

# Council Memo



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To	<b>City Council</b>
Service Area	Public Services
Date	Tuesday, February 28, 2023
Subject	<b>The Elliott Community Expansion Project</b>

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## Background

In December 2021, The Elliott Community brought a [report](#) to the Committee of Management and a subsequent [report](#) to Council to propose an expansion of long-term care beds for the facility.

Council approved three motions associated with this proposal, as follows:

1. That on behalf of the City of Guelph, the Deputy CAO of Public Services be directed to sign a non-binding application to the Ministry of Long-Term Care for an additional 29 beds to be added to the Minister's granted approval of The Elliott Long-Term Care facility.
2. That Elliott staff be directed to provide an update to the comprehensive business case for the Committee of Management, satisfying the information requested in the City Memo dated December 6, 2021, detailing the final operational and capital budget impacts and any financial loan requests of the City for the additional long-term care beds, prior to the City entering into any contribution agreement with the Ministry of Long-Term Care.
3. That City staff be directed to provide a funding strategy and budget impact of The Elliott's requested service expansion for approval and inclusion in the multi-year budget as part of Council's final decision to enter into a contribution agreement for additional long-term care beds.

The non-binding application was signed and submitted to the Ministry of Long-Term Care (MLTC) in late 2021, and in February 2022, the Minister of Long-Term Care announced that the province would fund the additional beds at The Elliott. In late July 2022, the MLTC provided further information about the long-term care development process, which provided next steps to advance The Elliott's application.

In May 2022, Council set aside \$862,780 in reserve from the 2021 year-end surplus for a capital contribution toward this project. The City is also in the process of completing a comprehensive update to its Development Charge Background Study, and in this project, is assessing if the long-term care service can be added as a new eligible service, unlocking a new revenue stream that could reduce the tax funded portion of this expansion. The Elliott is currently in progress of providing the necessary documentation to the consultants in order to complete this assessment.

## **Long-term Care Funding**

There are three main provincial funding sources that support the major capital costs of long-term care bed development or redevelopment: the Planning Grant, Development Grant, and the Construction Funding Subsidy Per Diem (CFS). The most significant of these funding sources is the CFS, which is normally provided as an amount per bed, per day, over a period of 25 years. This funding is provided as a monthly payment beginning upon the completion of the project.

All long-term care homes in Ontario receive provincial operating funding under the same formula, whether they are privately owned and operated, not-for-profit, or municipal homes. The main operating funding from the MLTC is provided as an amount per bed, per day and is called the level-of-care per diem. The level-of-care per diem comes in four envelopes: Nursing and Personal Care, Program and Support Services, Nutritional Support, and Other Accommodation. Of the four envelopes, all except the Other Accommodation envelope are required to be fully spent within the fiscal year or returned to the MLTC.

There are additional, smaller offerings of operating funding from the province for specific purposes, but the level-of-care per diem is the main operating source. Ongoing capital maintenance costs (such as roof or elevator replacement, for example) are funded through the Other Accommodation envelope or one-time applications for minor capital funding from the MLTC. Privately-owned long-term care homes operating for profit also make their profit through the Other Accommodation envelope.

Residents of long-term care homes also pay an amount per bed, per day and this amount is set by the MLTC. There are various rates depending on the type of room (private or shared), but the key point is that long-term care homes do not have control over how much they charge. Their revenue is fixed, and so the only option for managing the bottom line is on the expense side.

There is no minimum matching amount of municipal funds required for The Elliott to receive its operating funding from the MLTC. The City's funding allocation is independent of the MLTC's funding.

The Long-Term Care Services Agreement (Agreement) between the City and The Elliott does not specify an amount of operating and capital funding to be provided on an annual basis. The process for determining the amount of funding is based on the amount requested by The Elliott during the City's budget process. The Elliott's Board of Trustees approves its overall budget, which would include an amount of operating and capital funding to be requested from the City. Staff from The Elliott explain their request to Council and it is Council's decision how much to approve.

Staff are seeking to enhance the reporting requirements as described in the Agreement in order to equip Council with a better understanding of what service costs are not fundable by the MLTC and, therefore, the responsibility of the City. This will also enable better advocacy ability by the City to help address these provincial funding shortfalls.

## **City of Guelph Funding for The Elliott Bed Expansion**

In late 2022, the MLTC announced a top-up of the CFS for projects that would be ready to begin construction by August 31, 2023. As a medium-sized operator, The

Elliott would be eligible for a base CFS of \$21.28 per bed, per day, for 25 years for the additional 29 beds proposed to be added. The top-up would provide up to an additional \$35.00 per bed, per day, for 25 years, with \$15.00 of the \$35.00 available up-front (for a total of \$81,000 per bed in up-front funding). The CFS top-up would significantly increase the financial viability of the project as outlined in the report from The Elliott, and the up-front portion would significantly reduce the amount of debt required to fund the project; however, the timeline for beginning the renovation work required by August 31, 2023 is challenging.

In order to be eligible for the CFS top-up, the Deputy Chief Administrative Officer, Public Services, was requested to sign a Statement of Readiness on behalf of the City of Guelph as the long-term care bed license holder, by December 20, 2022, to attest that the operator reasonably expects to be ready to start construction of the project by August 31, 2023. The Elliott staff put together a plan and schedule to meet this timeline, and the Board of Trustees voted in support of a motion attesting to a reasonable expectation of readiness on this timeline. Council approval of the project is an important milestone in this schedule.

The Elliott is currently receiving the CFS for the original long-term care redevelopment project, completed in the early 2000s, and that funding ends in late 2023; however, the debt payments associated with that project will continue until 2036. The new CFS for the 29-bed expansion (including the top-up) would cover the loan principal and interest payments for the new project according to analysis prepared by The Elliott Community's finance department. Additional provincial operating funding provided for the new beds in the Other Accommodation funding envelope would provide additional funds to support the continued repayment of the existing loan.

From a long-term budget perspective, The Elliott has provided a financial forecast showing 3.9 per cent planned annual increases in funding from the City from 2023 – 2027 with the expansion (combined capital and operating). As presented in the financial analysis from The Elliott, without the bed expansion, the long-term care operation would see significant deficits beginning in 2024, requiring additional increases in contribution from the City. The additional beds significantly improve The Elliott's financial outlook to a surplus position for all years in the forecasted period and stabilizes the City's subsidization level.

### **The Elliott's Financing Request from the City**

The Elliott has prepared a capital business case outlining various funding sources, with a City capital contribution totaling \$876,000, and has also been pursuing debt financing through Infrastructure Ontario (IO). Debt financing for the full amount of the project, less the City's contribution and the Planning Grant from the MLTC (\$250,000), would be required as CFS funding (including the "up-front" portion of the top-up) would flow after construction is completed. The debt financing would, therefore, take the form of a construction line-of-credit during the building phase, which would be partially paid down through the up-front portion of the CFS top-up upon completion, and then converted to a fixed-term loan for which the payments would be funded through the monthly CFS subsidy.

IO has now recently advised The Elliott that they will require the City to be the borrower in this financing relationship rather than the originally planned guarantor.

City staff prefer to continue to advance a financing relationship with the City's role as a guarantor; however, based on the special nature of the provincial IO bed expansion financing program, the bed license holder must be the borrower. With this new information learned just recently, it changes the role of the City in financing this project significantly and with limited time to review all options available. To ensure the best outcomes for the taxpayers of the City of Guelph, staff are seeking delegated authority to review the following options and, subject to the satisfaction of the City Treasurer and City Solicitor, execute the most advantageous solution.

- Investigate a borrowing relationship with IO and concurrently a new promissory note relationship with The Elliott Community to flow through the funding.
- Investigate a borrowing relationship in which the City plans to debenture the final required funding at the completion of the project and enter into a new promissory note agreement with The Elliott Community at that time. During the project construction, the City would provide cash flow financing through the City's reserve funds, consistent with the City's Debt Policy.
- Investigate the capacity of the City's reserve funds, in connection with the completion of the updated 10-year capital plan, to enter into a promissory note agreement with The Elliott Community without the requirement of external borrowing. This would be consistent with the current promissory note in place with The Elliott.

This approach would enable time for City staff to appropriately review and implement the best outcome for the project financing overall. In any case, Council will be required to approve the borrowing and/or the promissory note through a future bylaw.

If the August 31, 2023 deadline for beginning construction is not met, and the CFS top-up is removed from the capital financing plan, the project will not be financially viable for The Elliott without further capital contributions from the City. Based on The Elliott's analysis, the shortfall over the term of the loan is \$3,418,813. It is, therefore, staff's recommendation that the financing for the project be contingent upon receipt of the CFS top-up, and, if that is not achievable, the project be brought back to Council for consideration. Such consideration is to include whether to proceed with or rescind the application for additional beds, as well as any decision regarding an additional capital contribution to be brought forward as part of the 2024 - 2027 multi-year budget process.

Staff have prepared the following motions for Council to consider should it wish to support advancing this expansion project:

1. That, as the license holder, City Council approves proceeding with Phases 1 and 2 of The Elliott Community's 29-Bed Expansion project in accordance with the application submitted to the Ministry of Long-Term Care in December 2021, and that any impact for the City's operating budget be referred to the 2024 - 2027 multi-year budget.
2. That City Council approves a one-time, in-year capital contribution for The Elliott Community's 29-Bed Expansion project in the amount of \$862,780 from the Tax Rate Operating Contingency reserve.

3. That, subject to the satisfaction of the City Treasurer and City Solicitor through a review of the financing options as described and contingent upon The Elliott Community qualifying for the Construction Funding Subsidy per diem top-up funding from the Ministry of Long-Term Care by August 31, 2023, that City staff be directed to execute the appropriate agreements to provide interim construction line-of-credit financing of up to \$6.2 million, and then convert a portion of this amount, estimated to be \$1.9 million, to provide fixed-term financing aligned to the Ministry of Long-term Care's 25-year Construction Fund Subsidy funding.
4. That, subject to the satisfaction of the Deputy CAO Public Services and the City Solicitor, City staff be directed to sign The Elliott LTC Development Agreement issued by the Ministry of Long-Term Care for The Elliott Community's 29-Bed Expansion project.
5. That the Deputy CAO Public Services be directed to notify the Ministry of Long-Term Care regarding the details of The Elliott Community's 29-Bed Expansion project approval, financing, and terms for signing of The Elliott LTC Development Agreement.

## **Attachments**

None.

### **This memo was approved by:**

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