

Council Memo



To	Committee of Management for the Elliott Community
Service Area	Public Services
Date	Monday, December 6, 2021
Subject	The Elliott Community Application to Increase Long-Term Care Beds

Background

The Elliott Community has provided preliminary information to the Committee of Management of The Elliott Long-Term Care Residence (the Committee) about a proposed expansion of long-term care beds in response to the Ministry of Health and Long-Term Care's plan for 30,000 new long-term care beds in Ontario. This memo provides staff's analysis of this request and items that the Committee may want to request clarity on as they consider the request.

The Ministry of Health and Long-Term Care (the Ministry) recently opened an application process with a closing date of December 31, 2021; City staff were made aware of the timeline for applying for additional long-term care beds on November 9, 2021. The timing of any future opportunities to apply for long-term care beds is uncertain, especially in light of the 2022 provincial election.

The City is the license holder for the existing 85 long-term care beds which are operated by The Elliott Community (The Elliott) under the Long-Term Care Services Agreement between the City and The Elliott. The Elliott's Board of Trustees is responsible for making decisions and providing direction to the senior leadership team of The Elliott on matters within their Delegated Authority for all areas of The Elliott organization. In regards to the Long-Term Care segment of the operations, the Board of Trustees makes recommendations to and obtains direction from the Committee of Management on matters outside of Delegated Authority including establishment of service levels.

While consideration of this expansion request is the responsibility of and within the purview of the Committee, on the advice of our City Solicitor, and in order to be compliant with the requirements of the specific application to the Ministry, this matter requires ratification by City Council. Therefore, if it is the recommendation of the Committee that the matter be referred for ratification, it would need to come before City Council at the December 20, 2021 meeting.

The need for additional long-term care beds in Guelph is well established in The Elliott's report, and the report outlines a linkage between the proposed expansion and their soon to be released strategic plan, while acknowledging that the timing of this opportunity is less than ideal. The City has used its advocacy position to

support the need for more long-term care beds in Guelph understanding there are a number of service providers that can offer this community service.

City staff have provided advice to The Elliott in terms of what type of information members of City Council would be expecting in a business case of this nature; however, the condensed timeline has not allowed The Elliott enough time to fully address all the requirements. Staff have undertaken a risk analysis based on the information presented to date to provide the Committee with as much information as possible to inform a way forward.

Risk analysis

Status Quo

Chart A in The Elliott's report shows LTC Net Income for the years 2022 – 2025 for the current 85 long-term care beds in operation. The City of Guelph funding proposed for the four years in this chart refers to the operating subsidy provided to The Elliott which was requested to be increased as part of the 2021 budget. In addition to the operating subsidy, the City provides an annual capital subsidy amount as agreed upon in 2015 of \$212 thousand; however, that has been insufficient to cover infrastructure renewal capital costs and additional funds have been requested through the 2022/23 budget.

Chart A clearly shows financial risk to the City associated with the status quo; total revenue decreases in 2024 and again in 2025; operating expenses escalate in the range of 2.2% - 3.16% from 2022 – 2025, resulting in a forecasted annual operating deficit of \$650 thousand by 2025. Presumably, this trajectory will continue to worsen over time, as expenses escalate at a higher rate than provincial funding. As the long-term care license holder, the City is responsible for ensuring the ongoing stability of The Elliott's long-term care operation, and an assumption can be made that the City should expect future requests for funding increases to address this operating deficit, in addition to ongoing funds for capital infrastructure renewal at a level to be determined from The Elliott's developing asset management plan.

This status quo projection is concerning when also considering that The Elliott has an existing loan from the City taxpayers with an outstanding balance of \$13.3 million as of December 31, 2021. Based on the current payment plan, it will be fully paid off in 2036 with annual principal and interest payments totaling approximately \$1.1 million.

Expansion

The Elliott has presented a two-phase expansion plan, with preliminary operating and capital impacts presented assuming both phases are completed; a separate analysis has not been presented showing the operating impacts of phase one only. A separate phase-one-only operating analysis would be beneficial to the decision-making process.

Per The Elliott's report, the application is non-binding until the point of entering into a Development Agreement with the province. However, the timeline presented in Appendix 2 of The Elliott's report indicates that preliminary plans, working drawings, and tendering documents will be submitted after the signing of the

Development Agreement. This raises considerable concern to City Staff as financial commitments will be made before the more detailed planning and cost estimation work is completed, opening the City to the risk that revised cost estimates are significantly higher than the initial estimates presented. Given that the City is the license holder and would be party to the Development Agreement with the province, the City would be responsible for providing funding, financing, or a loan guarantee to cover additional costs depending on the facts of the situation at the time. City staff would recommend City Council seek from The Elliott a revision of the timeline in order to be confident in financial commitments prior to the signing of a Development Agreement.

Expansion Operating Risks

An operating forecast for 2022 – 2025 is presented in Chart C of The Elliott's report and shows an improvement over the status quo (Chart A) for all years with the addition of 11 beds in 2023 and a further 18 beds in 2024. While the City's budgeted operating contribution is not forecast to change from the status quo scenario over this period (increases of 3.63%, 3.76%, and 3.88% for 2023, 2024, and 2025, respectively), the operating surpluses range from \$113 thousand in 2023 to a peak of \$293 thousand in 2024 and back down to \$36 thousand in 2025. Based on this trajectory it is reasonable to assume that this will become an operating deficit in 2026 and beyond. If The Elliott's long-term care operation is back in a deficit after 2025, the City can expect requests to subsidize operating and capital costs for 114 beds instead of the current 85.

City Staff would advise the Committee to seek more detailed financial information on each expansion option individually (phase one of 11 beds only, versus the current two-phase 29 bed option) to understand the City's subsidization investment forecast in each scenario. There may be a very solid business case to move forward with just the 11-bed expansion in order to mitigate the financial risks as identified in the status quo evaluation; however, more information is needed to confirm that assumption.

Expansion Capital Risks

Chart D in The Elliott's report presents capital costs for phases one and two. The overall capital cost for phase two (18 beds) is only \$200 thousand greater than the overall cost for phase one (11 beds), even though a significantly larger scope of work is identified for phase two in the report. Per The Elliott's report, phase two includes everything from phase one (for a larger area), plus a new nursing station, storage room, shower/spa room, dining/server, janitor closet, fireproofing of the underside of slab for 12,500 square feet, upgraded humidification system, complete air balancing, upgraded exhaust, rework of existing plumbing and patio enclosure. The estimate for phase two provided causes City Staff significant concern that it is under-costed given the scope of work described, notwithstanding the current volatility in the construction market pricing.

On the funding and financing side, the report does not provide enough detail to evaluate the actual capital request from the City for the expansion. The Elliott has identified that if the application is approved, it is expected that the provincial government will provide the majority of the required funding, and has referred to one potential source of capital funding in their report (Development Grant), but

there are no estimates provided of the amount of provincial funding expected nor a description of the capital funding streams available through the province. Per the Ministry's Long-Term Care Home Capital Development Funding Policy, 2020, one of The Ministry's capital funding streams is the Construction Funding Subsidy; previous discussions with management at The Elliott have indicated that the Construction Funding Subsidy may not be available for phase one given the planned timing; The Elliott is currently receiving a Construction Funding Subsidy for a 2003 redevelopment that ends in 2023 and The Elliott's management has indicated that this funding stream cannot be accessed again for a new project until that funding ends.

The Ministry's policy also notes that the Construction Funding Subsidy is paid over 25 years; presumably a loan would be required to cover the up-front costs of construction, but a loan is not contemplated in the report and it is not clear whether The Elliott would request a loan from the City or a guarantee from the City for a loan from an external lender.

Information To Be Requested

City Staff have prepared a summary of information that the Committee may wish to request from The Elliott as part of a comprehensive business case as it considers the expansion request, as follows:

- Separate out operating impacts for the two phases and present operating information for 2022 – 2025 for phase one only (11 beds).
- Provide high level information around funding and expense assumptions for all scenarios.
- Consideration of sustainability beyond 2025: the report outlines savings and efficiencies to be realized through the proposed expansion which will stabilize the long-term care operation for years to come. However, based on the operating forecast in Chart C, net surplus after the City's contribution will peak at \$293 thousand in 2024 and dip back down to \$36 thousand in 2025.
- Consideration of the additional annual capital contributions required for infrastructure renewal of 11 or 29 additional beds given the current annual agreed upon transfer of \$212 thousand is not sufficient to meet the existing needs.
- Information about the competitive procurement of both the design consultant and construction company.
- The planned timeline for The Elliott to engage with vendors to provide more detailed plans and cost estimates (preferably in advance of requesting that the City sign a Development Agreement with the province) if the application moves forward.
- Detailed information on the capital cost estimates for phase two, which is only \$200 thousand more than the estimate for phase one but is for seven more beds and a much larger scope of work.
- Consideration of funding a City project manager for the duration of the project(s) to oversee the renovations, if approved.

- More detailed information about the capital funding streams and amounts available through the Ministry:
 - Development Grant
 - Construction Funding Subsidy
 - Planning Grant for Non-Profit Home
- A capital financing plan that considers the timing of cash flows from Ministry capital funding.
- Information about any minimum requirements for an equity contribution from the City as the license holder (if applicable).

Funding and financing options

If the Committee chooses to sign a Development Agreement for beds, the City will be required to provide financial support to The Elliott for part or all of the proposed expansion. This is considered a City Building investment, as City Council would be making a service level increase beyond what is currently being provided.

Council has just approved its 2022/23 budget with no allocation for this project considered due to the timing of the Ministry's application process. Council's budget deliberations regarding property taxation affordability considering all the priorities that City Council has actioned and endorsed through the Strategic Plan will become even more strained with adding in another service enhancement priority.

The Committee must consider this request in the context of its Community Plan and the City's Strategic Plan, and all the other priorities identified and costed through the budget process. Making a financial contribution to this project means not doing something else on that priority list or raising property taxes.

Next Steps

Based on staff review and analysis, this matter must be ratified by City Council. Given the significant amount of information presented and the outstanding information that The Elliott is still working on gathering, it is therefore most appropriate for any decision on this matter to be deferred to the City Council meeting on December 20, 2021. This will enable The Elliott to respond to any questions Committee may have as an outcome of the December 6, 2021 discussion.

City Staff request that the Committee direct The Elliott to provide two versions of a completed application (one for phase one only, and one for both phases one and two) to City Staff by December 16, 2021 to enable appropriate review time in advance of the December 20, 2021 City Council meeting. City staff request this in order to be prepared and responsive to whatever questions or concerns arise during City Council's consideration to execute the application. The Deputy Chief Administrative Officer, Public Services, would execute the application respecting the Delegation of Authority assigned.

At a minimum, City Staff would recommend the Committee not support any financially-binding decision until a comprehensive business case is provided to the Committee satisfying the information request listed above, with the 11 bed and 29 bed options fully assessed separately.

Regardless of the direction of the Committee on this specific expansion request, the operating forecasts presented (both status quo and expansion) necessitate consideration of service levels, operating expectations, and the ongoing level of municipal subsidy for The Elliott's long-term care operation in the future.

The recommended motions for the December 6, 2021 Committee of Management meeting are:

That any direction to City Staff regarding the signing of a non-binding application for additional long-term care beds for The Elliott Community be referred to the December 20, 2021 City Council meeting; and,

That the Elliott Community staff be requested to provide two versions of the completed application form, one for phase one as well as a second for phase one and two combined, to City staff no later than December 16, 2021 for review.

Attachments

None.

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