

Silvera
FOR SENIORS

PFC2018-0196
ATTACHMENT 4



2018 Lodge Program Budget

March 22, 2018

2018 Lodge Program Budget

Mandate:

Silvera for Seniors is a Housing Management Body designated by the Ministry of Seniors and Housing and is a registered charity. Overall, Silvera for Seniors provides affordable housing and services to 1600 low income seniors in 25 communities (facilities) and has been a trusted operator for 56 years. Specific relation to the City of Calgary, Silvera operates The Lodge Program under provincial Ministerial Order H:029/16. The Lodge Program addresses housing needs of low income seniors and is funded by the Province and the City of Calgary as required by the Alberta Housing Act.

The volunteer Board of Directors consists of nine members. The City holds two Council-appointed positions and the remaining seven directorships are filled through a skills driven and open public recruitment process by the Board's Governance and Nomination Committee. The City also has representation on Silvera's Finance and Risk Management Committee.

Through the Ministerial Order, the City has the authority to review and approve annual budgets and may be requisitioned for operational deficits (including Capital Maintenance and reserves) of the Lodge Program.

The Lodge Program consists of eight properties; six owned by the Province and two owned by Silvera for Seniors. Facilities are located on land owned by the Province or the City of Silvera for Seniors.

Additionally, Silvera for Seniors operates its own supportive living facility and an independent living facility. It also operates 16 provincially owned independent living apartments for which it is paid a management fee. These facilities do not receive municipal funding nor are they eligible. These facilities also create a surplus that we are required to return to the Provincial Government.

Silvera's Strategic Imperatives:

- 1) Create dynamic communities;
- 2) Support seniors to live fully and age successfully with Silvera;
- 3) Maintain financial discipline;
- 4) Build Silvera's high performance culture;
- 5) Steward our trusted reputation.

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City of Calgary Relations:

The Ministerial Order provides Silvera with the right to requisition the City for Lodge Program operational and capital deficits. Through tacit agreement, Silvera has not requisitioned the City since 1997 (20 years), nor requested assistance for furniture, fixture and equipment reserves. Instead, Silvera has received a flat grant amount every year, and since 2009 (9 years) this grant has been \$1,365k.

Management began a funding dialog with the City in 2012 and initiated the discussion regarding the Ministerial Order legislated obligations and the funding model in 2014. In 2015, Silvera secured an additional operating grant from the Province matching municipal funding. Negotiated each year, Silvera expects to receive this grant for a fourth and final year in 2018.

The identified requisition funds are required to help Silvera continue to address the impact of higher costs due to legislative changes, raising cost of living and 20 – 40-year-old lodges facilities.

A medium-term planning horizon of 4 years is also being adopted and budget timing cycle incorporated into the Board workplan to coincide with the City's budget approval cycle.

Timeline of Events:

- *August 2, 2017* – Silvera provides funding requirement to Priority and Finance Committee (PFC)
- *September 5, 2017* – Silvera presentation to PFC, by invitation
- *November 8, 2017* – Silvera submits 2018 Budget Snapshot
- *December 5, 2017* – Silvera presentation of 2018 Budget, prior to Board approval
- *January 12, 2018* – Silvera Board approves 2018 Budget, without provincial and municipal funding commitment
- *March 22, 2018* – City PFC presentation scheduled

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Response to December 5, 2017 Recommendations:

Silvera's mandate and initiatives are aligned with the Municipal Development Plan, specifically 2.3.1 housing objective to "Ensure a choice of housing forms, tenures and affordability to accommodate the needs of current and future Calgarians and create sustainable local communities."

The Lodge Program supports this through "access to adequate and affordable housing (as a) fundamental component of the quality of life in a city" and "ensures that housing choice exists for a range of needs and income levels." Providing safe, secure support and services to a vulnerable population alleviates other pressured services such as emergency response and policing.

Recommendation# 2 – Align to City Action Plan

The City's Action Plan 2015-2018 and its subsequent adjustments are in reaction to changes in the local economy and a shift in citizen's needs and priorities. In the same vein, Silvera is also reacting to the local economy and shifting citizen's needs. The City's own research indicates accelerated growth of the senior's demographic, therefore it reasonable to expect a proportionate growth in low income seniors. Management is leading the Lodge operation strategically by managing resources, ensuring operating efficiently, maximizing cost containment, operating efficiently and securing the Lodge Program's funding, and future planning for Capital growth as a priority.

Recommendation #2 Pursue efficiencies and budget reduction

City Administration requested efficiencies and budget reduction measures be pursued. Given Silvera's mandate and vulnerability of our residents, management takes a least harm approach while maintaining service delivery ensuring regulatory compliance and supporting residents. Silvera operated under extreme long term underfunding and as such has ongoing internal reviews to achieve cost controls and operational efficiencies. To that end we

have reformed spending to ensure we have leveraged our purchasing power (i.e. Housekeeping and Dining Supplies, Food costs), conducted staff unit time counts, and ongoing process improvements, etc. We have also reduced costs where possible, most notable is utilities, cable contract, etc., we have controlled costs in wages and staff vacancies which has been an ongoing priority given we have never had adequate funding for the Lodge program resulting in suppressed wages, working short, managing our workforce and vacancies in a high turnover industry. We manage training cost to stay within legislated compliance requirements. These efforts have added other risks and pressures impacting our workforce stability and retention. We can no longer operate with chronically under funded workforce. These measures are laid out in the risk discussion and in the notes and schedules of this document.

Recommendation# 3 Report via Civic Partners

Silvera has advanced our planning cycle to meet City budget and Civic reporting expectations. We are agreeable to report annually and we are discussing our role with the City as part of the discussions to update the Ministerial Order.

Recommendation# 1&3 Budget and Planning Align to Civic Partner and City Process

City Administration requests Silvera's business plan and budget for the 2019-2022 budget cycle be approved as part of the four year Calgary budget and business process. Silvera Board and Management have addressed this request, and subsequently adjusted our planning cycles and accelerated internal processes to align with the City's timeline. Silvera's medium term budget (2019-2022) will provide the Lodge Program portfolio overview and lay out its interim and long-term strategy.

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Lodge Communities:

The six provincially owned Lodges were built in the late 1970's and are nearing their life cycle and **Long-term** we have an opportunity to look at options to optimize both buildings and land. Today we need to continue to maintain these Lodges investing in suite maintenance and upkeep as they have high occupancy. The two Silvera owned facilities were built in the late 1990's and are due for re-freshing to maintain asset value.

Five of the above provincially owned facilities have between 58 – 61 suites each and one facility with 81 suites (Shawnessy). The Silvera owned facilities have 133 suites (Spruce) and 267 suites (Aspen). The Lodge Program comprises 777 suites total.

Two of the provincial lodges have shared bathrooms and showers, which don't meet today's resident needs nor required accommodation standards.

Under the Lodge Program, management have implemented programs to address emerging and specific needs. The Beaverdam lodge (58 suites) supports residents with early cognitive impairment and the Shawnessy lodge offers suites for seniors with greater mobility impairment.

The Lodge Program waitlist is expected to grow as our population ages. Occupancy remains relatively constant at 94.6% (2017), 95.9% (2016), and 94.2% (2015).

Future Plans:

The medium and larger facilities achieve economies that are unattainable within the small (60unit) lodges. Therefore, management is investigating the possibility to optimize and/or re-purposing the small lodges.

Silvera has outlined a capital plan for the Provincial Government to fund more affordable seniors housing that we need in order to advance the portfolio and to house the demand. Building new housing is critical to support current and future senior needs but also to support any opportunities to transition out of old lodges that operate at a deficit.

Silvera has recommended, once new is built that the Province consider an opportunity to optimize two of these smaller lodges to serve unique population needs and could stretch the life of the Lodge, giving time to advance the capital plan and reduce the deficit, while at the same time meet unique population housing demand.

The province is the key holder in these decision and it would support the interest of AHS who are keen to partner with Silvera and carry the operating cost.

With the success of the dementia support and mobility programs, management is also considering expansion to other facilities in the Lodge Program to create additional "village concept" communities.

Another possibility is to re-purpose another of these lodges to a convalesce facility. This provides those who normally live alone with a place to recover from hospital procedures thus freeing up expensive hospital beds as they otherwise could not be released.

Finally, Silvera is actively pursuing new development of medium to larger lodges to replace the small lodges that are nearing the end of their lifecycle. It should also be noted that Silvera pursues and obtains major capital development funding from the Province, and not from the City.

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Lodge Program Risk:

The Lodge Program as conceived by the Province was not designed to be profitable, given it is mandated and regulated to house the lowest income seniors. It is jointly funded by the Province and City under Ministerial Order through which its success is dependent. In addition, this sector, seniors supportive housing (Lodge), is heavily regulated which increases administrative burdens.

Therefore, one of the primary uncontrollable risks facing the organization is the political debate between the Province and the City. Significant shifts in this relationship impact Silvera.

Aside from the above entity risk, the most significant, uncontrollable operational risk is regulatory changes both provincially and municipally which affect both revenue generation and cost containment.

Revenue is restricted by provincial statute as the Lodge Program operates on a Rent Geared to Income basis. The Government regulations require applicants be point scored ensuring those in greatest need regardless of ability to pay rent are housed.

Rent charges, therefore are not calculated based on expense coverage, but on a points system prioritizing the lowest income applicants. Silvera is also legally obligated to ensure residents have minimum monthly cash of \$315 after rent charges. It is the principal constraint of the Lodge Program, however it is also the success as it delivers the mandate the program intends.

Cost containment and mitigation over controllable risk due to inflation is pursued through purchase economies, and prioritizing spending.

Uncontrollable regulatory changes are absorbed. The major budget increases reflect: recent changes to labor standards legislation saw significant increases to minimum wage earners, mandatory pay-outs for stat holidays (i.e. no time in lieu) and the banking of overtime hours at the statutory pay rate (i.e. 1.5 hr.) have profoundly impacted salary costs. Silvera has responded through decreasing benefit costs, being extremely cautious with staff wages and reserving increases for hourly workers to comply with these new requirements.

The introduction of the carbon tax, organics recycling program, water and waste water rate increases, accelerated utilities costs. HVAC systems are dated, and residents cannot tolerate cold or extreme heat, therefore Silvera has a higher risk in response to weather.

Unforeseen costs associated with accommodating additional organic recycling bins and collection areas increased utilities and operating maintenance expenses. Our communities are not casual with respect to food waste, and organic composting has triggered operational changes. New capital renovation projects are being planned with some already underway to comply with fire code and other by-law changes.

Maintenance backlogs devalue assets, and older facilities incur proportionately more expenses to maintain.

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<i>*in thousands</i>	2015	2016	2017 FORECAST	2018 BUDGET
Operating Revenue (Rent) – (note 1)	11,721,000	11,986,000	12,174,000	12,328,000
Other Revenue (note 2)	415,000	468,000	612,000	495,000
ASHC - LAP Grant (note 3)	3,206,000	3,212,000	3,175,000	3,171,000
Provincial – One Time Funding (note 4)	1,227,000	1,186,000	1,187,000	1,365,000
Municipal Grant (note 5)	1,365,000	1,365,000	1,365,000	1,365,000
Municipal Required Funding	-	-	-	1,855,000
TOTAL REVENUE	\$ 17,934,000	\$ 18,217	\$ 18,513,000	\$ 20,579,000
Food (note 6)	1,689,000	1,764,000	1,757,000	1,872,000
Operating (note 7)	631,000	641,000	744,000	792,000
Operating Maintenance (note 8)	1,059,000	1,215,000	1,279,000	1,232,000
Utilities (note 9)	1,32,000	1,265,000	1,378,000	1,457,000
<i>Operating Expense Sub-Total</i>	<i>4,708,000</i>	<i>4,885,000</i>	<i>5,158,000</i>	<i>5,353,000</i>
Human Resources (note 10)	9,006,000	9,370,000	9,585,000	10,659,000
Administration (note 11)	2,043,000	2,494,000	3,020,000	3,325,000
Amortization Expenses (note 12)	690,000	663,000	780,000	795,000
<i>Other Expenses Sub-Total</i>	<i>11,739,000</i>	<i>12,527,000</i>	<i>13,385,000</i>	<i>14,779,000</i>
TOTAL EXPENSES	\$ 16,447,000	\$ 17,412,000	\$ 18,543,000	\$ 20,132,000
Operating Surplus (Deficit)	\$ 1,487,000	\$ 805,000	\$ (30,000)	\$ 449,000
Maintenance Reserve (note 13)	(400,000)	(400,000)	0	(400,000)
Net Surplus (Deficit)	1,080,000	405,000	\$ (30,000)	49,000

\$4,585

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Notes and Supporting Schedules:

General:

The Lodge Program delivers meals, basic housekeeping and activities/active aging program as the resident population need support to live independently. Residents are low income and rents are controlled through provincial regulation requirements thus year over year revenue increases are minimal. Operating expenses including suite turnover maintenance are suppressed through purchasing economies and trade-offs with respect to building reserves accumulation of both facilities' operating and capital maintenance reserves.

Revenue and Operating Expense per Suite, per Month

	2015	2016	2017	2018
Per suite per month				
Operating Rent Revenue	1,257	1,286	1,292	1,322
Other Revenue	45	50	71	53
ASHC - LAP	344	345	340	340
Revenue before municipal support	1,645	1,680	1,703	1,715
Food Costs (1)*	181	189	189	201
Operating costs (2)*	68	69	78	85
Utilities	142	136	148	156
Operating Maintenance (3)*	107	129	137	132
Human Resources (4)*	966	1,005	1,038	1,143
Total Operating Costs, per suite, per month	1,464	1,527	1,591	1,717

1. 6% increase over 2018 yet 15% below monthly cost of a similar Housing Management Body.
2. 7% increase over 2018 yet inline with the monthly cost of a similar Housing Management Body.
3. Decrease to balance budget and excludes suite refurbishment, Furniture, Fixtures & Equipment (FF&E), and Capital Maintenance
4. 10% increase over 2018 yet 6% lower than monthly cost of a similar Housing Management Body.

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Notes and Supporting Schedules (cont.):

1. Rental rates are calculated based on Rent Geared to Income regulations whereby resident income is averages \$23k. Resident's income is largely comprised of Government benefits. In addition, Silvera is also legally obligated to ensure residents have minimum monthly cash of \$315 after rent charges. Intake is according to Government regulations based on a point scoring system to identify applicants in greatest need regardless of ability to pay. With the Federal government's announcement to increase Old Age Security payments, estimated rental rates increased by 0.8%.

In late 2017, Silvera received approval to introduce a (partial) carbon recovery fee. This is budgeted to begin April 2018 and is estimated to increase resident services by over 20%.

2. Other revenue decreased due to loss in third party commercial rent by approximately 20%.
3. Alberta Seniors and Housing Corporation (ASHC) – LAP (Lodge Assistance Program) grant applies to a maximum income threshold of \$28,650 (2018) and is anticipated to fund 90% of residents; the remaining 10% exceed the threshold, but do not fully cover operating expense per suite. Subsequent to the 2018 approved budget, the ASHC-LAP grant was increased by \$0.60 per day or 3%; the net impact on revenue was determined to be an additional \$90k – \$100k.
4. In 2015, Silvera negotiated interim additional grant funding of \$1.365k from the Province, matching the City grant and expects 2018 will be the final year for additional funding. As the Province made no stipulation that funding was exclusive to the Lodge Program, it was proportionally allocated to the whole supportive living program. In 2018 it is being solely allocated to the Lodge Program, adding \$200k of revenue support that the City is not being requested to fund.
5. Silvera anticipates the City will continue to fund the current grant level of \$1.365k and we are seeking an additional \$1.855k in 2018. As a last resort Silvera may have to exercise requisition rights as provided for under the Ministerial Order. These additional funds offset increased uncontrollable expenses of the Lodge Program.

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Notes and Supporting Schedules (cont.):

6. Food costs are based on a 6-week rotation of a dietician approved menu and 2 annual holiday meals (Christmas and Stampede). 2017 food costs went down in absolute terms by \$6,654 due to improved food management practices. The budgeted increase of 6.6% is calculated using the Complete Purchasing Services buying group 2018 food cost forecast, through which Silvera leverages buying power and economies. In comparison to one other Housing Management Body, our food cost are 15% lower.
7. Operating expenses increased due to increasing costs for housekeeping and dining services by \$0.19 per suite per day. Small wares (dishes etc.) and equipment are at the end of their useful life and require replacement after cost suppression over the past 5 years.
8. Operating maintenance decrease of 3.7% due to scale back, deferment of schedules and HVAC maintenance. Lodge Program facilities were assessed to determine if repair/ replacement could be delayed without causing undue harm. As a result, painting and flooring estimates were reduced by 20% and 15% respectively.
9. Utility cost increase of 5.7% provides for the implementation of the provincial carbon tax, municipal water and waste rates and recycling and organics programs. Utility costs are offset by an 8% reduction in cable costs and a 15% reduction in cell phone costs.
10. Human resource costs increased 11.2% due to regulatory changes to minimum wage, overtime and statutory holiday payments. Overtime and stat holiday provisions increased by \$81k and \$135k respectively. Hourly staff represent 75% of all staff and are subject to a 3% increase in 2018, of this population approximately 20% are minimum wage earners. Using the Boland (CCVO) Survey for NFP, the AB Senior's Community Housing Association 2017 Compensation and Benefits Report and the City of Calgary's Compensation Disclosure List of 2017, 50% of salaried staff are below these market indexes. A change in benefit plan provider decreased benefit costs by \$175k. These savings have been applied to educational updates related to accommodation standards, health and food safety standards, etc.

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Notes and Supporting Schedules (cont.):

11. Administration costs increased 10.1% primarily due to insurance premium increases (\$25k), consulting fees relating to the planned upgrade and implementation of a new enterprise software system (\$310k).

Upgrading the enterprise software system in this next year is critical. It is important that Silvera upgrade systems prior to the lifecycle of the software and associated support agreements becoming unsupportable, so that transition is planned rather than a reactive decision. In addition, Silvera can take advantage of the current economic climate as fewer for-profit business and other organizations are embarking on such projects. Thus, suppliers who may not normally service a non-for-profit such as Silvera with a comparatively small budget, may come forward allowing the organization to get superior value-for-money.

12. Amortization expense is applied to furniture, fixtures and equipment and the two lodge facilities owned by Silvera.
13. The maintenance reserve is taken on the two lodge facilities owned by Silvera as the six provincially owned lodges are provided for directly by the Province. This reserve is based on \$1000/door and to ascertain the adequacy of this formula, the facility condition index reports are expected to be complete in 2018.

2018 Lodge Program Budget Supplemental Information:

Furniture, Fixture and Equipment Reserves

Most furniture, fixtures and equipment are past their useful life and purchases are done on an emergency basis. The need is clear, for resident safety and compliance, to replace furniture & fixtures and equipment. Going forward, Silvera needs FF&E reserves once the existing backlog is addressed.

Proposed Capital Equipment Purchases

Small capital equipment purchases are prioritized based on contractual obligations and impact on operational efficiency. The table below lists the forecasted purchases for 2018:

Cash Available for Capital Equipment Purchases	\$359
IT: evergreening – move to multipurpose tablets /notebooks	(\$100)
Housekeeping: service carts/ autoscrubbers	(\$14)
Dining Services: various kitchen equipment	(\$126)
Maintenance Shop: water extractor, room blowers	(\$57)
Communications: website	(\$62)

Aspen and Spruce Reserves

The province has recommended annual 1% of building replacement cost for capital maintenance reserve on the Lodge Program facilities. We provide 0.45 %
 These two approximately 20 years old large lodges need refurbishment to address defunct smoking rooms and organic recycling renovations as such we are drawing on the reserves.

	Capital Maintenance Aspen	Capital Maintenance Spruce
January 1, 2017	2,009,055	2,048,388
2017 Projects	(327,500)	(413,091)
Restricted Cash, beginning 2018	\$1,681,555	\$1,635,297
2017 Carryover	(256,020)	(270,222)
2018 Planned Projects	(264,500)	(1,460,000)
2018 Forecasted Reserves	267,000	133,000
Net Restricted & Committed Cash, end 2018	\$1,428,035	\$ 38,075

2018 Lodge Program Budget Facility Development TimeLine

