Greater Edmonton Foundation Audit
October 28, 2004
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Introduction
On September 23, 2003 City Council passed a motion “That City Council requests the Greater Edmonton Foundation consider a value-added audit by the Office of the City Auditor in 2004.” GEF’s Board replied to City Council’s request on January 7, 2004 stating “The Board would consider the request for the Office of the City Auditor to do a value-added audit of GEF, subject to the development of mutually agreed upon Terms of Reference.” The OCA met with the Executive Director and Senior Management at GEF as well as the Manager of the City Wide Services Branch and the Director of Housing Services of the Community Services Department to develop the Terms of Reference in March 2004.

Background

Legislative Framework
The Greater Edmonton Foundation (GEF) came into existence in 1959 following the approval of Alberta’s Homes for the Aged Act. This act authorised municipalities to enter into master agreements with the Minister of Public Welfare for the purpose of providing senior citizen housing. The act required municipalities to provide land for every lodge built by the Province. To facilitate the administration of lodges, foundations were established to serve one or more municipal districts, counties or improvement districts. Each city, town, and village contained within the foundation’s boundary had the option of becoming a contracting municipality to the foundation. Any annual operating deficit was the responsibility of the member municipalities. Each member municipality, through requisition, paid a portion of the foundation’s deficit in proportion to their property assessment. The Alberta Housing Act of 1994 established the foundations as management bodies by Ministerial Order. This act continues to give the management bodies the authority to requisition municipalities for accommodations and services provided. The requisitions are limited to offsetting operating deficits, building reserve funds for lodges, and covering capital costs.

Today GEF operates two programs, the apartment program and the lodge program. The apartment program has ten facilities providing a total of 923 units and the lodge program has thirteen facilities, including South Manor and two City-owned homes (Golden Homes and Lauderdale Homes), providing 1069 units.¹

The mandate of GEF is to promote, develop, provide and manage quality affordable housing, including living services where possible, for low-income seniors who are functionally independent. Living services provided by GEF include providing staff to

¹ South Manor is a lodge used to house seniors with mild dementia. Costs for South Manor’s operations are covered by revenues received from the Capital Health Authority (CHA).
seniors on a 24-hour basis, meals, housekeeping, and furniture as required. Support services for building maintenance and property management are also provided. GEF also seeks to provide cultural and recreation activities as expected by its residents.

**Financial Summary**

Based on the 2004 GEF Business Plan Update - Statement of Operations for Lodges, the following is a breakdown of GEF’s revenues and expenses. Revenue for GEF comes from rent (60%), City grant (23%), Lodge Assistance Program (LAP) grant (10%), recoveries (4%), and other revenue (3%). Legislation caps the rental revenues that GEF can charge to low-income seniors. GEF’s operating expenditures include personnel (60%), utilities & taxes (13%), operations (13%), mortgage payments (8%), maintenance (3%), and administration (2%), and capital expenditures (1%). GEF’s total operating budget for lodges is approximately $16 million per annum.

GEF originally submitted their 2004 budget to the City seeking a requisition of $3.7 million. City Council requested that they resubmit their 2004 budget based on a $2.7 million requisition. GEF submitted the revised budget information in October of 2003 prior to Council’s motion approving a City grant of $2.7 million.

**Objectives**

The audit objectives were to evaluate the degree to which:

- GEF’s governance model provides the organization with an adequate framework through which their mandate can be fulfilled.

- GEF is efficiently and effectively managed in the fulfilment of their mandate of providing quality housing for low-income seniors.

**Scope and Methodology**

**Audit Scope**

The audit evaluated the quality and levels of service provided in relation to the seniors’ quality-of-life and GEF’s efficiency and effectiveness in delivering these services. The evaluation was done within the context of the GEF’s mandate as established by legislative acts and ministerial orders.

The scope of this audit included governance, financial, and operating information pertaining to the management of the Greater Edmonton Foundation. In addition, it included recent reports on GEF’s operations as well as initiatives being undertaken by GEF to reduce the amount of their requisition to the City of Edmonton, while maintaining residents’ quality-of-life.
Methodology

As part of the planning process, the OCA reviewed prior Council motions, administrative reports, and budget documents pertaining to the Greater Edmonton Foundation. The OCA also reviewed the consultant’s report (Strategic Review of the Greater Edmonton Foundation) which was used in part as the basis for targeted reductions in GEF’s requisitions to the City for the years 2002, 2003, and 2004. The OCA also reviewed GEF’s governance policies, strategic planning process, quality and level of service, financial and budget plans, operating and maintenance plans, organizational design, and the facility layout and locations of lodges.

Specific work included:


- Review of GEF’s intranet system containing financial and human resource policies, procedures, and reporting information.

- Interviews with GEF’s directors and managers, as well as Community Services Department and Provincial government representatives.

- Analysis of GEF’s revenues and operating expenses to evaluate the comparability of GEF’s costs against those of other seniors’ housing operators in the Province and identify areas of operation where improved productivity could lead to further cost savings.

- Review of GEF’s current approaches to improving efficiency, reducing costs, and enhancing revenue to reduce the amount of operating deficits and requisitions, while minimising the impact of changes on seniors’ quality-of-life.

- Interviews with Provincial authorities to identify their intent regarding the future of the seniors’ housing industry and potential resources the Province could provide to assist GEF in achieving its organizational goals and objectives.

Observations and Analysis

Governance

Roles, Responsibilities, and Authority

GEF established its governance model under the authority of provincial acts, regulations, and ministerial orders. The OCA assessed GEF’s governance model using
the frameworks provided by the Canadian Institute of Charted Accountants (CICA) Guidance on Assessing Control – CoCo Principles and CICA guidelines on Corporate Governance.

In terms of roles, responsibilities, and authority, the Board members have a clear understanding of the roles and responsibilities of the Chair, of individual Board members, of the Executive Director, of committees, and the Board’s role in policy formation. These roles and responsibilities are documented in the Board Reference Manual used in the orientation of new Board members.

The purpose of the Alberta Housing Act, Chapter A-30.1, is to “enable the efficient provision of a basic level of housing accommodation for persons who because of financial, social or other circumstances require assistance to obtain or maintain housing accommodation.” The Act established management bodies that are empowered to requisition those municipalities for which it provides lodge accommodations for monies to cover annual deficits and reserve fund needs (section 7(1)).

The Act requires management bodies to provide financial statements and reports on the affairs to the Minister and requisitioned municipalities on an annual basis (sections 15(1 &2) and 16(1)). Alberta Regulations 243/94 further specifies means of maintaining accountability between the Minister and the management bodies. However, the Lodge Exemptions Order eliminates particular reporting and accountability relations to the Minister for lodge operations, specifically, the requirement of submitting business plans and budgets for approval, and transfers of surpluses to the Province. The Ministerial Orders re-establishes these reporting and accountability relations to the City requiring GEF to submit their business plans, operating and capital budgets for approval by City Council.

It appears that the intent of the Lodge Exemption Order and the Ministerial Orders are to transfer “functional authority” from the Province to the City. This is an important point, since GEF’s Board of Directors expressed confusion about which “authority” they represent. GEF’s governance model is based on John Carver’s Policy Governance Model for Non-profit Organizations. This model establishes the board as the body accountable to the “functional authority” for the work and success of an organization.

Since the Ministerial Orders transfer key reporting and approval powers from the Province to the City and that the City is responsible for the recruitment and selection of members for GEF’s Board, it is the opinion of the Office of the City Auditor (OCA) that the City of Edmonton is GEF’s “authority” and GEF’s Board is therefore accountable to City Council. In practise, GEF’s Board acts as if the Minister is the “authority”. Legal opinion and/or a judicial ruling may be required for clarification of who constitutes the “functional authority” to which GEF’s Board is ultimately accountable. (Recommendation 1)
Accountability to the Province and City

Accountability relationships between GEF, the Province, and the City need to be clarified. Although Board members believe they clearly understand GEF’s mandate, they perceive differences in the Province’s and the City’s view of their mandate. They believe that those differences lead to conflicting priorities from the different levels of government. The Board believes that the observed differences between the City and Province are related to the fact that the “authority” issue has not been clearly resolved.

The unresolved “authority” issue has inhibited GEF’s effective development and implementation of strategy and business plans. The City has not consistently reviewed and approved GEF’s business plans or budgets, only the requisitions submitted by GEF have been approved by Council.

Even though the City appoints GEF’s Board of Directors, the City, in practice, does not control or co-ordinate the governance of GEF. GEF being established by Ministerial order operates more autonomously than civic agencies established by the City. One means of improving both strategic planning and communication would be to appoint a member of the City Administration to GEF’s Board of Directors. (Recommendation 2 & 3)

GEF’s business plan is prepared by GEF management following the strategic and policy direction established annually by the Board of Directors. The finalised business plan is then sent to City Council for approval. A significant deficiency of this process is the lack of formal feedback and approval from City Council on the business plan and budget and GEF’s strategic recommendations. (Recommendation 4)

The Board’s generic and intuitive approach to strategic planning and the general capabilities of Board members results in difficulty in developing a workable strategy. The use of more formal strategic planning tools and methods would help develop Board members’ strategic capabilities. (Recommendation 5)

Most regular Board meetings focus upon budget issues, not strategic issues since they reflect the immediate application of Board policy. Conduct of Board meetings are considered to be effective by most of its members. The meetings are run in accordance with a well-defined agenda, and with adequate opportunity to debate issues brought forward. The roles of committees are well understood but are not being as effectively used as they could be under the Board’s governance model.

Communications

Communication issues between GEF and the City Administration need to be resolved. Although GEF provides regular reports such as quarterly reports, annual budgets, and business plans to Community Services, reporting needs to be enhanced to convey emerging budget issues on a timely basis (monthly activity and variance reports, emerging issues, potential changes to business plan, etc.). Similarly, the City needs to provide both informal and formal feedback to and approval of GEF’s business plans, budgets, and long term strategic plans. Both parties need to work together to develop
long term strategic direction for provision of care to low income seniors. In addition, they need to develop agreed-upon reporting framework to ensure that GEF reports submitted to Executive Committee follow the same reporting model used by other civic agencies and include invitations to attend Council and Committee meetings at which relevant matters will be discussed. *(Recommendation 6)*

**Requisition Process**

In previous years, GEF’s requisitions were submitted to the Community Services Committee and were paid out of Community Services Department’s grants budget. Now, GEF’s requisitions are being submitted to Executive Committee and paid from the City’s overall budget for grant allocations to external boards. There may be opportunities to make further adjustments (beyond those currently planned) in the requisition and payment process to enhance GEF’s ability to carry out its mandate. Such changes, however, are contingent upon improvement in the communication patterns between the City and GEF.

**Management and Operations**

**Quality-of-Life**

The OCA in consultation with GEF and Community Services Department developed a working definition of Quality-of-Life (QOL) that was based upon the work of the Quality of Life Research Unit at the University of Toronto. This working definition defines QOL as:

> Quality-of-Life is the degree to which a person enjoys the important possibilities of his or her life. These possibilities result from the opportunities and limitations each person has in his or her life and reflect the interaction of personal and environmental factors. The personal factors that affect the person’s quality of life are the importance and satisfaction they assign to human needs in the areas of existence, relatedness, and growth. The environmental factor that affects the person’s quality of life is the quality of the environment in which they live. Where a quality environment is one which; 1) provides for basic needs to be met (food, shelter, safety, social contact), 2) provides for a range of opportunities within the individual’s potential, and 3) provides for control and choice within that environment.²

The OCA then developed a service provision framework to evaluate the services provided by GEF and other local seniors' housing agencies against seniors' needs based on the QOL model developed by the University of Toronto. Ninety-nine seniors in nine of GEF’s lodges and ninety-one seniors in ten lodges operated by three other housing operators were surveyed. The OCA conducted cross comparisons of seniors’ QOL in other housing operators’ lodges to those in GEF’s lodges. Observed differences

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²Quality of Life Research Unit, Centre for Health Promotion in the Department of Public Health Sciences, University of Toronto, www.utoronto.ca/qol/.
were used to develop composite indexes (ratios that measure the differences in QOL between the other housing providers and GEF) that were then used to adjust expenditures to reflect differences in service provision.

Overall, GEF’s service provision is primarily orientated to meeting senior’s basic physiological, safety, social, esteem, and aesthetic needs. Other human needs such as cognitive, self-actualisation, and transcendence are also being provided for in a basic manner. Seniors living in GEF’s lodges were found to have a very good QOL, enjoying the same levels as experienced by seniors living in lodges operated by other housing providers. All seniors surveyed in all lodges were found to have the same level of personal QOL with similar distribution patterns in terms of responses. The Quality-of-Environment (QOE) was found to be comparable and service levels were found to be essentially the same. The observed differences in service levels are primarily attributable to medical staff and services being provided on site by some of the other housing providers.

**Operating Expenses**

**Comparison to Other Housing Providers:**
Although the Metropolitan Calgary Foundation (MCF) declined to participate in the OCA’s detailed survey, MCF did provide the results of a survey they conducted using the same basic QOL model. The results of MCF’s survey are very similar to the OCA’s survey results indicating seniors have about the same level of QOL in both programs. A management questionnaire completed by MCF indicates the service levels are also similar to GEF and the other housing operators surveyed.

The OCA, using the QOL model framework, collected costing information on GEF and other regional housing operators in terms of the service provision framework. For each of the services provided (meals, housekeeping, recreation, building, personal care, protective oversight, and partnerships), the OCA collected costing information using labour, sub-contracted services, materials, capital, data processing, and energy as categories. Using this common framework, the OCA compared direct costs associated with service provision and overhead between GEF and the other housing providers both as percentages of total budget spent on services provided and as dollar amounts per unit. Indices for service provision efficiency using GEF as the base were calculated for each service using the dollar amount per unit. The efficiency indices were calculated using adjusted (adjusted for the slight differences in quality-of-life) cost information.

The OCA also compared the percentage of total budget spent by GEF on services provided to that of management’s perceived significance and time spent on these services to determine where possible cost reductions could be identified that would have minimal impact on seniors’ quality-of-life.

Overall, GEF is relatively efficient in delivery of services compared to the three other housing operators in Edmonton and surrounding areas. The other housing operators had efficiencies of 102%, 53%, and 85% compared to GEF on a total cost per unit basis.
(adjusted for differences in the quality-of-life). According to the audited financial statement information in MCF’s 2003 Annual Report, its efficiency compared to GEF is 78%.  

However, even though GEF is reasonably efficient overall in the delivery of services, significant cost reductions could be made in administrative overhead, building maintenance, and building operation that would have minimum impact on seniors’ QOL. GEF spends approximately 14% of its total budget on overhead; the other local housing operators spend 10%, 4%, and 6% of their respective budgets on overhead. The OCA estimates that there is a potential savings of up to $950,000 in administrative overhead expenditures if GEF’s spending was reduced to levels more in line with the other housing operators.

GEF spends about 7.4% of its total budget on building maintenance whereas the other housing operators spend about 3 to 4% of their budgets on building maintenance. The other housing operators tend to outsource their building maintenance while GEF maintains a full complement of maintenance staff engaged in preventative maintenance. The OCA estimates a potential savings of about $540,000 per year if spending were dropped to the level maintained by other housing operators.

In the area of building operations, GEF is more efficient than two of the other housing providers and less efficient than one of the other housing operators. The primary cost drivers for building operations were capital costs arising from depreciation and mortgage interest expenses and energy costs. The housing operator with the lower per unit cost has no mortgage interest expenses. The other two housing operators have higher mortgage interest expenses due to proportionally larger debts. GEF’s energy costs per unit were lower than all three of the other lodges.

In examining the utility costs for each of GEF’s lodges, the OCA found that McQueen Place Lodge, Ottewell Place Lodge, and Rossyln Place Lodge had the highest energy costs on a per unit basis. Rooms at these new lodges have about 50% more space than rooms in the older lodges and more common space per unit. Therefore even though the new buildings are more energy efficient on a per-square-metre basis than the older buildings, the cost of heating additional space is greater than the cost savings from energy efficiencies resulting in higher annual costs per unit.

The OCA believes that a more comprehensive energy management program could lower energy costs from about $1800 to $1,600 per unit per year for McQueen Place, Ottewell Place, and Rossyn Place that would yield estimated savings of about $58,000 per year. Given that the weighted average interest on GEF’s mortgage debt is 6.51% and these facilities have an expected life span of 40 years, the present worth of the potential annual energy savings is about $820,000. GEF should budget no more than

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3 The other housing operators have 259 units, 145 units, and 284 units respectively compared to GEF’s 1069 units. MCF has 678 units in its lodge program for all of which requisitions can be submitted. The cost comparison takes size differences into account through the use of percentage of budget and per unit basis as well as the differences in QOL.
this amount for energy efficiency improvements in these buildings to achieve the desired outcomes.

By comparing GEF’s direct costs and overhead costs to the three other local housing providers, the OCA estimates that in total there is a potential of about $1.5 million in savings that could be realised in the areas of administrative overhead, building maintenance, and building operations.

Comparison to Provincial Average:
In addition to comparing GEF’s direct and overhead costs for service provision to other housing providers in the Edmonton area, the OCA compared GEF’s costs to Provincial financial data on the operation of senior citizen lodges for the years 2001 and 2002 (the latest data available). For 2002, the cost per resident day for GEF was $49.14 and the Provincial average was $38.99 ($10.15 lower). Excluding costs identified by GEF as unique (not incurred by most rural providers) and debt servicing, GEF’s costs varied little from the provincial average ($0.11 lower and $0.55 higher per resident day) for 2001 and 2002 respectively.

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<tr>
<th>Cost Comparison of GEF to Provincial Average per Resident Day</th>
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<tr>
<td><strong>Total Costs</strong></td>
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<tr>
<td><strong>Unique Costs</strong></td>
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<td><strong>Debt Servicing Costs</strong></td>
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<td><strong>Adjusted Costs</strong></td>
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<td><strong>Provincial Average</strong></td>
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<td><strong>Adjusted Difference</strong></td>
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<td><strong>Unadjusted Difference</strong></td>
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The unique costs identified by GEF totalling approximately $2.3 million per year are similar in magnitude to the $1.5 million in similar costs identified by other local housing providers. When planning to reduce costs of administrative overhead, building maintenance, and building operation, GEF should identify any unique costs that could also be eliminated or reduced to bring GEF’s operating costs closer to the provincial average while elimination of debt could bring it below the average. (Recommendations 7 and 8)

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4 Defined by GEF to include McCauley management fee, cost of moving residents during lodge upgrades, utility costs for cottage units at Kiwanis, personnel costs for cottage units at Kiwanis, GST on higher cost utilities, laundry services contract, activity bus, tuck shop, publicity and promotion, waste removal costs, surface drainage costs, costs for tenant meal program, McCauley maintenance costs for Operation Friendship, administration costs for Operation Friendship, maintenance staff for apartment program, administration staff for apartment program, extra dining room staff at large lodges, legal fees related to land sale dispute, and elevator costs.
Financial Accounting System and Budget Process:
The OCA reviewed GEF’s financial accounting system and found that GEF has a good overall system of policies, procedures, and controls in place to support good decision making. There were a few areas where information for financial decision making was not readily available:

- Cash flow projections are not prepared on an ongoing basis, but on a year-end basis for presentation in financial reports.
- Financial plans indicating actions that would be taken in the event of a reduction or loss of funding.
- Unrestricted reserves for handling urgent operating expenses are not set-up.

Although GEF does not prepare cash flow statements on a regular basis, GEF has indicated that as funds become tighter, cash flow projections will be done more frequently. GEF addresses actions to be taken in the event of a reduction in or loss of funding through its requisitions to City Council. Even though GEF does not have funded reserves set up for operating emergencies, the 2003 Financial Statements do show unfunded restricted reserves of $518,000 for general and maintenance expenses and a funded debt retirement reserve of $849,000 (established with the balance remaining from the sale of a property after liquidating a maturing mortgage). The interest earned on this money will be used to offset future mortgage payments. Criteria need to be jointly developed by GEF and the City to determine what impact, if any, reserve funds should have on requisitions. In addition, GEF should include cash flow projections as part of their regular financial reporting process. (Recommendations 9 and 10)

Cost Control Activities
The OCA examined GEF’s operating costs for each of its lodges for the years 2002 and 2003. The OCA found little year-to-year change in operating costs for these two years in either total operating expenses or in the individual cost categories of utilities, operations, maintenance, personnel, and administration expenses. However, GEF’s energy costs have more than doubled since energy deregulation. GEF has implemented several standard operating measures to minimise energy consumption. In addition, GEF has used energy audits to find ways to further control utility costs and is part of a consumer purchasing pool with long term contracts for the purchase of electricity and gas. GEF has also investigated the possible use of passive solar panels for heating hot water, solar walls to pre-heat make up air in several of its buildings, use of “green roofs” to lower the cooling load of buildings, and natural gas powered micro-generators and wind generators for producing electricity. Due to issues related to its governance structure, GEF has failed to qualify for either Provincial or Federal grants that could have provided needed capital for energy efficiency upgrades.

In its last preliminary budget presentation to the City (June 2004), GEF requested $2,000,000 in funding for upgrading Kiwanis Lodge to reduce energy consumption. This was intended to replace make-up air units, boilers, sliding patio doors, full length single pane windows with a half wall and half length windows and walkout in the front lobby, and to add crank windows to resident’s rooms. (Recommendation 11)
WCB premiums have also experienced large cost increases over a number of years. Although GEF has taken action through its extensive safety program to lower the incidents of injuries among its staff and has succeeded in qualifying for premium discounts from WCB, the net premium has increased considerably since 1999. This is due to dramatic increases in the industry base premium, from 0.86% to 2.91% of insurable earnings between 1999 and 2004. GEF is currently working with other management bodies and lodge operators to determine why WCB has rated their industry rate considerably higher than the rate for nursing homes and extended care facilities.

**Revenue Enhancement:**

The OCA reviewed GEF’s current business plan initiatives, including Rent Geared to Income (RGI), Home Care Block Funding, Land Sales and Capital Projects, and the Lodge Assistance Program (LAP) grant.

The intent of the RGI initiative is to maximise revenue while protecting the lowest income residents. GEF introduced the RGI program in January 2004. This program combines a percentage of monthly income for accommodation with a flat rate for meals and other support activities resulting in a rental rates that increase with the ability to pay. This initiative is currently on schedule at GEF and is expected to increase annual revenues by $200,000 in 2005.

GEF also investigated the option of becoming a block funded home care provider with the Capital Health Authority (CHA). However, the option was dropped when GEF found that it would likely increase its operating deficit.

The Province changed the LAP grant from dual rates of $3.60 and $4.80 to a single, uniform rate of $5.50 per resident per day for low-income seniors. The dual rate was originally applied by the Province based on the assumption that management bodies such as GEF had economies of scale based on the size of their portfolio. This has since been recognised by the Province as not being the case, resulting in the change from a dual rate to a single uniform rate for all management bodies.

Instead of phasing in the new rate over a 3-year period as originally planned, it is being phased in over a 2-year period, resulting in a $60,000 increase in revenue for GEF in 2004.

The Province announced in June 2003 that an additional $95 million would be allotted for operating and maintenance cost grants in the Provincial budget. Out of this $95 million, $7.5 million has been allocated to Alberta Seniors for government-supported housing. GEF received approximately $330,000 at the end of 2003 or $300 per unit from this allocation.

**Future Requisitions:**

In addition to reviewing GEF’s business plan and initiatives, the OCA also reviewed GEF’s long-term financial plans for the period of 2005 to 2014 to identify the forecasted future requisition costs to the City. GEF currently anticipates that its actual expenditures...
will be higher than its 2004 budget and is requesting an additional $700,000 from the City to cover the increase in its operating deficit. The OCA’s analysis of the amended 2004 budget shows an operating deficit of $951,454, including funds received from the sale of land for $849,000 that is to be transferred to a debt retirement reserve.

GEF currently has no reserves to fund emergencies or large repairs, such as roof repairs or mechanical failures. GEF does, however, have approximately $518,000 in restricted general maintenance reserves that are to be depleted by the end of 2004. In its 2005 budget submission, GEF is requesting $300,000 per year in each of the next ten years for a capital and maintenance reserve. This request represents 1% of the $30 million in assets recorded on GEF’s books.

GEF wants to re-establish its competitive position in wages in an effort to maintain its position with normal inflation-related adjustments. GEF is requesting $500,000 to re-establish competitive compensation in 2005 to be supplemented by an additional $525,000 and $575,000 in 2006 and 2007 respectively. In 2003, a consultant completed a survey of compensation for housing providers that included MCF, GEF, and several other housing operators. The survey indicated that GEF’s low-end positions, which make up the highest complement of their staff and salary costs, were paid less than those at MCF and other housing operators.  

GEF is seeking $2 million for energy retrofitting for Kiwanis Place Lodge, including retrofitting windows, replacing make-up air units, boilers, and sliding doors to maximise the benefits from savings in utility costs.

GEF is also requesting a new service package in 2007 to provide one-time funding of $3.5 million to service low-income seniors with moderate dementia. GEF would like to redevelop Meadowlark Lodge to provide this service. The land adjacent to Meadowlark could also be developed to include apartments and a lodge to accommodate existing residents. GEF also wants to build new self-contained units on the Ottewell site but has made no funding request at this time.

In total, all the new requested service packages for the 2004 budget deficit, establishment of capital and maintenance reserve, competitive compensation program, energy retrofitting, computer database development, servicing seniors with moderate dementia, and building self-contained units at Ottewell Lodge could increase the requisition by $3.7 million in 2005. The requisition would then decrease by $2.5 million in 2006 and increase by $5 million in 2007 in accordance with the requested service packages.

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6 The 2003 Consumer Price Indexes for Calgary and Edmonton indicate that the cost of living in Calgary is 1.4% higher there than in Edmonton. MCF’s wages for its housing keeping staff is 9.4% higher than GEF’s wages for the same staff indicating that the difference is not solely attributed to differences in the cost of living.
Summarized Service Packages Requests for 2005 – 2007
(Impact to Tax Levy)

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<th>Service Package</th>
<th>2005</th>
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<tr>
<td>2004 Deficit</td>
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<tr>
<td>Establish Capital/Maintenance Reserve</td>
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<tr>
<td>Competitive Compensation Program</td>
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<td>$575</td>
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<td>Retrofitting for Kyoto</td>
<td>$2,000</td>
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<td>Computer Database Development</td>
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<td>Meeting the Needs of Mild to Moderate Dementia</td>
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<td>$3,500</td>
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<td>Self Contained Units at Ottewell Lodge</td>
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<td><strong>Total Service Packages</strong></td>
<td>$3,650</td>
<td>($2,475)</td>
<td>$5,075</td>
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Adapted from the GEF 2005-2014 Long Range Financial Plan

The OCA’s projections of GEF’s requisitions to the City for the years 2005 to 2014 for both current needs and additional service packages show a steady growth in the size of deficits or requisitions. The requisitions will grow from $3.1 million to $8.3 million by 2014 to fund current needs and would grow from $4.6 million to $14.7 million by 2014 if additional service packages are included. These projections clearly indicate that if the existing pattern continues, substantial increases in GEF’s requisitions to the City are likely for the next decade (See Chart below). (Recommendation 12)

Projection of Future Requisitions

![Graph showing 10 Year Requisition Forecast (in millions)](chart.png)
Organizational Design and Facility Layout

Organizational Design:
The OCA assessed GEF’s organizational systems, structure, and functioning in terms of general socio-technical system and organizational design principles. GEF is relatively strong in the areas of organizational philosophy, compatibility of organizational objectives, system integrity, quality-of-work life, participation of members, and organizational uniqueness. GEF has clear and agreed upon vision, mission and values that are used at all management and operational levels, from the board of directors to front line workers. The quality-of-work life is generally good for GEF workers with moderately strong participation of workers in GEF’s operations. The design of GEF’s organizational structure and work groups suits the specific needs in servicing low-income seniors.

Weaknesses in GEF’s organizational design arise chiefly from its limited flexibility. Organizational work groups or teams are not capable of performing more than their basic function due to limited ability to cross-train team members (including casual and part-time workers) and to move them between different units. The means of redesigning the organizational work groups on an ongoing basis is not built into the overall organizational design. Other specific weaknesses include pay and benefits, job security, being rewarded monetarily for good performance, and having good opportunities for advancement in the organization. These particular weaknesses expose GEF to risk of losing good employees or labour action and need to be addressed during the Board’s strategic planning sessions.

Facility layout of lodges and their locations:
In 1994, seven of GEF’s oldest buildings were showing their age and suffered various problems such as leaky roofs, uneven sidewalks, and mechanical and electrical system breakdowns. GEF was also facing growing demand for housing and longer waiting lists for seniors seeking accommodations. GEF commissioned an architectural firm to determine the most efficient lodge size, the most desirable locations for lodges, realistic time frames for redevelopment, and sources of financing for construction of new lodges.

The architects determined that optimum lodge size for GEF was 100 units. Criteria used in determining optimum lodge size included ensuring the most efficient operational staff to resident ratio, a homelike feel and atmosphere, a size that provides therapeutic benefits, and a size where residents get to know everyone.

In 1994, redevelopment and construction of new lodges were recommended for the west end and south side where waiting lists were the longest. The architects also reviewed demographic data and projections over a ten-year period to forecast the areas of the city that would experience the greatest growth in the number of seniors. This demand growth was then compared against the existing number of units available to meet the expected demand.
To determine realistic time frames for redevelopment, three options were presented to GEF with its associated costs: maintain the status-quo, up-grade existing lodges and build three new lodges, or build six new lodges to replace all seven of the oldest buildings. The option of maintaining the status-quo had an associated cost of about $5.3 million. The second option had a cost of about $26.3 million, while the third option had a cost of about $42 million. The architects recommended that the third option be pursued. GEF chose the second option, constructing three new lodges and upgrading the rest.

Based on the architect’s feasibility study, cost estimates, and actual operating costs for lodges today, the OCA estimates that if GEF had chosen the option to maintain the status-quo, GEF’s current operating costs would be at least $1.2 million per year higher than they are. This is financially comparable to the mortgage payments for the three new lodges of $1.3 million per year. GEF would not be financially any better off today if it had chosen to maintain the status-quo in 1994. Operationally, GEF would be in worse position. Upgrading the existing lodge and cottage units in 1994 would have only extended the life of the buildings by ten years, resulting in a need to replace all of the buildings now. It is the opinion of the OCA that GEF’s implementation of the second option was a reasonable course of action for GEF to undertake at the time.

Conclusions

The governance arrangements under which GEF operates do not allow it to easily fulfil its mandate of providing quality housing to low-income seniors. The manner in which the Housing Act, Regulations, Lodge Exemptions Order, and Ministerial Order have been applied has resulted in a dual reporting relationship for GEF. This has created ambiguity regarding which party (the City or the Province) is the “authority” to whom they are accountable. This lack of clarity regarding “functional authority” contributes to poor communication and misunderstanding between GEF and the City. Conflicting signals from the Province and the City regarding GEF’s finances and service provision to seniors also impair the development of effective long-term strategic planning.

GEF is reasonably efficient and effective in the provision of quality housing for low-income seniors within the QOL framework. GEF effectively meets the needs of seniors and provides a high quality-of-environment that result in a high quality-of-life while keeping costs of direct service provision near and below those of other local housing operators. However, potential savings of about $1.5 million have been identified in administrative overhead, building maintenance, and building operations expenses. Pursuit of these cost savings and elimination of at least some of the identified unique costs would move GEF’s per diem operating costs closer to the Provincial average. Elimination of GEF’s mortgage debt could bring operating costs below the Provincial average. These identified potential savings represent a target for GEF to work towards over the next fiscal year with the support of consultants and will take some time to implement fully.

GEF’s organizational structure and work groups suit the specific needs in servicing low-income seniors and are based on the knowledge and experience of GEF’s
management. GEF’s organization is relatively flat with integrated work groups, but has limited flexibility due to a limited ability to cross-train team members.

The three newest lodges were located and designed in accordance with sound architectural principles and are near optimal size as determined by the architects. The older lodges are sub-optimal in size and represent an opportunity for further consolidation in the future as they reach the end of their physical life.

GEF has taken action where possible to increase its revenues, but these increases are insufficient to fund GEF’s initiatives to improve compensation to workers, retrofit buildings to improve energy efficiency, build debt retirement reserves and maintenance reserves, accommodate seniors with dementia, and construct new units. GEF’s desire to fund these initiatives will lead to a continuing escalation in the size of requisitions to the City over the next decade. To successfully address this issue requires a resolution of the issue of “functional authority” in GEF’s governance arrangements as well as development of a long-term strategy and agreement with the City regarding the scope of service provision to seniors living in Edmonton.
# Recommendations and Action Plans

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<th>Recommendation</th>
<th>Management Response</th>
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<td><strong>Governance</strong></td>
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| 1. That the City and Province develop an agreement on which party is GEF’s “functional authority” to which the Board of Directors is accountable. | **Accepted**  
**Target Date:**  
**Responsible Party:**  
The OCA has received input from Community Services. The OCA will review the response with the Office of the City Manager and the Office of City Clerk to finalise the City’s action plans. GEF management supports this recommendation. |
| 2. That the City Administration and City Council determine appropriate internal arrangements for formal reporting and communications between Council and GEF’s Board of Directors and between City Administration and GEF Management. | **Accepted**  
**Target Date:**  
**Responsible Party:**  
The OCA has received input from Community Services. The OCA will review the response with the Office of the City Manager and the Office of City Clerk to finalise the City’s action plans. |
| 3. That the City appoints a member of the City Administration on GEF’s Board of Directors to improve communication and business planning processes. | **Accepted with Conditions**  
**Target Date:**  
**Responsible Party:**  
The OCA has received input from Community Services. The OCA will review the response with the Office of the City Manager and the Office of City Clerk to finalise the City’s action plans. GEF management supports this recommendation. |
| 4. That the City promptly provides formal approval and feedback on business plans and budgets submitted by GEF. | **Accepted**  
**Target Date:**  
**Responsible Party:**  
The OCA has received input from Community Services. The OCA will review the response with the Office of the City Manager and the Office of City Clerk to finalise the City’s action plans. GEF management supports this recommendation. |
| 5. That GEF’s Board of Directors and management use more formal strategic | **Accepted**  
**Target Date:** Spring 2005  
**Responsible Party:** GEF Management  
Subject to approval by GEF Board. |
### Recommendation

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<th>Planning tools and methods to develop its strategic plans and business plans.</th>
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<td>Such steps will assist GEF to envision meaningful strategic plans, which could translate into more useful business plans and budgets.</td>
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### 6. That the City Administration and GEF management develop a letter of understanding on communication protocols specifying each other’s information needs.

| Accepted Target Date: |
| Responsible Party: GEF Management and (to be determined) |
| The OCA has received input from Community Services. The OCA will review the response with the Office of the City Manager and the Office of City Clerk to finalise the City’s action plans. |
| GEF management supports this recommendation. Subject to approval by GEF Board. GEF believes the City should take the initiative on this by specifying its communication requirements from GEF. |

### Management and Operations

| 7. That GEF review its administrative overhead, building maintenance, and building operating costs and its unique cost, and then implement a plan to reduce expenditures by eliminating identified inefficiencies that are reflected in its 2006 Strategic Business Plan. |
| Accepted Target Date: Sept. 30, 2005 |
| Responsible Party: GEF Management |
| Definite timelines, specific measures and targeted cost reductions to eliminate identified inefficiencies are necessary. |
| GEF has already initiated an extensive review of its costs and will include this as part of its review. |

| 8. That the City, Province, and GEF jointly develop a long-term strategy to address future capital and operating requirements, including operating efficiency gains, energy efficiency upgrades, debt retirement reserves, and optimal land usage. |
| Accepted Target Date: |
| Responsible Party |
| The OCA has received input from Community Services. The OCA will review the response with the Office of the City Manager and the Office of City Clerk to finalise the City’s action plans. |
| GEF management supports this recommendation. Subject to approval by GEF Board. This will be part of GEF Business Development Plan in 2005. |

<p>| 9. That the City and GEF develop appropriate financial criteria governing the use of reserves. |
| Accepted Target Date: |
| Responsible Party: GEF Management and (to be determined) |
| The OCA has received input from Community Services. The OCA will ... |</p>
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<td>review the response with the Office of the City Manager and the Office of City Clerk to finalise the City’s action plans. GEF management supports this recommendation. Subject to approval by GEF Board. GEF will take the initiative on this by presenting its expectations to the City.</td>
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| 10. That GEF include cash flow projections as part of their regular financial reporting process. | **Accepted**  
**Target Date:**  
**Responsible Party:** GEF Management |
| GEF management supports this recommendation. Subject to approval by GEF Board. GEF will provide whatever financial reports required by the City. |
| 11. That the City negotiate with the Province to have the Province fund capital requirements for the lodges’ energy efficiency improvements. | **Accepted**  
**Target Date:**  
**Responsible Party:** |
| The OCA has received input from Community Services. The OCA will review the response with the Office of the City Manager and the Office of City Clerk to finalise the City’s action plans. GEF management supports this recommendation. |
| 12. That the City and GEF enter into a long-term agreement that addresses the size of requisitions and scope of services to be provided for the next decade as part of an overall mandate and strategy for seniors’ housing within Edmonton. | **Accepted**  
**Target Date:**  
**Responsible Party:** GEF Management and (to be determined). |
| The OCA has received input from Community Services. The OCA will review the response with the Office of the City Manager and the Office of City Clerk to finalise the City’s action plans. GEF management supports this recommendation. Subject to approval by GEF Board. |