

STAFF REPORT: Financial and Information Services

REPORT TO: Council
MEETING DATE: April 27, 2009
REPORT NO.: FIS.09.20
SUBJECT: North East Grey Health Clinics
Financial Support Options
PREPARED BY: Robert Cummings, Director of
Financial & Information Services

A. Recommendations

THAT Council receive Staff Report FIS.09.20 "North East Grey Health Clinics Financial Support Options" for information purposes.

B. Background

Council was presented with a funding request from the North East Grey Health Clinics Inc. (NEGHC) on February 19, 2009 at a special meeting of Council. NEGHC presented a project budget with estimated construction costs of a Family Health Centre in Thornbury. The budget had a shortfall of \$900,000, which NEGHC was requesting the Town to consider supporting.

Staff has reviewed the proposed project budget provided by the NEGHC and the multi-year Pro Forma operating statements requested at that February 19/09 meeting. The information provided appears viable based on the information and assumptions provided. It should be noted that a viable Pro Forma statement does not assure business success.

The Town currently has insufficient available funds to lend or grant funds to a third party. Existing short-term cash flow is committed to budgeted annual expenditures and future debt repayments. Included in the budgeted annual expenditures is \$35,000 for Health Services of which \$25,000 is a grant committed to the Meaford Hospital for equipment. This commitment ends in 2009. The remaining \$10,000 is discretionary.

Any additional funds that Council would want to commit to this request would have to be borrowed from a lending institution by the Town. This will have an impact on the Town's Annual Repayment Limit and debt projections for the coming years and may restrict the Town's flexibility in addressing capital projects over the borrowing term (ie 10 years).

Of note, the NEGHC Pro Forma statements indicate the organization can service debt of up to \$400,000 given current interest rates.

Additionally, new information on the Federal Infrastructure Stimulus Funding announcement in January, states that the grant opportunity will be opened up to not-for-profit organizations in mid May (estimated timeline). The NEGHC's Family Health Centre project would be a good candidate to receive some grant money.

Options:

- A. The Town presently budgets and raises \$35,000 / year for Health Services. Of this amount, the Town presently commits \$25,000 / year for equipment to the Meaford Hospital. This commitment ends in 2009. Council could continue their financial commitment of up to \$35,000/year to the NEGHC project without any additional budget impact. This amount would not be helpful in assisting with the Family Health Centre's initial construction unless NEGHC used the commitment to secure a source of financing.
- B. The Town could lend NEGHC the funds up to \$400,000 and provide a favourable interest rate to NEGHC. The NEGHC has indicated in their pro forma statements that it can service this level of debt effectively if the Town were able to continue their financial commitment of up to \$25,000/year to the NEGHC project. If the Town committed the budgeted \$35,000/year, then the NEGHC could likely support a loan closer to \$475,000.
- C. Option B still leaves a potential \$500,000 funding shortfall. If Council were to grant this amount to NEGHC, the cost to the Town would be approximately \$65,000 / year for 10 years or a .68% increase in the tax levy starting in 2010. (A grant of \$425,000 would be .58% increase in the tax levy starting in 2010.)
- D. If Council were to grant the NEGHC the funds of up to the \$900,000 ask, the Town would have to borrow this money. The repayment of principal and interest would be approximately \$117,000 / year over 10 years @ 5.5% interest. This is roughly an additional 1.2% increase to the tax levy. If Council provided financial commitment of up to \$35,000/year and applied it to this grant, the real impact on tax levy would be .9%.

C. The Blue Mountains' Strategic Plan

Helps to build a sustainable community.

D. Environmental Impacts

None.

E. Budget Impact

Please note that the preliminary 2010 tax levy increase was shown at about a 3.3% increase. This is not the position the Town wants to be at for 2010 and staff recognize there is much work to do in lowering this increase. Any option chosen that affects the 2010 tax rate will put additional pressure on an already problematic position.

F. Attached

None.

Respectfully submitted,

Signature

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