

# Analyst Briefing Notes

## Budget Committee Review

(February 8, 2007)

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**PART I: CAPITAL PROGRAM****Executive Summary**

- The 2006 Approved Capital Budget of \$17.76 million was 51%, or \$8.993 million spent as of September 30, 2006. Actual expenditures by year-end are anticipated to be \$10.604 million or 60% of the 2006 Approved Capital Budget of \$17.76 million. Program under spending is due to not proceeding with the family shelter at 717 Broadview Ave, difficulties in developing shelter-sites, and delays in both the Shelter Management Information System and the capital maintenance plan.
- The Recommended 5-Year Capital Plan totals \$27.534 million with 2007 cash flow of \$13.685 million; \$4.125 million in 2008; \$3.3 million in 2009; \$3.15 million in 2010; and \$3.274 million in 2011. A total of \$10.499 million is also forecasted for the 2011 – 2015 period. The 5-Year Capital Plan meets the debt target in each year of the Plan.
- The Recommended 5-Year Capital Plan provides for 209 beds, including 97 new and 112 replacement beds at a cost of \$17.24 million.
- The cash flow includes spending of \$2.707 million in 2007 and \$0.8 million in 2008 that will reduce the SOGR backlog in 2006 from \$6.707 million to \$3.2 million by 2008.
- The 2007 Recommended Capital Budget, including new and previously approved commitments requires cash flow of \$10.661 million with debt funding of \$3.125 million. This cash flow, combined with the 2006 carry forward funding of \$3.024 million into 2007, brings the total 2007 Recommended Capital Budget to \$13.685 million gross, of which \$4.805 million is funded by debt.
- The 2007 Recommended Capital Budget includes commitments for the following: two previously approved shelters with identified locations: the replacement of Eva's Youth (32 beds) and the new Bethlehem United Shelter (60 beds); the relocation of the Edward Street Shelter and Referral Centre (40 beds); the development of two IT systems: the Shelter Management Information System (SMIS) and the Social Housing Administration System (SHAS); and ongoing capital maintenance, which includes the HVAC Upgrade for Seaton House.
- The 2007 Recommended Capital Budget will require additional operating costs of \$1.771 million and debt service costs of \$0.683 million by 2010, as new and replacement shelters and the Social Housing Administration System are completed.
- Over the past six years the Program has used federal funding through the Supporting Communities Partnership Initiative (SCPI) as a source of funding for its capital program. Although an extension to complete existing capital projects has been requested, this funding may no longer be available after March 31, 2007. The Federal government has recently announced a new two-year program, the Homelessness Partnering Strategy, aimed at combating homelessness in communities across Canada. While the details of the new Federal program have not been announced, it is anticipated that the terms and conditions of this funding will be similar to the current SCPI program.

### **Recommendations**

The City Manager and the Chief Financial Officer recommend that:

1. the 2007 Recommended Capital Budget for Shelter, Support, and Housing Administration with a total project cost of \$10.11 million and a 2007 cash flow of \$13.685 million and future year commitments of \$5.029 million be approved. The 2007 Recommended Capital Budget consists of the following:
  - a) New Cash Flow Funding for:
    - i) 7 new and change in scope subprojects with a 2007 total project cost of \$10.11 million that requires cash flow of \$6.61 million in 2007 and future year commitment of \$1.8 million in 2008 and \$1.7 million in 2009;
    - ii) 6 previously approved sub-projects with a 2007 cash flow of \$2.409 million and a future year commitment of \$1.529 million in 2008;
    - iii) 3 sub-project from previously approved projects with carry forward funding from 2005 and prior years requiring 2007 cash flow of \$1.642 million; and
  - b) 2007 approved cash flow for 7 previously approved sub-projects with carry forward funding from 2006 into 2007 totalling \$3.024 million;
2. new debt service costs of \$0.041 million in 2007 and incremental costs of \$0.206 million in 2008; \$0.249 million in 2009; and \$0.187 million in 2010 resulting from the approval of the 2007 Recommended Capital Budget, be approved for inclusion in the 2007 and future year operating budgets;
3. operating impacts of \$0.228 million for 2008 and \$1.543 million for 2009, emanating from the approval of the 2007 Recommended Capital Budget be considered within the overall scope of the Shelter, Support and Housing Administration's 2007 and future years' operating budget submissions;
4. the 2008-2011 Capital Plan for Shelter, Support, and Housing Administration totalling \$13.849 million in project commitments and estimates, comprised of \$4.125 million in 2008; \$3.3 million in 2009; \$3.15 million in 2010; and \$3.274 million in 2011, be approved.
5. the General Manager of Shelter, Support and Housing Administration report to the Budget Committee on the impact that the recently announced Homelessness Partnering Strategy will have on the 2007 Recommended Capital Budget, once the details of the new program are known; and
6. the Mayor's Homelessness Reserve Fund be used as the source of funds for the Eva's Youth Shelter Project cost increase of \$0.939 million, if the current Supporting Communities Partnership Initiative grant, or the new Homelessness Partnering Strategy grant is not available as a funding source.

**2006 Capital Variance Review**

2006 Budget to Actuals Comparison - Total Gross Expenditures (\$000s)					
2006 Approved	Actuals as of Sept 30 (3rd Qtr Variance)		Projected Actuals at Year End		Balance
\$	\$	% Spent	\$	% Spent	\$ Unspent
17,760	8,993	51	10,604	60	7,156

**Comments / Issues:**

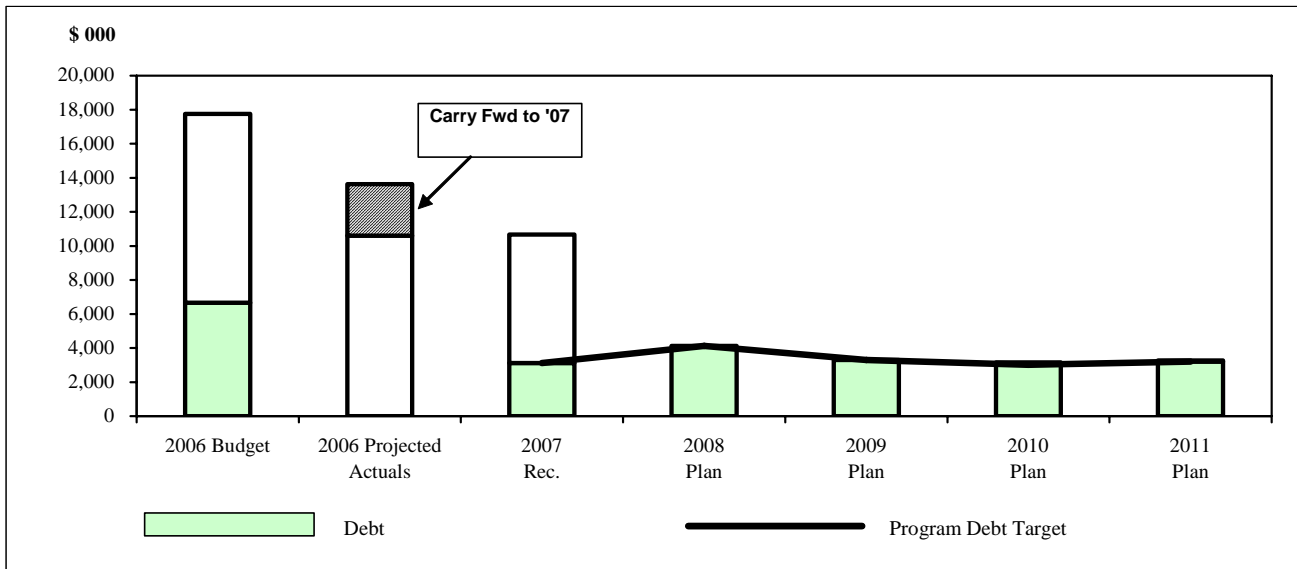
The Shelter, Support and Housing Administration’s 2006 Approved Capital Budget of \$17.76 million was 51%, or \$8.993 million spent as of September 30, 2006. Actual expenditures are anticipated to be \$10.604 million, or 60% of the 2006 Approved Capital Budget by year-end, as reported in the 3rd Quarter Capital Budget Variance Report. This represents a significant improvement over the-2005 spending rate of 17.5%.

Under spending is mainly due to the following:

- No expenditures were incurred for the 717 Broadview Avenue project (\$1.99 million), which will be closed, as the Family Shelter is no longer required., and funds will be returned to the budgeted source. Council requested that the site be considered for Affordable Housing;
- Expenditures for the Bethlehem United Shelter project with an approved cash flow of \$2.34 million will be \$0.25 million by year-end, due to delays in finalizing the project drawings and site plan application. The tender is currently out to pre-qualified contractors, with construction to begin shortly.
- Expenditures for other shelter sites (\$0.74 million) are projected to be \$0.05 million by year-end, as these projects are either in the planning/predevelopment stage, or are proceeding with needs assessments.
- Shelter Management Information System (\$2.027 million) expenditures will be \$0.914 million (or 45% of the budget) by year-end. As reported to Council, the contract with the vendor was terminated in February 2006, resulting in a delay in systems development.
- The two capital maintenance projects will incur expenditures of \$0.6 million by year-end, as compared to a budget of \$1.069 million, primarily due to delays in developing engineering specifications for building/repairs and renovations. The production of engineering specifications has slowed the RFP process.

- The HVAC system upgrade project with approved cash flow of \$0.4 million will only have expenditures of \$0.05 million by year-end, as the project is delayed pending an air quality/airflow regulation review and the development of engineering specifications.
- Of the \$7.156 million under-spending in 2006, \$4.132 million in 2006 funding is not being carried forward into 2007 for the following reasons:
  - 717 Broadview Avenue (\$1.919 million) will be closed and returned to the budgeted funding source, along with other projects (\$0.571 million); and
  - Funding for three projects (Bethlehem United \$1.179 million; Eva's Youth Shelter \$0.413 million; and Seaton House HVAC \$0.05 million) was approved in 2005, and consequently, requires Council to re-approve these cash flows and commitments.

5-Year Capital Plan (2007-2011)



	2006		5-Year Plan					
	Budget	Projected Actual	2007 Rec.	2008	2009	2010	2011	2007-2011
<b>Gross Expenditures:</b>								
Capital Budget & Future Year Commitments	17,760	10,604	10,661	3,329	1,700			15,690
New Plan Estimates				796	1,600	3,150	3,274	8,820
1-Year Carry Forward to 2007		3,024						
<b>Total Gross Annual Expenditures &amp; Plan</b>	<b>17,760</b>	<b>13,628</b>	<b>10,661</b>	<b>4,125</b>	<b>3,300</b>	<b>3,150</b>	<b>3,274</b>	<b>24,510</b>
<b>Program Debt Target</b>	<b>5,500</b>		<b>3,125</b>	<b>4,125</b>	<b>3,300</b>	<b>3,012</b>	<b>3,200</b>	<b>16,762</b>
<b>Financing:</b>								
Recommended Debt	6,654		3,125	4,125	3,300	3,012	3,200	16,762
<b>Other Financing Sources:</b>								
Reserves/Reserve Funds								
Development Charges	67		183			138	74	395
Federal	137		100					100
Provincial								
Other Revenue	10,902		7,253					7,253
<b>Total Financing</b>	<b>17,760</b>		<b>10,661</b>	<b>4,125</b>	<b>3,300</b>	<b>3,150</b>	<b>3,274</b>	<b>24,510</b>
<b>By Category:</b>								
Health & Safety	850		3,120	800				3,920
Legislative								0
SOGR	785		497	499	600	600	499	2,695
Service Improvement	8,006		7,044	2,826	2,700	2,550	2,775	17,895
Growth Related	8,119							
<b>Total By Category</b>	<b>17,760</b>		<b>10,661</b>	<b>4,125</b>	<b>3,300</b>	<b>3,150</b>	<b>3,274</b>	<b>24,510</b>
Yearly SOGR Backlog Estimate (not addressed by current plan)								
Accumulated Backlog Estimate (end of year)		6,707	4,939	3,200	3,200	3,200	3,200	3,200
<b>Operating Impact on Program Costs</b>				228	1,543		328	2,099
<b>Debt Service Costs</b>			94	468	553	453	427	1,995

\* Note that the 1-Year Carry Forward reflects the latest estimate as used in the 2006 3'rd Quarter Capital Variance Report.

## 5-Year Capital Plan Overview

### Overview

The Recommended 5-Year Capital Plan totals \$27.534 million, with cash flow requirements of \$13.685 million in 2007; \$4.125 million in 2008; \$3.3 million in 2009; \$3.150 million in 2010; and \$3.274 million in 2011.

- \$17.084 million or 62.0% of the Program is for new and replacement beds; \$6.436 million, or 23.4% is for IT projects (the Shelter Management Information System and the Social Housing Administration System); and \$4.014 million, or 14.6% is for capital maintenance of City owned and City leased shelters.
- The recommended Plan provides for 209 beds, including 97 new and 112 replacement beds, costing \$17.24 million. Of this amount, \$6.279 million is for shelters with identified sites: Eva's Youth Replacement Shelter, at a cost of (\$3.579 million) and Bethlehem United, at a cost of (\$2.7 million). These shelters are scheduled to open in 2008, and will create 62 new and 30 replacement beds. The Plan includes funding for the replacement of the 110 Edward Street Shelter and Referral Centre of \$4.589 million in 2007, which will create 40 replacement beds. As well, the Plan includes \$6.372 million for three shelter projects that are still in the planning stage, which will create 35 new and 42 replacement beds by 2011.
- The Recommended 5-Year Capital Plan has been revised from previous years' based on stabilizing bed night trends, and the City's initiative to move homeless individuals directly into permanent housing.
- 73.2% of the Recommended 5-Year Plan is allocated to Service Improvement, project expenditures to reinvest in new and replacement shelter beds, the Shelter Management Information System, and a new IT system for Social Housing; 15.3 % of funding is allocated for Health and Safety projects, for a new HVAC system at Seaton House and for the replacement of Eva's Youth Replacement Shelter; and 11.5% is allocated for State of Good Repair projects for the capital maintenance of City owned and City leased shelters.
- The Program has for the past six years used Supporting Communities Partnership Initiative (SCPI) as a source of funding for its capital program, but cash flow for the current SCPI program is uncertain beyond March 31, 2007, as the Federal program officially ends at the end of March, 2007. The City has requested a six-month extension to allow for the completion of existing SCPI-funded projects, but Federal confirmation has not been received. The recently announced "Homelessness Partnering Strategy" (HPS) program may replace SCPI as a funding source, should SCPI no longer be available. As the details outlining the terms of the HPS grant will be announced in the first quarter of 2007, the impact of the new/extended funding on the 2007 Capital Budget will be reviewed, once details of the new Federal funding Program are announced. Four projects totalling \$7.008 million are included in the 2007 Recommended Capital Budget that are funded from SCPI, including: \$4.12 million for the 110 Edward Street Shelter; \$1.904 million for the Eva's Youth Replacement Shelter, \$0.655 million for SMIS; and \$0.329 million for the Bethlehem United Shelter.

**Debt Affordability Target**

The 2007-2011 Capital Plan has met the debt affordability targets for each of the five years. This has been achieved by deferring projects to future years that are not ready to proceed, maximizing SCPI funding in early 2007, accessing development-charge funding, applying proceeds from the former Princess Margaret Hospital, as well using as other federal grants to reduce the requirement for debt financing.

The 5-Year Capital Plan meets the 5 year debt target of \$16.762 million: \$3.125 million in 2007; \$4.125 million in 2008; \$3.3 million in 2009; \$3.012 million in 2010; and \$3.2 million in 2011.

**Capacity / Readiness**

Although the 5-Year Capital Plan for shelter development has been reduced from past years, the Program continues to face delays that prevent the completion of its capital works. Projects are often delayed for years, as various parties make appeals through the Ontario Municipal Board. As well, the Program encounters difficulties in locating suitable sites or in selecting suitable site operators. These delays often result in the deferral of projects, resulting in a significant request to carry forward funding from year to year.

The Recommended 5-Year Capital Plan for shelter development is based on current needs and realistic planning approval timelines that will deliver a total of 209 beds (97 new and 112 replacement beds) at a cost of \$17.24 million. The Plan includes funding for Eva's Youth Replacement Shelter (\$3.579 million) and Bethlehem United (\$2.7 million); both of these shelters are scheduled to open in 2008. The Plan also includes \$4.589 million for the Edward Street Shelter and Referral Centre relocation (scheduled for 2007), and three unidentified shelter projects with cash flow requirements from 2008 through 2011 that total \$6.372 million. The unidentified projects are in the development stage, pending needs analysis and feasibility studies. The cash flow for these projects has been smoothed and phased to reflect Program spending capacity, planning timelines and the debt affordability target.

The Plan also includes two IT projects: the Shelter Management Information System (SMIS) for \$0.967 million in 2007-08; and the Social Housing Administration System (SHAS) \$4.2 million from 2007 through 2009. While system development for SMIS has been delayed due to the termination of the project's vendor, SHAS is on track and proceeding as planned.

In addition, the Plan also includes two capital maintenance projects of \$2.695 million for the 15 City-owned and leased shelter sites. The maintenance plan is based on an engineering study by IBI Group, in association with Trow Associates, which was used in assessing the Program's state of good repair backlog; cost estimates are based on current engineering studies and design specifications. The maintenance plan also includes the HVAC Upgrade at Seaton House of \$0.55 million. Although the HVAC Upgrade has been delayed, as Public Health has been involved in the air quality/airflow studies, it is anticipated that project spending will proceed as planned.

**Recommended Changes to the 5-Year Plan**

City Council considered the 5-Year Plan (2006-2010) at its meeting of July 25, 26 and 27, 2006 and endorsed the Plan in principle. For 2007, the Capital Plan has changed as follows:

- The Eva's Youth Shelter project has increased by \$0.939 million, due to increases in construction costs (Eva's Youth Shelter was approved in 2002), enhancements to the façade and cost increases to accommodate a winter construction schedule. This project is funded by SCPI; if SCPI is not extended beyond March, HPS or the Mayor's Homelessness Fund will be the alternative funding source(s).
- The project cost and 2007 cash flow requirements for the Edward Street Shelter and Referral Centre has been reduced by \$0.611 million, based on revised project cost estimates that reflect a reduction in the size of the shelter from 80 to 40 beds. This reduction reflects a shift in the service delivery, as the replacement Assessment and Referral Centre will focus on the intense, short-term case management requirements of its clients, to more effectively connect people using the program to housing and shelter options.

For 2008 through 2010, the Program amended the shelter development projects to better reflect program requirements and the lengthy site approval process.

**State of Good Repair Backlog and Unmet Needs**

The City owns 15 shelter sites, seven in City Operated Sites, and eight in City facilities that are leased to shelter operators. In 2003 the Program completed an engineering study by IBI Group, in association with Trow Associates. The Program has used this study as the basis for planning its capital maintenance program and for establishing its State of Good Repair Backlog; estimated to be \$6.707 million at the end of 2006.

The Recommended 5-Year Capital Plan includes funding of \$2.707 million in 2007 and \$0.8 million in 2008 for the construction of Eva's Youth Replacement Shelter and the HVAC upgrade at Seaton House, which will reduce the Program's backlog by \$3.507 million to \$3.2 million. The additional \$3.2 million is required to maintain these facilities in a state of good repair, which is not included in the 5-Year Capital Plan, due to debt affordability.

## Operating Impact of the 5-Year Capital Plan

The incremental operating impacts associated with the 5-Year Capital Plan outlined below include the following:

2007 Capital Projects/Sub-Projects	2007 (\$000s)	2008 (\$000s)	2009 (\$000s)	2010 (\$000s)	2011 (\$000s)	Total (\$000)	Rec'd position change
Eva's Youth		0.035				0.035	
Bethlehem United		0.193	0.672			0.865	
Social Housing Administration System			0.871			0.871	7.0
Client Group - Non Specified					0.328	0.328	
<b>TOTAL</b>		<b>0.228</b>	<b>1.543</b>		<b>0.328</b>	<b>2.099</b>	<b>7.0</b>

Operating costs will increase in 2008 by \$0.228 million, \$1.543 million in 2009, and \$0.328 million in 2011.

These increases are attributable to the following shelter projects: \$0.035 million for Eva's Youth Replacement Shelter in 2008; \$0.865 million for the new Bethlehem United (\$0.193 million in 2008 and \$0.672 million in 2009); and \$0.328 million in 2011 for Client Group – Non Specified. Operating impacts result from the additional costs of providing shelter services at these locations. The full operating budget impact of these projects will be included in future years' budgets, as these projects will impact the delivery of existing services.

The operating impact of the Social Housing Administration System will be \$0.871 million in 2009, as 7 new approved positions will be required to maintain the new IT system.

## Pre-approvals

City Council, at its meeting of December 5 and 6, 2006 approved the report from the Deputy City Manager and Chief Financial Officer, entitled 'Pre-Approval of 2007 Capital Projects Commitment and Spending.'

The recommended pre-approval spending for Shelter, Support and Housing Administration for previously approved projects is \$2.735 million. This consists of carry forward funding from 2006 to 2007 of \$0.935 million and \$1.8 million for the 2007 phase of previously approved projects, with funding of (\$2.121 million) from Provincial subsidy and other sources, and debt (\$0.614 million).

Also recommended for pre-approval spending is \$4.614 million for two new projects: the replacement of 110 Edward St Shelter and Referral Centre Project (\$4.589 million) with funding from SCPI confirmed until March 31, 2007 (\$4.119 million); and spending requirements for ongoing Capital Repair project (\$0.025 million). All projects are proceeding as planned.

**Total 2007 Recommended Cash Flow & Future Year Commitments  
(\$000s)**

	2005 & Prior Year Carry Forward	2007 Previous Commitments	2007 New Recommended	2007 Total Cash Flow Recommended	2007 Debt Target	2006 Carry Forward	Total 2007 Cash Flow (Incl 2006 C/Fwd)	2008	2009	2010	2011	2012-2016	Total Cost
<b>Expenditures</b>													
Previously Approved	1,642	2,409		4,051		3,024	7,075	1,529					8,604
Change in Scope			824	824			824						824
New			5,086	5,086			5,086						5,086
New w/Future Year			700	700			700	1,800	1,700				4,200
<b>Total Expenditure</b>	<b>1,642</b>	<b>2,409</b>	<b>6,610</b>	<b>10,661</b>		<b>3,024</b>	<b>13,685</b>	<b>3,329</b>	<b>1,700</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>18,714</b>
<b>Financing</b>													
Debt	300	1,443	1,382	3,125	3,125	1,680	4,805	3,329	1,700				9,834
Subsidy (SCPI)	742	852	5,059	6,653		430	7,083						7,083
Prov. Subsidy/Grant													0
Development Charges		14	169	183			183						183
Other	600			600		914	1,514						1,514
Federal Grants		100		100			100						100
Reserves/Res Funds													0
<b>Total Financing</b>	<b>1,642</b>	<b>2,409</b>	<b>6,610</b>	<b>10,661</b>		<b>3,024</b>	<b>13,685</b>	<b>3,329</b>	<b>1,700</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>18,714</b>

**Comments / Issues**

- The 2007 Recommended Capital Budget is \$13.685 million and includes funding for 2006 projects carried forward into 2007 of \$3.024 million for Seaton House HVAC Upgrade, SMIS, Bethlehem United, Women’s Harm Reduction, SSHA, and Capital Maintenance; funding carried forward funding from 2005 for prior year projects of \$1.642 million for Eva’s Youth, Bethlehem United, and Seaton House HVAC Upgrade, and \$2.409 million for previously approved commitments that require cash flow in 2008 of \$1.529 million.
- The 2007 Recommended Capital Budget includes \$6.61 million for new and change in scope projects includes funding for Eva’s Youth Shelter, the relocation of the Edward Street Shelter, the Social Housing Administrative System, and Capital Repairs/ City Operated Shelters.
- Approval of the 2007 Recommended Capital Budget of \$13.685 million will result in future year commitments of \$3.329 million in 2008; and \$1.7 million in 2009, which will encumber future years’ capital funding. The 2007 Recommended Capital Budget is funded \$7.083 from SCPI; \$4.805 debt; \$0.914 million from capital from current; \$0.6 million from the proceeds from the former Princess Margaret Hospital; \$0.183 million from Development Changes and \$0.1 million from a Federal grant for the SMIS IT System.

## 2007 Recommended Capital Budget

### 2007 Recommended Capital Budget versus Debt Target

The 2007 debt affordability guideline for SSHA is \$3.125 million. The Program has achieved its 2007 debt target.

### Capacity /Readiness

The 2007 Recommended Budget includes expenditures for two shelter projects with identified site locations: Bethlehem United, \$1.267 million; and Eva's Youth, \$2.87 million. As well, the Program is actively reviewing a number of sites for the relocation of the 110 Edward Street Assessment and Referral Centre project for \$4.589 million. These projects are proceeding as follows:

- The Bethlehem tender is currently out to pre-qualified contractors, with construction to begin shortly.
- The contract for Eva's Youth Shelter has been awarded, and requires an increase of \$0.939 million, which is included in the recommended plan. Inflation, increased winter construction costs, façade adjustments and space restrictions increased the bid beyond the previously approved estimated project cost of \$2.64 million. Construction will commence in February, 2007, maximizing SCPI funding.
- The funding for the replacement of the Edward Street Shelter for \$4.589 million is contingent on the Program's ability to turnaround the procurement of a suitable site for this project by March 31, 2007. The Federal Government has recently announced that funding for homelessness support will be extended for two years under the Homelessness Partnering Strategy. Details outlining the terms of the grant will be announced in the first quarter of 2007. The Program is actively reviewing a number of sites for relocating this shelter, and still expects to complete the relocation in 2007.

### Operating Budget Impact Incremental Operating Impact Summary

Incremental Operating Budget Impact	2007	2008	2009	2010
Program Costs (net) (\$000s)		228	1,543	
Debt Service Charges (\$000s)	41	206	249	187
Approved Positions			7	

**Program Incremental Operating Costs**

The 2007 Recommended Capital Budget will increase the Program’s Operating Budget with incremental impacts in 2007 and future years as a result of the following subprojects:

2007 Capital Projects/Sub-Projects	2007 (\$000s)	2008 (\$000s)	2009 (\$000s)	Total (\$000)	Rec'd position change
Eva's Youth		35		35	
Bethlehem United		193	672	865	
Social Housing Administration System			871	871	7
<b>TOTAL</b>		<b>228</b>	<b>1,543</b>	<b>1,771</b>	<b>7</b>

Operating costs will increase in 2008 by \$0.228 million and \$1.543 million in 2009. An increase of 7 approved positions will be required in 2009 to maintain the Social Housing Administration System.

These increases are attributable to the following shelter projects: \$0.035 million for Eva’s Youth Replacement Shelter in 2008, due to the additional costs to support high-needs clientele; \$0.865 million for Bethlehem United, for the addition of 60 new beds (\$0.193 million in 2008 and \$0.672 million in 2009); and \$0.871 million in 2009 for the Social Housing Administration System, for the addition of 7 approved positions to maintain the new IT system.

The Social Housing Administration System project begins in 2007 and will conclude in 2009 (\$4.2 million, totally debt funded). This project will provide the Social Housing Unit (SHU) and its housing providers with a reporting system that will significantly improve the unit’s effectiveness in managing its service delivery mandate. A study was approved in 2006 for \$0.575 million to provide the SHU business needs, system requirements, and software architecture.

**Debt Service Cost**

The 2007 Recommended Capital Budget will result in new debt service cost of \$0.041 million in 2007; \$0.206 million in 2008; \$0.249 million in 2009; and \$0.187 million in 2010.

Debt service cost of repayment of principal and interest is calculated according to corporate guidelines, in the following manner: 3.0% Year 1, and 14% for subsequent years.

**PART II: ISSUES FOR DISCUSSION****2007 Capital Budget Issues****Homeless Partnering Strategy (HPS) / SCPI Funding**

Over the past six years the program has used federal funding through SCPI as a source of financing its capital program. Based on current information, this funding is no longer available after March 31, 2007.

The 2007 Recommended Capital Budget includes \$7.008 million in SCPI funding for the following four projects: 110 Edward Street Shelter \$4.12 million; Eva's Youth Replacement Shelter \$1.904 million; the Shelter Management Information System \$0.655 million; and Bethlehem United \$0.329 million. While the terms of the SCPI grant specified that project funding was limited to spending by March 31, 2007, the continued availability of this funding source is uncertain. A request to extend the grant for an additional six months has been to the Federal Government. As well, the federal government has recently announced that funding for homelessness support will be extended for two years under the "Homelessness Partnering Strategy". Details outlining the terms the new grant (and possible extension of current SCPI deadlines) will be announced in the first quarter of 2007.

On December 19, 2006, the Federal Government announced funding of \$270 million for a new two-year program, aimed at combating homelessness in communities across Canada. The program, Homelessness Partnering Strategy, is designed to reduce and alleviate homelessness through initiatives at the local level: for example, initiatives that help individuals in skills development/ training, providing greater access to health care and treatment of substance abuse. The program also targets the development of transitional and supportive housing, recognizing that having shelter is a prerequisite for self-sufficiency. Additional details are not yet available, but it is anticipated that much of the programming available through the SCPI program will be available through HPS.

Details outlining the terms of the HPS program will be announced in the first quarter of 2007. While it is likely that the HPS will be available as a funding source (given the similar nature of the new grant), at this time the impact of HPS on the 2007 Capital Budget is unclear.

The General Manager of Shelter, Support and Housing Administration will report to the Budget Committee on the impact that the HPS grant will have on the 2007 Recommended Capital Budget, once the details of the new funding program become available.

**Eva's Youth Replacement Shelter Project**

Eva's Youth Replacement Shelter is ready to proceed; however \$0.939 million in additional funds is required (with SCPI identified as the funding source), bringing the revised total project cost of Eva's Youth Shelter to \$3.579 million. Costs have increased due to a winter construction schedule, façade adjustments, inflation, and site-space restrictions. The Program followed a competitive bid process, and the contract has now been awarded. While it is uncertain that the construction will have progressed in time to access full SCPI funding, a six-month extension of SCPI has been requested. If the current SCPI program is not available as a funding source for the additional \$0.939 million, the HPS grant

may be available. If neither grant is available for funding this increase, it is recommended that the Mayor’s Homelessness Reserve Fund be used as an alternative source of funding.

**5-Year Capital Plan Issues**

**Shelter Bed Replacement**

The following table delineates the timing of the beds coming into service, reflecting the revisions the Program has made to its previous 5-Year Capital Plant that are being recommended for 2007-2011:

**5-Year Shelter Bed Plan**

							<u>Project Cost</u>	<u>Cost / bed</u>
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>Total</u>	<u>\$ 000</u>	<u>\$ 000</u>
New Beds								
Eva's Youth		2				2		
Bethlehem United		60				60	2,700	45
Client Non-specified (1)					35	35	2,251	64
<b>Total New</b>	<b>0</b>	<b>62</b>	<b>0</b>	<b>0</b>	<b>35</b>	<b>97</b>		
Relacement Beds								
Eva's Youth		30				30	3,579	112
Emergency Beds (Edward St) Replacement	40					40	4,589	115
Beds (1)			5	15	22	42	4,121	97
<b>Total Replacement</b>	<b>40</b>	<b>30</b>	<b>5</b>	<b>15</b>	<b>22</b>	<b>112</b>		
<b>Total Beds</b>	<b>40</b>	<b>92</b>	<b>5</b>	<b>15</b>	<b>57</b>	<b>209</b>	<b>17,240</b>	<b>82</b>

(1) The commitment of the future-year shelter beds will be reviewed as part of the 5-Year reporting process.

The Recommended 5-Year Capital Plan reflects both the stabilization in the demand for shelter services (a reduction of 252 beds from the 2006 5-Year Capital Plan), and the City’s focus on helping homeless individuals find permanent housing. The Plan provides for 209 beds, including 97 new and 112 replacement beds between 2007 and 2011, with a cost of \$17.24 million. The reduction in beds is due to the removal of the family shelter at 717 Broadview of 170 beds, a reduction of 69 replacement beds without identified sites (from 111 beds to 42), a decrease in the Edward Street replacement project by 40 beds (from 80 beds to 40), and a reduction in Eva’s Youth Replacement Shelter of 8 beds (from 40 beds to 32). These decreases are offset by an increase of 35 new beds for Client – Non Specified, which will be subject to future-year planning and feasibility studies.

The higher cost per bed of \$115 for the 110 Edward Street Shelter and Referral Centre is due to the proposed multi-purpose of the replacement program, which will include the assessment and referral centre, requiring a unique building design. The higher cost per bed of \$112 for Eva’s Youth Replacement Shelter is due to the capacity restrictions of this particular site, making the logistics of the construction more difficult and costly. The cost per bed of \$64 for Bethlehem United is below average, as the renovation of this site is limited to the interior of an existing building.

## Appendix 4

### Reserve / Reserve Fund Review (\$000s)

Reserve / Reserve Fund Name	Mayor's Homelessness Initiative Reserve Fund XR1104	Proposed Deposits/ (Withdrawals)					
		2006	2007	2008	2009	2010	2011
		\$000	\$000	\$000	\$000	\$000	\$000
Mayor's Homelessness Initiative Reserve Fund XR1104	31-Dec-06		3,669.6				
	Draw to Fund Affordable Housing Program Initiatives		(2,168.0)	(283.0)	(283.0)		
	2007 Commitment to fund Eva's Youth Shelter		(935.6)				
<b>Total Reserve / Reserve Fund</b>	<b>Year-end, December 31 balances</b>	<b>3,669.6</b>	<b>566.0</b>	<b>283.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Appendices 1-3 available online.