

## **Silvera for Seniors Budget Review**

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### **EXECUTIVE SUMMARY**

Silvera for Seniors (Silvera) provides affordable housing to approximately 1,600 seniors in 25 communities. Its relationship with The City is defined under the *Alberta Housing Act* and Ministerial Order H:029/16. Under the Act and the Ministerial Order, Silvera is required to present its operating and capital budgets to The City for approval and has the authority to requisition The City for the operating deficit in the lodge program. Instead, The City has been provided an annual grant of \$1.365M since 2009 to meet this requirement. To date, Silvera has been asked to present its 2018 budget to the Priorities and Finance Committee on two occasions in 2017 September and December.

In 2017 December, Silvera presented a high-level overview of its 2018 budget and made a request for additional operating and capital funding for 2018. After receiving this presentation Council approved a recommendation from the Priorities and Finance Committee requesting Silvera to return with a full board approved 2018 budget.

This report attaches Silvera's full 2018 budget and requests Council approval of that budget. Administration has conducted a comprehensive analysis of the 2018 budget; it shows flat-lined revenues and increasing costs due to new provincial regulations, increasing food costs and additional administrative expenses. Administration has analyzed these expenses in detail and, as a result, Administration is recommending that an additional one-time grant of \$1.85M be provided to Silvera in 2018 from the Fiscal Stability Reserve to cover these costs. This is in addition to the \$1.365M provided to Silvera as an annual grant for a total City financial contribution of \$3.215M for 2018.

Moving forward, Silvera will transition to reporting through the Civic Partners framework, with revised and modernized governance arrangements and will come forward with a request for four-year funding through the 2019-2022 One Calgary budget deliberations.

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### ADMINISTRATION RECOMMENDATION:

That the Priorities and Finance Committee recommend that Council:

1. Review Silvera for Seniors' 2018 capital and lodge operating budgets for consistency with The City's operating and budgeting principles.
2. Approve the Silvera for Seniors budget as presented, or with adjustments that Council sees as appropriate based on The City's 2018 operating budget.
3. Approve an additional one-time grant of \$1.85M for Silvera for Seniors for 2018, to be funded from the Fiscal Stability Reserve. This is in addition to the \$1.365M provided to Silvera as an annual grant for a total City financial contribution of \$3.215M for 2018.
4. Recommend that The City continue working with and advocating to the Government of Alberta to improve asset management for seniors' lodges including an end of life cycle plan and replacement strategy.

### RECOMMENDATION OF THE PRIORITIES AND FINANCE COMMITTEE, DATED 2018 MARCH 12:

That Council:

1. Review Silvera for Seniors' 2018 capital and lodge operating budgets for consistency with The City's operating and budgeting principles;
2. Approve the Silvera for Seniors budget as presented, or with adjustments that Council sees as appropriate based on The City's 2018 operating budget;
3. **Upon The City and Silvera for Seniors agreeing upon content for a new Ministerial Order and the Minister of Seniors and Housing publicly releasing a signed Ministerial Order incorporating that content, approve an additional one-time grant of \$1.85M for Silvera for Seniors for 2018 to be funded from the Fiscal Stability Reserve. This is in addition to the \$1.365M provided to Silvera as an annual grant, for a total City financial contribution of \$3.215M for 2018; and**
4. Recommend that The City continue working with and advocating to the Government of Alberta to improve asset management for seniors' lodges including an end of life cycle plan and replacement strategy.

### PREVIOUS COUNCIL DIRECTION / POLICY

At the 2017 December 18 Regular Meeting of Council, the following recommendations from the 2017 December 5 meeting of the Priorities and Finance Committee were approved:

That Council:

1. Review Silvera for Seniors' 2018 capital and operating budgets, for consistency with The City's operating and budgeting principles;
2. Request Silvera to pursue efficiencies and budget reduction measures to match the funding provided by The City through Action Plan 2015-2018 and the transitional funding provided by the Province;
3. Direct Administration to request that Silvera report annually to the Standing Policy Committee on Community and Protective Services as part of the Civic Partner Annual Report commencing in Q2 2018;

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4. Direct Administration to request that Silvera's business plan and budget for the 2019-2022 budget cycle be approved as part of the One Calgary budget and business process. This will include a review of the current lodge portfolio to confirm the transition of aging lodges to new properties and request the removal of lodges that are under contract with Alberta Health Services to provide health services; and
5. Request Silvera for Seniors to submit their 2018 final budget plan once their Board has approved it and return to the Priorities and Finance Committee.

At the 2017 September 11 Combined Meeting of Council, the following recommendations from the 2017 September 5 meeting of the Priorities and Finance Committee were approved:

That Council:

1. Accept this report and its attachments for information;
2. Direct Silvera to report back to Council through the Priorities and Finance Committee with its full 2018 budget for consideration of Council approval no later than 2017 December;
3. Direct Administration to work with Silvera and the Government of Alberta to prepare a transition plan to address the expected discontinuation of Provincial gap funding for Silvera, reporting back to Council through PFC by 2017 Q4; and
4. Approve the recommendations contained in Attachment 8 and keep Attachment 8, In Camera discussions and recommendations confidential under sections 23, 24 and 25 of the Freedom of Information and Protection of Privacy Act until such time as this matter is resolved.

On 2014 November 24, Council approved the 2015-2018 Action Plan as well as the associated operating and capital budgets. The 2015-2018 operating budget for funding Silvera for Seniors included an annual grant of \$1.365M.

### **BACKGROUND**

Silvera for Seniors (Silvera), established in 1952 as the Metropolitan Calgary Foundation, is the largest seniors affordable housing provider in Calgary. It provides affordable housing to approximately 1,600 seniors in 25 communities. Senior's lodge housing was an established municipal responsibility beginning in 1958 and is consistently applied across the entire province of Alberta. Silvera operates two different types of seniors housing: 16 independent living communities and nine seniors' lodge communities. The City holds two Council-appointed positions on Silvera's Board of Directors; the current appointments are Councillor Ward Sutherland and Teresa Goldstein, Manager, Affordable Housing.

Silvera is the sole Housing Management Body under the *Alberta Housing Act* responsible for operating the seniors' lodge housing program in Calgary. The relationship between The City and Silvera is defined by the Government of Alberta under the *Alberta Housing Act* and Ministerial Order H:029/16 (Attachment 1). Under this governance model, Silvera's board is required to submit an annual capital and operating budget to The City for approval and has the authority to requisition The City for operating losses and reserves for specifically identified facilities that fall under the lodge program. It has not exercised this requisition authority since 1997. Instead, The City has contributed an annual mill-rate funded grant to support Silvera's operations and reserves related to the lodge program through the Calgary Housing business unit's annual

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operating budget. Since 2009, the amount of this grant has been \$1.365M. From 2015 to 2017, the Government of Alberta provided additional annual funding to cover Silvera's operating losses that exceeded the amount of The City's grant. For 2018, the Government of Alberta has committed to provide an annual grant of \$1.365M but, as of 2019, will no longer be providing these additional funds (Attachment 2).

### **INVESTIGATION: ALTERNATIVES AND ANALYSIS**

Until 2017, The City had not exercised its ability under the *Act* to require Silvera to submit its operating and capital budgets for approval. Instead, The City had provided a set grant amount, and supported Silvera's strategy to achieve financial sustainability through a mixed income portfolio that reduced the organization's reliance on external government funding. In 2017 September, in light of financial challenges, uncertain funding, and a request from Silvera to increase the number of lodges included under the Ministerial Order, Administration proposed that The City exercise its ability under the *Act* and initiate an annual review of Silvera's capital and operating budgets. An initial report was brought forward to the Priorities and Finance Committee (PFC) in 2017 September to provide an opportunity to review Silvera's historical financial performance; however, due to the timing of Silvera's fiscal year, the Board of Directors had not yet approved its 2018 operating and capital budgets. As a result, Council directed Silvera to report back to Council through PFC in 2017 December to submit these documents for consideration of Council and approval.

Silvera presented at the 2017 December 5 PFC meeting and provided an overview of their 2018 lodge funding requirements. PFC did not approve this request and recommended that Council "Request Silvera for Seniors to submit their 2018 final budget plan once their Board has approved it and return to the Priorities and Finance Committee." Council subsequently approved this recommendation at the 2017 December 18 regular meeting of Council. The purpose of this report is therefore to present Silvera's board approved budget in full (Attachment 3) and provide PFC with the opportunity to review it and determine whether it requires adjustments before Council approval.

Silvera's board approved lodge program budget (Attachment 3) shows total expenses of \$20.13M. Operating revenues (rent) for the year are budgeted to be flat from 2017 at \$12.33M. The difference between rent revenues and expenses is covered by:

- \$495K in other revenue (e.g. third party commercial rent).
- \$3.17M in Provincial grant funding which is specifically targeted towards low income seniors.
- \$1.365M in 'top up' Provincial grant funding.
- \$1.365M from The City's annual grant.

Overall expenses have increased, and when combined with a reserve contribution, there is a funding gap of \$1.85M. The major increases in expenses are as follows:

- A \$200K (4%) increase in operating expenses including food, utilities, and other operating costs. This is attributed to higher food costs, carbon levy tax and higher utility costs.

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- A \$1M (11%) increase in HR expenses. The increase is attributed mainly to:
  - New positions/filling vacant positions (\$470K)
  - Minimum wage increase (required as per provincial regulations)
  - Increased provision for statutory holiday pay (required as per provincial regulations which came into force on 2017 January 1)
  - Increased required operational training as per legislative requirements.
  
- A \$300K (10%) increase in administration expenses. This is primarily due to costs relating to the implementation of a new enterprise software system which is replacing the current aging and unsupported software system.
  
- \$360K left over in “cash available for capital purchases” after the operating budget expenses and reserves are covered. These capital equipment purchases are broken out within the budget; they are primarily:
  - IT equipment
  - Dining equipment
  - Maintenance equipment

As in prior years, Silvera plans to put \$400K into capital maintenance reserves in 2018. Silvera have looked across the Province for best practices in reserve allocation and have found Greater Edmonton Foundation provide on average \$1,000 in reserves per door. They seem to be actively using the reserves; as the budget shows that the current reserve balance for the lodges is \$3.2M, and they will draw down \$2.1M of this in 2018 for capital maintenance and renovations.

On the basis of the information provided by Silvera, and the nature of the expenses the organization is incurring, Administration recommends that The City provide an additional one-time grant of \$1.85M for 2018 to be funded from the Fiscal Stability Reserve. This is in addition to the \$1.365M provided to Silvera as an annual grant for a total City financial contribution of \$3.215M for 2018. Going forward, Silvera will present its 2019-2022 budget for Council approval and Administration will bring an annual operating adjustment for Silvera through the One Calgary budget deliberations in 2018 November.

To continue to improve how The City and Silvera work together, Administration is working with the Government of Alberta and Silvera to amend Ministerial Order H:029/16. Items of discussions to date have included the board appointment process, and process for City approval of Silvera’s business plan and budgets. Proposed amendments to the Ministerial Order are being brought forward under a separate report for approval.

Once the amendments to the Ministerial Order are approved, Administration will work with Silvera and the Government of Alberta to assess the organization’s long-term operating and capital funding needs in 2019 and beyond. Administration will work with Silvera to bring forward a business plan and budget that integrates a fiscally responsible and financially prudent approach as part of the One Calgary 2019-2022 budget deliberations in 2018 November.

As part of this work, Administration will support ongoing collaboration to ensure that business and capital plans consider ongoing operating and capital requirements for new lodges,

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decommissioning, repurposing and/or selling aging assets, and a shared commitment to reducing the reliance on taxpayer funding.

Administration's support for The City's partnership with Silvera is in the process of transitioning to align with the relationship management and accountability practices that are consistent with the Council approved Investing in Partnerships Policy and its Civic Partner Category. Starting in Q2 2018, Silvera will report as part of the Civic Partner Annual Report to the Standing Policy Committee on Community and Protective Services.

### **Stakeholder Engagement, Research and Communication**

Administration has worked with Silvera to provide this update to Council. As described above, Administration is working closely with both Silvera and the Government of Alberta to implement a more sustainable governance and funding model for Silvera going forward.

### **Strategic Alignment**

The City's partnership with Silvera is aligned with The City's Corporate Affordable Housing Strategy, which formalizes affordable housing as a Council Priority and provides a direction to "utilize all appropriate municipal tools to support affordable housing providers." It is also aligned with The City's Seniors Age-Friendly Strategy and Implementation Plan 2015-2018, specifically with Result 2 under the Housing Priority Area: "Older adults live in homes that they can afford."

### **Social, Environmental, Economic (External)**

Silvera is an important non-profit organization that provides much needed homes to low- and moderate-income seniors in Calgary. Council's review and approval of Silvera's budget will enable continued partnership between Silvera and The City to deliver affordable housing for seniors in a variety of built forms and operating models that best serve their housing needs. The ongoing partnership between Silvera, The City, and the Province to implement a sustainable funding and governance model will ensure that Silvera is able to work toward greater financial sustainability while preserving homes and continuing to deliver services for citizens in need.

### **Financial Capacity**

#### ***Current and Future Operating Budget:***

The recommendation made in this report would impact The City's 2018 operating budget. It is proposed that the one-time funding requested by Silvera be funded from the Fiscal Stability Reserve. Administration has confirmed that the Fiscal Stability Reserve can cover this request. As described above, Administration will be working with Silvera to bring forward a business plan and budget that integrates a fiscally responsible and financially prudent approach as part of the One Calgary 2019-2022 budget deliberations 2018 November. As seen in Attachment 3, the Government of Alberta current provides \$3.17M in Lodge Assistance Program funding and one-time funding for 2018 of \$1.365M. It is expected that the level of funding request for this budget cycle will increase from the \$1.365M that has been provided since 2009 to approximately \$4.5M.

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### **Current and Future Capital Budget:**

Silvera's board approved budget does not contain a request for capital funding from The City. The capital projects planned for 2018 are outlined in the budget and are covered from reserves and provincial capital funding requests. Going forward, Administration will request a full and comprehensive estimate of the deferred maintenance on the properties in the Ministerial Order, a statement on the accuracy of those estimates and a long-term plan to address the deferred maintenance before making any recommendations to provide additional capital funding. Administration is also recommending that the Province undertake a comprehensive asset management plan for seniors' lodges including an end of lifecycle plan and replacement strategy.

### **Risk Assessment**

The City's relationship with Silvera is characterized by an historical element of financial risk due to the *Alberta Housing Act* and the requisition authority. Administration is mitigating this risk by working with Silvera to ensure the funding The City provides is appropriate and spent prudently in the public interest. Administration is confident that the amount requested by Silvera is in line with similar providers and consists mostly of costs that Silvera cannot control.

Looking further ahead, Silvera oversees a portfolio of aging lodge infrastructure that has significant lifecycle needs and ambitious capital development plans to grow its lodge facilities. This, coupled with inflation and increasing operating costs elsewhere, means there is a high likelihood of Silvera's financial requests increasing over at least the medium term. Administration is mitigating this risk through the changes being requested to the Ministerial Order which are intended to provide The City more oversight of board recruitment and the ability to approve Silvera's business plan and budget going forward. Future requirements include asset management planning of the lodge portfolio and a capital plan to replace the aging lodges as they approach the end of their lifecycle based on a financially sustainable business model.

### **REASON(S) FOR RECOMMENDATION(S):**

The City of Calgary is legislatively responsible for operating deficits incurred in the seniors' lodge program managed by Silvera and listed on the Ministerial Order. This budget request fulfils The City's obligations under the legislation

### **ATTACHMENT(S)**

1. Attachment 1 - Ministerial Order H:029/16
2. Attachment 2 - Letter from the Government of Alberta confirming Silvera funding for 2018
3. Attachment 3 - Silvera for Seniors 2018 Board Approved Operating and Capital Budget
4. Attachment 4 - Silvera for Seniors 2018 Lodge Program Budget – Supporting Information Provided by Silvera