



TO: Chair and Members of the Finance & Facilities Committee
FROM: Christopher Mackie, Medical Officer of Health /CEO
DATE: 2020 July 02

CASH FLOW ANALYSIS

Recommendation:

It is recommended that the Finance & Facilities Committee receive Report No. 018-20FFC “Cash Flow Analysis” for information.

Key Points

- Due to planned drawdowns of cash and higher costs related to COVID-19 on the current operating budget, cash reserves are low.
- Without excess cash reserves to act as a funding buffer, operating cash flow must be closely monitored to ensure that funds do not become fully depleted.
- A planned debt repayment of \$100,000 may not be met unless additional funds are received from the province related to COVID-19 expenditures.
- In early June, a temporary draw of \$400,000 was taken on the line of credit to ensure adequate cash flow to support higher than planned payroll costs and to partly offset a third payroll occurring in the month of May.
- This temporary draw will be repaid from current funding and will not impact the overall amount of long-term debt the Health Unit intends to assume to finance the fit-up of Citi Plaza.

Background

In prior years, the cash reserves on hand acted as a buffer when the timing of operating expenses was not completely aligned with grant payments received over the course of the year. In 2019, The Board of Health authorized the use of accumulated reserves largely to support the cost of fit up of new premises at Citi Plaza as outlined in reports [004-19FFC](#) and [034-19FFC](#). After drawing down these reserves, the only residual funded reserve is the Employment Costs Reserve (\$176,077). Because the Health Unit is operating without significant cash reserves, there is more frequent monitoring of the net cash position, especially in light of higher bi-weekly payrolls to finance COVID-19 related overtime costs.

In response to a combination of three payrolls in May and timing of payment of significant operating expenses, a temporary draw of \$400,000 was made from the Health Unit’s line of credit. In consultation with the Health Unit’s banker, this practice aligns with the intent of the line of credit in the context of managing cash flow during the construction phase of a major project. The \$7.0 million line of credit is completely open and excess funds borrowed can be repaid as soon as practicable without penalty.

Next Steps

The Finance team will continue to monitor the cash position of the Health Unit and will repay the \$400,000 as soon as cash reserves are available. It is not intended that this amount will form a part of the longer-term debt.

This report was prepared by the Finance Team, Healthy Organization Division.

A handwritten signature in black ink, appearing to read 'C. Mackie'.

Christopher Mackie, MD, MHSc, CCFP, FRCPC
Medical Officer of Health / CEO