

**CITY OF VAUGHAN**

**EXTRACT FROM COUNCIL MEETING MINUTES OF OCTOBER 8, 2013**

Item 3, Report No. 10, of the Finance and Administration Committee, which was adopted without amendment by the Council of the City of Vaughan on October 8, 2013.

**3 VAUGHAN HOSPITAL PRECINCT DEVELOPMENT LEVY & CAPITAL PROJECT UPDATE**

The Finance and Administration Committee recommends approval of the recommendation contained in the following report of the Interim City Manager and Acting Commissioner of Finance & City Treasurer, dated September 23, 2013:

**Recommendation**

The Interim City Manager and Acting Commissioner of Finance & City Treasurer recommend:

1. That the following report be received.

**Contribution to Sustainability**

Not applicable

**Economic Impact**

There is no economic impact associated with this report.

**Communications Plan**

Not applicable

**Purpose**

The purpose of this report is to update Council on the status of tax revenues raised to date for the contribution towards land acquisition and development of a hospital in Vaughan approved by Council in 2009, as well as a summary of expenses to December 31, 2012.

**Background Analysis and Options**

On June 15, 2009 Council approved a funding option for the \$80 million contribution towards the Vaughan Hospital Precinct Development, which was to be raised through property taxes. A special tax rate increase of 5.45 percent was approved in 2009, to be phased in over four years to raise the funds necessary to cover the cost of the anticipated 20 year debt financing for the Hospital Precinct land and development. During the 2011 budget discussions, the four year plan was amended to a five year phase-in.

**Tax Revenues**

Since 2009, the City has phased in the approved tax increases, and billed the following amounts through property taxes:

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2009	\$2,491,450
2010	\$3,349,549
2011	\$4,630,084
2012	\$5,872,959
Sub-Total	\$16,344,042
*Final 2013 tax levy	\$7,104,703
Total Balance	\$23,448,745

\* 2013 levy collections will materialize throughout the year

Although the final phase of tax increases is achieved in 2013, the annual levy will increase slightly each year, as a result of assessment growth. Based on the current levy the contribution will be recovered within approximately 8 years.

Capital Project CO-0054-09 Expenses

The expenses recorded to December 31, 2012 total \$60,953,258, and are broken down as follows:

Precinct Land Purchase	\$59,450,000
Land Transfer Tax	\$890,225
Other costs - related to land acquisition including engineering consulting for transportation, access, servicing and storm drainage, surveyors, title insurance, appraisal fees, legal fees and closing costs	\$560,044
Vaughan Healthcare Centre Precinct Plan <i>(Note 1)</i>	<u>\$53,021</u>
Total Expenses to December 31, 2012	\$60,953,258

YTD 2013 Expenses

Other costs	\$33,719
Vaughan Healthcare Centre Precinct Plan <i>(Note 1)</i>	<u>\$508,343</u>
Total Balance <i>(excluding interest)</i>	\$61,495,353

Note 1 - The draft Vaughan Healthcare Centre Precinct Plan regarding the 82 acre site at the northwest quadrant of Jane Street and Major Mackenzie Drive was brought to a Public Hearing on September 3, 2013 to seek public input. The long term vision for the Plan is to develop the site into a vibrant healthcare precinct with the primary focus on the delivery of a new healthcare facility (the Mackenzie Vaughan Hospital) and a range of healthcare related uses. Additional future costs are anticipated and will be reported as incurred.

Interest Expense

By-law 135-2009, which was enacted by Council June 15, 2009, authorizes debenture financing of up to \$80 million towards this initiative and also permits internal financing to the extent possible, and as appropriate to the satisfaction of the City Treasurer. The current Infrastructure Ontario (IO) 20 year borrowing rates are 3.31 percent, which would result in an annual interest cost of approximately \$2 million based on the outstanding principal owing as of December 31, 2012.

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Alternatively, leveraging internal financing results in recovering costs more quickly, as the City's internal borrowing rate, based on the City's average investment rate, is substantially lower than external financing arrangements. The total accumulated internal interest cost charged to the capital project for the period 2009 - 2012 was \$1,842,521, and represents the City's average investment earning potential on the balance. Incorporating this cost element into the project brings the total Dec. 31<sup>st</sup> cost to \$62,795,779. The interest component for 2013 has yet to be fully determined.

**Relationship to Vaughan Vision 2020**

Not applicable

**Regional Implications**

No Implications

**Conclusion**

The total amount raised through property taxes for the hospital Vaughan Hospital Precinct Development, including the 2013 levy, is \$23.4 million. The total expenses charged to capital project CO-0054-09 as of December 31, 2012 is \$62.8 million, which includes an interest expense of \$1.8 million.

**Attachments**

Not applicable

**Report prepared by:**

John Henry, CMA  
Acting Commissioner of Finance & City Treasurer Ext. 8348

**VAUGHAN HOSPITAL PRECINCT DEVELOPMENT LEVY & CAPITAL PROJECT UPDATE****Recommendation**

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1. That the following report be received.

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**Communications Plan**

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Sub-Total	\$16,344,042
*Final 2013 tax levy	\$7,104,703
Total Balance	\$23,448,745

\* 2013 levy collections will materialize throughout the year

Although the final phase of tax increases is achieved in 2013, the annual levy will increase slightly each year, as a result of assessment growth. Based on the current levy the contribution will be recovered within approximately 8 years.

**Capital Project CO-0054-09 Expenses**

The expenses recorded to December 31, 2012 total \$60,953,258, and are broken down as follows:

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Note 1 - The draft Vaughan Healthcare Centre Precinct Plan regarding the 82 acre site at the northwest quadrant of Jane Street and Major Mackenzie Drive was brought to a Public Hearing on September 3, 2013 to seek public input. The long term vision for the Plan is to develop the site into a vibrant healthcare precinct with the primary focus on the delivery of a new healthcare facility (the Mackenzie Vaughan Hospital) and a range of healthcare related uses. Additional future costs are anticipated and will be reported as incurred.

#### Interest Expense

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Alternatively, leveraging internal financing results in recovering costs more quickly, as the City's internal borrowing rate, based on the City's average investment rate, is substantially lower than external financing arrangements. The total accumulated internal interest cost charged to the capital project for the period 2009 - 2012 was \$1,842,521, and represents the City's average investment earning potential on the balance. Incorporating this cost element into the project brings the total Dec. 31<sup>st</sup> cost to \$62,795,779. The interest component for 2013 has yet to be fully determined.

#### Relationship to Vaughan Vision 2020

Not applicable

#### Regional Implications

No Implications

#### Conclusion

The total amount raised through property taxes for the hospital Vaughan Hospital Precinct Development, including the 2013 levy, is \$23.4 million. The total expenses charged to capital project CO-0054-09 as of December 31, 2012 is \$62.8 million, which includes an interest expense of \$1.8 million.

#### Attachments

Not applicable

**Report prepared by:**

John Henry, CMA  
Acting Commissioner of Finance & City Treasurer Ext. 8348

Respectfully submitted,

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Barbara Cribbett, CMA  
Interim Commissioner of Finance & City Treasurer

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John Henry, CMA  
Acting Commissioner of Finance & City Treasurer