

Analyst Briefing Notes
Budget Committee
(March 26, 2007)

2007 OPERATING BUDGET

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Contacts: Alan Cohen, Manager, Financial Planning Division
 Tel: (416) 397-3740

John Forsyth, Senior Financial Planning Analyst
 Tel: (416) 392-5198

2007 OPERATING BUDGET

Executive Summary

- The Affordable Housing Office is below the 2006 Operating Budget at year-end by \$0.529 million gross, primarily due to saving in salaries, as there was a delay in hiring staff. This under-expenditure is offset by reductions in draws from the City’s reserves.
 - Program under spending is not anticipated to carry into 2007.
- The 3-Year Operating Budget supports the Affordable Housing Office’s strategic direction to create 1,000 units of Affordable Housing a year; to promote partnerships and advocate for the creation of new affordable housing with the non-profit sector and Federal and Provincial governments; to administer the Federal RRAP program; and to assist in the development of policy that assists the Federal and Provincial governments design and evaluate programming that helps deliver affordable housing.
 - Challenges for 2007 and beyond include: securing suitable sites and obtaining approval to construct affordable housing units; delivering services in an environment where the timeframes of existing and new government programs is uncertain.
- The 2007 Recommended Operating Budget for the Affordable Housing Office of \$1.418 million net is at target, primarily due to a one-time contribution from the Capital Revolving Reserve Fund of \$0.467 million required of offset base pressures.

Table 1: 2007 Recommended Budget

	2006		2007 Recomm'd Operating Budget			Change - 2007 Recommended from 2006 Approved Budget		FY Incremental Outlook	
	2006 Appvd. Budget	2006 Projected Actual	2007 Base	2007 New /Enhanced	2007 Operating Budget			2008	2009
	\$	\$	\$	\$	\$	\$	%	\$	\$
(In \$000s)									
GROSS EXP.	3,018.1	2,489.3	3,185.9	0.0	3,185.9	167.8	5.6	159.9	24.0
REVENUE	1,600.0	1,071.2	1,767.8	0.0	1,767.8	167.8	10.5	(834.8)	(50.0)
NET EXP.	1,418.1	1,418.1	1,418.1	0.0	1,418.1	0.0	0.0	994.7	74.0
Approved Positions	24.0	24.0	24.0	0.0	24.0	0.0	0.0	0.0	0.0

TARGET	1,418.1	1,418.1	
\$ Over / (Under) Program Target	0.0	0.0	
% Over / (Under) Program Target	0.0%	0.0%	

- The 2007 Recommended Operating Budget of \$1.418 million net is comprised of base funding, with no new/ enhanced service priorities.
 - The 2008 and 2009 Outlook includes an increase of \$0.995 million net or 70.1%, and an increase of \$0.074 million or 5.2% respectively.
 - The 2008 Outlook includes on-going COLA and merit and step increases of \$0.160 million, and a decrease in revenues of \$0.835 million, due to the loss of SCPI funding of \$0.093 million, and a decrease in funding of \$0.742 million from the City's reserves, primarily due to the loss of the one-time contribution from the Capital Revolving Reserve Fund of \$0.700 million.
 - The 2009 Outlook includes an increase of salary and benefits of by \$0.024 million (merit and step increase only), and reductions in contributions from the City's reserves of \$0.050 million.
 - Key Cost Drivers in 2007 include increases in salary and benefits for on-going COLA, merit and step adjustments totaling of \$0.145 million, and other inflationary increases for non-labour costs that total \$0.023 million.
 - Offsetting these pressures are increased revenues that include an additional contribution from the City's Capital Revolving Reserve Fund of \$0.467 million, and increases in Provincial and Federal program fees.
- The 2007 Recommended Operating Budget supports priorities outlined in the Mayor's Mandate, including: to create 1,000 units of affordable housing each year; to advocate senior levels of government to continue funding existing affordable housing programs and to provide funding for new programming; and to transform and revitalize Toronto's existing social housing communities into viable, mixed income communities of hope. 100% of the Program's resources are aligned with these priorities.

Recommendations

The City Manager and Chief Financial Officer recommend that:

- (1) The Affordable Housing Office for the 2007 Recommended Operating Budget of \$3.186 million gross and \$1.418 million net, comprised of the following services, be approved:

<u>Service:</u>	<u>Gross</u> <u>(\$000's)</u>	<u>Net</u> <u>(\$000's)</u>
Housing Improvements	568.5	368.5
Affordable Housing Office	<u>2,617.4</u>	<u>1,049.6</u>
 Total Program Budget	 <u><u>3,185.9</u></u>	 <u><u>1,418.1</u></u>

- (2) It is recommended that the Director of Housing Development report back to the Budget Committee no later than the end of July on the possibility utilizing the Homelessness Partnering Strategy (HPS) as a funding source instead of the Capital Revolving Reserve Fund, once the details of the HPS grant have been announced.

Section A: 2006 Budget Variance Analysis

Table 2: 2006 Budget Variance Review

(In \$000s)	2005 Actuals	2006 Approved Budget	2006 Projected Actuals*	2006 Apprvd. Budget vs Projected Actuals Variance	
	\$	\$	\$	\$	%
GROSS EXP.	1,799.0	3,018.1	2,489.3	528.8	17.5
REVENUES	689.0	1,600.0	1,071.2	528.8	33.1
NET EXP.	1,110.0	1,418.1	1,418.1	0.0	0.0
Approved Positions	24.0	24.0	24.0	0.0	0.0

Source: *Projected Actuals Based on the Preliminary Year-End Operating Variance Report.

2006 Experience

The favourable year-end variance of \$0.529 million gross is totally offset by a revenue reduction. Under expenditures are due to saving in salaries, as six positions were vacant for a portion of the year, due to late hiring, and under expenditures in legal services, the result of delays in the development of housing projects. The favourable variance is offset by reduced contributions from the City's reserves.

Impact of 2006 Operating Variance on 2007 Recommended Budget

Staffing vacancies were filled in the summer of 2006, with the exclusion of one position held vacant for gapping. Program under spending is not anticipated to carry into 2007.

Section B: 2007 Operating Budget Overview Budget

3-Year Operating Budget Overview

The Affordable Housing Office is responsible for the creation of transitional and permanent affordable housing, which includes constructing new buildings, the purchase and rehabilitation of existing housing, or converting non-residential buildings to residential. As well, this Program concentrates on the retention of existing affordable housing, helping to ensure these units are not permanently lost through demolition, conversion or other activities.

The 3-Year Budget supports these objectives as follows:

- Facilitates the creation of 1,000 units of Affordable Housing a year;
- Promotes partnerships and advocates for the creation of new affordable housing with the non-profit sector, the Federal and Provincial governments, and the private-sector housing providers;
- Creates new affordable housing units through administering an RFP process to deliver rental and supportive housing units;
- Administers the Federal RRAP program that preserves and / or enhances the utilization of existing affordable housing stock through the provision of Federal loans that subsidize the redevelopment of apartments, rooming houses and individual homes to eligible property owners;
- Assists in the development of policy and participates in research projects that help the Federal and Provincial governments design/ evaluate programming initiatives designed to deliver affordable housing; and
- Participates in initiatives with TCHC in the redevelopment of Regent Park and other TCHC housing projects.

The administration of existing and new project development is managed through the Shelter, Support and Housing Administration Program.

Service Delivery – Challenges and Issues

The challenges to delivering these priorities include:

- Difficulties locating suitable sites or in selecting suitable project proponents: projects can be delayed for years, as various parties often make appeals through the Planning Board, the Committee of Adjustment or through the Ontario Municipal Board that affect the design and timing of the project development;
- Recent changes in the Federal government have created uncertainties surrounding the previous government's commitment to honoring existing housing agreements with the Provincial government; timeframes associated with existing programming are uncertain; and there are uncertainties surrounding the introduction of new housing programs.

Staff are responding to these uncertainties by promoting political and community intervention designed to support the City's target of creating 1,000 units of affordable housing a year. The Affordable Housing Office will continue to negotiate with senior levels of government for the continuation of existing and introduction of new housing programs, with adequate funding levels.

To address these issues, the Affordable Housing Office promotes the idea that flexibility is required in the use of funding to create affordable housing in the City, including the use of funds from the new national housing program. The Program will continue to negotiate an extension of the current Federal Provincial AHP Housing Program, which currently is scheduled to continue through 2008.

Mayor's Mandate:

The 2007 Recommended Operating Budget directly advances the following priorities outlined in the Mayor's Mandate:

- Create 1,000 units of affordable housing each year for the next four years on the Railway Lands, the West Don Lands, and by redeveloping existing locations;
- Convince the Federal and Provincial governments to continue funding the construction of affordable housing through the Sustainable Communities Partnership Initiative;
- Transform and revitalize Toronto's social housing communities, using Regent Park as an example, into viable, mixed-income communities of hope; and
- Partner with community agencies to ensure the construction of more transitional and supportive housing.

100% of the Program's resources are dedicated to delivering these priorities.

Section C: 2007 Recommended Base Budget

Table 3: 2007 Recommended Base Budget

(In \$000s)	2006 Appvd. Budget	2007 Recommended Base	Change 2007 Recommended Base v. 2006 Approved Budget		FY Incremental Outlook	
			\$	%	2008	2009
GROSS EXP.	3,018.1	3,185.9	167.8	5.6	159.9	24.0
REVENUE	1,600.0	1,767.8	167.8	10.5	(834.8)	(50.0)
NET EXP.	1,418.1	1,418.1	0.0	0.0	994.7	74.0
Approved Positions	24.0	24.0	0.0	0.0	0.0	0.0
NET TARGET		1,418.1				
\$ Over / (Under) Program Target		0.0			994.7	74.0
% Over / (Under) Program Target		0.0%			70.1%	5.2%

2007 Recommended Base Budget

The 2007 Recommended Base Budget of \$1.418 million net meets the 2007 target, by increasing the contribution from the Capital Revolving Reserve Fund by \$0.467 million to offset base pressures.

2007 Key Cost Drivers

The 2007 Recommended Base Budget expenditures of \$3.186 million (gross) includes an increase of \$0.168 million, compared to the 2006 Approved Operating Budget of \$3.018 million.

Key cost drivers include: on-going increases in COLA / merit and totaling \$0.145 million; and inflationary increases for non labour costs totaling \$0.023 million.

Offsetting these pressures are the following changes in funding: reduction in third party grants, fees, and sundry revenue of \$0.300 million from \$1.042 million in 2006 to \$0.742 (including reductions in SCPI funding of \$0.236 million); increases in contributions from the City’s reserves of \$0.467 from \$0.558 million in 2006 to \$1.026 million in 2007.

2008 and 2009 Outlook: Net Incremental Impact

The 2008 Outlook includes an increase of \$0.995 million net (or a 70.1% increase from the \$0 net target), due to the following changes: \$0.160 million increase in salary and benefits resulting from on-going COLA and merit and step increases; revenues decrease in total by \$0.835 million, as 2007 SCPI funding of \$0.093 million is no longer available; the contribution from the Mayor’s

Homelessness Reserve Fund decreases by \$0.042 million, and the 2007 contribution from the Capital Revolving Reserve Fund of \$0.700 million is non-recurring.

The 2009 Outlook includes an increase of \$0.074 million, with salary and benefits projected to increase by \$0.024 million due to merit and step increases, and a reduction in the contribution from the Mayor's Homelessness Reserve Fund of \$0.050 million. COLA is not included, as salaries and benefits are subject to future negotiations.

Section D: 2007 Recommended Service Priorities

There are no new/enhanced service priorities recommended for 2007.

Issues for Discussion**2007 Operating Budget Issues****Base Funding**

The Affordable Housing Office is funded by a combination of Provincial and Federal grants/ fees: \$0.743 million; City Reserves and Reserve Funds: \$1.025 million; and the City Tax Levy: \$1.418 million. A recommendation that the Program increase its funding from third-party grants is included, as the Program relies heavily on City funding.

The following discussion outlines the Program's funding sources, and summarizes why this funding is available to the Affordable Housing Office:

Provincial/ Federal Grants and Fees

Third party funding for the Affordable Housing Office totals \$0.743 million, and is comprised of the following: \$0.450 in Provincial Administrative Fees through the Community Rental Housing Program (CRHP); \$0.200 million from the Federal government in Rental Rehabilitation Assistance Program (RRAP); and \$0.093 million from Supporting Communities Partnership Initiative (SCPI).

- *Provincial Administrative Fee (CRHP)* The 2007 Recommended Operating Budget includes the receipt of fees of \$0.450 million from the Province as a CRHP Fee. This fee is a partial reimbursement to municipalities to cover the costs the City incurs in delivering affording housing projects under the Federal/Provincial Affordable Housing Program (AHP). This program provides the City with 3.27% of the project's capital costs that include developing, implementing and managing the approved affordable housing projects.
- *Rental Rehabilitation Assistance Plan (RRAP)* The 2007 Recommended Budget includes the receipt of fees of \$0.200 million, a partial reimbursement to municipalities for delivering the Federal government's Rental Rehabilitation Assistance Program. The City administers the program on behalf of Canada Mortgage and Housing Corporation (CMHC), and receives reimbursement for costs paid to landlords of affordable housing units to help offset the cost of the mandatory repairs required to bring properties up to minimum levels of health and safety standards.
- *Supporting Communities Initiative Program (SCPI)* The 2007 Recommended Budget includes funding from SCPI of \$0.093 million. SCPI is a Federal Program that the City has used for the past six years to support a number of initiatives aimed at combating homelessness, including creating the transitional housing and housing for tenants with supported-living requirements. This funding is used to support four Approved Positions in the Housing Development Officers until March 31, 2007.

Reserve and Reserve Funds

City Reserves and Reserve Funds include \$0.700 million from the Capital Revolving Reserve Fund (one-time), and \$0.325 million from the Mayor's Homelessness Reserve Fund.

- *Capital Revolving Reserve Fund (CRF)* The 2007 Recommended Budget includes a draw of \$0.700 million (\$0.467 million over 2006) from the CRF. The purpose of the CRF is to provide funding to non profit organizations, including the Toronto Community Housing Corporation (TCHC), for capital costs for affordable housing. This funding is used to offset the cost of developing proposals for affordable housing projects, to provide project development assistance, including forgivable loans/repayable loans, project financing and other activities related to improving the quality/ supply of affordable housing in the City.

The draw to fund the base pressure for the Affordable Housing Office is consistent with the purpose of supporting "activities related to improving the quality / quantity of affordable housing in the City." The balance in the Capital Revolving Reserve Fund at the end of 2006 is \$24.910 million.

- *Mayor's Homeless Initiative Reserve Fund (MHIRF)* The 2007 Recommended Operating Budget includes a draw of \$0.325 million from the Mayor's Homelessness Reserve Fund. The purpose of the Mayor's Fund is to provide one-time capital support for projects which help homeless people move towards stable housing (i.e.: hostel users, street homeless, and high risk groups identified by the Mayor's Homelessness Action Task Force). This funding is used to support two Approved Positions and predevelopment work associated with projects that the AHO has included in the Housing Delivery Plan. At the end of 2006, the balance in this fund is \$3.670 million; including future-year commitments, this fund will be fully depleted at the end of 2009.
- *New Federal Program:* 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, including "target[ing] the development of transitional and supportive housing, recognizing that having shelter is a prerequisite for self-sufficiency." Although details are not yet available, 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.

The General Manager of Shelter, Support and Housing Administration has been requested to report to the Budget Committee on the impact that the HPS grant will have on the City's operations, once the details of the new funding program become available.

Potential utilization of HPS as an alternative funding source for the Affordable Housing Office is recommended, once the details of the new plan have been announced. Specifically, consideration for replacing the \$0.7 million draw from the Capital Revolving Reserve Fund with HPS funding is warranted; replacing the \$0.325 million draw on the Mayor's Homelessness Reserve Fund with HPS funding should also be considered, given the diminishing the reserve balance and the likelihood that the HPS grant will provide funding support for programming that promotes the development of

transitional and supportive housing.

It is recommended that the Director of Housing Development report back to the Budget Committee prior to the end of July on the possibility utilizing the HPS grant as a funding source for the Affordable Housing Office, instead of the City's reserves, once the details of the new HPS grant have been announced.

Appendix 1

Summary of Recommended Base Budget Changes
From 2006 Approved Budget

	Summary of 2007 Base Budget Adjustments				Net Incremental Outlook	
	Approved Positions	Gross Expenditures	Revenues	Net	2008	2009
(\$000's)		\$	\$	\$	\$	\$
2006 Approved Operating Budget	24.0	3,018.1	1,600.0	1,418.1	0.0	0.0
In-year approvals and technical adjustments						
Corporate adjustments						
2006 Approved Operating Budget	24.0	3,018.1	1,600.0	1,418.1	0.0	0.0
Prior year impacts					367.5	50.0
Zero base items						
Economic factors		167.8		167.8	159.9	24.0
Adjusted Base Budget	24.0	3,185.9	1,600.0	1,585.9	527.4	74.0
Other base changes						
Base revenue changes			(299.5)	299.5		
Recommended Base Adjustments:						
Other base changes						
Service efficiencies						
Revenue adjustments			467.3	(467.3)	467.3	
Minor service impact						
Major service impact						
Total Recommended Base Adjustments	0.0	0.0	167.8	(167.8)	467.3	0.0
2007 Recommended Base Budget	24.0	3,185.9	1,767.8	1,418.1	994.7	74.0
2007 Program Operating Target	N/A	N/A	N/A	1,418.1	0.0	0.0
% Over (Under) Program Target				0.0	70.1%	5.2%
% Over (Under) 2006 Approved Budget				0.0	70.1%	5.2%

Appendix 2
Service Level Adjustments

Appendix 4

Inflows / Outflows to / from Reserves & Reserve Funds

(In \$000s)

Reserve / Reserve Fund Name	Reserve Fund Number	Balance as of December, 2006 \$	Proposed Withdrawals (-) / Contributions (+)		
			2007	2008	2009
			\$	\$	\$
Insurance Reserve Fund	XR1010	5,341.4	4.1	4.1	4.1
Mayor's Homeless Initiative Reserve Fund	XR1104	3,669.6	(324.8)	(283.0)	(233.0)
Capital Revolving Reserve Fund	XR1058	24,909.6	(700.3)		
Total Reserve / Reserve Fund Draws / Contributions			(1,021.0)	(278.9)	(228.9)