

Silvera for Seniors Budget Review

EXECUTIVE SUMMARY

Silvera for Seniors (Silvera) provides affordable housing to approximately 1,600 seniors in 25 communities, and has been supported by The City of Calgary for more than 50 years. It is the sole Housing Management Body under the Alberta Housing Act responsible for operating the provincially funded seniors' lodge housing program in Calgary. Under provincial Ministerial Order H:029/16, The City holds two Council-appointed positions on Silvera's Board of Directors, has the authority to review and approve Silvera's annual budgets, and may be requisitioned by Silvera for the amount of its operating losses and reserve contributions under the seniors' lodge program. Instead of the requisition, The City has chosen to fund Silvera through a grant, which has been static at \$1.365M annually since 2009. This grant is funded by the mill rate via the Calgary Housing business unit's annual operating budget of \$3.65M.

This report is to provide Council, through the Priorities and Finance Committee (PFC), with an opportunity to review Silvera's 2018 capital and operating budgets. Section 7 of the current Ministerial Order states that "the board shall annually submit for approval to the City of Calgary operating and capital budgets, as may require revision from time to time, which shall include an estimate of the funding required to requisition the City."

Additionally, the report provides a progress update on discussions that have been underway since 2017 September between The City, Silvera, and the Government of Alberta to address challenges with Silvera's current governance structure and funding. The Province has committed to extending a gap funding grant to Silvera to alleviate financial pressures on the organization in 2018 but there remains a funding gap of \$1.834M between the grants provided by The City and the Province and the funding that Silvera has indicated it requires in the information it has so far provided. This presents a significant financial risk to The City and property taxpayers of the city of Calgary, which may be mitigated by directing Silvera to make budget reductions and amendments to Silvera's Ministerial Order.

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ADMINISTRATION RECOMMENDATION:

That the Priorities and Finance Committee recommend that Council:

1. Review Silvera for Seniors' 2018 capital and operating budgets, to be tabled, 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.
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.
5. Direct this report as an item of urgent business to the 2017 December 18 Regular Meeting of Council.

RECOMMENDATION OF THE PRIORITIES AND FINANCE COMMITTEE, DATED 2017 DECEMBER 05:

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;
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.**

PREVIOUS COUNCIL DIRECTION / POLICY

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:

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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;
4. Request that Attachment 8 and recommendations remain confidential under sections 23(1)(b), 24(1)(a), 24(1)(c), 24(1)(g) and 25(1)(b) of the *Freedom of Information and Protection of Privacy Act* until such time as this matter is resolved; and
5. Direct this report as an item of urgent business to the 2017 September 11 Combined Meeting of Council.

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, 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. Silvera operates two different types of seniors housing; 16 independent living communities and nine seniors' lodge communities. It 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). The City holds two Council-appointed positions on Silvera's Board of Directors. Under the Alberta Housing Act, Silvera has the authority to requisition The City for operating losses and reserves for specifically identified facilities that fall under the lodge program, but it has not exercised this authority since 1997. Instead of the requisition, The City has been contributing an annual grant to be applied towards a portion of the operations and reserves related to the lodge program, which has been static since 2009 at \$1.365M. This mill-rate-funded grant is provided through the Calgary Housing business unit's annual operating budget of \$3.65M. Finally, Ministerial Order H:029/16 stipulates that Silvera's Board of Directors is required to submit its annual capital and operating budgets to The City for approval.

Until this year, The City had not asked Silvera to meet the requirement to submit its budgets for approval due to an implicit understanding that The City would fund a static grant as Silvera pursued a financial strategy of increased self-sufficiency with a mixed income portfolio that reduced the organization's reliance on external government funding. In 2017 September, in light of financial challenges, increased lodges proposed to be added in the near future to the Ministerial Order and funding uncertainty that Silvera was facing, Administration proposed that The City initiate an annual review of Silvera's capital and operating budgets. A report was brought forward to provide the Priorities and Finance Committee with 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.

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Also in 2017 September, Administration initiated discussions with Silvera and the Government of Alberta to address challenges related to Silvera's funding and governance structure. These discussions were envisioned to include preparing a transition plan for the expected discontinuation of a significant funding source, a gap funding grant of \$1.16M annually that the Government of Alberta had provided to Silvera in 2015, 2016, and 2017 to fund operating losses that exceeded the amount of The City's grant. This is also in the context of Silvera's capital plan which calls for the addition of new developments to the lodge program, which would significantly increase The City's financial risk because the developments would be eligible for City funding through the requisition. The discussions were also envisioned to include development of a best practice governance model for Silvera that would ultimately be implemented through amendments to Ministerial Order H:029/16.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

Silvera has submitted the information in Attachment 1 as the 2018 operating and capital budget for Council approval. The information provided by Silvera in Attachment 1 is not detailed enough to perform a substantive analysis by Administration. Silvera's rationale for this decision is that the budget has not been approved by the Board of Directors and cannot be approved until there is confirmation from The City of 2018 funding levels. Some of the information provided by Silvera raises the following questions which Administration, in its capacity as a Board Member, has previously asked of Silvera:

- What is the breakdown, by building, of costs that are directly attributable to the lodge program only and therefore qualify for the requisition?
- What is the current and future demand for lodges and how does Silvera's Capital Development Plan (Attachment 2) match this demand?

Administration is recommending that funding for 2018 will remain consistent at the levels approved in the 2015-2018 Action Plan as well as the associated operating and capital budgets. Furthermore, Administration will be working with Silvera to realign Silvera's budget cycle to match The City's in future years.

Since the previous report to Council in 2017 September, Administration has attended several joint meetings with representatives from Silvera and Alberta Seniors and Housing. Through these discussions, the Government of Alberta has confirmed a transition plan that will extend the historical gap funding grant of at least \$1.16M to Silvera through 2018. This grant will supplement Silvera's ongoing revenue sources; which include operating revenue, provincial Lodge Assistance Program (LAP) funding, and The City's approved grant of \$1.365M; to alleviate financial pressure on the organization for the coming year. The information provided by Silvera in Attachment 1 currently shows an overall deficit of \$4.359M of which \$2.525M would be funded collectively by The City and the Province. The remaining \$1.834M is not funded and presents financial risk to The City, the Province and/or property tax payers in Calgary due to Silvera's ability to requisition The City for this projected operating loss.

Through the joint meetings, Administration is working with the Government of Alberta and Silvera to make amendments to Silvera's governance structure. The Province has indicated its

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willingness to amend Ministerial Order H:029/16 but has stipulated that all three parties must reach a consensus in order to make changes. Discussions to date have covered the method for appointing board members and the process for City approval of Silvera's business plan and budget. Once the discussions related to Silvera's governance structure are resolved, Administration will work with Silvera and the Government of Alberta to understand the organization's long-term funding needs in 2019 and beyond. This will enable Administration to direct Silvera to bring forward a reasonable, fiscally responsible and financially prudent request in line with the budgeting principles applied throughout all of The City's departments and partners for consideration within the 2019-2022 budget planning process. Administration will work with Silvera to bring forward their business plan and budget as part of the 2019-2022 budget deliberations.

Furthermore, under the Council Investing in Partnerships Policy, Silvera meets the criteria of a Civic Partner, Program and Service Delivery. In the coming months, Administration will work with Silvera to transition to relationship management and reporting practices that are consistent with the Civic Partner Category. As part of the transition, Administration recommends that Silvera report annually as part of the Civic Partner Annual Report to the Standing Policy Committee on Community and Protective Services commencing Q2 2018 which will be consistent with the requirement under the Ministerial Order. The transition will also allow Silvera and Administration to integrate best practices in reporting and accountability that are in place for other partners with similar levels of City investment.

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

Council's support of 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 collaboration 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. This will require continued alignment between Silvera's strategic direction and The City's, and an agreement between both organizations that Silvera's business and capital plan will take into

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account the need to consider operating and capital requirements for new lodges over the long term, decommission, repurpose and/or sell aging assets and to utilize business practices that are in line with The City's general direction and a shared commitment to reducing the reliance on taxpayer funding.

Financial Capacity

Current and Future Operating Budget:

As outlined above, there appears to be a \$1.834M funding gap in Silvera's 2018 budget between what The City and the Province have committed to provide and what Silvera has presented as required for 2018 lodge operations. Through the Silvera Board and current work with Silvera administration, City Administration has requested Silvera to be efficient and consistent with all other housing providers across the province to make budget reductions. The gap currently presents a significant financial risk to The City and could ultimately present a large financial obligation to property tax payers if Silvera chose to requisition the full amount it believes is necessary for 2018 from the 2017 year.

For 2019, once Silvera's provincial gap funding grant is discontinued, additional risks around a requisition will increase for The City to meet its legal obligations under the Alberta Housing Act. For reasons of prudence, good financial management and responsibility to citizens, Administration's preferred approach to meeting these obligations is through a grant and, as directed by Council in 2017 September, Administration will bring forward a recommendation for new base operating funding for seniors housing through the 2019-2022 budget planning process. This will also include a review of Silvera's lodge replacement plan to address the aging lodge properties that Silvera operates.

Current and Future Capital Budget:

There is no impact to the capital budget arising from this report.

Risk Assessment

The funding gap outlined above is a financial risk to The City and to property tax payers of Calgary. Administration is mitigating this risk by requesting that the gap be reduced through budget reductions albeit there is a fundamental and overriding risk in Silvera's legislated ability to requisition.

Looking further ahead, Silvera oversees a portfolio of aging lodge infrastructure which is at beginning of the end of its lifecycle and has ambitious capital development plans to grow its lodge facilities. This, coupled with inflation and increasing operating costs elsewhere, may mean there is a high likelihood of Silvera's financial requests increasing over the medium and long 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 continue to approve Silvera's business plan and budget going forward.

These risks place an imperative on all parties to work together in the spirit of collaboration to ensure that funding for seniors housing is prudent, sustainable and guarantees that seniors in lodge accommodation within Calgary have a safe place to call a home.

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REASON(S) FOR RECOMMENDATION(S):

The budget request put forward by Silvera contains a large funding gap which presents financial risk to The City and property tax payers. Administration is recommending Council review Silvera's 2018 operating and capital budgets to facilitate awareness of this risk and for consistency with the original approved funding for Silvera as determined in the 2015-2018 budget cycle.

ATTACHMENT(S)

1. Attachment 1 – Silvera for Seniors 2018 Budget Snapshot
2. Attachment 2 – Silvera for Seniors Strategic Capital Development Plan 2017-2021