

DATE 29 February 2000

TO/DEST. Co-ordinator
Corporate Services and Economic Development Committee

FROM/EXP. Finance Commissioner

SUBJECT/OBJET **HEALTH CARE / RESEARCH FACILITIES**
FINANCING POLICY - PAYMENT POLICY CHANGE
HILLEL LODGE

DEPARTMENTAL RECOMMENDATION

That the Corporate Services and Economic Development Committee recommend Council amend the Payment Procedure section (Section C.2) of the RMOC Health Care / Research Facilities Financing Policy by inserting the following:

C.2.(i) Should the provincial funding support for the project be provided to the project sponsor over a period greater than 1 year and that the payment of these funds would commence only upon the completion of the project, then the total approved RMOC capital grant will be paid upon the completion date of the project.

PURPOSE

This report requests an amendment to Council's policy on the payment of capital grants to approved organizations under the terms of the Health Care / Research Facilities Financing Policy.

BACKGROUND

On September 9, 1998, Council approved a capital grant request in the amount of \$1,621,590 from Hillel Lodge for the construction of a new 100 bed, long term care centre.

At that time, the Ministry of Health committed to the funding of up to \$10.35 per bed over a 20 year period. This was in accordance with a new provincial funding policy (adopted on June 10, 1998) to support the construction of long term care facilities. Under this new policy, facility operators are required to finance their construction projects through either private sector lending institutions or other means available.

Stephen Greenberg, Chairman of the Community Development Commission and the Jewish Community Council of Ottawa, stated that the Provincial share would translate into an annual payment over 20 years of \$377,775 (\$10.35 per day x 100 beds x 365 days) which would support and fully amortize a loan of \$4,324,427 over a twenty year term at current interest rates. Based on this information, Council approved a capital grant equal to 37.5% of \$4,324,427.

Under the terms of the current payment procedures as contained in the RMO Health Care / Research Facilities Financing Policy, "*the Region will pay the lessor of 25% of the total project expenditures to date or 37.5% of the provincial contribution to date*". The payment policy was based on the former provincial policy, which provided progress payments during the construction phase of the facility.

Based on the payment policy and the yearly provincial per diem funding formula, the RMO would be required to pay on an annual basis approximately \$141,665 (37.5% of \$377,775). Without an amendment to the payment policy, the Region's grant of \$1,621,950 would be paid over a period of almost 12 years.

PROPOSED AMENDMENT

Construction of this new facility began in September 1999 and is expected to be completed by September 2000. A copy of a letter from Shelley J. Crawford, the Chief Financial Officer of the Jewish Community of Ottawa is attached as Annex A.

Based on her letter, Hillel Lodge had planned their cash flow projections on the expectation that the Region's grant would be paid upon completion of the project. Any change in timing of the Region's grant payment would have serious cash flow and financing repercussions. An amendment to the Health Care policy to permit the payment of the capital grant upon completion of the project is required.

CONSULTATION

The Chief Financial Officer of the Jewish Community of Ottawa was consulted.

FINANCIAL IMPLICATIONS

Funding of the capital grant was approved and committed to by Council from the Health Care / Research Facilities Capital Reserve Fund.

Approved by
J.C. LeBelle
Finance Commissioner

Attach. (1)



Jewish Community Council of Ottawa / Vaad Ha'Ir

January 31, 2000

Susan Aves, Finance and Budget Services
Regional Municipality of Ottawa-Carleton (RMOC)
Ottawa-Carleton Centre, Cartier Square
111 Lisgar Street
Ottawa, Ontario
K2P 2L7

Dear Ms. Aves:

Re: Capital Grant: Hillel Lodge Long Term Care Centre

Further to our discussion on Friday, construction of the new Hillel Lodge Long Term Care Centre began in September 1999 and we are on target for a September 2000 opening. As such we are approaching the 50% completion point of construction and are anxious to make application for progress payments of the capital grant.

I understand from the "Financing Policy" that you provided to me Friday that payments from the RMOC have historically followed the payment stream of Provincial contributions (Section C.2.(i)). However, we had expected and planned our cash flow needs assuming that the RMOC payment would be made when construction was complete in September 2000. We never anticipated, nor has there ever been any previous indication by RMOC staff, that the change in Ministry payments from a lump sum to a 20 year annuity would affect the timing of the RMOC payment. All of our planning has assumed a September payment and any change to this will have serious repercussions on our cash flow and financing requirements.

Stephen Greenberg
President

Barbara Farber
Past President

L. Gerald Levitz, FCA
First Vice-President

Lawrence Zinman
Second Vice-President

Shlomo Mayman
Treasurer

Ronald Prehogan
Honorary Secretary

Mitchell Bellman
Executive Director

The stated "Purpose" of the RMOC capital grant, as outlined in Section A.1. of the Financing Policy, is to offset the costs of capital construction. To ensure that the spirit of this purpose is maintained, and to alleviate our community's cashflow concerns, I request that the payment of our grant be in one lump sum and coincide with the first Ministry of Health payment and not be converted into a 20 year annuity.

I look forward to your response. If you require any additional information please contact me at 798-9818 ext. 244.

Affiliates:

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Yours truly,

Shelley J. Crawford
Chief Financial Officer, Jewish Community of Ottawa