



TO: Chair and Members of the Board of Health

FROM: Dr. Alex Summers, Acting Medical Officer of Health  
Ms. Emily Williams, Interim CEO

DATE: 2021 December 7

## FINANCIAL BORROWING UPDATE

### Recommendation

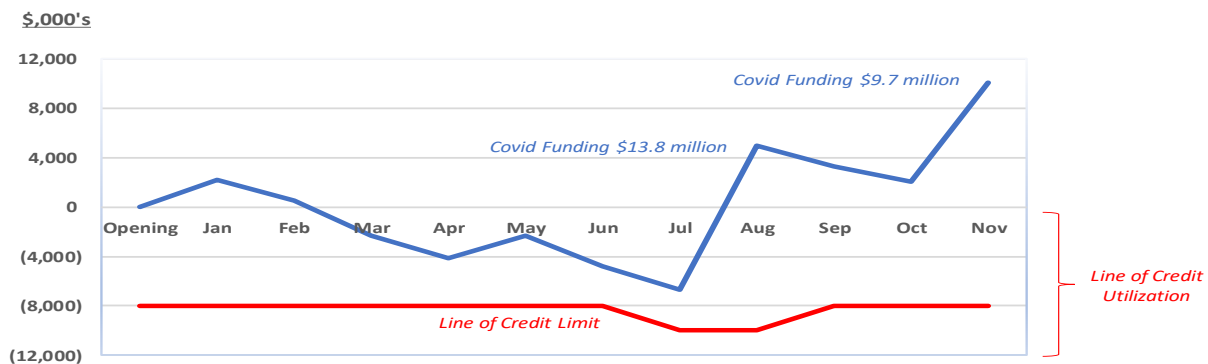
*It is recommended that the Finance & Facilities Committee review and recommend to the Board of Health to receive Report No. 26-21FFC re: “Financial Borrowing Update” for information.*

### Key Points

- MLHU bank balance is positive at \$10.1 million as at November 26<sup>th</sup>. The Ministry provided COVID-19 extraordinary funding in the amount of \$9.7 million on November 22<sup>nd</sup>.
- MLHU operating line of credit has an \$8 million limit and is not being utilized at present.
- The Health Unit continues to service a \$4.2 million demand instalment loan with annual repayments of \$260,000 for principal and interest.

### Background – Bank Balance (and COVID-19 Impact)

The following graph represents MLHU monthly bank balances during 2021.



The initial estimate for COVID-19 extraordinary expenses was \$28.7 million (\$7,275k for case and contact management (CCM) and \$21,423k for the vaccine program).

From February to July, the line of credit supported operations as COVID-19-related expenses had depleted available cash. The Ministry funded \$13,782k in mid July, approximately half of the original estimate.

At Q2 reporting, the COVID-19 estimate was decreased from \$28.7 to \$24.9 million (\$12,694k for CCM and \$12,190k for the vaccine program). The Ministry approved the \$24.9 million in a letter received during November and funded an additional \$9,715k. They also acknowledged that the remaining amount would be paid throughout the rest of the calendar year.

To date, MLHU has received \$23,497k for COVID-19 extraordinary expenses (July \$13,782k, November \$9,715k) with an outstanding balance yet to be received of \$1,387k. Total approved funding to date is \$24,884k.

During late November, MLHU received direction from the Ministry that surplus funds generated from mandatory programs were to be used to offset COVID-19 expenses. This direction halted MLHU plans to pay down variable debt with CIBC as surplus funds were shifted to support ongoing COVID-19 efforts.

### **Background – Operating Line of Credit**

The operating line of credit has an \$8 million limit and is currently not being utilized due to the Health Unit's positive cash position at the bank.

As at Q3 – September 30, MLHU has realized \$136,610 favourability on interest expense (actual \$58,390 vs budget \$195,000).

### **Background – Demand Instalment Loan** *(no changes from Q2 reporting)*

During December 2020, the Health Unit entered into a loan agreement with CIBC to finance the fit-up and relocation costs related to consolidating offices to Citi Plaza. The loan was for \$4.2 million, 20-year amortization and had two components:

Variable: \$1,150,000. Interest is charged at prime less 0.75% per annum.

Fixed: \$3,050,000. Interest is charged at 1.915% per annum over a 5-year term, renewal December 2025.

All amounts are repayable immediately on demand by the bank. Annual payments are approximately \$260,000. The variable portion can be repaid at any time without penalties.

The repayment structure for 2022 remains unchanged from 2021 and is approximately:

Variable: \$ 75,625 (principal \$ 57,500 and interest is \$18,125).

Fixed: \$183,684 (principal \$128,823 and interest is \$54,861).

### **Next Steps**

The latest COVID-19 projections are estimated at \$26.4 million (as presented in Q3 reporting). The Ministry has committed funding totaling \$24.9 million. The balance of \$1.5 million will be funded from surplus generated from mandatory programs, as directed by the Ministry in November.

This report was prepared by the Healthy Organization Division.



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Acting Medical Officer of Health



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