



MIDDLESEX-LONDON HEALTH UNIT

REPORT NO. 20-21FFC

TO: Chair and Members of the Finance and Facilities Committee

FROM: Christopher Mackie, Medical Officer of Health
Emily Williams, Chief Executive Officer (Interim)

DATE: 2021 September 02

FINANCIAL BORROWING UPDATE

Recommendation

It is recommended that the Finance and Facilities Committee review and make a recommendation to the Board of Health to receive Report No. 20-21FFC re: “Financial Borrowing Update” for information.

Key Points

- The Middlesex-London Health Unit is currently servicing a \$4.2 million demand instalment loan with a combined annual cost of \$260,000 for principal and interest payments.
- In July, the Health Unit temporarily increased its Line of Credit by \$2 million to a total of \$10 million to cover timing differences due to delays in COVID-19-related grant funding.
- In August, the Ministry of Health announced preliminary 2021 funding for COVID-19-related case and contact management and vaccine clinics and provided payment of \$13,860,000, thereby restoring the Health Unit’s positive cash position.
- The temporary \$2 million increase to the Line of Credit will expire on August 31.

Background – Demand Instalment Loan

The Health Unit previously entered into a loan agreement at the end of December 2020 for a \$4.2 million demand instalment loan with an amortization period of 20 years to finance the fit-up and relocation costs related to the move to Citi Plaza. The loan was converted into two non-revolving amortizing instalment loans, with \$3,050,000 established as a fixed rate instalment loan, and the remaining \$1,150,000 established as a floating rate instalment loan. The fixed rate of interest on the first loan is 1.915% per annum over a term of 5 years. The interest rate on the variable rate loan is calculated at prime rate less 0.75% per annum. All amounts under the demand loans are repayable immediately on demand by the bank. The variable rate portion of the loan can be pre-paid at any time without penalties. Combined annual cost to the Health Unit of principal and interest is approximately \$260,000.

Interest type	Interest rate	Amount
Fixed	1.915 %	\$ 3,050,000
Variable	Prime - 0.75 %	1,150,000
TOTAL		\$ 4,200,000

Background – Operating Line of Credit

The Health Unit has been monitoring liquidity pressures throughout the year due to the timing of grant funding related to COVID-19 efforts. The demand Line of Credit was previously increased to \$8 million to cover temporary cash flow concerns with timing of receipt of regular grant payments.

By mid-July, a significant portion of the Line of Credit had been utilized and a temporary increase to \$10 million was added with the assumption that the Ministry of Health (MOH) would make an instalment payment shortly on extraordinary funding for case and contact management and operation of vaccine clinics.

In late July, MOH approved one-time funding to support approximately 50% of estimated eligible COVID-19 extraordinary costs budgeted by the Health Unit for 2021. In early August, the Health Unit received preliminary funding of \$13,781,600 related to these extraordinary costs, thereby restoring the Health Unit's positive cash position.

The MOH has previously confirmed that interest charges on overdraft positions related to timing of grant funding were considered eligible extraordinary costs.

Next Steps

Health Unit staff will continue to monitor and track spending for COVID-19-related activities through the balance of the year to support detailed periodic reporting to the MOH, who are committed to making any adjustments to extraordinary funding, as required, throughout the 2021 funding year.

This report was prepared by the Healthy Organization Division.



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