



The Elliott Long-Term Care Residence Report

TO **Guelph City Council**
DATE: February 28, 2023
SUBJECT **Long-Term Care Home Redevelopment**

REPORT

For many years, it has been The Elliott Community's strategy to expand the number of long-term care (LTC) beds in order to attain a financially sustainable operation. The current funding structure provided by the Provincial Government favours larger LTC facilities due to the way that overhead costs are reimbursed.

In the fall of 2021, the Ministry of Long-Term Care (MLTC) announced the call for new long-term care beds. The Elliott Community (TEC) staff presented a business case for bed expansion to the committee of management that increased the number of LTC beds from 85 to 114 through the conversion of existing retirement suites. This increased bed count would allow The Elliott to enhance operational and financial efficiencies with a goal of stabilizing the financial relationship with the City. City Council provided the conditional approval for city staff to submit an application to the MLTC on December 22nd, 2021. TEC was approved for 29 new beds in February 2022.

In late November 2022, the Ministry of Long-Term Care announced a short-term increase to the construction funding subsidy (CFS) available for bed expansion projects in the amount of \$35 per diem per bed that was available to homes that:

1. Have already received a bed allocation (i.e. application was already approved);
2. Submit a Statement of Readiness to the Ministry by December 20, 2022; and,
3. Receive an Approval to Construct from the Ministry on or before August 31, 2023.

This CFS top-up increases the funding available to TEC from \$21.28 per bed per day to a total of \$56.28 per bed per day. The program also permits the conversion of a portion of the top-up to an upfront funding amount of \$81,000 per bed, or in this case, approximately \$2,349,000.

City of Guelph Staff have submitted a Statement of Readiness to the MLTC on December 20, 2022. TEC's Board of Trustees have approved aggressively pursuing the receipt of an Approval to Construct from the MLTC by the August 31, 2023 deadline and staff are taking steps toward that outcome.

WHAT IS IMPORTANT ABOUT THE CFS TOP-UP?

This provincial funding is unprecedented and significant and will eliminate the funding shortfall for the expansion:

	W/O Top-up	With Top-up
Project Cost estimate	<u>6,292,750</u>	<u>6,292,750</u>
Funding:		
TEC reserves	250,000	250,000
City of Guelph	876,000	876,000
Provincial Government grants	879,275	879,275
Provincial Government CFS up front top-up	-	2,349,000
Debt funding requirement	<u>4,287,475</u>	<u>1,938,475</u>
Total	<u>6,292,750</u>	<u>6,292,750</u>
Monthly debt payment (25 yrs)	\$ 30,166	\$ 13,639
Monthly CFS available	<u>18,770</u>	<u>13,639</u>
Monthly Shortfall	(11,396)	-
Term of loan (yrs)	25	25
Shortfall over term of loan	(3,418,813)	-

Financial Model

A summary of the financial forecast is as follows:

Summary Statement of Surplus/(Deficit)	Forecast 2023	Forecast 2024	Forecast 2025	Forecast 2026	Forecast 2027
<u>Revenue:</u>					
Accommodation Revenue	2,236,041	2,627,227	3,173,686	3,260,924	3,358,752
Government Funding	8,722,636	9,697,117	11,478,539	11,794,571	12,124,041
Other Revenue	358,981	421,549	454,691	486,967	505,974
Total Revenue	<u>11,317,659</u>	<u>12,745,893</u>	<u>15,106,915</u>	<u>15,542,461</u>	<u>15,988,766</u>
<u>Expenses:</u>					
Wages, Salaries & Benefits	8,131,429	9,632,390	11,311,651	11,707,277	12,117,031
Operating Costs	3,098,608	3,070,579	3,543,616	3,646,946	3,776,336
Total Expenses	<u>11,230,037</u>	<u>12,702,969</u>	<u>14,855,267</u>	<u>15,354,223</u>	<u>15,893,367</u>
Net Surplus/(Deficit)	<u>87,622</u>	<u>42,924</u>	<u>251,649</u>	<u>188,238</u>	<u>95,399</u>

Board Approved 2023 Budget LTC surplus/(Deficit)	799	(366,415)	(368,402)	(757,562)	N/A
Financial Benefit/(Cost) of Bed Expansion	86,823	409,339	840,051	945,800	N/A
Cumulative difference	86,823	496,162	1,336,212	2,282,013	N/A

MODIFIED STATEMENT OF CASH FLOWS	Forecast 2023	Forecast 2024	Forecast 2025	Forecast 2026	Forecast 2027
SURPLUS / (DEFICIT)	87,622	42,924	251,649	188,238	95,399
<u>Exclude Non-Cash Items (Amort & Fut Ben):</u>					
Amortiz. of Def'd Contributions	(255,949)	(315,131)	(345,136)	(374,223)	(393,230)
Amortization of Assets & Fees	535,425	661,003	818,993	880,207	929,224
Future Benefits	24,000	24,600	25,200	25,800	26,703
<u>(Deduct) / Add Cash Payments:</u>					
City Mortgage - Principal / Def'd Pmts	(230,344)	(216,358)	(201,930)	(187,046)	(171,690)
SWAP Loan - Principal Payments	(133,149)	(140,128)	(75,288)	-	-
Bed Expansion Debt Principal Pmts	-	(12,200)	(30,759)	(32,966)	(35,332)
Capital Expenditures	(569,818)	(850,622)	(580,085)	(568,273)	(1,499,547)
Capital Contributions	816,374	845,763	876,210	907,754	940,433
Bed Expansion Project expenditures	(2,621,979)	(3,670,771)	-	-	-
Bed Expansion Project contributions/grants	1,376,000	2,978,275	-	-	-
Bed Expansion Debt Funding	1,245,979	692,496	-	-	-
CASH FLOW	274,161	39,852	738,853	839,492	(108,039)

Note: TEC staff will work with City staff to establish an appropriate capital expenditure program.

Assumptions

Project Related:

1. Construction begins in August 2023 and completes in July 2024 with occupancy beginning in August 2024;
2. Total project costs are based on latest information received, but do not include results of any RFP processes;
3. Upfront contributions will be received from the Ministry and the City of Guelph, as well as a fundraising contribution from TEC;
4. Monthly construction funding subsidy will be received for 25 years to exactly offset the loan payments beginning August 2024. This approach reduces the risk of the Elliott not meeting its debt payment commitments and avoids increased contributions from the city.

Revenue Assumptions:

1. Occupancy remains at 97%, per MLTC requirements;
2. Case Management Index is set at 1.0. (Case Management Index refers to the complexity of care required for the LTC residents.)
3. Accommodation charges and Government Funding increase annually by 2.5% for 2023, 2024 and 2025, 3.0% thereafter;
4. Four hours of care funding increases as per government announced policy;
5. City of Guelph funding levels remain stable at the amounts as presented in the 2023 budget presentation.

Expense Assumptions:

1. Wages, salaries and benefits are impacted by the hiring of additional staff to support the additional bed count plus the four hours of care program;
2. Operating costs are adjusted according to the additional 29 beds where appropriate, including supplies, facility costs, interest & financing fees (including interest from the new debt), purchased services and amortization.

Analysis:

The forecasted surplus due to the bed expansion is positive for the planning horizon, generally as a result of the additional funding for overhead costs, as provided within the Other Accommodation funding envelope. This envelope is not recoverable by the Ministry and includes all overhead type expenses, generally those not associated with direct care costs, food or recreation activities and supports.

The risk of repayment of direct care, food and/or recreation activities are low, as these funding envelopes are consistently utilized and partially funded from the OA envelope.

RFP for Architectural & Engineering Services

On January 17th, we received responses from three Architectural firms for the provision of architectural and engineering services. These responses included detailed project plans that indicate that an August 31, 2023 construction start date is attainable, with some room for delays. An architectural firm has been secured and design plans will be completed by the required Ministry deadline of February 28th deadline.

Weekly Meetings with Ministry Staff

Weekly meetings are scheduled and updates are provided to the Ministry in order to ensure that there is an open line of communication in both directions to minimize any surprises. These meetings include TEC staff, City of Guelph staff and Ministry project management staff. These meetings have already resulted in clarifications that will assist us in planning and ensuring that we stay on schedule.

Risks:

1. Attaining an August 31, 2023 construction start date.
A timeline has been prepared with the assistance of our construction experts that indicates this date is attainable, however, delays must be minimal;
2. Government funding.
The best information available relating to funding programs and what they maybe in the future have been incorporated into the forecasts, however, funding programs may change as a result of a change in governmental priorities or a change in government.
3. Construction costs.
The significant variability in construction materials and labour have created an environment where estimating costs and delivery dates is challenging. The forecasts and schedules have been prepared using the best available information from industry experts.
4. If Council does not approve this project to move forward we will forfeit the opportunity to utilize this construction funding subsidy top up. While work can continue on planning and design, if we don't meet the August 31 deadline it will cost more to finance the project, increase the debt required by The Elliott and would likely require a future increased financial contribution from the City.

In recognition of the favourable business case of the project, TEC's Board of Trustees have approved the following motions at their February 2, 2023 meeting:

1. That, due to the favourable financial and human resources impact on the Retirement and LTC operations and financial performance, that the Long-Term Care Bed Expansion project be approved for implementation and, more specifically, that Staff be directed to pursue the receipt of an Approval to Construct from the Ministry of Long-Term Care on or before August 31, 2023 in order to receive the Construction Funding Subsidy top-up funding made available by the Ministry.
2. That the Chief Executive Officer be given authority to execute a contract with a recognized architectural firm with a total value not to exceed \$250,000 for the following related to the Long-Term Care Bed Expansion Project:
 - i. The production of design and engineering drawings and related technical specifications;
 - ii. The submission of an application and related documentation in order to obtain a building permit;
 - iii. The provision of construction oversight services.
3. That TEC staff work with City of Guelph staff to prepare and present a report to the City Council of Guelph on February 28, 2023 recommending that the LTC Bed Expansion Project be approved and to pursue the receipt of an Approval to Construction from the Ministry of Long-Term Care on or before August 31, 2023.

Report Authors:

Michelle Karker
Chief Executive Officer
The Elliott Community
519-822-0491 extension 2223
mkarker@elliottcommunity.org

Norman Wolff
Chief of Finance and Operations
The Elliott Community
519-822-0491 extension 2229
nwolff@elliottcommunity.org

This report was approved by:

William Koornstra
Chair, Board of Trustees
The Elliott Community