

## **Options for Addressing the Projected 2000 Budget Increase for Hostel Services**

*(City Council on November 23, 24 and 25, 1999, adopted this Clause, without amendment.)*

**The Policy and Finance Committee recommends the adoption of the report (October 20, 1999) from the Commissioner of Community and Neighbourhood Services subject to amending Recommendation No. (8) by deleting the words “within the first six months of” and inserting in lieu thereof the words “by March”, so that such Recommendation now read as follows:**

**“(8) the Provincial and Federal Governments be informed that should discussions regarding cost-sharing, as noted in the previous recommendations, not be resolved by March, 2000, the City of Toronto will bill the respective governments for the services provided and will review whether the City can continue to expand the emergency shelter system beyond the service level set in the year 2000;”**

**The Policy and Finance Committee submits the following report (October 20, 1999) from the Commissioner of Community and Neighbourhood Services:**

Purpose:

**The purpose of the report is to advise Council of the \$27.0 million budget increase projected for Hostel Services in the year 2000. The report outlines options that Council could pursue in order to manage and/or reduce this projected increase.**

Financial Implications and Impact Statement:

Current budget projections for the year 2000 show a very substantial increase in cost for Hostel Services. The following high level summary clearly shows how costs are increasing and how Provincial subsidies are falling behind.

(000's)	1999 Budget	2000 Estimate	Change
Gross Costs	\$68,600.0	\$95,600.0	\$27,000.0 (39%)
Toronto share	\$19,000.0	\$33,000.0	\$14,000.0 (73%)
Provincial Share	\$49,600.0	\$62,600.0	\$13,000.0 (26%)

The increase in gross cost is driven by three factors. First, staff project an 18 percent growth in the shelter caseload. Second, the unit cost in the shelter system is growing because of the disproportionate expansion of full standard shelters and a greater reliance on special needs

programs and City-operated programs. Last, there has been a substantial increase in services that assist in people in obtaining or maintaining appropriate housing in the community.

The entire situation is exacerbated by the fact that the Provincial subsidy is not keeping up with these increased costs. Since 1992 the Provincial subsidy has remained fixed at \$27.60 per person per day. In theory, the Provincial subsidy is intended to cover 80 percent of the cost of operating shelters. In reality, the Provincial share has shrunk to approximately 70 percent in 1999 and is projected to fall even further next year.

The combined impact of the growing cost of homeless shelters and the increasingly inadequate provincial subsidy on the City of Toronto is quite severe. Clearly, a year over year increase in the City's costs of \$14.0 million or 73 percent is unacceptable. The Mayor has recently written to senior levels of government expressing the City's concern regarding this issue and seeking their assistance in addressing the issue.

#### Recommendations:

It is recommended that:

- (1) the Mayor be requested to meet with the Premier, and the Chair of the Community Services Committee be requested to meet with the Honourable John Baird, Provincial Minister of Community and Social Services and the Honourable Elizabeth Witmer, Provincial Minister of Health to discuss the issues contained in this report;
- (2) the Provincial Government be requested to provide 80/20 cost-sharing on the actual per-diem costs of providing emergency shelter service in the City of Toronto;
- (3) the Provincial Government be requested to provide 100 percent funding on all **emergency shelter services provided to assaulted women and their children;**
- (4) **the Provincial Government be requested to provide 100 percent funding on all emergency shelter services provided to individuals with serious mental illness;**
- (5) **the Mayor be requested to meet with the Prime Minister, and the Chair of the Community Services Committee be requested to meet with the Honourable Elinor Caplan, Federal Minister of Citizenship and Immigration and the Honourable Jane Stewart, Federal Minister of Indian Affairs and Northern Development to discuss the issues contained in this report;**
- (6) **the Federal Government be requested to provide 100 percent funding on all emergency shelter services provided to refugee claimants;**
- (7) **the Federal Government be requested to provide 100 percent funding on all emergency shelter services provided to Aboriginal persons;**

- (8) the Provincial and Federal Governments be informed that should discussions regarding cost-sharing, as noted in the previous recommendations not be resolved within the first six months of 2000, the City of Toronto will bill the respective governments for the services provided and will review whether the City can continue to expand the emergency shelter system beyond the service level set in the year 2000;**
- (9) the report be forwarded to the Policy and Finance Committee, and the Budget Committee, for consideration as part of the year 2000 budget process; and**
- (10) the appropriate City Officials be authorized and directed to take the necessary action to give effect thereto.**

Background:

On April 13, 1999 Council adopted a recommendation that directed staff to pursue the opening of further facilities should the occupancy rates for the single adult and youth shelters rise above 90 percent. Further, on June 9, Council directed that staff take all necessary steps to locate sites to provide the 300 - 400 emergency shelter beds that were required to meet increasing need. These motions are directly linked to the increase in beds that is, in large part leading to the budget increase.

Comments:

**Historical Reasons for the Growth of the Emergency Shelter System:**

The City of Toronto has always taken the position that an emergency shelter system is needed to provide an immediate response to people who find themselves without a home. Eligibility for the system is determined solely by the fact that one is homeless. The City of Toronto never placed a ceiling on the number of emergency shelter beds that could be provided and so as the need grew, so did the system.

Over the years the face of the homeless population also changed, and the system developed specialized supports to meet the needs of the "new homeless". A system that initially provided supports to older itinerant men expanded over the years to provide services to assaulted women, families, youth, aboriginal people, individuals with addictions, psychiatric consumer/survivors, newcomers and many others. The system evolved to respond to emerging social issues and to address the increasing diversity of the population in Toronto and the increasing diversity of the homeless population.

Senior government policies also contributed to the growth of the emergency shelter system. Reductions in social assistance rates, cancellation of affordable housing programs, deinstitutionalization from psychiatric hospitals, early release from correctional facilities, changes to immigration and changes to landlord-tenant legislation have all led to greater numbers of people seeking emergency shelter.

Emergency shelter service is essentially the provision of welfare in-kind. The Ontario Works Act defines emergency hostel service as:

**“The provision of board, lodging and personal needs to homeless persons on a short term, infrequent basis, but does not include the provision of services to residents of interval or transition homes for abused women”**

**It is up to the discretion of individual municipalities whether they will or will not fund/provide shelter services. Unlike providing welfare, municipal councils are not compelled to provide emergency shelter service. Nevertheless, successive Councils in Toronto have remained committed to providing emergency shelter services to meet the diverse and growing needs in the community.**

Options for Managing the Budget Increase:

The decision to have a responsive, flexible emergency shelter system that operates a sufficient number of beds does have a financial price. As the system has grown so have the expenditures. As described in the financial implications section of this report the level of subsidy from the Province has not kept pace with this growth. Not only is the City fully responsible for the provision of the service, they are paying a greater and greater proportion of the financial costs associated with the program.

There are two major options that could be considered should Council wish to reduce the budget increase projected for 2000. First, the choice could be made to somehow reduce the volume or level of service that is being provided. Second, the City could seek more appropriate cost-sharing from senior levels of government thus improving the funding to the emergency shelter program.

This Council has clearly demonstrated its belief in the importance of the emergency shelter system. It has also, however, been clear that it does not see the indefinite expansion of the emergency shelter system as an appropriate response to the problem of homelessness. Council has endorsed the concept that an adequate affordable housing stock is the first step in slowing the growth of homelessness. Over the last year the City has taken a number of steps to put in place tools that will, in the long term, increase the affordable housing stock in Toronto. In that same time, neither the Federal nor the Provincial governments have announced any programs or funding that would add substantially to the rental housing market in Toronto and provide real options for the homeless.

Council has further taken the position, in supporting the report of the Mayor's Homelessness Action Task Force, that more housing must be put in place before the City can realistically look at a reduction in the size of the shelter system. Even the steps taken by the City of Toronto to stimulate the growth of the affordable housing stock are unlikely to see results before 2002. Any discussions regarding reduction of service in the emergency shelter system must therefore be considered within the larger contest of the current affordable housing crisis in Toronto and the time frames required to begin to address that crisis.

## Service Reductions:

The first and most obvious way to reduce the budget is to reduce the service being provided. Service could be reduced in a number of ways.

### (a) Reducing volume of service:

The simplest way to reduce the volume of service provided is to restrict the supply of beds available. The decision could be made to freeze the number of shelter beds following the expansion of 675 beds for single adults and youth that is anticipated during this fall and winter. This would not result in significant savings in 2000 as the cost of these beds is already annualized into the 2000 projected budget. A freeze in further expansion would in fact have a greater impact on the 2001 budget.

Volume of service could also be reduced through categorical restrictions on admissions based on reason for homelessness. That is, a decision could be made to refuse admission to certain individuals or families based on jurisdictional boundaries. The decision could further be made to refuse to admit anyone being discharged from another institution i.e.: a general hospital, group home, psychiatric hospital or correctional facility. The expectation would be that these institutions would find their clients appropriate housing in the community.

The implications of these options are obvious. On a practical level, they would have an immense human impact. Adults and children would be left in inadequate or dangerous housing conditions. Women, children and youth could be forced to remain with someone who assaults them physically, verbally or sexually. Other individuals would be left with no housing at all and would be forced to resort to living on the street. Visible homelessness would increase. These types of service restrictions would also place a huge burden on service operators who would have to police admissions and would be forced to reject people who desperately need shelter, simply because they do not fall into the appropriate client group.

### (b) **Reducing level of service provided:**

Another option for service reduction involves reducing the level of on-site service provided. This could include closing facilities during day-time hours, restricting lengths of stay, removing counselling services and children's programming, closing facilities during the summer months, cancelling recreation programs, etc. The impact of daytime and seasonal closure is, again, an increase in visible homelessness. The already over-burdened and underfunded drop-in sector would not be able to absorb the additional people. Cancelling specific counselling, supports and recreation services would result in high levels of stress for adults, children and staff. In fact, when these types of supports are taken away other supports need to be put in place. Instead of providing counselling, security services will need to be provided. Staff experience is that it is often just as expensive to run a bad shelter as it is to run a good shelter.

(c) Cancelling programs:

A final option for reducing service is to cancel any programs that are not directly related to providing people with emergency beds and meals. This would include programs such as Project Going Home, that assists homeless individuals and families to return to their home communities and Housing Contacts, that assists families in finding housing outside of Toronto. These are innovative and creative programs that have been developed to address the ongoing housing shortage in Toronto. Cancellation would significantly restrict housing options for many people in the shelter system and would mean longer stays in the system.

Improved Cost-sharing:

A second way to mitigate the impact of the budget increase is to seek improved cost-sharing on the delivery of hostel services. This would mean that the system could continue to respond appropriately but that the financial impact of the response would be reduced. There are a number of possible areas where improved cost sharing could be negotiated.

(a) Provincial Government:

As described previously the cap on provincial cost sharing is having a significant impact on the City's net expenditures. On the staff level, there have been discussions regarding this over the last number of years, however, to date the Province has not been willing to change existing policies regarding the per-diems. Possible approaches to the Province could include a request that the Province remove the cap on the per-diem and allow the cost sharing to return to its original 80/20 level. If cost sharing were returned to the 80/20 level, revenues from the Province would be increased by \$14.0 million in the 2000 budget year.

The City should also consider approaching the Province for full cost sharing for the clients with mental health or addictions issues who are using the emergency shelter system. These issues are clearly the responsibility of the Provincial Ministry of Health and in many ways the shelter system has ended up providing cheap detox or psychiatric beds. Staff estimate that up to 860 beds in the single adult and youth system are occupied by individuals with mental health issues. The cost of providing service to the individuals, based on 1999 budget estimates, is \$12.6 million. Using the estimated 1999 cost-sharing ratios of 70/30 Provincial/Municipal (as opposed to the legislated 80/20 cost sharing ratio) the City's portion of this figure is \$3.8 million. It is not currently possible to calculate the cost of providing service to individuals with alcohol and drug addictions.

Finally, the City should request funding from the Province for the high number of assaulted women and children who are being served in the emergency shelter system. Responsibility for assaulted women's shelters was uploaded to the Provincial level on January 1, 1998. However, there are large numbers of assaulted women who cannot access the specialized services of an assaulted women's shelter and must rely on other

emergency family shelters for support. Staff estimate that on any given night 380 beds in emergency shelters for families are occupied by women and children fleeing family violence. Based on per-diem estimates in the 1999 budget, the annual cost to Hostel Services of providing service to these families is an estimated at \$5.6 million. Again using 1999 cost-sharing ratios, the City is paying 30 percent or \$1.7 million. In addition to requesting full Provincial cost-sharing on these cases, the City should advocate with the Provincial government for the expansion of the assaulted women's shelter system in Toronto as no new beds or facilities have been added since 1992.

(b) Federal Government:

The Federal Government has jurisdiction for two groups that are currently served by the emergency shelter system in Toronto. The City should approach the Federal Ministry of Indian Affairs and Northern Development to provide cost sharing for services provided to all aboriginal persons. Through current agreements some cost-sharing is provided for individuals who have lived on reserves within the last year. This is not sufficient given the documented needs of the homeless aboriginal population in Toronto and the disproportionate number of aboriginal people who are homeless. The actual cost of hostel services to aboriginal persons is difficult to calculate as shelter operators do not collect ethno-racial data at the time of admission.

The Federal Government should further provide full funding for any refugee claimants using the emergency shelter system in Toronto. It is the responsibility of Canada Immigration to manage entry of individuals into the country. The City does not question the desire of people to come to Canada to improve their lives; however, the Federal Government is responsible for supporting these individuals and families until such time as Canada Immigration provides them with the documentation they require to access social services or employment. Previous reports to Council have estimated that approximately 450 refugee claimants are accommodated in the emergency shelter system on any given night. Again, using current per-diem costs and cost sharing, the annual cost of providing this service is approximately \$6.6 million of which the City pays \$1.98 million.

Potential City Savings in 2000 from Improved Cost Sharing:

There would be significant savings to the City in the year 2000 if negotiations with senior levels of government were successful.

First, if the City was successful in negotiating with the Province regarding the general subsidy issue and was able to have cost sharing returned to 80/20 Provincial/Municipal then \$14.0 million in funding would be restored. Once the 80/20 cost-sharing was in place, if the City was successful in negotiating full funding for assaulted women and individuals with serious mental health issues, estimated expenditures of \$3.9 million would be recovered. Thus there is a potential estimated funding increase of \$17.9 million from the Province.

Again, assuming that 80/20 cost-sharing had been restored, if the City was successful in negotiating with the Federal Government regarding full funding for refugee claimants, an estimated \$1.4 million would be received.

The total possible increased funding to the City from these sources for the 2000 budget year is estimated at \$19.3 million, which would eliminate the net budget increase estimated for 2000.

### Conclusions:

Flexibility and responsiveness have been the strengths of the emergency shelter system. The system has been able to grow as needs have increased and has been able to develop specialized programs to meet emerging needs in the homeless population. Unfortunately the system's capacity to meet so many different needs has allowed other levels of government to abrogate responsibility for the impacts of their own policy decisions. By default, the shelter system has become heavily involved in many issues, such as family violence, mental health and immigration that now lie within the jurisdiction of senior government. The emergence of these issues in the emergency shelter system over the last ten years has largely been the result of poor policy or program decisions by other levels of government.

It is clear that over time the mandate of the emergency shelter system has changed. The Community and Neighbourhood Services Department is embarking on a service planning process that will include examining and defining the current emergency shelter system. The intent will be to return the system to providing emergency short-term once other housing, treatment and supports are in place. In the mean time, it is important that the City examine the short and long-term budget implications of continuing to fund the system as it now operates.

At the present time it is not proposed that there be a reduction in volume or level of service to homeless persons because of the high human cost that can result from the denial of service. The City's first strategy should be seek appropriate cost sharing from other levels of government in order to offset the growing financial impact on the City of Toronto.

Negotiations should begin with the Provincial government for a return to the 80/20 cost sharing that has traditionally been in place. The City should also negotiate with the Province for full reimbursement for emergency shelter services provided to assaulted women, individuals with mental health issues and individuals discharged from psychiatric hospitals. The City should also discuss with the Province the high level of emergency shelter service being provided to individuals with drug and alcohol addictions.

The City should further meet and negotiate with the Federal government for full reimbursement for shelter service provided to refugee claimants and aboriginal persons.

Should these negotiations with the Province and the Federal Governments be unsuccessful within the first 6 months of 2000, it is recommended that the City bill the respective governments for the services provided and review whether the emergency shelter system in Toronto should expand beyond the service level set in 2000.



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**The Policy and Finance Committee submits the following communication (November 4, 1999) from the City Clerk:**

Recommendation:

The Community Services Committee on November 4, 1999, recommended to the Policy and Finance Committee the adoption of the report dated October 20, 1999, from the Commissioner of Community and Neighbourhood Services respecting options for addressing the projected 2000 budget increase for Hostel Services.

Background:

The Community Services Committee had before it the following report and communication:

- (October 20, 1999) from the Commissioner of Community and Neighbourhood Services respecting options for addressing the projected 2000 budget increase for Hostel Services; and
- (November 4, 1999) from Ms. Anne Dubas, President, Canadian Union of Public Employees, Local 79, attaching a copy of a letter to The Honourable Claudette Bradshaw, Federal Co-ordinator for Homelessness, urging the Federal Government to revive a national housing strategy and infrastructure program that will house the homeless and meet the needs of lower-income Canadians.