

Analyst Briefing Notes

Budget Committee

(March 26, 2007)

2007 OPERATING BUDGET

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Contacts: Alan Cohen, Manager, Financial Planning
Tel: (416) 392-3740

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

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Executive Summary

- Shelter, Support and Housing Administration (SSHA) year-end preliminary actuals (net) are below the 2006 Approved Budget by \$4.88 million, partially a result of a decline in bed nights from budgeted volumes of 1,474,676 to actual bed night volumes of 1,411,768. Also, contributing to the under-spending is lower salaries and benefits costs due to hiring delays.
 - Lower bed night volume experienced in 2006 is expected to continue into 2007, with budgeted bed nights dropping by 51,621 from 1,474,676 in 2006 to 1,423,055 in 2007, with resulting budgeted savings of \$2.041 million net.
- The 3-Year Budget will support the strategic direction of SSHA, which includes: helping people who are homeless or at risk of homelessness, access and maintain permanent housing, jobs and service supports; ensuring the on-going viability and sustainability of existing social housing both in terms of built form and mixed income communities; ensuring the City’s preparedness to shelter individuals and families in terms of declared and non-declared emergencies; securing permanent, sustainable funding for social housing, transition and supportive housing, shelters, housing supports and services needed by people who are homeless or at risk of homelessness.
 - The Program challenges include providing services to a diverse clientele while maintaining service within its existing funding envelope; implementing changes in social housing in accordance with the Social Housing Reform Act; transitioning the SCPI program into the new Homelessness Partnering Strategy.
- The 2007 Recommended Operating Budget for SSHA of \$276.574 million net meets target, mainly as the result of the recommended withdrawals from both the Social Housing Stabilization Reserve Fund and the Social Housing Federal Reserve Fund of \$23.96 million to offset pressures and to maintain current service levels.

Table 1: 2007 Recommended Budget

	2006		2007 Recommended 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.	717,764.8	679,560.3	689,684.7	2,807.8	692,492.5	(25,272.3)	(3.5)	17,342.6	16,798.2
REVENUE	441,191.1	407,866.6	413,302.8	2,616.0	415,918.8	(25,272.3)	(5.7)	(24,926.9)	(1,038.7)
NET EXP.	276,573.7	271,693.7	276,381.9	191.8	276,573.7	0.0	0.0	42,269.5	17,836.9
Approved Positions	700.0	700.0	682.3	16.7	699.0	(1.0)	(0.1)	0.0	7.0

TARGET	276,573.7	276,573.7
\$ Over / (Under) Program Target	(191.8)	0.0
% Over / (Under) Program Target	-0.1%	0.0%

- The 2007 Recommended Operating Base Budget is comprised of \$689.685 million (gross) and \$276.382 million (net) and new service priorities of \$2.808 million (gross) and \$0.192 million (net), bringing the total 2007 Budget to \$692.493 million (gross) and \$276.574 million (net).
 - The 2008 and 2009 Outlook increases of \$42.27 million or 15.3% and \$17.84million or 6.4%, respectively, comprised of the reversal of one-time draws on reserves to meet target in 2007 (\$23.69 million), increase in costs to provide ongoing Social Housing services, ongoing COLA for 2008, merit and step increases and the operating impact of capital projects.
- The Program is experiencing the following key cost drivers in 2007: Social Housing cost pressures of \$18.39 million (net), (mainly from increases in Rent Geared to Income subsidy for Social Housing providers of \$5.17 million; the operating adjustment to Toronto Community Housing Corporation of \$7.7 million (primarily RGI increases); the establishment of mandatory benchmarks of \$3.25 million; property tax increases of \$2.79 million); ongoing Cost of Living Adjustments (COLA), and merit and step increases of \$2.42 million; inflationary increases in non-labour costs of \$1.341 million; and the impact from the loss of SCPI funding pilot for both the opening of the replacement of the Edward Street Shelter of \$0.811 million and the continuation of the Streets to Homes service of \$0.584 million.
 - Offsetting these key cost drivers are recommended draws from Social Housing Reserve Funds of \$23.96 million, an increase in gapping of \$0.468 million and general expenditure reductions as experienced in 2006.
- The 2007 Recommended Operating Budget provides funding for 1,423,055 emergency bed nights; administrating funding for social housing providers with 90,000 units of social housing; grants administration for approximately 300 agencies.
- The 2007 Recommended Budget includes a reduction of \$19.311 million as the Supporting Communities Partnership Initiative program (SCPI) will end by March 31, 2007. However the Program has extended the SCPI services to June 30, 2007, funded from the Social Housing Stabilization Reserve Fund (as was approved by Council in March). The General Manager of Shelter, Support and Housing Administration will report back to the Budget Committee on the impact that the recently announced Homelessness Partnering Strategy (HPS) will have on the 2007 Recommended Operating Budget, once all the details are known.
 - The ongoing operations for the 110 Edward Street Shelter and the continuation of the Streets to Homes program, previously approved as pilots and funded from SCPI, are now recommended to be permanent and included in the base budget.
- The 2006 year-end combined balance of the Social Housing Reserve Funds is \$63.306 million. The uncommitted reserves balance by the end of 2007 is only \$18.93 million, after factoring in approved grant and loans to Social Housing providers for capital repairs and the draws required to achieve the 2007 budget target. The reserve draws will result in a pressure in 2008 of \$23.96 million. Also, as the reserve funds are nearly depleted, sustained funding for ongoing state of good repair expenditures for Social Housing providers is uncertain.

Recommendations

The City Manager and Chief Financial Officer recommend that:

- (1) the Shelter, Support and Housing Administration 2007 Recommended Operating Budget of \$692.493 million gross and \$276.574 million net, comprised of the following services, be approved:

<u>Service:</u>	<u>Gross</u> <u>(\$000s)</u>	<u>Net</u> <u>(\$000s)</u>
Program Support	2,104.9	2,104.9
Housing Administration	536,088.0	217,930.1
Housing Programs	10,377.4	0.0
Hostel Services	116,054.6	52,822.0
Housing and Homelessness Supports	26,558.3	2,909.5
Partnership Development & Support	343.3	343.3
Emergency Planning Services	966.0	463.9
	<hr/>	<hr/>
Total Program Budget	<u>\$692,492.5</u>	<u>\$276,573.7</u>

- (2) the General Manager of Shelter, Support and Housing Administration report to Budget Committee on the impact on the 2007 Recommended Operating Budget from the recently announced Homelessness Partnering Strategy (HPS), once the details are known.

Section A: 2007 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	
	\$	\$	\$	\$	% Unspent
GROSS EXP.	652,529.1	717,764.8	679,560.3	38,204.5	5.3
REVENUES	385,414.0	441,191.1	407,866.6	33,324.5	7.6
NET EXP.	267,115.1	276,573.7	271,693.7	4,880.0	1.8
Approved Positions	688.6	700.0	700.0	700.0	0.0

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

2006 Experience

The Shelter, Support and Housing Administration's 2006 preliminary year-end favourable gross and net expenditure variances are \$38.204 million or 5.3%, and \$4.88 million or 1.8% respectively.

The gross variance is primarily attributable to delays in payments of loans for capital repairs to housing providers of \$23.8 million; delays in grants for SCPI community projects of \$10.7 million; and delays in loans and grants for the housing program of \$5.3 million. These expenditures are offset by lower than budgeted revenues, as the loans are from the City's Reserve Funds, and the grants are primarily from the Federal and Provincial governments.

The net variance is partially attributable to a decline in bed nights of 62,908 bed nights or 4.3% from the 2006 budgeted volumes, as bed night declines impact a number of expenditures, including shelter services, food and personal needs allowance; as well, SSHA has realized under spending in salaries and benefits of \$3.138 million, primarily due to hiring delays.

Impact of 2006 Operating Variance on 2007 Recommended Budget

The decrease in 2006 bed night volume results in savings for 2007, as the 2006 budgeted bed nights are being reduced by a further 51,621, from 1,474,676 to 1,423,055 in 2007. While the impact of this reduction in budgeted volume is \$2.041 million net in 2007, these savings are offset by the loss of SCPI funding for Streets to Homes (\$0.584 million net) and the Edward Street Shelter (\$0.811 million).

The savings in salaries is not expected to recur in 2007, as all vacant positions are expected to be filled by the second quarter of 2007.

Section B: 2007 Operating Budget Overview

3-Year Operating Budget Overview

Shelter, Support and Housing Administration Program provides a wide range of service, which includes:

- Providing program administration and direct funding to 90,000 social housing units;
- Providing 1.423 million bed nights of emergency shelter (3,900 per night, 365 days a year) to homeless individuals, including the provision of meals and counselling;
- Administering Supporting Communities Partnership Initiative and other Federal and Provincial grants to over 300 agencies and directly managing programs that help people find and keep housing;
- Directly managing programs that help people find and keep housing;
- Providing administration and policy development for landlord/tenant issues; and
- Developing and managing the mass care program of the City's Emergency Plan.

The 3-Year strategic direction and priorities for the Program are as follows:

- Helping people who are homeless or at risk of homelessness, access and maintain permanent housing, jobs and service supports;
- Ensuring the on-going viability and sustainability of existing social housing both in terms of built form and as mixed income communities;
- Ensuring the City's preparedness to shelter individuals and families in times of declared an non-declared emergencies; and
- Securing permanent, sustainable funding for social housing, transitional and supportive housing, shelters, housing supports and services needed by people who are homeless or at risk of homelessness.

Service Delivery – Challenges and Issues

Shelter Service's core activities aim at providing emergency shelter and supports to homeless people and to those at risk of being homeless. The emergency shelter system is managed through the operation of six City-owned shelters in ten sites and through the administration of purchased-service operations at 55 sites. Shelter services:

- Provide 1,423,055 bed-nights of emergency shelter services for homeless people with 3,900 sheltered each night;
- Administer contracts with 34 purchased service agencies that provide emergency shelter at 55 sites;
- Operate 6 shelters in 10 locations;
- Provide 285,000 bed-nights of boarding home service to adults with psychiatric disabilities through a contract with Habitat Services; and

- Administer contracts for Housing Help programs in 29 shelters, which assists 4,000 households a year find housing.

Social Housing is administered according to the criteria in the *Social Housing Reform Act, 2000*. In 2002, the Province downloaded the administration of Social Housing to municipal governments.

- The City funds over 244 housing providers, including the Toronto Community Housing Corporation. Collectively, Social Housing provides program administration and direct funding to 90,000 units.

Housing & Homelessness Supports administer the City's Homeless Initiatives Fund, the Consolidated Homelessness Prevention Program, and the Federal SCPI grant. Grants administration delivers funding for specific services that are tendered to community agencies. The objectives are to alleviate homelessness, and provide support services directly to the homeless and to "at risk" individuals.

Key services include:

- Administration of approximately 150 funding allocations under the Provincial Consolidated Homelessness Prevention Program and City of Toronto Homelessness Initiative Fund, based on Council direction that funds programs that assist people in finding and keeping housing;
- Provision of Federal SCPI funding to 150 agencies designed prevent homelessness and to help individuals find housing; and
- Through Streets to Homes program, assist homeless individuals move into housing, with over 1,000 individuals relocated since 2005.

Key Challenges for Shelter, Support and Housing Administration for 2007 and beyond include:

- *Shelter Services* provides ongoing service 365 days a year to a diverse, changing clientele within the existing funding envelope. The Program has addressed this challenge in the 2007 Recommended Operating Budget by implementing service efficiencies that result in savings of approximately \$2 million net.
- *Social Housing* is challenged to administer the portfolio according to the criteria in the *Social Housing Reform Act*.
 - Complex formulae have been developed by the Ministry of Municipal Affairs and Housing (MMAH) for the distribution of subsidy to social housing providers, including "benchmarks," a subsidy that uses an average of revenues and operating costs experienced by housing providers as the basis for subsidy payments; subsidy payments also include RGI, a rent subsidy based on the difference between market rent and 30% of the tenants' gross income.
 - Council has approved both Phase I and Phase II of an IT capital project, the Social Housing Administration System. When completed, this project will provide the Program with the tools that will enhance its ability to manage the Social Housing budget and the reporting requirements for the City's Social Housing 244 service providers, reducing the City's risk through improving the quality and accuracy of the financial and compliance reporting.
- *Grants administration* challenges include: a) continuing to build on the success of the Streets to Homes program, as this service is considered an important tool in helping homeless individuals find housing; b) transitioning the administration of the SCPI grant program to the new Homelessness Partnering Strategy, once the details of this grant are available.

Mayor's Mandate

The 2007 Recommended Operating Budget directly advances the Mayor's vision of "...a City with a strong shared sense of social justice, a belief in inclusion and a commitment to diversity-leaving no one behind by creating opportunity for all," and the following priorities outlined in the Mayor's Mandate:

- Transform and revitalize Toronto's social housing communities, using Regent Park as an example, into viable, mixed-income, communities of hope;
- Partner with community agencies to ensure the construction of more transitional and supportive housing;
- 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 SCPI; and
- Continue to seek full 80 per cent provincial cost-sharing on all per-diems paid for hostel services.

Section C: 2007 Recommended Base Budget

Table 3: 2007 Recommended Base Budget

	2006 Appvd. Budget	2007 Recommended Base	Change 2007 Recommended Base v. 2006 Appvd. Budget		FY Incremental Outlook	
					2008	2009
(In \$000s)	\$	\$	\$	%	\$	\$
GROSS EXP.	717,764.8	689,684.7	(28,080.1)	(3.9)	17,342.6	16,798.2
REVENUE	441,191.1	413,302.8	(27,888.3)	(6.3)	(24,926.9)	(1,038.7)
NET EXP.	276,573.7	276,381.9	(191.8)	(0.1)	42,269.5	17,836.9
Approved Positions	700.0	682.3	(17.7)	(2.5)	0.0	7.0
TARGET		276,573.7			0.0	0.0
\$ Over / (Under) Program Target		(191.8)			42,269.5	17,836.9
% Over / (Under) Program Target		-0.1%			15.3%	6.4%

2007 Recommended Base Budget

The 2007 Recommended Base Budget for Shelter, Support and Housing Administration of \$276.382 million net represents a decrease of \$0.192 million, or (0.1)% below the 2006 Approved Budget.

Shelter, Support and Housing Administration's 2007 Recommended Budget has met the flat-line target by withdrawing funds from the Social Housing Stabilization Reserve Fund and the Social Housing Federal Reserve Fund of \$23.96 million to offset 2007 pressures.

The 2007 Gross expenditures are \$28.080 million less than the 2006 Approved Budget, with Revenues \$27.888 million less than the 2006 Approved Budget. These changes are primarily the result of the following: increase to costs for providing Social Housing; the impact of ending the Supporting Communities Partnership Initiative; the reversal of one-time loans and grants to social housing providers; and less Provincial subsidies for the Consolidated Homelessness Prevention Program.

2007 Key Cost Drivers

Key cost drivers for 2007 include:

- Salary increases due to ongoing Cost of Living Adjustment (COLA), merit and step and fringe benefit increases of \$2.42 million;
- Inflationary increases for non-salary expenses, including Purchase Service Hostels per diem costs, and utility costs, equipment, materials and supplies, \$1.341 million;
- The impact of the loss of SCPI grants for both the relocation of the Edward Street Shelter and Assessment Referral Centre of \$0.811 million, and the continuation of the Streets to Homes service of \$0.584 million.

- Social Housing cost increases of \$18.39 million (net), as regulated by the Social Housing Reform Act:
 - Increase in Rent-Geared-to-Income subsidy (RGI) of \$5.17 million, a rent subsidy which pays social housing providers and commercial landlords for the difference between market rent and 30% of the tenants' gross income. The difference between market rent and tenant income has increased, with turnover of tenants requiring higher subsidies for RGI in 2007;
 - The Toronto Community Housing Corporation has requested that their base budget be increased by an additional \$7.7 million (including a one-time increase of \$0.7 million to administer the Provincial rent supplement program), primarily due to RGI increases in 2007;
 - The establishment of benchmarks has resulted in increased subsidy to former Provincially funded housing providers, with the 2007 impact of \$3.25 million. This funding formula uses prescribed benchmarks established by the Ministry of Municipal Affairs and Housing (MMAH);
 - Property taxes required by the funding formula to be paid by the City for all providers that were formally Provincially funded, with the 2007 impact \$2.79 million;
 - The Provincially-issued annual cost factor used in the formula in calculating certain social housing providers' subsidy increases. This cost factor results in an impact of \$0.621 million; and
 - Higher interest costs \$0.199 million for mortgage renewals.
 - Increases of \$1.6 million in GTA Pooling revenue and a decrease in Federal Subsidies of \$0.259 million partially offset the pressures listed above.

2008 and 2009 Outlook: Net Incremental Impact

The 2008 Outlook includes a net increase of \$42.27 million or 15.3% for the following: \$23.69 million reversal of 2007 reserve draw for the Program to meet the "0" increase target; \$13.738 million for Social Housing pressure; \$3.142 million for ongoing COLA, merit and step increases; and \$0.462 million for the operating impact of capital for Eva's Youth Shelter and the Bethlehem United Shelter. There are additional reductions to revenue totaling \$0.967 million, relating to operating impact of capital, and social housing funding.

The 2009 Outlook includes a net increase of \$17.837 million or 6.4% for the following: \$13.249 million for Social Housing pressure; \$1.545 million for ongoing merit and step increases; and \$2.005 million for the operating impact of capital for the Bethlehem United Shelter and the Social Housing IT System. Adding to these pressures are revenue adjustments totaling \$1.039 million, which includes adjustments for Social Housing, due to reductions in Federal subsidy, and the operating impact of capital for the Bethlehem United Shelter. The addition of 7 Approved Positions is required to maintain the new IT system for Social Housing. COLA is not included, as salaries and benefits are subject to future year negotiations.

Section D: 2007 Recommended Service Priorities

Table 4: Summary of 2007 New / Enhanced Service Priorities (In \$000s)

Priority	Description	2007 Recommended		Rec. New Positions	Net Incremental Impact	
		Gross Exp.	Net Exp.		2008	2009
		\$	\$	#	\$	\$
(a) Enhanced Service Priorities - Council Approved:						
(b) Enhanced Service Priorities - Program Initiated:						
	Community Initiatives - Summer Students	35.2	0.0	0.9		
	Streets to Homes Support	255.7	191.8	3.0		
Sub-Total Enhanced Services Priorities		290.9	191.8	3.9	0.0	0.0
(a) New Service Priorities - Council Approved:						
(b) New Service Priorities - Program Initiated:						
	Staff Support for Social Housing IT System	665.0	0.0	10.0		
	Extension of SCPI from April through June, 2007	1,851.9	0.0	2.8		
Sub-Total New Service Priorities		2,516.9	0.0	12.8	0.0	0.0
Total Recommended New / Enhanced Service Priorities		2,807.8	191.8	16.7	0.0	0.0

2007 Recommended Service Priorities

Enhanced Service Priorities – Program Initiated

- Community Initiatives – Summer Students:**

The cost to provide this service is \$0.035 million gross, \$0 net for 3 part-time summer students (0.9 positions) for 16 weeks. This recommended service priority will provide the Program with the capacity to deal with routine administrative functions, allowing full-time staff to perform more complex work, and increasing the efficiency of the administration of homeless funding. This is a one-time initiative, with funding for this priority coming from the Provincial Consolidated Homelessness Prevention Program.

- Streets to Homes - Supervisors:**

Funding of \$0.256 million gross, \$0.192 million net for 3 temporary staff is recommended for this service priority, which will provide improved operational oversight and co-ordination of staff. With the additional supervisors, the program will be more effective and responsive to homeless

encampments. The Streets-to-Homes service helps homeless people gain access to housing and has housed over 1,000 people from the streets since its inception in 2005.

New Services Priorities – Program Initiated:

- **Staff Support for Social Housing Administration System:**

Expenditures of \$0.665 million gross, \$0 net for 10 temporary staff are recommended to develop the Social Housing Administration System capital project, which was approved as Phase II of a new project by Council at its meeting on March 5, 6 and 7, 2007. These positions are funded from the capital budget, with scheduled project completion in 2008. The project will assist Social Housing manage its business processes, through providing the following service capacities: a) tracking the physical condition of facilities and project repair history b) forecasting and controlling rent-geared-to-income subsidy requirements; c) establishing and tracking benchmarks; d) enhancing controls on project subsidy advances; and e) controlling and improving the accuracy of financial compliance reporting.

- **Extension of SCPI Program until June, 2007:**

Funding of \$1.852 gross, \$0 net, with the addition of 2.8 positions is recommended to extend the SCPI program to June 2007, while transitioning to the new Homelessness Partnering Strategy (HPS). The extension will prevent the community agencies from having to wind down their direct service projects, and lay off staff. This initiative was approved by Council on March 6, 2007. The Social Housing Stabilization Reserve Fund will fund the extension, but the draw will be returned to source, pending confirmation of the eligibility of these programs under the HPS program.

Issues for Discussion

Hostel Services Volumes and Costs

The 2007 Recommended Operating Budget includes a reduction in volumes to match the budget to actual experience. The impact of these changes is budgeted savings of \$2.041 million net from 2006, which has been included in the 2007 Recommended Operating Budget. The following table summarizes the changes in budgeted bed nights from 2006 to 2007.

Hostel Bednight Volume Change

Hostel Description	Bednights			Volume Variance Inc/(Dec)	Volume Percentage Change
	2006 Budget	2007 Recommended			
City Operated Shelters					
Seaton House	238,730	231,344	(7,386)	-3.1%	
Women's Residence	38,325	39,800	1,475	3.8%	
Robertson House	20,075	26,700	6,625	33.0%	
Family Residence	63,875	67,000	3,125	4.9%	
Birkdale Residence	46,000	60,000	14,000	30.4%	
Central Program (Edward Street Shelter)	28,616	17,836	(10,780)	-37.7%	
Purchased Hostels	1,039,055	980,375	(58,680)	-5.6%	
Total	1,474,676	1,423,055	(51,621)	-3.5%	

The 2007 Recommended Operating Budget includes a reduction in bed nights from 1,474,676 in 2006 to 1,423,055 in 2007, a reduction 51,621 bed nights. This translates into a drop in the budgeted shelter volume of 3.5% for 2007.

The Program has included a number of changes and efficiencies in its service delivery model for 2007. The more significant changes include the shift in estimated occupancy between providers to match budget to actual occupancy. The reduction in purchased services has provided savings of \$0.705 million, which has been included as a base change. Other significant changes include the reduction in capacity from 80 to 40 beds at the Edward Street Shelter.

Social Housing Costs

The 2007 Recommended Operating Budget for Shelter, Support and Housing Administration includes a significant increase in Social Housing costs of \$18.39 net from the 2006 Approved Operating Budget. The increase is comprised of a number of offsetting items and is listed below:

- Increase in Rent-Geared-to-Income subsidy (RGI) of \$5.17 million, a rent subsidy which pays social housing providers and commercial landlords for the difference between market rent and 30% of the tenants' gross income. The difference between market rent and tenant income has increased, with turnover of tenants requiring higher subsidies for RGI in 2007;
- The Toronto Community Housing Corporation has requested that their base budget be increased by an additional \$7.7 million (including a one-time increase of \$0.7 million to administer the Provincial rent supplement program), primarily due to RGI increases in 2007;

- The establishment of benchmarks has resulted in increased subsidy to former Provincially funded housing providers, with the 2007 impact being \$3.25 million. This funding formula uses prescribed benchmarks established by the Ministry of Municipal Affairs and Housing (MMAH);
- The funding formula requires that property taxes be paid by the City for all providers that were formally Provincially funded. The 2007 impact is \$2.79 million;
- The Province issues a cost factor annually to be used in the formula in calculating some social housing providers' subsidy increases. This cost factor results in an impact of \$0.621 million; and
- Higher interest costs \$0.199 million for mortgage renewals.
- Partially offsetting these increases are: an increase of \$1.6 million in GTA Pooling revenue and a decrease in Federal Subsidies of \$0.259 million.

The Social Housing Outlooks for 2008 and 2009 project net increases in programming costs of \$11.87 million, and \$14.749 million, respectively. GTA Pooling is flat lined in both 2008 and in 2009 at \$91.1 million. These projections do not include any additional funding for the capital maintenance of projects under the administration of the Social Housing unit above that which has been included in the service providers budgets.

GTA Pooling for Social Housing

The 2007 Recommended Operating Budget for Social Housing includes \$91.1 million for GTA Pooling. GTA Pooling is a revenue sharing arrangement with the City and the Regions of York, Halton, Durham and Peel that is administered by the Province. Funding is calculated by MMAH on a fixed expenditure level for the GTA and for each municipality. These costs are then allocated based on each of the regions 'weighted average tax assessment' for the previous year. The difference between the fixed level of expenditure by region and its equalized share is the pooling revenue/payment estimate due to each region.

Presently, there is no agreed upon model of that allocates the Provincial funding; currently Peel and Durham are holding back portions of their pooling commitments (\$11.4 million at the end of 2006); The City has written to the Province to obtain these payments.

This on-going dispute over the GTA Pooling creates a level of risk for Social Housing, as any shortfall in revenues for the operation of Social Housing becomes a pressure to the City.

Social Housing Reserve Funds

The City maintains two reserves to support Social Housing: the Social Housing Stabilization Reserve Fund (2006 ending balance of \$35.137 million), which was established in 2001; and the Social Housing Federal Reserve Fund, (2006 ending balance of \$28.169 million) which was established in 2003. These reserve funds were established: to mitigate the financial exposure associated with Social Housing Devolution, including "to stabilize in-year variances as well as unanticipated year-to-year expenditure fluctuations; to help minimize or phase in their impacts on the property tax rate; to supplement funds for capital repairs, in regard to urgent needs or phase-in toward higher funding levels; and to fund other potential liabilities as they arise."

Withdrawals of \$12.137 million from the Social Housing Stabilization Reserve Fund, and \$14.146 million from the Social Housing Federal Reserve Fund are included in the 2007 Recommended Budget. Of this amount, \$23.96 million is required to achieve target. This combined draw represents an increase of \$19.985 million over the 2006 draw of \$3.975 million. The combined 2006 ending

balance of these reserves is \$63.306 million. The use of the reserve is consistent with past practice used to reduce program pressures.

The reserve draws will result in a pressure in 2008 of \$23.96 million. The uncommitted balance of these reserves at the end of 2007 will be \$18.93 million.

Capital Repairs for Social Housing Providers

At its meeting on July 25, 26, and 27, 2006 Council reviewed the issue of deferred capital maintenance in the Social Housing stock when it adopted the recommendations from the Policy and Finance Committee Report 6, clause 33, "Social Housing in Toronto and Future Risks." This report included an update on the need for capital repairs and replacement required for the social housing stock. Specifically, earlier reports had advised that there is a deferred capital repair backlog of \$224 million in TCHC housing stock (expressed in 2004 dollars). Subsequently, TCHC has indicated there is an immediate need for capital repairs of \$140 million, after completion of its 2005 spending. TCHC plans to debt finance a portion of this (\$70 million) and seek the City's assistance in advocating for additional funding (\$70 million) from the Federal and Provincial governments.

Council was also advised that the present operating subsidy associated with major capital repairs and upgrades to non-TCHC housing providers was not sufficient to cover expected capital expenditures over the life-cycle of these buildings. In order to address these requirements, the City would need to increase the yearly subsidy by an additional \$34 million to the non-TCHC housing providers.

The Program continues to advocate the Provincial and Federal governments for additional funding associated with the social housing portfolio financial risk and to continue to use the reserve funds to address urgent capital repairs.

The projected 2006 year-end balance in these reserves is \$63.306 million. The 2007 Recommended Operating Budget includes withdrawals from the Social Housing Stabilization Reserve Fund of \$12.137 million and from the Social Housing Federal Reserve Fund of \$14.146 million for the Program to meet target. In addition, Council has approved repairs to housing stock that total \$18.09 million, which have not been advanced. Once the funds for these repairs have been forwarded to the housing providers, the uncommitted reserves at the end of 2007 are estimated to be \$18.93 million.

Future / ongoing funding for SOGR for social housing providers is uncertain, given the balance in the reserves.

Hostel Provincial Funding Shortfall

The provision of emergency shelter services is subject to an 80/20 provincial/ municipal cost sharing agreement. However, the Province has capped the amount it contributes to the per-diem cost of shelter provision at rates that are lower than the actual cost of provision in Toronto. As a result, the Provincial funding shortfall for shelter services is expected to reach \$29.1 million for 2007. The shortfall for 2006 was \$25.4 million, and was \$24.8 million in 2005.

The 2006 shortfall is determined by identifying the differential between what the Province funds, which is \$31.32 per diem, and the true subsidy, which should be \$49.42, based on 80% of the actual cost of \$61.77 per diem. This results in a shortfall of \$18.11 per diem, which the City must absorb in the provision of shelter services.

In the past the City has managed cost-sharing shortfalls in this service area with gapping and by absorbing pressures within existing budgets. Slight declines in bed night occupancy rates have also allowed the City to contain some of these program costs.

In the short-term, the City continues to press the Province to pay its bills and honour its cost sharing agreement. For 2008 and beyond, the City must press the Province to upload the full cost of emergency shelter services.

Homelessness Partnering Strategy (HPS) / SCPI Funding

Over the past six years the Program has used federal funding through SCPI as a source of financing its community-grants program. This grant is no longer available after March 31, 2007 for ongoing operating grants. As well, the loss of SCPI creates pressure on the 2007 Operating Budget due to the relocation of the Edward Street Shelter (\$0.811 million); and on-going funding for the Streets to Homes program (\$0.584 million). These services, previously considered as temporary, are now recommended to be included in the Base Budget, to be funded from the City's tax base.

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, and 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 housing is a prerequisite for self-sufficiency.

Details outlining the terms of the HPS program will be announced late in the first quarter of 2007. At this time the impact of HPS on the 2007 Operating Budget is unclear.

A report, "Federal Homelessness Funding: Authority to Negotiate a New Federal Agreement and Manage the Transition to the New Program," (approved by Council at its meeting of March 5, 6 and 7, 2007) approved continuing the SCPI program until June 2007, and approved the funding for the extension from the Social Housing Stabilization Reserve Fund.

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

Affordable Housing Grants

Included in the 2007 Recommended Operating Budget are the Affordable Housing project loans/grants, which are summarized in the following table:

(\$000s)

Project Name	Number of Housing Units	2007 CRRF Budget *	2007 MHIRF Budget **	2007 Total Budget
Ghana - 2350 Finch Ave. W	48	326.4		326.4
YWCA - 60 Bergamot Ave.	68	748.0		748.0
HOTT - 30 Darrell Street	8	35.0		35.0
WRP - Manse Road/Lawrence Avenue East	51	800.0		800.0
Bellwoods Centre - 1082 Dundas St. W	31	432.1		432.1
Toronto Artscape - 76 Wychwood Avenue	26	35.0		35.0
Medallion Properties - 1555 Jane St.	184	607.7		607.7
110 Edward Street (Capital Cost)	300	5,500.0		5,500.0
Wellesley Central - 490 Sherbourne St.	112		941.4	941.4
Houselink Community Homes - 46 Delaware	14		91.8	91.8
Parkdale United Church - 171 Dunn Ave	21		660.0	660.0
110 Edward St (Predevelopment Cost)			200.0	200.0
Total	863	8,484.2	1,893.2	10,377.4

Note

* CRRF - Capital Revolving Reserve Fund

** Mayor's Homeless Initiative Reserve Fund

Appendix 1

Summary of Recommended Base Budget Changes

(In \$000s)	Summary of 2007 Base Budget Adjustments				Net Incremental Outlook	
	Approved Positions	Gross Expenditures	Revenues	Net	2008	2009
		\$	\$	\$	\$	\$
2006 Council Approved Operating Budget	698.0	704,017.1	427,446.0	276,571.1	0.0	0.0
In-year approvals and technical adjustments	2.0	13,747.7	13,745.1	2.6		
Corporate adjustments						
2006 Approved Operating Budget	700.0	717,764.8	441,191.1	276,573.7	0.0	0.0
Prior year impacts	(35.9)	(26,765.6)	(33,522.3)	6,756.7	17,342.1	16,798.2
Zero base items		(743.5)	(447.5)	(296.0)		
Economic factors		1,346.4	5.8	1,340.6		
Adjusted Base Budget	664.1	691,602.1	407,227.1	284,375.0	17,342.1	16,798.2
Other base changes	19.2	441.1	(17,679.0)	18,120.1	966.9	1,038.7
Base revenue changes		(2,293.5)	(205.8)	(2,087.7)		
Recommended Service Level Adjustments						
Service efficiencies						
Revenue adjustments			23,960.5	(23,960.5)	23,960.5	
Minor service impact	(1.0)	(65.0)		(65.0)		
Major service impact						
Total Recommended Base Adjustments	18.2	(1,917.4)	6,075.7	(7,993.1)	24,927.4	1,038.7
2007 Recommended Base Budget	682.3	689,684.7	413,302.8	276,381.9	42,269.5	17,836.9
2007 Program Operating Target	N/A	N/A	N/A	276,573.7		
% Over (Under) Program Target				(0.1)	42,269.5	17,836.9
% Over (Under) 2006 Approved Budget				-0.1%	15.3%	6.4%

Appendix 2

Summary of Service Level Adjustments

Appendix 3

Summary of 2007 Recommended New / Enhanced Service Priorities

Appendix 4

Inflows / Outflows to / from Reserves & Reserve Funds

(In \$100s)

Reserve / Reserve Fund Name	Reserve / Reserve Fund Number	Balance as of December, 2006 \$	Proposed Withdrawals (-) / Contributions (+)		
			2007 \$	2008 \$	2009 \$
Vehicle and Equipment Reserve Fund	XQ0003	20,411.2	8.0	8.0	8.0
Insurance Reserve Fund	XR1010	17,456.0	981.2	981.2	981.2
Sick Leave Reserve Fund	XR1007	67,265.9	55.5	55.5	55.5
Capital Revolving Reserve Fund	XR1058	27,554.1	(8,484.2)		
Mayor's Homeless Initiative Reserve Fund	XR1104	5,080.9	(1,893.2)		
Social Housing Stabilization Reserve Fund	XR1106	35,136.9	(12,136.5)		
Social Housing Federal Reserve Fund	XR2105	28,169.3	(14,146.0)		
Total Reserve / Reserve Fund Draws / Contributions			(35,615.2)		

Note: XR1106 and XR2105 include loans to housing providers for capital repairs