
MEMORANDUM

CSD 56-2019

Subject: Long Term Care Home Redevelopment Financing

Date: July 10, 2019

To: Corporate Services Committee

From: Helen Chamberlain, Director, Financial Management & Planning / Deputy Treasurer

The report COM 32–2019, Long Term Care (LTC) Home Redevelopment project was presented to council at Committee of the Whole on July 4, 2019. Councillor Redekop requested further details with respect to the net debt charges as included in the report of \$5.9 million or 1.6% of the Region's levy.

Development charges (DC) are estimated to fund approximately \$25 million of the project as per the development charge background study conducted in 2017. Currently staff are forecasting to have a year-end reserve balance of \$4.2M of Long Term Care development charges with an additional \$3.3 million projected for 2020. While the background study anticipated the negative cash flow for this project to be recovered from future development charges, the new Bill 108 however creates additional risk with respect the above funding. As per Bill 108, LTC will no longer be permitted in the DC charge but will be permitted as a Community Benefit Charge (CBC) however the calculations and limits to the CBC are not yet established in regulations therefore magnitude of the risk cannot be quantified at this time. The worst case scenario, should developer payments only provide for \$7.5 million of the \$25 million projected, additional debenture of \$17.5 million may be required with an annual servicing cost of \$1 million.

Included within the project's financing is \$5,600,000 for the cost recovery of construction of a hospice facility.

As there are no capital reserves for this project the balance of financing is from debenture in the form of 25 year debt to align with the Province's per diem funding. Recent interest rates on issued debentured averaged 3.20% for the July 2018 25-year debt issuance. The rate estimated for LTC project 25-year debt is 3.80% to be fiscally conservative due to fluctuating nature of interest rates.

The Ministry of Health and Long Term Care (MOHLTC) will provide a per diem per bed per day of \$18.03 and \$18.78 which will be used to offset the debt servicing costs.

| | Total Gross Budget | Debt Financing Cash flow over 25 years |
|------------------------------------------------------------------|-----------------------|----------------------------------------------|
| Gross Expenditure | \$175,000,000 | |
| | | |
| Funding Sources: | | |
| Cost Sharing | 5,600,000 | |
| DC's | 24,556,008 | |
| Debenture Financing | 144,843,992 | \$144,843,992 |
| | | |
| Annual Debt Charge – Principle & Interest | 9,063,287 | 81,738,182* |
| MOHLTC Per Diem | (2,660,826) | (66,520,653) |
| Debt Charge/Net Cost | 6,402,461 | 160,061,521 |
| | | |
| Budgeted in 2016 For previously approved debt of \$15 million | (513,107) | |
| Incremental Impact on Levy | 5,889,354 | |
| % of Levy | 1.62% | |

*cumulative interest only

Respectfully submitted and signed by

Helen Chamberlain, CPA, CA
Director, Financial Management & Planning / Deputy Treasurer