

**STAFF REPORT: Financial & Information Services**

**REPORT TO:** Council  
**MEETING DATE:** December 14, 2009  
**REPORT NO.:** FIS.09.73  
**SUBJECT:** North East Grey Health Clinic Proposal  
**PREPARED BY:** Paul Graham, CAO  
 Robert Cummings, Director of  
 Financial & Information Services

**A. Recommendations**

THAT Council receive Staff Report FIS.09.73, "North East Grey Health Clinic (NEGHC) Proposal" for consideration;

AND THAT the Mayor and Clerk are authorized to enter into an agreement with the NEGHC to provide financial assistance in the form of grants and loans for the construction of the Thornbury Medical Clinic

**B. Background**

The North East Grey Health Clinics (NEGHC) is planning to build a 6,400 ft<sup>2</sup> Medical Clinic building to accommodate four doctors with additional space for two more doctors. The Clinic is to be designed to accommodate a 2,500 ft<sup>2</sup> future expansion. Construction and operational budgets have been reviewed by staff. The construction cost of the clinic is estimated at \$1.375 million.

NEGHC is asking for a grant of \$250,000 to assist with the construction costs of the Clinic and a further \$100,000 for assistance to cover the start-up fees and charges. The Town could fund this request from the Working Capital reserve with the understanding that this reserve be topped up to its optimal level of \$1,100,000 over the next few years likely from taxation.

The NEGHC is asking for an interest free loan of \$420,000 for a maximum of five years to further assist with the costs of building the medical clinic. The Town would provide this loan to NEGHC. The cost of the loan to the Town would be approximately \$25,000 in lost interest over the five year period. NEHGC has illustrated in their cash flow analysis that the loan would be paid back to the Town over five years from fundraising efforts.

Further, the operating plan of the Medical Clinic assumes that taxation is waived. This would be done by setting up the Medical Clinic as a Municipal Capital Facility as outlined in the Municipal Act, 2001. Municipal, County and Education taxes would not be payable. Staff would have to write up an agreement that considers ownership, contingency plans and the working of such an arrangement.

The Town will retain ownership of the land, NEGHC to own and operate the Clinic. If the Clinic business fails, the Town will assume ownership of the building. NEGHC has also agreed that the design of the exterior of the Clinic will respect the traditional architecture of the existing commercial area in Thornbury.

Finally, the Town completed a five-year \$25,000 annual commitment to the Meaford Hospital in 2009. The Town could apply \$25,000 annually to pay down the Clinic costs. There is an additional \$10,000 raised from taxation and currently in our Budget that could be used for this purpose.

NEGHC would be appreciative of an expeditious decision by Council that if supportive, will enable NEGHC to proceed to finalize an RFP and contract documents for construction in the spring of 2010.

### **C. The Blue Mountains' Strategic Plan**

Help to build a sustainable community.

### **D. Environmental Impacts**

nil

### **E. Budget Impact**

NEGHC is initially bringing \$573,000 of existing donations and pledges to this project and another \$420,000 over the next five years. The total amount the Town would provide is \$770,000 made up of \$350,000 in grants and a \$420,000 interest free loan.

The \$350,000 grant to NEGHC will have to come from the Town's Working Capital reserve. This amount combined with other planned projects to be funded, such as the Town Hall, will leave a balance in this reserve of \$850,000 by the end of 2011. This amount is less than desirable for the Town's working capital needs by about \$250,000. The reserve will have to be replenished to \$1,100,000 likely through taxation over the next five years.

The interest free loan means a loss of interest to Town reserves of \$20,000 - \$25,000 over five years depending on the timing of the loan. This is non-recoverable, and ultimately, scheduled capital projects in the 5-year capital plan that were dependent on a reserve funding source would be deferred in the capital schedule or funded from taxation or rates.

There will be some legal costs and staff time to draw up the Municipal Capital Facility agreement.

### **F. Attached**

None

Respectfully submitted,

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Signature

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Signature

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