

**DATE:** June 17, 2024  
**REPORT NO:** T-11-2024  
**SUBJECT:** **West Lincoln Memorial Hospital Debenture Issue**  
**CONTACT:** Donna DeFilippis, Interim CAO and Treasurer

**OVERVIEW:**

- As part of the Township’s 2024 Operating and Capital Budget Final Report T-05-2024 Council approved a debenture issue of \$3,000,000 to provide a portion of the Township’s Contribution towards the West Lincoln Memorial Hospital Rebuild
- The total amount of the Township grant is estimated at \$4,524,850 which staff can confirm will be funded through reserves of \$1,853,900 and a debenture issuance of \$2,670,950 through the Regional Municipality of Niagara
- This report reconfirms the Township’s commitment and provides the necessary resolutions that are required as part of the debenture process

**RECOMMENDATION:**

1. That, Recommendation Report T-11-2024 titled “West Lincoln Memorial Hospital Debenture Issue” dated June 17, 2024 be received; and,
2. That, the Township of West Lincoln hereby approves the grant funding to the Hamilton Health Sciences Corporation up to the amount of \$4,524,850 towards the construction of the West Lincoln Memorial Hospital as it considers the local hospital project to be in the interests of the Municipality; and,
3. That, Council acknowledge Section 106 of the Municipal Act, 2001, which prohibits financial assistance to commercial enterprises and confirms that the grant funds will be used only for the non-commercial capital components of the local hospital project; and,
4. That, Council approve the issue of debentures of The Regional Municipality of Niagara of \$2,670,950 for a term not to exceed 20 years, in order to provide a portion of the required grant funding; and,
5. That, Council confirms that the Treasurer has updated the calculation of the Township’s Annual Repayment Limit, which is within the provincial limit.

**ALIGNMENT TO STRATEGIC PLAN:**

**Theme #1**

- **Build a Safe, Connected, Caring and Active Community**

**BACKGROUND:**

As part of the Township’s 2024 Operating and Capital Budget Final Report T-05-2024, Council approved the following resolution:

*“7. That, Council approve debenture financing of \$3,000,000 in 2024 in order to partially finance the Township’s Contribution towards the West Lincoln Memorial Hospital Rebuild;”*

This report presents to Council an updated Financing plan that will meet the requirements of the Township’s grant commitment of \$4,524,850 towards the Hospital rebuild. The total local share towards the West Lincoln Memorial Hospital rebuild is \$50 million, broken down as follows:

Township of West Lincoln	\$ 4,524,850
Region of Niagara	\$10,500,000
Town of Grimsby	\$ 9,300,926
Town of Lincoln	\$ 8,000,000
West Lincoln Memorial Hospital Foundation	<u>\$17,674,224</u>
Total Local Share	\$50,000,000

The Ministry of Health covers 90% of the hospital construction costs. The local share covers the remaining 10% of construction costs and 100% of the furniture, fixtures and equipment required for the new facility.

In addition, the letter attached as **Appendix A** to this report is confirmation from Hamilton Health Sciences that the Township’s grant will be directed toward construction of the non-commercial component of the West Lincoln Memorial Hospital. This verification from Hamilton Health Sciences ensures that the Township is in compliance with Section 106 of the Municipal Act that does not allow a municipality to grant assistance to any manufacturing, industrial or commercial enterprise.

**CURRENT SITUATION:**

The Treasury Department has completed a final review of the reserves and tax levy collected to date for this project and have updated the debenture requirement to \$2,670,950. The remaining amount of the grant to the hospital will be funded through the Township’s Hospital Reserve, which will have a balance of \$1,853,900 by the end of 2024.

One of the key factors to be considered when issuing debt is the impact to the ARL (Annual Repayment Limit). The ARL is a borrowing threshold or “limit” and compares annual debt repayment and interest costs to Township revenue. The Township’s Capital Financing and Debt Management Policy outlines that, each year, debt repayment and interest cannot exceed 10% of the Township’s Own-Source Revenue as calculated in the FIR (Financial Information Return). This is lower than the provincial threshold of 25%.

The chart below outlines the 2024 opening balance of outstanding debentures, the payments required in 2024 and the projected closing balance of debentures. For the two proposed debentures approved as part of the 2024 budget, the interest rate is just an estimate and will not be known until the debentures are issued later in 2024 and 2025.

Description		Principal and Interest		Closing Balance 2024	Original Principal	Interest Rate	Term (years)	Maturity Date
		Opening Balance 2024	Payments					
Bridge 12	Existing	\$ 130,260	\$ 32,846	\$ 101,313	\$ 289,466	3.16%	10	02/15/2028
Rec Center, Draw #1	Existing	\$ 12,250,000	\$ 929,209	\$ 11,750,000	\$ 15,000,000	3.53%	30	02/15/2048
Rec Center, Draw #2	Existing	\$ 3,466,667	\$ 229,730	\$ 3,333,333	\$ 4,000,000	2.80%	30	12/19/2049
2021 Road Rehab & Hard Topping	Existing	\$ 780,000	\$ 80,175	\$ 720,000	\$ 900,000	2.63%	15	12/22/2036
Vaughan Road	Existing	\$ 1,080,000	\$ 107,685	\$ 1,026,000	\$ 1,080,000	5.02%	20	10/03/2043
Fire Station 2	Existing	\$ 1,592,600	\$ 158,795	\$ 1,512,970	\$ 1,592,600	5.02%	20	10/03/2043
Hospital Rebuild	2024 Issue			\$ 2,670,950	\$ 2,670,950	4.50%	20	
Highway 20 & Wade Road - Watermain	2025 Issue			\$ -	\$ -	4.50%	30	
		<u>\$ 19,299,526</u>	<u>\$ 1,538,440</u>	<u>\$ 21,114,566</u>	<u>\$ 25,533,016</u>			

As noted above, the revised debenture for the West Lincoln Hospital is \$2,670,950, which will result in an updated ARL of 9.1%, which is below the provincial threshold and below the Township’s recommended threshold of 10%.

The Township is in receipt of the 2024 Annual Repayment Limit report from the Ministry of Municipal Affairs and Housing that outlines an annual debenture repayment limit of \$2,835,490. Staff is estimating that the additional debt charges resulting from the issuance of the new debt will be \$252,238 annually, well within the limit outlined by the province.

**FINANCIAL IMPLICATIONS:**

The estimated total grant that the Township will be issuing towards the rebuild of the West Lincoln Memorial Hospital is \$4,524,850. Staff have estimated that at the end of 2024, the West Lincoln Memorial Hospital reserve balance will be \$1,853,900. This will require the Township to issue a debenture of \$2,670,950 to make up the difference. The Township established a special levy in 2021 designed to provide the required funding to pay off the debenture. The chart below outlines the special levy collected to date and an estimate of the 2025 required levy. The 2025 levy will be adjusted based on what the actual repayment amounts for the debenture are.

WLMH Levy Requirement		
Year	Total Levy	Levy Change
2021	\$ 75,300	\$ 75,300
2022	\$ 125,800	\$ 50,500
2023	\$ 176,300	\$ 50,500
2024	\$ 226,500	\$ 50,200
2025	\$ 252,000	\$ 25,500

**INTER-DEPARTMENTAL COMMENTS:**

This report has been reviewed by the Clerk's Department. In addition, both the Interim CAO and the Acting Director of Finance have been working in conjunction with staff from the Niagara Region to ensure all requirements related to the debenture issue are being met.

**CONCLUSION:**

The approval of this report is a critical step in ensuring that the Township can proceed with the issue of a debenture of The Regional Municipality of Niagara in the amount of \$2,670,950. The debenture, along with the balance in the Hospital reserve totalling \$1,853,900, will meet the total grant requirement of \$4,524,850.

**Prepared, Submitted and Approved by:**



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**Donna DeFilippis, Interim CAO and Treasurer**