

Northumberland Medical Arts Inc.

This is a response to individuals who take opposition to Council's decision to waive the Development Charges, Building Permit fee and Plumbing Fee.

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 entity 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 entities.
- 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.
- *What is the timeline on these phases? Annually? Will Phase 2 be in the second year, Phase 3 in the third, etc.? Difference between Phase 4 & 5 is \$700,000.00. Where does the difference in \$ go in between these phases? Will they not make these donations if we don't waive development fees?*

- 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.

So let's keep donating to the capital end. That money won't be clawed back.

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.
- *All the more reason for the town to keep supporting and contributing to NHH, perhaps continue with capital funding? I'm sure they will always have a need for new equipment.*
- 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.

So would a modern, well equipped hospital

- 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.**

Huh? I thought you wanted to waive development fees for NMAI, not help with money from our slush funds.

Into what/whose account do development fees go? The Town's or Holdco's?

- 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 affordable.

How much would they be lowered by if we waive development fees?

Leases already to committed to for north of 90% of the space before they even know the price.

- 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.

How/why would this affect our donations to capital funding from our slush funds?

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.

How about having a hospital well equipped with modern equipment that we help procure through our donations to their capital funding like we have have been doing? Let's keep up the good work!

- We can accomplish all of this in a fiscally responsible manner to taxpayers through the wise use of Northam Industrial Park and Holdco revenues.

Again, what have these revenues got to do with waiving development fees unless it's into these funds that these fees go into?

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 far into the future. The decision we have made is the right one for today and the future, just as was the decision by Council 13 years ago to provide us with the first class hospital we have today.

Mayor Gil Brocanier

Additional questions/thoughts:

Not for profit? I have started and ran two businesses over the last 34 years and have successfully managed to have never turned a profit. Whatever money is left over has been taken out in salaries or bonuses. Hell, we have federal and provincial governments that haven't made a profit since they were formed, but they keep on ticking. Is there anyone to oversee the books of this corporation to make sure there is no accounting wizardry going on? They might only be suspicions, but there is a report of financial irregularities associated with the Northumberland Family Health Team. Are any of the players of NMAI members of NFHT?

Gil, if we don't agree with you or most of council doesn't mean we are wrong. And it doesn't mean we don't know the facts. I/we use the same type fact finding, fact analysis and recognition of needs in my decision making process too.

I agree with most of your points (no red comments after them), but don't agree with your decision. I think the NMAI will be a good outfit graciously donating their profits to our hospital. I just don't think that the waiving of development fees will make one bit of difference to their decision to go ahead or not. I also doubt it would make any difference to any bank on whether or not they are going to loan NMAI any money. If they have a financial and business plan half as aggressive and sound as their future donation strategy, they will find financing no problem. And, I don't think The Town of Cobourg has that kind of money to throw around.

I have sent an email to most of our councilors telling them I don't agree with their decision and asking them to reverse it.

I also sent emails to Brian and Larry telling them that now I remember why I voted for them.

Thanks in advance for clearing these things up for me Gil.

Terry Robb

Concerned Citizen