

## **Understanding Local Share of Financing – West Lincoln Memorial Hospital Frequently Asked Questions**

The estimated amount for the local share of financing required to build a new hospital in Ontario evolves over the lifespan of the project and becomes more accurate as detailed planning work is completed.

The target is initially set at 30 per cent of the total project budget, as defined by the Government of Ontario. For the new West Lincoln Memorial Hospital (WLMH), this initial target was 30 per cent of an estimated \$200M project budget, or \$60M. This amount is then refined throughout the planning process as detailed cost estimates are completed.

For example, by Stage 3, the planning team knows with greater certainty the exact size and scope of the project, its estimated completion time and how much of the existing furniture, fixtures and equipment (FF&E) will be transferrable to the new building. Opportunities to transfer FF&E versus buying completely new can make a significant impact to the local share of financing.

Based on the detailed cost estimates recently completed during Stage 3 planning, the estimated local share of financing required for the WLMH rebuild project has been reduced to \$50 million. This is approximately 20-25 per cent of the total project cost, which is lower than originally estimated.

### **1. What is a “local share of financing”?**

The local share of financing for a project is the portion of total project costs required to be raised by the local community. Local share is usually achieved through a mix of municipal tax-base contributions and a community fundraising campaign.

### **2. Why is local share required for new hospital development?**

The Ministry of Health and local hospitals share the costs for new health care projects in Ontario. It is a standard process that defines the shared funding responsibility between the province and the local community that will use the services in the new facility.

### **3. Which project costs are covered by the local share?**

The Ministry covers 90 per cent of the hospital construction costs. The local share of financing covers the remaining 10 per cent of construction costs, and 100 per cent of the furniture, fixtures and equipment (FF&E) needed for the new facility.

### **4. Did the WLMH local share of financing target change? If so, why?**

Numerous factors impact the local share of financing for a new hospital. The amount becomes more certain as planning progresses and cost estimates are refined. For WLMH, this includes:

- The amount of FF&E that can transfer into the new building: at Stage 3 in the planning process, the team has a full understanding of these costs. Approx. 40 per cent of existing equipment and fixtures will be transferred which is higher than originally anticipated.
- Fluctuations in the total cost of the project: the overall price tag for the project is moderately lower than what was originally expected.
- Speed of the project: the WLMH project has a lot of support at all levels of government, particularly at the provincial level, which has allowed the hospital to expedite the planning process. A faster planning process means a shorter period of time to pay out inflationary costs.

**5. Does this mean the new hospital won't have new equipment and furniture?**

Hamilton Health Sciences, the West Lincoln Memorial Hospital Foundation and West Lincoln Memorial Auxiliary have made considerable investments into equipment at the site in recent years. Many of these pieces will have a lot of life left when the new building opens. Roughly 40 per cent of the equipment needed in the new hospital will be carried over. The remaining 60 per cent will be purchased new. All furniture in the hospital will be new.

**6. What equipment will be brought to the new building?**

A full list was submitted to the Ministry as part of the Stage 3 approval process. Equipment is organized into large buckets like “medical surgical” which includes items like operating beds and IV pumps, “stainless steel” like sinks and medical device repurposing stations, and “diagnostic equipment” which includes big-ticket items like the C-arm, x-ray machine and the CT scanner, which will be arriving on site in May 2021.

**7. How much money will the community need to raise?**

The fundraising campaign for a new WLMH will be looking to raise \$7.5 million, which is less than originally expected.

**8. Would a change in local share impact the level of support needed from the local municipalities supporting a hospital project?**

Yes. We're grateful for the support our local municipal and regional councils have shown for this project right from the beginning. We're in touch with the municipalities about their commitments.

**9. Will the local share of financing amount change in the future?**

It's very unlikely that the local share of financing will change significantly at this point. All of the cost estimates have been considered in the current projections, including a contingency, which is the standard in the health care and development sectors.

**10. What is the cost of the project?**

The Ministry of Health and Infrastructure Ontario set the cost of the WLMH project around \$200 million. The competitive process to find a design-build team is underway. The successful build team will ultimately determine what it will cost to build the hospital based on the specifications required for the building.

**11. Do local share funds support the hospital once it's built?**

The new WLMH is being built as a “design-build-finance” or “DBF” project. This model does not include a maintenance component once the building is open. The WLMH local share has a dedicated contingency built into the plan that anticipates equipment replacement and repairs needed during the first five years after the new hospital opens. This is standard practice based on life expectancy of the equipment that will be transferred at the completion of construction. The local share campaign will help future proof the new hospital against interruptions to operations due to equipment downtime during the first few years.