



The Corporation of the
City of North Bay
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August 19, 2021

VIA e-mail nancy.matthews@ontario.ca
& Regular Mail

Ministry of Long-Term Care
Office of the Deputy Minister
400 University Avenue, 6th Floor
Toronto, ON M5G 1S5

**ATTENTION: Ms. Nancy Matthews
Deputy Minister of Long-Term Care**

**Re: LTC Development Agreement - Cassellholme Project (PROJ 479)
Board of Management for the District of Nipissing East**

Dear Ms. Matthews:

The Council of The Corporation of the City of North Bay (the “City”) has directed me to write to you with respect to the Cassellholme Redevelopment, East Nipissing Home for the Aged (the “Project”). The City is only one of nine member municipalities of The Board of Management for the District of East Nipissing (the “Board of Management”) but is by far the largest stakeholder in this Project with a municipal levy apportionment of approximately 80%. While the City is committed to the redevelopment of Cassellholme, there are critical concerns about the Project that I wish to bring to your attention and they are as follows.

Lack of Budget & Project Cost Escalation

Council is very concerned with the management of the design of the Project and the fact that the Board of Management has never established a budget in relation to it and consequently the cost of the Project has risen substantially. When Provincial support was announced for the Project in June of 2019, the cost estimate for the redevelopment was approximately \$64 million. By its memo of November 30, 2020, the Board of Management advised municipalities that a “hypothetical” cost estimate had been determined and the cost was expected to be \$90 million. Currently, the total cost of the Project has escalated to approximately \$122 million. The Board of Management publicly announced the current cost of the Project on June 3, 2021. Although the provincial grants and funding have increased somewhat, the vast majority of the increase in costs must be borne by the City and the other supporting municipalities. The Long-Term Care

Homes Act's provisions granting the Board of Management the authority to apportion capital costs to each municipality is tantamount to granting it a blank cheque. As with other supporting municipalities, the Project has become unaffordable for the City as we all struggle to keep up with our asset management plans for traditional core infrastructure.

Competitive Bid Process & LTC Development Agreement

We take note of Article 5, "Acquisition of Goods and Services" of the LTC Development Agreement as between Her Majesty the Queen in Right of Ontario as represented by the Minister of Long-Term Care and the Board of Management for the District of East Nipissing, dated September 8, 2020 (the "LTC Development Agreement") which requires the Board of Management to acquire goods and services for the purpose of carrying out the Project through a process that promotes the best value for money and that the acquisition of services to carry out the construction is done in accordance with Schedule B thereof.

The Board of Management decided to move forward with a Request for Proposal ("RFP") bid process rather than a traditional contractor pre-qualification and tender process. The methodology that was chosen by the Board of Management caused significant push back from the Ontario General Contractors Association (the "Association"). The Association, which represents over 200 general contractors in Ontario, received multiple concerns from its members and resulted in a letter to Cassellholme dated October 26, 2020. The concerns raised by the Association seemingly caused significant concerns among contractors, which we believe, resulted in a lack of competitive submissions.

Despite the Association's concerns, the Board of Management proceeded with its chosen procurement method which resulted in just two proposals, only one of which was a qualified bid for the Project. Schedule B, subparagraph 9(d)(i) of the LTC Development Agreement specifically requires the Board of Management to submit not only the bid that it intends to select as the successful bid but also "two other bids which the Operator would otherwise select as alternative successful bids;". Clearly the Board of Management is not in compliance with this requirement regardless of any opinion that the Board of Management has received as to the bid price being "reasonable considering the size, type, complexity and location of the project".

Lastly, in this regard, Council is also concerned that the Board of Management did not utilize a competitive tender process for awarding any of the professional services for development of the design, project management, communications and financing proposals.

Project Financing

The provincial government is making a significant contribution towards the Project with the key components being a development grant of \$6.58 million, payable at the time of occupancy as well as the ongoing 25 year construction subsidy payments with an estimated net present value of \$39 million, but the balance of the funding, approximately \$76.37 million, falls to the supporting municipalities. Since none of the provincial funding for the Project is provided upfront, the Board of Management requested that the municipalities not only support their apportionment of the \$76.37 million in debt, but also provide a guarantee for the \$39 million provincial funding. This proposal was rejected by City Council as well as most other member municipalities. Although the provincial funding arrangement works for the majority of the municipal long-term care homes in the province, our unique structure as a district home for the aged would result in a significant burden being placed on the local taxpayer. Council is also concerned that the City's financial indicators would be negatively impacted and the City's credit rating would decline. These circumstances raise long term financial sustainability and significantly reduce the City's ability to invest in core traditional infrastructure assets well into the future.

Since Council's rejection of the Cassellholme financing proposal, the Board of Management passed a resolution on July 22, 2021 in relation to the Project with the operative part of it being "...The Board of Management resolves to levy those municipalities that have rejected the preferred financing and borrow for those that support the financing option through Infrastructure Ontario." The Board of Management is to consist of seven members but currently has one position vacant. It should be noted that the vote in this significant matter proceeded and resulted in a 3 to 0 vote despite the fact that of the six members eligible to vote, three members wanted to seek legal advice on the matter and did not vote.

We believe that forcing municipalities, including the City, to pay for this Project by way of levy is not at all appropriate. Alternative options have been proposed for reducing costs of the Project and creating a more competitive tendering process but to date and to the best of our knowledge have not been considered.

Further, we note that while the Board of Management may borrow money for capital costs, it may only do so according to the regulation that provides, in part, that every supporting municipality has passed a resolution that supports such borrowing by the board. To date the City has not passed any such borrowing resolution.

In closing, this Project must be accomplished in a manner that is prudent and sustainable for all. Council does not agree with or support the current cost, the procurement methodology chosen by the Board of Management or the manner in which the Project is being financed. The Corporation of the City of North Bay strongly recommends that the Ministry approval of this Project be withheld until a more cost effective project can be achieved.

We welcome further dialog to provide more details with respect to the City's concerns raised herein with the Project as it is currently being proposed. We would be pleased to consider any other suggestions that the province may have to move the Project forward.

Sincerely,

A handwritten signature in black ink, appearing to read 'David Euler', with a long horizontal line extending to the right.

David Euler, P.Eng., PMP
Chief Administrative Officer
City of North Bay

cc: Al McDonald, Mayor, City of North Bay
Vic Fedeli, MPP Nipissing
Kate Manson-Smith - Deputy Minister of Municipal Affairs and Housing
Town of Mattawa
Township of Chisholm
Township of Bonfield
Municipality of East Ferris
Municipality of Mattawan
Municipality of Calvin
Township of Papineau Cameron
Township of South Algonquin
North Bay City Council
Chris Mayne, Chair, Cassellholme