



Meeting Date: February 19, 2020

Submitted by: Michael Di Lullo, CAO

Report No: CAO-07-2020

Subject: Updated Costing Agreement for Middlesex Centre Family Medicine Clinic

Recommendation:

THAT Report re: Updated Costing Agreement for Middlesex Centre Family Clinic be received;

AND THAT the new costing agreement presented in Report CAO-07-2020 be approved for a five-year term;

AND FURTHER THAT the Chief Administrative Officer be authorized to execute the documentation associated with the new five-year term.

Purpose:

To provide Council with a new costing arrangement related to the Family Medicine Clinic located in Middlesex Centre.

Background:

In 2010, the municipality entered into a lease agreement with the Middlesex Centre Family Medicine Clinic. This clinic is located in the community of Ilderton and the municipality is the owner of the building acting as the landlord.

The term of the main lease is a twenty-two-year term. However, the municipality also has various subleases referred to as tenancy agreements for portions of the building that are rented to professional doctors and a pharmacy, determined by area square-footage.

Within the sublease arrangements, there is opportunity to review and ensure that the costing is accurate and up-to-date to cover costs to manage the building.

Staff reviewed the expenses for the building and updated the costs that reflect the proper and current operation of the facility. A board meeting was convened on Friday January 24, 2020 to review the updated expenses and was approved by the board.

Analysis:

The opportunity to review the existing costs with the tenants (doctors/pharmacy) of the facility provides for good governance as the changes are accurate and reflective of the costs to manage the facility.

In undertaking the review, some of the updates include:

- Removal of the cleaning costs
- Inclusion of amortization costs as per asset management planning
- Reduction of hydro costs as a result of efficiencies made to the building
- Accounting of inflation as per Consumer Price Index (CPI)

No new agreements are required; correspondence will be issued to the tenants once there is council approval.

Financial Implications:

The updated costing is for a five year forecast and broken into two streams – 87% for the doctors as the main tenants and 13% for the pharmacy. This breakdown is reflective of the square footage that each occupies.

Attached as Appendix 1 is the cost / rent breakdown for each.

Strategic Plan:

This matter aligns with following strategic priorities:

- 3c. Quality of Life: Meeting the needs of both current and future citizens.
- 4b. Community & Neighbourhood Preservation: Promoting a sense of community engagement, pride, and belonging.
- 5f. Operational Excellence: Adapting to changing demands and expectations.

Attachments:

Appendix 1 – Updated Rent Calculation for Medical Clinic

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Description		Total Costs Estimate		Doc %	Pharmacy %
Percentage of Square Feet				86.91%	13.09%
Hydro		21,000		18,251	2,749
Heating		6,870		5,971	899
Water & Sewer		4,174		3,628	546
Legal Fees		1,600		1,391	209
Audit Fees		1,600		1,391	209
Equipment Repairs & Maintenance		2,780		2,416	364
Building Repairs & Maintenance		32,000		27,811	4,189
Grounds Maintenance		7,300		6,344	956
Insurance		1,600		1,391	209
Bulk Bin Collection		900		782	118
Amortization		64,984		56,478	8,506
Property taxes		40,010		34,773	5,237
Total Expenses (w/o property taxes)		144,808		(125,852)	(18,955)
2020	Sub-Total	HST	Property Taxes	Total Monthly Payment	
Doctor Monthly Rent	\$10,487.65	\$11,851.05	\$2,897.75	\$14,748.79	
Pharmacy Monthly Rent	\$1,579.60	\$1,784.95	\$436.45	\$2,221.40	

Note: the monthly payment costs will be adjusted on an annual basis according to the published Consumer Price Index, as of September.