
BRIEFING NOTE – Request for information related to 2006 Operating Budget for Shelter, Support and Housing Administration

Purpose:

At its meeting of November 14, 2005 staff were requested to provide additional information to the Budget Advisory Committee regarding certain issues raised during its discussion of the 2006 operating budget for Shelter, Support and Housing Administration. This briefing note responds to that request.

Key Messages:

- The impact of the provincial funding cap on shelter per diems is placing an increasingly unsustainable financial burden on the City. For 2006, the City is faced with an estimated \$29.1 M pressure.
- Reducing shelter per diems would result in the closure of much needed shelters and shelter beds and/or the return to a custodial model of shelter service, placing additional pressures on other public services such as hospitals, police and emergency services.
- 77 per cent of the 2006 Division gross budget represents mandated payments under the Social Housing Reform Act to social housing providers.

Background:

The Shelter, Support & Housing Administration 2006 requested base budget is \$662.8M gross and \$279.5M net. The 2005 budget for administration costs was \$7.1M or 1.5% of the gross budget. The major administration costs relate to fulfilling the Service Manager roles for Social Housing and Hostel Services as mandated by the Provincial government. In 2006 these costs have increased by \$1.2M as a result of operating impacts of the Shelter Management Information System, inflation and wage settlements.

Hostel Services

As of the end of 2005, the City of Toronto operates or funds slightly over 4,100 shelter beds which serve men, women, youth and families.

When municipalities provide Hostel Services, the Ontario Works Act requires that they provide board, lodging and personal needs. Currently the per diem provided by the Province for these services is capped at \$39.15 of which they actually pay 80 per cent or \$31.32.

The average per diem in the City of Toronto has exceeded the Provincial per diem cap since the mid 90's. Over the years, staff have brought forward reports to Council updating them on this situation and the reasons for it. The projected average operating per diem in the 2006 operating budget is \$63.85.

Services Provided

Based on the most recent analysis of per-diem costs, this per diem breaks down as follows:

- a) Residential Services: 58.8% or \$37.54 per person per day.

This includes staffing for management of requests for service and information, admissions/discharges, crisis management, conflict resolution; rental/mortgage for building; utilities; daily management of building including cleaning, linens, building maintenance, hygiene supplies, health care supplies; administrative work including invoicing to City, issuance of personal needs allowances, bookkeeping, auditing, insurance.

- b) Food Services: 24.2 % or \$15.45 per person per day.

This includes purchasing of food, staffing for menu planning, preparation and serving of food, repair and maintenance of food service equipment.

The Division considers these first two categories to be “mandatory services” as would the OW legislation. It is worth noting that the 2006 estimated cost of Residential Services and Food Services, activities that would be required under the OW Act, is \$52.99. This is \$13.84 or 35% above the current Provincial per-diem ceiling of \$39.15.

- c) Programming and Support: 17.0 % of costs or \$10.85 per person per day.

This includes provision of general counselling, information and referral and case management services that assist residents in stabilizing and securing permanent accommodation. These are not services that are prescribed within the Ontario Works Act; however, the Division does not consider them to be discretionary.

Types of activities that are supported under this funding include:

- Application for Ontario Works, Ontario Disability Support, Canada Pension, Employment Insurance, Old Age Security and Veterans Pension
- Referrals to community resources providing education, employment, social, health and mental health supports

- On site health supports
- Enrolment and integration of children into school
- Pre and post natal supports for high risk mothers and babies
- Recreational and after school programs for children staying in shelters
- Assistance with housing referrals, housing searches
- Post occupancy support for people who have moved into housing in order to stabilize them in the community
- Life skills coaching including budgeting, cooking, banking, shopping and parenting.

Comparison of Hostel Services in the GTA

Hostel services are provided to a greater or lesser degree in all the regions of the GTA. However it is difficult to compare services across jurisdictions. The Auditor General in his review of Hostel services noted that:

“In reviewing other jurisdictions in Ontario, many jurisdictions were found to apply the provincial standards per diem rate of \$39.00 in purchasing hostel services from community services. However, it should be noted that costs are relative to the level of services provided. We have been unable to obtain adequate information to provide a meaningful comparison of the level of service provided at the various purchased service shelters in other jurisdictions.”

Recently the Ontario Municipal Benchmarking Initiative (OMBI) found that per-diem rates in the GTA region ranged from \$44.63 to \$97.52 - all of which exceed the provincial per diem ceiling.

While for many years, the City of Toronto was the only municipality to exceed the Provincial per diem, these numbers show that the situation has changed. Municipalities have been faced with increasing demand, increasing client complexity and increasing costs. There are a wide variety of cost drivers that impact on the cost of service delivery in the shelter system including inflation, food costs, utility costs, collective agreements, public health considerations related to infection control and food service, legislative requirements including Employment Standards and Occupational Health and Safety.

The City of Toronto has taken the position that the Provincial per diem is completely inadequate in addressing the needs of shelter clients. The Division is currently examining funding models for the provision of shelter services for homeless people which includes a review of funding rates and levels from other jurisdictions.

Funding Shortfall

The provincial cost share for 2006 is projected to be equivalent to 49 per cent of gross costs, as opposed to the 80 per cent identified under the Act, resulting in a \$29.1M funding shortfall. In 2005 the budgeted provincial cost share or contribution was at 54 per cent of gross costs equivalent to a \$23.4M funding shortfall. Year end projections for 2005 suggest the actual will be 51 per cent with a funding shortfall of \$24.7M. For 2004 the budgeted provincial cost share was equivalent to 56 per cent for a \$21.2M funding shortfall; the actual experience was 53.9 per cent equivalent to a \$22.2M shortfall. This shortfall has also been documented in the briefing note before BAC titled \$94.9 Million Impact of provincial cost-sharing shortfall and increasing provincial program cost on the City's 2006 budget.

Impact of Reducing Rates

The issue of reducing per diem rates to bring the cost-sharing back into an 80:20 balance based on the provincial capped contribution has been discussed and debated as part of the operating budget process for the past 5 years. As identified above, the current provincial funding does not adequately cover even the basic mandatory level of service. The bottom line is that reducing per diems will result either in reduced volume of service (i.e. fewer beds) or reduced quality where even basic standards could not be met.

The 2006 recommended per-diem rates paid by the City to purchase of service agencies range from \$16.32 to \$75.00. This funding is supplemented by grants, donations and sources such as the United Way. Agencies estimate that the absolute minimum per diem cost of operating a shelter is approximately \$81.00 and that this would not address the needs of the more complex clients. The 2006 projected per-diems for shelters directly operated by the City are all above \$81.

As noted, the maximum provincial per-diem is capped at \$39.15 of which the province funds 80 per cent or \$31.32. Forty two (42) out of the 54 shelter sites (77 per cent of sites) funded through purchase of service have per-diem rates above the provincially capped per diem of \$39.15. All 5 of the directly operated shelters have per diem rates above the provincially capped per diem.

The projected system average per-diem for 2006 is \$63.85. If per-diems were reduced to the provincially capped amount of \$39.15, this would represent an average reduction of \$24.70 per day per person in the system. To fund only to the cap would mean a funding reduction to the system equivalent to \$29.1M.

For many years the shelter system was criticized for being overcrowded, understaffed and providing inadequate levels of service. The commitment of the City was to implement shelter standards to reduce crowding and improve service, to operate or fund full service facilities that were open 24 hours per day, and to provide adequate levels for staffing to deal with the needs of the clients including mental health issues, physical health issues and addictions.

If the City capped per-diem levels to match the Provincial level the following are the possible consequences:

Program Closures - Any shelter currently receiving City per-diem funding significantly above the provincial cap would not be able to replace those funds through the voluntary or other sectors and would be forced to close. If even half of the 42 shelters receiving per diems above the provincial level were to close that would represent a loss of 21 shelters.

Loss of Service - Shelters remaining open under a reduced per diem would lose counselling programs, children's programming, and housing access and follow up programming. Shelters would be forced to close during day time hours leading to a likely increase in visible homelessness. Shelters would be forced to reduce the number of staff in order to manage within the Provincial per diem. Shelters would return to the previous custodial model, a system that focused on control and containment of clients versus support and assistance that is currently in place. A custodial model places additional pressures on other public services such as hospitals, police and emergency services.

Liability and Risk – The City of Toronto and other operators would have to seriously consider whether they would be able to meet their due diligence requirements under Bill C-45, Occupational Health and Safety Act if they had to reduce staffing, supervision and services to accommodate funding at the Provincial ceiling.

110 Edward Street

The 110 Edward Street site has become an important part of the shelter service system, particularly in relation to responding to homeless people on the street. Edward Street supports an 80 bed shelter for adult men and women and an Assessment and Referral Centre for homeless men and women.

The program design and mandate is centred around accessibility and creating an environment where people who are the most vulnerable have a place to stay that is safe, flexible and supportive in its approach in order to reach people who face the greatest barriers to shelter and housing.

Community partners, health care providers, housing and homeless advocates have all been part of designing and supporting this program. The mandate is clear: staff are trained and supported to work with the most challenging behaviours and to be as creative as possible in developing support plans to assist each client to stabilize and move-on into appropriate long-term housing.

The unique services available at 110 Edward Shelter and the Assessment and Referral Centre include food and lodging, counselling, referrals, health and mental health supports, addiction and harm reduction services, an overnight street respite program, specialized housing support and coordinated access into the shelter system.

The program has become a hub of services for people who have very serious substance use and mental health issues and struggle with behaviours which cannot be accommodated in many of the regular shelters. At 110 Edward they are sheltered and supported to access services and supports to stabilize, move into the regular shelter system and into housing.

The Assessment and Referral Centre is the only program of its kind in Toronto. This is a place where people who are disruptive for other shelter residents because of their substance use or mental illness can come in anytime of the night and rest, receive food and support without the expectation that they immediately search for housing, or deal with their substance use issues which will often drive them away from programs.

The specialized programs at 110 Edward are also an important component in supporting the Streets to Homes strategy initiative. Outreach teams are able to make immediate referrals to the program for additional care and support anytime, day or night.

Closure of the facility would result in the loss of 80 beds in the co-ed adult shelter sector where occupancy is currently 98% and a resultant increase in the number of people on the street and in Nathan Phillips Square.

Social Housing Mortgage Interest Rates

Social housing providers' operating subsidies have benefited from decreases in mortgage rates. Currently, renewal rates for provider mortgages are similar or lower than the rates of the providers' prior mortgages. The impact on renewal savings in 2006 is the result of 110 mortgages rolling over in the last 18 months (June 2004 –December 2005) which has resulted in an overall reduction to the base funding for these mortgages. The projected interest rate for the 2005 budget request was 6.5%. As of December 2005 the actual average rate achieved in 2005 was 4.5%. This has resulted in a forecasted savings of \$10.6M to the base funding going into 2006. The renewal rate projected for 2006 is 5% which is slightly higher than the current rates, so the ability to further save as a result of mortgage rollovers will be limited in 2006. All financial assumptions on interest rates were developed in conjunction with Corporate Finance, Treasury Services.

Storage for Emergency Planning Response

The City has been developing increasingly sophisticated emergency response plans over the last number of years. Events including 9/11 and more recently Hurricane Katrina have highlighted the importance of governments at all levels being prepared to provide emergency response. Shelter, Support and Housing Administration is responsible for the Mass Care part of the City's Emergency Plan. This entails sheltering, feeding, supporting and identifying individuals who are displaced whether it is due to a natural disaster, such as an ice storm or hurricane, or due to a human event such as a Nuclear Accident. Examples of previous responses include preparing a reception facility during 9/11 in the event that planes were diverted to Toronto; opening a warming centre for residents of a high rise apartment building that had lost power and heat, and setting up a reception centre for homeless individuals removed from Tent City; and more recently preparing for possible reception of individuals and families from Kashechewan.

In order to be prepared to provide Mass Care to large numbers of people, the City requires an inventory of items including cots, blankets, pillows, diapers, water, non-perishable food stuffs and toiletries. Staff have a small amount of supplies on hand, but do not have sufficient storage

areas to store the larger amounts of items that are required in order to be truly prepared in the event of larger emergencies. Storage required must be secure, dry, and have a delivery bay/parking area and any empty building may not be suitable.

Following the request by BAC, Emergency Planning staff within Shelter, Support and Housing Administration have spoken to EMS staff. EMS does not have storage space for these types of items. If the \$80,000 in funds for storage were removed from the budget, staff may not be able to proceed to have the equipment available to respond in the event of an emergency.

Use of Reserves

For the 2006 operating cycle the Division has made every effort to contain costs by gapping positions and otherwise managing workloads within the existing complement. The option to draw from reserves to mitigate cost pressures is recommended for 2006.

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