



**The Corporation of the  
City of North Bay**

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December 16, 2020

Cassellholme Board of Directors  
400 Olive St W,  
North Bay, ON P1B 6J4

Good Afternoon:

During the fall of 2020 and subsequent to the December 10<sup>th</sup>, 2020, report "Redevelopment Update for Municipalities – November 30<sup>th</sup>, 2020" (The Report) from Cassellholme, the Corporation of the City of North Bay has noted several concerns with the progress and direction of the Cassellholme redevelopment project. These concerns are discussed below:

**1. Resolutions Passed by Member Municipalities**

The report recommends that each member municipality of Cassellholme confirms their preferred method of financing the redevelopment project from two presented financing options:

**Option 1** – Cassellholme will obtain financing through Infrastructure Ontario's Corporate Loan Program, levy member municipalities annually for their share of the capital costs and requires member municipalities to guarantee their share of the entire project value.

**Option 2** – Member municipalities pay upfront in cash or obtain their own financing and provide the funds to Cassellholme on completion of the project and requires member municipalities to guarantee their share of the project.

Attached are two resolutions The Corporation of the City of North Bay passed; Resolution No. 2012-366b on June 4, 2012 and Resolution No. 2017-104 on March 21, 2017.

The City deems that the financing options being recommended are not in line with the resolution passed in 2017 which stated that "Council supports the request for legislative changes to allow the Cassellholme Board of Management (The Board) to borrow the necessary funds, on its own, to complete the redevelopment project and repay the debt using a combination of capital subsidy payments by the Ministry of Health and Long-Term Care as well as revenue from operations and the annual levy to the municipalities in proportion". Further, the resolution requested that prior to approval of the redevelopment project by The Board, the following information, be provided by the Cassellholme Board of Management to member municipalities:

- A comprehensive business case;
- The final architectural design;
- A current cost estimate;

- A detailed financing plan which shall include the interest rate, payment schedules or the lump sum payment options for each of the municipalities involved; and
- Confirmation that the Province will advance the funds, up front for the redevelopment of Cassellholme.

The proposed financing options being recommended by Cassellholme, do not align with the above resolutions and the information requested in 2017 remains outstanding. It is requested that Cassellholme needs to seek new financing options that are in line with the above resolutions and exclude those member municipalities not in agreement with assuming Cassellholme's long-term debt and providing municipal guarantees of any form including letters of credit.

## **2. Communication Updates**

Appendix E to The Report contains a table of key stakeholder analysis outlining that the City should have been in receipt of monthly written briefs. At this time the City is only aware of receiving a written update in June of 2017 and The Report received on December 10, 2020. Could you forward the written monthly reports by Casselhome CEO as stated in The Report?

The City appointed the Chief Financial Officer to the Finance and Procurement Sub-committee. That committee has met two times and has received one memo from Cassellholme dated March, 2020. The March, 2020 update states that BDO will be providing a summary of financing options to "ensure as the project moves through the tender process that the financing options and associated strategy are known and agreed with the stakeholder to ensure the optimal outcome." Subsequently at the September 2020 meeting of the sub-committee it was first raised that \$2.8 million in savings can be achieved if the municipality obtains the debt. It was noted that the above resolutions were in place and would still be in the municipality's best interest to pay incremental costs in order to not jeopardize the City's capital plan.

It is understood that after consideration of all factors The Board was first made aware of the incremental interest rates being offered to Cassellholme by Infrastructure Ontario on or around September 8, 2020. It was also at this time that The Board learned that a requirement of Infrastructure Ontario was that the municipalities would be required to guarantee the debt. At the board meeting, it was recommended that Cassellholme should submit a written update to the partner municipalities in order to provide information to the Councils regarding the items from the City's 2017 resolution that remained outstanding. This report was received December 10, 2020, but the items requested in the 2017 resolution were omitted from The Report.

## **3. Information from Infrastructure Ontario**

The CFO of the City of North Bay reached out to Infrastructure Ontario (IO) on several occasions in efforts to advocate for Cassellholme. The first date was September 10, 2020 in order to understand and advocate that Cassellholme should obtain the same interest rate as the

municipality. IO provided a prompt response; however, it was not until December 1, 2020 that a second email connected the CFO to Jennifer Hutcheon at IO. A conversation on December 2<sup>nd</sup> and December 3<sup>rd</sup> which highlighted the following concerns;

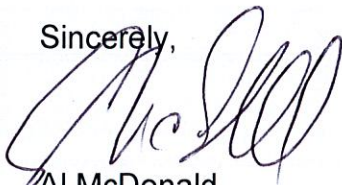
- IO had discussions with BDO the week prior; however, had initial conversation a year prior;
- No documents had been received by IO so they could not comment if Cassellholme would be eligible to obtain any debt without a guarantee and in order to make that decision they required 5 years of financial statements, pro forma of operations in new facility, project details and they would require IO Board approval due to the magnitude of the project;
- Cassellholme would require a full guarantee to obtain the municipal rate;
- First step was to submit articles of incorporation, letters of patent, funding serving agreement, one year financial statements and the license under the LHTCA;
- An upfront guarantee could be faster and have lighter debt servicing covenants;
- Jennifer did confirm that upon first approach by BDO the year prior that she did push for the municipalities to obtain the debt as the process is much easier and faster. This opinion, however did not consider the impact and perspective of the municipalities who already communicated that they would not be prepared to obtain debt on behalf of Cassellholme;
- It was confirmed by IO that the first set of documents to determine the eligibility of Cassellholme as a Not for Profit Long Term Care Home was received by IO on December 5<sup>th</sup>, 2020;
- It is not clear why the IO process has not been pursued further. An applicant may proceed with submission of an application with a Board resolution; however, the process is not locked into place until the rate offer is received. This begs the question as to why the application and eligible debt levels, rates, and covenants are not clearly known today; and
- A joint meeting with BDO, IO, City of North Bay, East Ferris, the Casselholme Chair and City Deputy Mayor was held on December 11, 2020 to review and discuss several of the above points.

#### **4. Moving Forward**

The City of North Bay would like to fully understand by way of a written report how the following has been or will be managed:

- A detailed outline of the municipality's exit agreement. This would include how the amounts of capital contribution are to be determined, if any operating amounts are to be covered and what is the process and timing of finalization?
- What is the redevelopment project governance structure, team, terms of reference and roles and responsibilities including controls and oversight for approval of change orders?
- What will be the reporting format, key content elements and frequency of project reports to partner municipalities?
- What is the project budget by major elements including contingencies for each element?
- Has a risk analysis been completed? If so, what are the key highlights by category?
- Why have 3<sup>rd</sup> party "class" cost estimates not been obtained since 2017?
- What is the Cassellholme Redevelopment project upset limit? Is there a backup plan on where cost savings may be achieved if the RFP submissions are above the upset limit?
- What is the financing plan if the municipalities are not prepared to obtain the debt and Cassellholme cannot obtain unsecured debt?

Sincerely,



Al McDonald

Mayor

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