to be met in order for these institutions to be eligible for funding.
- 9.2 The report also clarifies that one-time special projects, applicable or complimentary to specific program areas (e.g. Economic Development, Innovation, Climate Change and Environment, Conservation Authorities, PARA/COMRA, etc.), will continue to be supported, on a case-by-case basis, through the established Business Planning and Budgets process.

10. Attachments

Attachment #1: Durham Region Community Investment Grant Policy

Respectfully submitted,

Original Signed by Nancy Taylor

Nancy Taylor, BBA, CPA, CA
Commissioner of Finance

Recommended for Presentation to Committee

Original Signed by Elaine C. Baxter-Trahair

Elaine C. Baxter-Trahair
Chief Administrative Officer

Durham Region Community Investment Grant Policy

1. Objective

This policy will update the 1977 Regional Council No-Grants Policy. This policy will apply to capital infrastructure investments in local healthcare and post-secondary education institutions and will assist with community fundraising requirements.

Additionally, this policy clarifies that one-time special project requests brought forward by specific Regional program areas will continue to be supported, on a case-by-case basis, through the established Business Planning and Budget process.

2. Funding Request Process

In order for a capital infrastructure project to be considered for funding, the organization must provide a written request to the Commissioner of Finance. The request must be submitted prior to September of the forthcoming year in order to be considered through the annual Business Planning and Budgets process.

The written request must confirm that the conditions of funding have been sufficiently met. The request must also provide a description of the capital project, a business case (as outlined below) and an estimated completion date.

All funding applications are subject to Council approval and the availability of funds. Although a request may meet all the necessary criteria in the funding formula, it does not guarantee a request will be granted.

3. Regional Community Investment Funding Business Case

All requests for healthcare or post-secondary education capital infrastructure grants as well as all requests for one-time special project community investments, related or complimentary to Regional programs, will be evaluated by program area staff using a business case approach involving Finance Department and Legal Services expertise as appropriate. These projects will be considered on a case-by-case basis. Funding will be at the discretion of Regional Council and will be subject to the annual Business Planning and Budgets process.

The business case will include the following components:

Regional Community Investment Funding Business Case Components

- Demonstrate alignment with Regional strategic priorities;
- Clearly defined desired project outcomes, including Region-wide benefits;
- Analysis of alternative options capable of generating desired outcomes;
- Sound technical, economic, financial, and cost-benefit assumptions;
- Detailed review of available financing and long-term financial implications; and,
- Assessment of potential risks.

4. Funding Agreement

Upon Council approval of funding, the organization will be required to enter into a funding agreement with the Region. The funding agreement will outline the terms and conditions of payment, and will include the following information:

- Total amount of funding to be provided
- Milestones to be achieved
- Amount and timing of payment after milestone completion
- Details of annual project reporting
- Conditions under which payment will be withheld or cancelled
- Details on recognition of funding from the Region of Durham

Funding will be provided at the discretion of Regional Council and will be subject to the annual Business Planning and Budget Process.

Funds will be distributed to institutions based on the completion of project milestones. The milestones and payment arrangements will be agreed upon and included in the funding agreement.

Organizations that receive funding will be required to report back with project status updates. These reports will be completed annually with dates set out in the funding agreement. The report will provide an overview of the project to date, including progress towards key milestones and an update on project completion status.

All organizations receiving funding will be required to provide recognition of financial support from the Region of Durham. The details will be determined through the applicable funding agreement.

5. Funding Formula for Regional Community Investment Grants

In addition to the above, all healthcare and post-secondary institutions will be required to conform to specific funding formulas.

5.1 Funding Formula for Healthcare Institutions

The following conditions must be met in order for healthcare institutions to receive capital project funding from the Region of Durham:

- The need for Provincial project approval;
- The commitment of at least 70 per cent Provincial funding of total project costs at the time of request. This relates to all capital projects, excluding capital equipment;
- The proposed financing must include donations raised from the community;
- Region's contribution representing 25 per cent of the community component or a maximum of 7.5 per cent of the total project cost;
- Funds will only be provided for long-term capital assets;
- Must provide proof of project benefits to residents of the entire Region; and,
- Approval of funding subject to a Regional Community Investment Funding Business Case.

The need for a provincial funding commitment stems from the provincial cost share policy. This condition is waived for capital equipment financing requests as the provincial government is not obligated to provide any funding assistance for these projects.

Funding will only be provided for new projects that have not reached completion. Funds will not be provided on a retroactive basis for completed projects.

5.2 Funding Formula for Post-Secondary Education Institutions

The following conditions must be met in order for post-secondary institutions to receive capital project funding from the Region of Durham:

- The need for Provincial project approval;
- The proposed financing must include donations raised from the community;
- Region's contribution representing a maximum of 7.5 percent of the total project cost;
- Funds will only be provided for long-term capital assets;
- Must provide proof of project benefits to residents of the entire Region; and,
- Approval of funding subject to a Regional Community Investment Funding Business Case.

There is no requirement for a minimum financial commitment from the provincial government for post-secondary institution project funding. The provincial government is not obligated to provide any funding for post-secondary infrastructure projects.

Funding will only be provided for new projects that have not reached completion. Funds will not be provided on a retroactive basis for completed projects.