



Office of the Mayor

December 4, 2015

Northumberland Medical Arts Inc.

This is a response to individuals who have taken opposition to Council's decision to waive the Development Charge fees and the Building Permit fees.

In the spirit of transparency and accountability I am presenting it in a manner that shows the process of decision making for Council.

1. Get the facts
2. Evaluate the need or service to the community
3. Financial analysis
4. Make the decision

The Facts

- The Town of Cobourg contributed more than \$1 million dollars to the construction of Northumberland Hills Hospital (NHH), which opened in 2003, through the waiving of Development Charges, Building Permit Fees and Plumbing Fees, an additional contribution to the fund raising campaign and the construction of a road now known as DePalma Dr.
- This is one of the reasons we have a hospital today that has been instrumental in attracting people and business to Cobourg.
- The Local Health Integration Network (LHIN), which is responsible for administration of regional healthcare services are not increasing the funding of NHH even though the operating costs are increasing. Additionally, hospitals are not allowed to take on debt, thus, the creation of the Northumberland Medical Art Inc., (NMAI) an independent organization to create a medical centre that will create annual revenue to go directly to the operating costs of NHH.

- Municipalities are not permitted under Section 106 of the Municipal Act 2001 to bonus development through grants, subsidies or waiving of fees unless they are not for profit organizations.
- The Town of Cobourg asked for and received a legal opinion on this and the NMAI qualifies as not for profit as all revenue will go directly to the operating budget of NHH.
- The NMAI has confirmed annual financial contributions to NHH will come in 5 Phases. Phase I, beginning in the first year of operation will start with a funding amount of \$50,000. Phase II raises to \$75,000, Phase III \$100,000, Phase IV \$300,000 and finally Phase V will coincide with the transfer of building ownership to NHH and will be generating just over \$1,000,000 annually. The NHH Board of Directors will then be responsible for the control and governance of the NMAI.
- These are numbers the municipality cannot compete with even if we were allowed to do so. If a municipality contributes to the operating cost of the hospital the amount of contribution will be clawed back in the LHIN allocation, rendering the end result neutral.

Community Need

- Cobourg has the second highest senior populations in Ontario with 26.5% over the age of 65 versus a national average of 14.8% according to the most recent census. In Ontario, only Elliot Lake, a well known retirement community in northern Ontario has a higher percentage. In a recent article in Municipal World Cobourg was singled out as being one of the 5 communities in Canada that in 20 years time will have a greater non-working population than working population.
- It is important to note that when we evaluate community needs and services it is incumbent on us to look at the immediate need and project the needs and services for the long term. Obviously longer term the need for all NHH services will be greater than today.
- Our community is faced with a shortage of doctors over the next 5 years due to pending retirements. A medical building offering a turnkey operation along with our attractive lifestyle will be a great assist in physician attraction.
- Attracting doctors to a medical facility so close in proximity to NHH will increase the chances of doctors using hospital privileges, resulting in more cost savings for NHH.
- Deputy Mayor John Henderson represents Cobourg on the Community Physician Recruitment and Retention Committee, a committee comprised of 5 West Northumberland Communities. The Deputy Mayor has confirmed they are targeting to recruit 2 doctors in 2016 and 10 more in the next 5-8 years to ensure all of West Northumberland residents have access to a family doctor.
- We have long used NHH as part of our business attraction strategy, and a high level service hospital will continue to be important to prospective economic development.

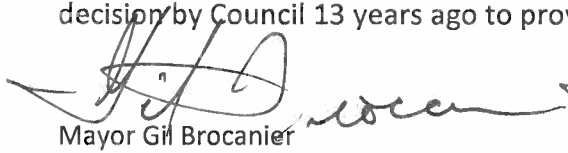
Financial Analysis

- Historically the Town of Cobourg has contributed to several Capital Fund Raising Programs for NHH in amounts of hundreds of thousands of dollars. These funds came from revenue generated by Northam Industrial Park and Holdco dividends not taxes and this is a practice we will apply to NMAI..
- The town is entering the 3rd year of the previous capital campaign for a total contribution of \$300,000. at a rate of \$100,000. per year from Holdco and Northam Park dividends.
- The project start up investors will receive a return on their investment equal to what the bank would charge if NMA were able to get upfront financing from the bank.
- This is not a get rich scheme for any of the startup investors.
- Waiving of the Development Charge fees and Building Permit fees will lower the overall cost of the project and help keep lease cost per sq ft at market rate.
- The province does not provide revenue for capital cost of equipment so it is a guarantee NHH will be embarking on another capital fund raising program. Depending on Council's direction this waiving of Development Charge fees and Building Permit fees could affect capital funding to the hospital over the next few years.

Decision

- The NMAI proposal will provide a source of annual revenue for NHH for decades and ensure they can maintain all their core services for our citizens.
- The NMAI profits will help offset NHH operating costs on an annual basis, something the municipality cannot do without affecting the LHIN funding.
- The high percentage of seniors in Cobourg is a factual need for hospital services.
- The projected imbalance of non-working seniors population to working population demonstrates an even greater need of services over the coming years.
- We must recognize that we will be facing a doctor shortage and therefore support efforts that make us more attractive to graduating doctors via a turnkey operation.
- We can accomplish all of this in a fiscally responsible manner to taxpayers through the wise use of Northam Industrial Park and Holdco revenues.

In summary I hope this helps in the understanding of the thought process and the importance in reaching a decision on waiving fees for NMAI. We sometimes have to look far into the future in order to understand how decisions made today will impact our community in the long term. The decision we have made is the right one for today and years to come, just as was the decision by Council 13 years ago to provide us with the first class hospital we have today.



Mayor Gil Brocanier