

SILVERA FOR SENIORS FINANCIAL 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 - Affordable Housing business unit's annual operating budget of \$3.65M.

In light of certain financial challenges and funding uncertainty that Silvera is now facing, Administration is proposing that The City exercise its authority under the Ministerial Order to initiate an annual review of Silvera's capital and operating budgets, with the intention that this become an ongoing practice. Specifically, Silvera has relied since 2015 on an annual gap funding grant of \$1.16M from the Province, which is a unique approach in Alberta. The Province has indicated a preference to align its approach to funding Silvera to match common practice in the seniors' lodge program, which would mean that this provincial grant may not be available in future years. This represents a significant financial risk to both Silvera and The City. This report is to provide Council, through the Priorities and Finance Committee, with an opportunity to review Silvera's available financial information and strategic plan in advance of The City's 2018 budget adjustment process.

ADMINISTRATION RECOMMENDATIONS:

That the Priorities and Finance Committee recommend 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;
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.

PREVIOUS COUNCIL DIRECTION / POLICY

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 included a \$1.365M annual grant to Silvera.

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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, including 16 independent living and 9 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 lodge program, which provides a room, housekeeping and meals to low- and moderate-income seniors, requires ongoing subsidies to operate.

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, which are now occupied by the Director of Calgary Housing and Councillor Sutherland. Under the *Alberta Housing Act*, Silvera has the authority to requisition The City for operating losses and reserves for identified facilities in the lodge program, but it has not exercised this authority since 1997. As a more collaborative approach to meeting the Ministerial Order's intent, The City has been contributing a 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 annually. This mill-rate-funded grant is provided through the Calgary Housing - Affordable 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. To date, The City has not asked Silvera to meet this requirement.

For several years, Silvera's annual operating deficits and capital reserve contributions for the seniors' lodge program have exceeded the amount of The City's grant, as shown in Silvera's 5 Year History of Lodge Operations (Attachment 5). As the primary funder of the seniors' lodge program, the Government of Alberta provided Silvera with \$3.2M annually of Lodge Assistance Program (LAP) funding in 2015 and 2016. However, the annual operating deficits and associated reserve contributions, before grant funding from The City, were negative \$2.02M in 2015 and negative \$2.58M in 2016. In line with this trend, recent estimates from Silvera's Chief Administrative Officer (CAO) have projected the 2017 operating deficit and reserve contributions at \$2.7M. In addition to the customary LAP funding, the Government of Alberta has provided an annual \$1.16M gap funding grant to Silvera for 2015, 2016, and 2017 to fund the amount of operating losses not covered by The City's grant. This is a unique approach in Alberta, and the Province has indicated a preference to align the approach to funding Silvera to match common practice in the seniors' lodge program. As a result, the future status of this provincial gap funding grant is uncertain. The Government of Alberta has indicated a willingness to collaborate with Silvera and The City to develop a transition plan as this funding source is being discontinued. Nonetheless, the potential loss of this gap funding grant represents a significant financial risk to both Silvera and The City.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

This report is to provide Council, through the Priorities and Finance Committee (PFC), with an opportunity to review Silvera's financial performance and future direction, as authorized under Ministerial Order H:029/16. Administration is recommending that Council, through PFC, receive for information the following documents that Silvera has provided:

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1. Letter to Manager of Affordable Housing re: Silvera Budget (Attachment 2)
2. Silvera for Seniors Letter to The City (Attachment 3)
3. MCF/Silvera for Seniors Requisition History 1992-2016 (Attachment 4)
4. Silvera for Seniors 5 Year History of Lodge Operations 2012-2016 (Attachment 5)
5. CEO Executive Summary, Silvera for Seniors Business Plan 2017-2021 (Attachment 6)
6. Silvera for Seniors Strategic Capital Development Plan 2017-2021 (Attachment 7)

Due to the timing of Silvera's fiscal year, which is aligned with the Provincial fiscal year, the Board of Directors will not approve its 2018 operating and capital budgets until 2017 December. As a result, Administration is also recommending that Silvera report back to Council through PFC in 2017 December to submit these documents for Council approval. In order to facilitate closer collaboration and alignment between The City and Silvera, the review of Silvera's capital and operating budgets is intended to become an annual process going forward. The City and Silvera will work together to realign Silvera's current budget cycle to match The City's in future years.

Concurrently, Administration recommends working collaboratively with Silvera and the Government of Alberta to develop a transition plan that will address the eventual discontinuation of provincial gap funding for Silvera. This could potentially include a request for additional City funding to support the seniors' lodge program in future years, which could be brought forward through the 2019-2022 budget cycle. Administration wishes to have a further discussion with Council, through PFC, on Provincial considerations related to Silvera's Ministerial Order, as outlined in the attached In-Camera Provincial Discussion (Attachment 8).

Stakeholder Engagement, Research and Communication

Administration has worked with Silvera to provide this update to Council. Administration has also had conversations with the Government of Alberta regarding Silvera's financial position and the Province's desire and ability to continue providing gap funding 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 of Silvera's financial performance and strategic plan will enable continued partnership between Silvera and The City to deliver affordable housing. Development of a transition plan between Silvera, The City, and the Province to address anticipated funding challenges will ensure that Silvera is able to work toward greater financial sustainability while preserving homes and continuing to deliver services for citizens in need.

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Financial Capacity

Current and Future Operating Budget:

This report is for information only. The risks to the current and future operating budget and Administration's mitigation strategy are outlined above.

Current and Future Capital Budget:

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

Risk Assessment

Based on recent conversations with the Government of Alberta, the Provincial gap funding will not be available starting in 2019. If this funding were discontinued with no plan to address the shortfall, Silvera would be unable to cover its operating costs. This could negatively impact the scope of services offered to low- and moderate-income Calgarians under the seniors' lodge program or could lead Silvera to requisition The City for the full amount of its operating deficit and reserve contributions (estimated at \$2.7M for 2017). This report is intended to facilitate early awareness of this potential challenge, enabling The City to develop a plan for Silvera's financial needs going forward.

REASONS FOR RECOMMENDATIONS:

The recommendation to receive Silvera's financial analysis, strategic plan, and budget for information is in line with the authority granted to Council under the Ministerial Order that defines The City's relationship with Silvera. Instituting an annual review of Silvera's budget by Council in future years will facilitate better alignment and collaboration between The City and Silvera to address financial risks associated with the seniors' lodge program. In addition, the current situation poses significant financial risks to The City and this report is being brought forward to facilitate early awareness of this potential challenge, with further recommendations to be brought by Administration in 2017 Q4.

ATTACHMENTS

1. Ministerial Order H:029/16
2. Letter to Manager of Affordable Housing re: Silvera Budget
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6. CEO Executive Summary, Silvera for Seniors Business Plan 2017-2021
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8. Silvera for Seniors In-Camera Provincial Discussion