

# The Elliott Long-Term Care Residence Report

**TO:** Guelph City Council

**DATE:** Monday, December 20, 2021

**SUBJECT:** The Business Case to Support a Non-Binding Application for  
Long Term Care Home Redevelopment

## EXECUTIVE SUMMARY

The Elliott Community (TEC) continues to experience financial challenges resulting from low government funding combined with significant expense increases. In the past, TEC has turned to the City of Guelph for financial support, which has been generously provided. Based on its 2022 Budget, the financial dependence will increase, however, a bed expansion strategy has been developed to reduce that dependence. This memo outlines the business case for this strategy and provides business plan support for the Council's decision whether to approve the submission of a non-binding application to the Ministry of Long-Term Care.

## STATUS QUO

Chart A provides TEC's approved LTC Home 2022 Budget Net Income and Operating Cash Flow for the period 2022 through 2025:

Chart A: LTC Net Income	Per 2022 Budget				Total
Year	2022	2023	2024	2025	
Number of LTC Beds	85	85	85	85	
Total Revenue (excl City of Guelph Funding)	7,331,655	7,423,379	7,245,257	7,242,115	29,242,406
Total Expenses	9,290,058	9,494,513	9,754,719	10,062,972	38,602,262
Net Surplus/(Deficit) before City Funding	(1,958,403)	(2,071,134)	(2,509,462)	(2,820,857)	(9,359,856)
City of Guelph Annual Operating Contribution	1,939,138	2,009,550	2,085,043	2,165,927	8,199,658
Net Surplus/(Deficit) including City Funding	(19,265)	(61,584)	(424,419)	(654,930)	(1,160,198)

  

LTC Operating & Principal Pymt Cash Flow	Per 2022 Budget				Total
Year	2022	2023	2024	2025	
Number of LTC Beds	85	85	85	85	
Net Surplus/(Deficit)	(19,265)	(61,582)	(424,413)	(654,934)	(1,160,194)
Add: Depreciation	536,210	581,419	606,134	621,904	2,345,667
Less: Deferred Contributions	(205,605)	(255,853)	(249,888)	(192,489)	(903,835)
Cash Flow from Operations	311,340	263,984	(68,167)	(225,519)	281,638
Loan Principal Repayments	(557,505)	(572,806)	(589,733)	(537,502)	(2,257,546)
<b>Op Cash Flow after Loan Principal Pymts</b>	<b>(246,165)</b>	<b>(308,822)</b>	<b>(657,900)</b>	<b>(763,021)</b>	<b>(1,975,908)</b>

The net deficit and corresponding cash deficit is showing an increasing trend, notwithstanding an annual operating contribution from the City of Guelph. Revenues, almost entirely controlled by the Provincial Government, are forecasted to increase 1% annually, while expenses are expected to increase in the 2 - 3.5% range annually. Furthermore, a monthly government subsidy of approximately \$23,000 ends in November 2023, driving the deficit much higher in 2024 and onward. No revenues or expenses relating to specific government funding programs (i.e. Covid-19 or 4 Hours of Care) are included in this budget. This deficit trend is not sustainable without significantly more financial assistance from the City of Guelph.

## ADDITION OF 11 BEDS

Chart B shows a scenario of adding 11 beds through the re-development of low occupancy beds from the retirement area of TEC:

Chart B: LTC Net Income*, 11 Beds Added		Option: Phase 1 Only				Total
Year	2022	2023	2024	2025		
Number of LTC Beds	85	96	96	96		
Total Revenue (excl City of Guelph Funding)**	7,331,655	8,437,819	8,275,578	8,280,105		
Total Expenses	9,290,060	10,329,960	10,568,907	10,902,601		
Net Surplus/(Deficit) before City Funding	(1,958,405)	(1,892,141)	(2,293,329)	(2,622,496)		
City of Guelph Annual Operating Contribution	1,939,138	2,009,550	2,085,043	2,165,927		
Net Surplus/(Deficit) including City Funding	(19,267)	117,409	(208,286)	(456,569)		
Incremental Cash Flows:						
Incremental Net Surplus/(Deficit)	(2)	178,993	216,133	198,361	593,485	
Add: Depreciation	0	79,307	79,307	79,307	237,921	
Less: Deferred Contributions	0	(62,114)	(62,114)	(62,114)	(186,341)	
Cash Flow from Operations	(2)	196,187	233,326	215,554	645,065	
City of Guelph - Preliminary funding amount	1,359,878	0	0	0	1,359,878	
Government Grants	503,534	0	0	0	503,534	
Elliott Fundraising	150,000	0	0	0	150,000	
Bed Redevelopment Capital Expenditures	(2,013,412)	0	0	0	(2,013,412)	
Loan Proceeds	0	0	0	0	0	
Loan Principal Repayments	0	0	0	0	0	
Total Incremental Cash Flow	(2)	196,187	233,326	215,554	645,065	
Total Cash Flow, 2022 Budget + 11 Beds	(246,167)	(112,635)	(424,574)	(547,467)	(1,330,843)	
Preliminary Funding Structure:						
City of Guelph Contribution	1,359,878					
Elliott Fundraising Contribution	150,000					
Government Grants	503,534					
Loan	-					
Total	2,013,412					
Cost per Re-Developed Bed	183,037					

\* The amounts shown in this analysis are preliminary and, as such, are subject to change as more information becomes available.

The addition of 11 beds improves the bottom line and the cash position, adding a total of \$645,065 in cash flow over the four-year period. This benefit arises due to the "overhead" portion of the per diem government funding, since revenue per bed increases, but overhead costs do not. These financial results, however, do not fully overcome the loss of the \$23,000 monthly subsidy in 2024 and 2025.

The full capital cost of this project is estimated to be \$2,013,412 with a per bed cost of \$183,037, and is considerably lower than a full green field LTC Home construction project, which generally costs up to \$400,000 per bed. Based on expected government grants of \$503,534 and TEC fundraising of \$150,000, the City of Guelph's contribution would be \$1,359,878. Debt funding is not considered in this scenario since debt normally is funded by a construction funding subsidy from the Provincial Government and TEC does not qualify for this subsidy until December 2023.

## ADDITION OF 29 BEDS

Chart C shows the scenario of adding 29 beds in two separate phases, first 11 beds in 2023 and then 18 beds in 2024:

<b>Chart C: LTC Net Income*, 29 Beds Added</b>	<b>Option: Phases 1 &amp; 2</b>				<b>Total</b>
<b>Year</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	
<b>Number of LTC Beds</b>	<b>85</b>	<b>96</b>	<b>114</b>	<b>114</b>	
Total Revenue (excl City of Guelph Funding)**	7,331,655	8,375,706	9,890,510	9,906,564	35,504,435
Total Expenses	9,290,060	10,250,653	11,812,124	12,165,966	43,518,803
Net Surplus/(Deficit) before City Funding	(1,958,405)	(1,874,947)	(1,921,614)	(2,259,402)	(8,014,369)
City of Guelph Annual Operating Contribution	1,939,138	2,009,550	2,085,043	2,165,927	8,199,658
Net Surplus/(Deficit) including City Funding	(19,267)	134,603	163,429	(93,475)	185,289
<b>Incremental Cash Flows:</b>					
Incremental Net Surplus/(Deficit)	(2)	196,187	587,848	561,455	1,345,487
Add: Depreciation	0	0	186,728	186,728	373,456
Less: Deferred Contributions	0	0	(56,571)	(56,571)	(113,143)
Cash Flow from Operations	(2)	196,187	718,005	691,611	1,605,801
City of Guelph - Preliminary funding amount	862,780	0	0	0	862,780
Government Grants	250,000	584,358	0	0	834,358
Elliott Fundraising	150,000	0	0	0	150,000
Bed Redevelopment Capital Expenditures	(2,013,412)	(2,604,433)	0	0	(4,617,845)
Loan Proceeds	0	2,770,707	0	0	2,770,707
Loan Principal Repayments	0	0	(82,770)	(87,004)	(169,774)
<b>Total Incremental Cash Flow</b>	<b>(750,634)</b>	<b>946,819</b>	<b>635,236</b>	<b>604,607</b>	<b>1,436,027</b>
<b>Total Cash Flow, 2022 Budget + 29 Beds</b>	<b>(996,799)</b>	<b>637,997</b>	<b>(22,665)</b>	<b>(158,414)</b>	<b>(539,880)</b>
<b>Preliminary Funding Structure:</b>					
City of Guelph Contribution					862,780
Elliott Fundraising Contribution					150,000
Government Grants					834,358
Loan					2,770,707
<b>Total</b>					<b>4,617,845</b>
<b>Cost per Re-Developed Bed</b>					<b>159,236</b>

\* The amounts shown in this analysis are preliminary and, as such, are subject to change as more information becomes available.

The addition of 29 beds provides a significant revenue increase, resulting in ongoing net benefits and an increase in total incremental cash flow for 2022 through 2025. It is expected that with time and experience, further efficiencies will be found and implemented to generate sustainable cash flows to support TEC for many years beyond 2025. These positive cash flows will be set aside as a capital reserve to cover off any unexpected investment needs, rather than remaining wholly dependent on the City of Guelph.

The investment required for the 29 beds is estimated as \$4,617,845, which results in a cost of \$159,236 per bed and approximately half the cost of a green field LTC Home construction project. The proposed initial investment of \$862,780 from the City is lower than the 11 bed option and is expected to be recouped by the end of 2024. The remainder of the capital cost is expected to be funded through Elliott fundraising, government grants and debt. The debt principal repayment will be made through a new construction funding subsidy, beginning in 2024.

**Respectfully submitted by:**

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Chief Executive Officer

**Norman Wolff**  
Director of Finance and Operations

Attachments:  
Letters of Support (5)