



STAFF REPORT ACTION REQUIRED

2008 Per Diem Rates for the Purchase of Service Shelter System and Related Matters

Date:	November 19, 2007
To:	Community Development and Recreation Committee
From:	General Manager, Shelter, Support and Housing Administration
Wards:	All
Reference Number:	

SUMMARY

This report provides: recommendations on the 2008 Bed Capacities and Per Diem rates for the purchase of service shelter system and funding levels for other various operating contracts; a report back on the Youth Shelter Interagency Network report a “System in Crisis”; information on the preliminary findings and consultation process regarding the Hostel Services Funding Model Review; and an update on shelter system directions.

RECOMMENDATIONS

The General Manager, Shelter, Support and Housing Administration, recommends that:

1. Council approve the recommended per diem rates, bed capacities and personal needs allowances rates for the shelter system as set out in Appendix A subject to the approval of the 2008 Operating Budget;
2. the General Manager, Shelter, Support and Housing Administration and/or his designate be authorized to:
 - a. enter into purchase of service agreements with community agencies and motel operators for the provision of shelter services and the issuance of personal needs allowance, up to the maximum contract values as outlined in Appendix A, subject to the approval of the 2008 Operating Budget;
 - b. contract with and issue payments of up to \$8.506 million(gross)/\$1.703 million (net) to Mental Health Program Services of Metropolitan Toronto (Habitat Services) for the provision of housing and supports for

- psychiatric consumer survivors living in Habitat contracted boarding or rooming houses subject to the approval of the 2008 Operating Budget;
- c. contract with and issue payments to the Toronto Hostels Training Centre for the administration and provision of training for shelter staff up to a maximum amount of \$198,000 subject to the approval of the 2008 Operating Budget; and
 - d. purchase up to \$42,000 in training for staff of the directly operated shelters from the Toronto Hostel Training Centre in order to meet the training requirements laid out in the Council approved Toronto Shelter Standards, subject to the approval of the 2008 Operating Budget;
3. the General Manager, Shelter, Support and Housing Administration, undertake a consultation process with relevant stakeholders, shelter providers and other service providers which will be used to evaluate options related to the future funding direction for shelter services which includes integration of a strategy to support people who are homeless to access and maintain permanent housing in the funding structure, and report back to the Community Development and Recreation Committee in 2008;
 4. the General Manager, Shelter, Support, and Housing Administration, be authorized to enter into an agreement with the Province, should they wish to continue a project such as Hostels to Homes, which uses per diem funding in a flexible manner to support people who are homeless to access and maintain permanent housing, provided that the funding and payments do not exceed the Annual Approved Operating Budget; and
 5. the General Manager, Shelter, Support and Housing Administration, directly invoice the Province at 100 per cent of what the Province funds for Violence Against Women Shelters, for the length of time women and children fleeing abuse stay in the City's shelter system.

Financial Impact

The summary of Financial Impacts from approving the service agreements outlined in this report are noted in the following table:

Funding for the per diem and personal needs allowance (PNA) payments for purchase of service shelters, motels, and payments to Habitat Services and the Toronto Hostels Training Centre are included in the proposed 2008 Operating Budget for Shelter, Support and Housing Administration.

Contract (\$000s)	2007 Approved Budget		2008 Recommended Budget		Variance Increase (Decrease)	
	Gross	Net	Gross	Net	Gross	Net
Purchase of Service Shelter Provider Contracts	47.518	16.201	47.284	16.596	(0.234)	0.395
Personal Needs Allowances	1.888	0.378	1.896	0.379	0.008	0.001
Habitat Mental Health Program Services of Metropolitan Toronto (Habitat Services)	8.258	1.564	8.506	1.703	0.248	0.139
Toronto Hostels Training Centre	0.198	0.099	0.198	0.099	0.0	0.0
City of Toronto Shelter Training Needs	0.042	0.042	0.042	0.042	0.0	0.0
Motel Contracts	0.763	0.0	0.781	0.0	0.018	0.0
Total	58.667	18.284	58.707	18.819	0.040	0.535

As per the table above, the proposed 2008 Operating Budget includes \$58.71 million (gross), \$18.82 million (net), for these various contracts. Adopting the recommendations in this report would increase the gross and net budget, incrementally above the 2007 Approved Base Budget, by \$0.040 million and \$0.535 million, respectively. The increased pressure from the contract changes is offset by efficiencies included in the 2008 Budget Submission.

As in 2007, the Provincial government has increased its capped per diem and personal needs allowance rate by 2 per cent. The new Provincial per diem rate for 2008 is \$40.75 (80 per cent capped rate is \$32.60) up from \$39.96 (80 per cent capped rate at \$31.96). The combination of a decline in available beds and the 2 per cent increase in subsidy lowers the Provincial contribution for the purchase of service shelters from \$31.3 million in 2007 to \$30.7 million in 2008. The decrease in estimated bed nights is from 980,375 in 2007 to 941,324 in 2008, due to the closure of 175 beds in 2007. Three of the four shelter closures were expected and the 2007 operating budget had already been adjusted to reflect these partial year operations. The bednights are also lower because of increased efforts to assist people to access housing and the projected successes of the pilot project Hostels to Homes.

Although the number of projected bed nights in 2008 has decreased by 4 per cent, or 39,000, the Division is recommending that the savings from the reduced volumes be used

to offset an increase in contracted rates for purchase-of-service shelters providers. While the overall rate increase for the system creates a net \$0.395 million pressure for 2008, the Division has been able to offset this pressure with efficiencies in other areas.

The 2008 Operating Budget Submission also includes up to \$8.746 million (gross)/\$1.844 million (net), for Habitat Services and the Toronto Hostels Training Centre. This is an increase of \$.248 million (gross), \$.139 million (net) over 2007, as a result of the budgeted 2% increase in Provincial funding, which offsets a portion of the increases for this agency. Funding for the motel program of \$0.781 million gross, with no net incremental impact is also recommended.

Shelter, Support and Housing Administration operates within its funding authorities up to the approved Operating Budget. In the event that occupancy levels exceed the 2008 approved budget, Shelter, Support and Housing administration would report out to Community Development and Recreation Committee and to Budget Committee and seek to mitigate cost pressures within the overall divisional envelope.

The expenditures proposed for 2008 are subject to the 2008 Operating Budget process.

The Deputy City Manager and Chief Financial Officer has reviewed this report and agrees with the financial impact information.

DECISION HISTORY

Shelter, Support, and Housing Administration reports annually on the recommended per diem rates and bed capacities. A copy of the 2007 report can be found at:

<http://www.toronto.ca/legdocs/2006/agendas/council/cc060925/cms6rpt/cl012.pdf>

The April 2, 2007 Community Development and Recreation Committee Decision regarding youth shelter system funding can be found at:

<http://www.toronto.ca/legdocs/mmis/2007/cd/decisions/2007-04-02-cd03-dd.pdf>

The Council motion on April 20 and 23, 2007 regarding the youth shelter system – page 8 in the Toronto City Council Decision Document – Special Meeting – April 20 and 23, 2007 can be found at:

<http://www.toronto.ca/legdocs/mmis/2007/cc/decisions/2007-04-20-cc06-dd.pdf>

Many of the issues raised in this report are also being reviewed and discussed as part of the Provincial Municipal Fiscal Service Delivery Review (PMFSDR) process.

ISSUE BACKGROUND

Hostel Services of the Shelter, Support and Housing Administration Division is the Consolidated Municipal Service Manager responsible for shelter development, program delivery and system oversight. The Ontario Works Act outlines the authority for municipalities to purchase service from community agencies to provide shelter services and personal needs allowance. The Provincial revenue funding formula is an occupancy driven model which pays shelters on a per diem basis for beds occupied by homeless individuals, families and children.

Council has made numerous recommendations to urge the Province to change the funding model and increase the per diem rate because the rate does not adequately fund the costs of providing emergency shelters in the City of Toronto nor does it fund the services required to assist homeless individuals to find and keep housing. In 2008 the projected shortfall in Provincial revenue is \$31 million.

COMMENTS

As of November 2007, there are 62 shelter facilities in the City of Toronto. The shelter system is a mixed service delivery model with the City directly operating nine shelters, the Assessment and Referral Centre, and Central Family Intake; and 53 shelter sites operated by 31 community not-for-profit agencies funded through purchase of service contracts with the City. All programs must meet the operating requirements as set out in the Toronto Shelter Standards and the purchase of service operating agreements.

There are currently two other purchase of service shelters under development. Both are located outside the downtown core. Eva's Satellite, which is a replacement facility for an existing youth shelter, is located in the former North York and a new 60 bed mixed adult shelter is also located in the former North York in the Caledonia and Eglinton area and will be open this December.

Shelters provide emergency shelter, food, board, lodging and specialized counselling and support services for thousands of people annually. In 2007 there are on an average night over 3,800 beds available in the regular shelter system for single adults, youth, and families with children.

Occupancy Information:

The 2007 average occupancy rate from January – October 14, 2007 for single adult and youth shelters is 92 per cent and there are on average 779 families including children in the shelter system on a nightly basis. Appendix B provides a chart showing the average occupancy trends from 2006-2007 and the most recent occupancy data for the week of October 29-November 4, 2007.

Appendix C charts the total number of different people who stayed in the shelter system from 1999-2006 on an annual basis. Over this eight year period the peak use was in 2001

when 31,175 different people used the shelter system. The lowest use was in 2004 when 26,312 unique individuals used the shelter system. This represented an 18 per cent decrease from 2001. The total number of different people using the shelter system in 2006 was 26,850 which is a slight increase of two per cent from 2004.

Appendix D charts the total number of bednights against the average system capacity from 1999 – projected to the end of 2007.

New Client Support Services Framework:

The Client Support Services Framework describes a collaborative, client-centred strategy to respond to each person's unique needs and creates a case plan that helps people return to appropriate permanent housing.

In early 2007 Hostel Services implemented a new Client Support Services Framework that identifies mandatory service objectives and associated timeframes related to client services and includes new file documentation standards.

Guiding principles of the framework are that it:

- is centred around and driven jointly by the client and case worker
- is a shared responsibility and promotes a team approach among relevant shelter staff
- includes advocacy efforts on behalf of clients
- builds upon collaborative relationships and system integration between the shelter and other community service providers

The outcomes of the Client Support Services Framework include:

- fostering client self reliance, goal setting and self determination
- the delivery of appropriate service and decreased duplication of services
- improving collaboration and connectivity across the shelter system
- increasing client satisfaction with the services they receive
- ultimately, the client's successful move into appropriate housing and reintegration into the community

Hostel Services will be evaluating each shelter's compliance with these new requirements as part of the Quality Assurance Review process in 2008.

Quality Assurance Phase Two:

Hostel Services Quality Assurance Initiative is now in its second phase. This phase measures each shelter's policies and practices with a primary focus on access and discharge practices, service restrictions, complaints management, case management and housing help services.

The second phase also includes a survey of a sample of shelter clients. Shelter, Support and Housing Administration has hired consultants to administer the one-on-one survey at 18 randomly selected shelters. The survey focuses on asking clients about their experiences while staying in shelters; their ideas on what makes a good shelter; and how to improve the quality of services in shelters.

The consultants have undertaken a research and jurisdictional review to assist the City to develop the best approach to deliver this important survey. Through that research it was determined that this survey is the first of its kind. As part of the Quality Assurance Review process staff will report out on the findings from the site reviews and the results from the survey.

These results will inform the third phase of Quality Assurance which focuses on reviewing and improving the Toronto Shelter Standards, Board Governance and Facilities Maintenance and will result in an updated version of the Shelter Standards.

1. Purchase of Service Rates and Bed Capacities

a. 2008 Recommended Per Diem Rates, Bed Capacities and Personal Needs Allowances

The 2008 recommended per diem rates, bed capacities, personal needs allowances, and detailed information for each shelter are included in Appendix A. The implementation of these rates is subject to the approval of the 2008 Shelter, Support and Housing Administration Operating Budget. As in 2006 and in 2007, the City applies increases/sector adjustments in per diem rates using the pre-established Council reported criteria as outlined in Appendix E.

Appendix F provides comparative operating budget information between 2007 and 2008 on a system and sector basis.

In 2008 the Provincial per diem capped rate will increase by 2 per cent to \$40.75 (80 per cent is \$32.60). With the 2007 bed closures (and corresponding lower bed nights) and enhanced efforts to house homeless people, there is \$1 million net funding available. This will be used to address the immediate financial pressures in the purchase of service shelter system including pressures associated with cost of living increases, contracts, utilities, general inflation and food. The net funding has been allocated in accordance with efforts in rationalizing per diem rates with contracted service delivery expectations/standards.

b. Information on In-Year Adjustments to Per Diem Rates

Changes to the Council approved per diem rates and bed capacities are considered in-year adjustments. These adjustments may occur in-year for a

number of reasons including a change in service provision, an urgent financial situation that requires an increase to the per diem rate, and/or a need for additional beds to meet occupancy demand. Hostel Services has an established business practice that appropriately records and accounts for any in-year per-diem adjustments. Any change in the operating agreement must be approved by the appropriate signing authorities and Hostel Services reports out annually to Council on any required in-year adjustments; please see Appendix G – 2007 In-year Adjustments Report. In 2007, adjustments were made to ten contracts including rate and/or bed capacity adjustments.

c. Other Service Contracts - Motels, Toronto Hostels Training Centre and Habitat Services

This report seeks authorization to enter into funding contracts with Habitat Services, the Toronto Hostels Training Centre and the City's motel program subject to the approval of the 2008 Operating Budget. Please see Appendix H – Other Annual Services Contracts for detailed information on these programs.

2. Response to Youth Shelter Interagency Network report a “System in Crisis”

The Youth Shelter Interagency Network (YSIN) is a coalition of 11 of the 14 Youth shelters. In the April 2, 2007 Community Development and Recreation Committee and Council's Special Meeting on the 2007 Operating Budget, the YSIN paper “System in Crisis Report” was provided to Committee and Council. The report highlighted YSIN's concerns regarding inadequate funding of the youth shelter system and made a number of recommendations (Appendix I provides a summary of those recommendations).

Council also made a number of recommendations related to this report which are contained in Appendix J.

The following section outlines the staff response related to the various recommendations moved by Council. In considering these recommendations it is important to remember that youth shelters comprise 15 per cent of shelter beds in the system.

a. Immediate Financial Pressures

Motion: The YSIN report was referred to the General Manager, Shelter, Support and Housing Administration, with the request that he report to the Community Development and Recreation Committee, in July 2007, on immediate financial pressures in youth shelters and potential short-term solutions while the shelter per diem study is being completed, and the shelter per diem study include a comparison of City and community-

funded shelters and look for a more equitable distribution of resources within existing resources, including per diems to youth shelters.

Response: The youth shelters are the highest funded sector. The financial pressures experienced by youth shelters are the same as other sectors. There is an established business case process that allows agencies that are experiencing financial pressures to document their financial pressures and seek assistance from the City. In 2007 there are 3 youth shelters that are receiving higher per diem funding based on business cases submitted. The remaining youth shelters have not submitted formal business cases requesting additional funding.

The Funding Model review already included an examination of the funding for City operated programs vs. community programs and this report is being released in early 2008. Information on the status of the report is included in Section 3 of this report.

In relation to immediate cash-flow pressures, the Youth Sector Inter-Agency Network (YSIN) identified retroactive billing as a cash-flow operating challenge in their report “A System in Crisis – An Action Plan to Save Toronto’s Youth Shelters”. Currently, the City of Toronto reimburses shelter providers for shelter services at the end of each month. Shelter providers have identified that this billing process is a challenge for most agencies from a cash flow perspective. The consultants who completed the Funding Model Review also noted this as a challenge for purchase of service shelters and identified an opportunity to use advance payments to assist shelter providers in their day-to-day management of shelters.

In response to this opportunity, Shelter, Support, and Housing Administration staff met with other City divisions including Corporate Finance, Internal Audit, and Social Development and Finance and Administration to establish a pilot project that advances per diem funding with a representative sample of shelters.

The pilot permits selected agencies to receive 75 per cent of their monthly per diem for the coming month by direct deposit at the start of each month. The 75 per cent is calculated on the agency’s previous year’s average actual monthly occupancy (i.e. actual billable bednights). The remaining 25 per cent is paid to the agency when the per diem billing submission is received and reconciled at the end of each month and all monthly reporting requirements have been met.

All purchase of service shelters were invited to apply provided they were in good standing. As part of the application process providers were required to outline the financial and audit controls in place at their

organization and information about their cash-flow protocols and reserves to determine which agencies were eligible to participate in the pilot.

17 shelters applied, 12 were approved, 4 are resubmitting an application with additional information and 1 was not approved at this time. Seven of the applications were received from Youth shelters; these applications were all approved.

This pilot has now been running for one full month. Thus far, staff have received very favourable feedback from participating shelter providers.

b. 2007 Per Diem Rate for Youth Shelters

Motion: The per diem for 577 youth shelter bed nights be increased to a minimum of \$61.00 in 2007 at a cost of \$530,000, to be funded from an unallocated reduction in the 2007 Recommended Operating Budget for Shelter, Support and Housing Administration.

Response: Staff do not recommend increasing the youth sector average per diem to a minimum of \$61.00. The net implication of such an increase in 2007 (assuming budgeted occupancy) is \$834,000. The youth sector is currently the highest funded sector in the purchase of service shelter system. As noted above, all shelters are experiencing the same financial pressures.

c. Unallocated Reductions

Motion: That the General Manager, Shelter, Support and Housing Administration report back on how the unallocated reductions will be realized as part of the 2007 3rd Quarterly Operating Variance Report.

Response: Staff are reviewing current year-end occupancy projections to determine any available funding that will be distributed through an annual payment process to all purchase of service shelters to assist them in meeting contract requirements related to quality assurance and the implementation of the Shelter Standards. This funding is included as part of the Approved Operating Budget and does not create a year-over-year cost pressure.

d. 2008 Per Diem Rates for Youth Shelters

Motion: That an increase in the per diem from \$61 to \$65 for the 577 youth shelter bed nights, at a cost of \$734,000 be considered as part of the 2008 budget process.

Response: Staff are not recommending increasing the youth per diem from \$61.00 to \$65.00 for 2008. The actual net implication of such an increase is \$1.6M because the 2007 average rate is \$58.11. The per diem rates in the youth sector range from \$52.00 - \$72.84. The recommended sector average per diem in 2008 is \$59.62. This represents an overall 2.53 per cent increase from 2007 to 2008 – Appendix K charts the Youth Sector Per Diems.

The Auditor General was clear in his recommendations that SSHA needed to develop financial criteria and specific financial guidelines to be consistently applied to determine per diem rates for community agencies. SSHA has done this and has applied these guidelines (Appendix E) in conducting the review for 2008. The increase proposed by the above motion would not be in line with these guidelines and would in fact create a further gap in the City's efforts to rationalize per diem rates.

- e. *Motion: The General Manager, Shelter, Support and Housing Administration, meet with representatives of the youth shelters and YSIN to consider their recent report on the per diem rates and report back to the Community Development Committee on the recommended per diem for 2008.*

Response: In August 2007, the General Manager of SSHA and other senior staff met with the representatives of YSIN to discuss the "System in Crisis Report" and provided them an opportunity to present their findings and recommendations. Many of the issues that are raised in the "System in Crisis" report and in discussions with YSIN are ones that staff agree with, and are confirmed by the funding review. These include that the Province:

- should increase its contribution to the per diem rate immediately to meet the 80/20 cost sharing ;
- is failing to pay for even the basic costs of shelter such as board and lodging and certainly not covering the costs associated with providing more comprehensive services for people with complex needs;
- should pay for 100 per cent of services related to shelter clients who have severe psychiatric illness and substance use issues; and
- should provide capital funding for all shelters to ensure that the physical infrastructure is maintained to an acceptable level in all shelters.

Shelter, Support and Housing Administration is aware of the excellent work being done in youth shelters in Toronto and is aware of the financial struggles some youth providers are facing. Shelter, Support and Housing Administration has responded in-year with additional funding for

organizations that have demonstrated through formal business case submissions that they were in financial need. As the service system manager the City cannot respond solely to the needs or concerns of one sector, or one client group. It is important to balance the financial needs of all shelter providers to ensure that all clients are receiving high quality/relevant services throughout the shelter system.

3. Funding Model Review Update

a. Background

In 2006, Hostel Services commenced a process to review the per diem funding model. The review was in response to long standing issues with the existing 80/20 Provincial/ Municipal cost shared funding model. Review was required as the provincially set per diem rate is inadequate, there is a cap on the provincial per diem contribution that creates an annual \$31 million shortfall, the services covered under the funding model do not assist clients in finding housing and the funding model itself is flawed.

Additionally, the 2004 Auditor General - Hostel Operations Review report identified the need for a funding model that provides incentives for shelter operators to house homeless people and creates a measure of stability for operators.

b. Funding Model Review Objectives and Methodology

The core objectives of the study were to identify and analyze a range of options for shelter funding including: outlining the positive and negative attributes of the current per diem funding model; provide options of alternate funding models and identify the operational considerations for each; and identify financial criteria and system management implications of rationalizing per diem rates in relation to service expectations.

Components of the review included a national and international jurisdictional study; analysis of two full years (2004, 2005) of audited budget submissions for all shelter providers including City operated and purchase of service; interviews with key informants; review of provincial legislation and other funding models; and various related reports/research.

The consultants have completed the review and the report will be distributed publicly in early, 2008. Shelter, Support and Housing Administration and the consultants held 2 information sessions for shelter providers in September to review the high level findings from the report and seek their ideas on how to proceed with the findings from the review.

The following section outlines the high level findings and the recommended next steps.

c. High Level Findings

Current Model:

There is an opportunity to make some improvement to the current funding model that do not require provincial approval to implement – advance payments, improved information on rates and system automation. In response to this, as noted earlier in the report, City staff have already implemented a pilot to test advance payments to assist agencies with cash-flow challenges as discussed in the previous section.

Improve Transparency:

Shelter providers want a better understanding of how rates are set. Reports to Council in 2005, 2006 and 2007 confirm that the City has been reporting out on rates and rationalizing rates by sector. There is, however, an opportunity to enhance the transparency related to understanding how rates relate to services, so that providers have a better understanding of how funding decisions occur. As one means to immediately address this, Appendix L – Shelter Profile Information provides more detailed information on each agency and their contracted services.

Housing First Strategy:

There is consensus among shelter providers that their work should be focused on housing people; however, the current per diem funding model is designed to fund the intermediate objective of providing emergency shelter and in fact penalizes providers financially for successfully moving people into housing.

Provincial Funding:

Provincial legislation and regulations that relate to funding structures and levels are permissive rather than prescriptive and allow for changes in the funding model that do not require legislative amendment.

The report confirmed that the current Province capped per diem is at least 18 per cent below the costs associated with the actual costs of basic board and lodging. This alone creates a funding shortfall of \$12.63 million. The actual projected shortfall in 2008 is in excess of \$31 million for the full costs of shelter services.

The report reconfirms that a portion of the shelter services are being used by people with profound health, mental health and addiction issues. These programs should be fully funded by the province that has direct responsibility for these specialized needs. As an example in 2005, there were 53,889 bed nights funded through the per diem that could be funded directly by the Ministry of Health and Long-Term Care. These are two shelter programs for people who need specialized services and were not able to access services in other long-term care funded programs. The total cost for these bednights was \$4,685,513 (gross)/ \$2,997,679 (net).

Additionally, in 2006 alone, 788 women and children were turned away from provincially funded Violence Against Women's (VAW) shelters because those shelters were full. These women and their children end up in City funded shelters and based on the 2006 average per diem, this costs the City up to an additional \$6.8 million (\$3.3 million net) for a full year of service. The average cost of these beds in the VAW system for the same period was actually \$7,475,750 (gross) / \$0 (net).

As an immediate action, it is recommended that the General Manager, Shelter, Support and Housing Administration, directly invoice the province at 100 per cent of what the province funds for VAW shelters for the duration of those clients stay in the City's shelter system.

Per Diems:

The per diem funding is the primary source of funding for the majority of purchase of service shelter providers. The consultants found, based upon their review of annual agency operating budget submissions, that there are few variable costs associated with operating shelters in the short-term. This is because of the need to staff and operate facilities regardless of occupancy. The greatest cost driver in all shelters is staffing costs which represent 70 per cent of the average operating costs across all shelters.

There is a wide range in per diem rates across the purchase of service shelter system from \$17-\$75. Included in this range are shelters that provide full service 24 hours a day that provide extensive case management services, to part-time weekend shelters that are only able to provide emergency overnight accommodation because of their site limitations.

City shelters are funded via the City's operating budget process and are funded on a global budget model, not on a per diem basis. An analysis of the overall operating costs on a per bed night basis using the same formula to calculate Purchase of Service per diem rates indicates that there is a wide difference between the two system average per diems. For example, in 2005 the system average per diem was \$61. The average City per diem

was \$92 and the average Purchase of Service per diem was \$48. City operated shelters are 100 per cent funded by the City. The average City per diems include specialized shelters for high risk clients including the Seaton House infirmary and managed alcohol programs and the high risk young Mom's program at Robertson House.

In 2005, 63 per cent (37 out of 59) of purchase of service shelters received above the \$48 average per diem. The lowest funded sectors were the Men's and the Co-ed/Mixed Adult sector. These two sectors operate the fewest 24 hours / 7 days a week (24/7) full service programs and in 2005 none of these shelters were contracted to provide case management services. The Youth and Women's sectors received the highest per diems on average (10 per cent above) and operate the majority of full service 24/7 programs with case management services.

Diversity of Services, Cost Pressures and Rationalization of Costs:

The consultants found that shelter services are not uniform across the sectors or the system itself. There are many variations in service including hours of operation, mandate, client groups, emergency short term vs. long-term transitional shelters, etc. There are also differences in fixed asset costs; some agencies own their buildings out-right, some lease, or have outstanding mortgages. There are large shelters and small shelters and the size of buildings impact on utility and insurance costs.

The consultants found that because there is such a diversity in service, annual operating budgets, organizational structures, and built form there is no way to immediately and adequately rationalize per diem rates without a restructuring of the entire shelter system. Additionally, the review found that there are a number of on-going cost pressures which directly impact shelter operations across the system because there is inadequate funding. These include annual cost of living increases and capital funding.

There has been some capital funding from the federal Supporting Communities Partnership Initiatives that has assisted shelters to complete capital improvements/repairs related to immediate health and safety issues but the identified future capital needs are around \$25 million. There is no funding available to respond to this need.

d. New Funding Model Options

The consultants were also asked to provide the City with options to consider related to new ways to fund shelters. The consultants identified 4 options including:

Option 1: Fund Core Shelter Services

This funding model has 2 options:

- i. Pay a set annual amount per bed regardless of occupancy; or
- ii. Fund a set percentage of the unique costs of shelters in each shelter.

Option 2: Fund Integrated Homelessness Programs

This model supports an integrated program approach to funding. All funding streams related to homeless services would be combined into one funding stream and the allocation of this funding could be allocated each year based upon current and / or anticipated clients needs.

Option 3: Pay for Outcomes Only

Establish expected outcomes (unique events) and only pay for these. This is rarely done in the social service sector given the complexity of client needs.

Option 4: Blended Model

This option combines components of options 2 and 3. This option funds the breadth of services in an integrated model while ensuring that outcomes are explicitly defined and accountability measures would align with the Shelter Standards and program objectives.

e. Next Steps

Staff have identified a three step plan to follow up on the findings from the report:

- i. Shelter provider consultation and housing first strategic discussion;
- ii. Provincial considerations; and
- iii. Undertake immediate improvements to the existing model

Shelter Provider Consultation and Housing First Strategic Discussion:

In August and September 2007 Shelter, Support and Housing Administration staff invited all providers to meet with the consultants to discuss the high level findings from the report. During these meetings providers clearly articulated the need to have enough time to fully review the findings and the identified options before the City makes any recommendations on changing the funding model. Agencies requested a

minimum of two months to review and analyze the findings of the report once they receive the report.

Staff have agreed to meet individually with each agency's Board of Directors as well as the general membership from the Ontario Associations of Hostels Toronto Chapter over the next six months to discuss the findings from the report and consult on the implications of the various funding options.

These consultations will include a discussion of shelter services in relation to the City's commitment to ending homelessness through a housing first approach to all homeless services. At the conclusion of this consultation process, staff will report back to committee and Council with its recommendations on any changes to the funding model.

Provincial Considerations:

The Province is an important funding partner in the provision of shelter services throughout Ontario. The Province funds thousands of beds across Ontario. Each municipality that operates emergency shelters receive the same capped per diem for clients regardless of the unique cost drivers/inflationary demands in that community.

The consultants confirmed that the per diem rates are established through the Ontario Works regulations and major legislative change is not required to implement new funding formulas that will more appropriately fund outcomes for the provision of shelter services that targets ending homelessness instead of just managing it.

A final copy of the report will be forwarded to the Ministry of Community and Social Services and the Ministry of Health and Long-Term Care.

Undertake Immediate Improvements to the Existing Funding Model:

The consultants identified some immediate opportunities to improve the funding model which do not require provincial approval, including changing the payment process to alleviate cash-flow issues for shelter providers. As a result of this Hostel Services has already implemented a pilot to flow funding to a select group of providers at the beginning of the month vs. the end of the month as outlined above in Section 2.

Additionally, Shelter, Support and Housing Administration in consultation with other relevant City departments are currently reviewing mechanisms and relevant policies to examine how the City can invoice the Province directly for the number of women and children fleeing abuse who need to stay in City funded shelters because VAW shelters are full.

4. Future Directions for Shelter Services

Shelters have always acted as the social safety net by providing emergency shelter and associated services for thousands of individuals, families and children including those exiting other institutional systems (e.g. mental health, hospitals, justice, children's aid societies) who find themselves homeless on an annual basis.

Historically, shelters were funded to ensure that homeless people could receive a bed, food and basic necessities such as clothing, instead of being forced to live on the streets or in other unstable/unsafe living circumstances. Over the years shelters have expanded their programs and services to meet the changing and increasing needs of homeless people.

The occupancy driven per diem model has not kept pace with the evolution of shelter services, expected client outcomes (namely the securing of permanent housing) nor the failure of other systems to effectively provide permanent housing and case management solutions for the most vulnerable homeless people.

The funding model needs to support the future directions for shelter services which include:

- returning the shelter system to its original purpose which was to provide emergency shelter and support on a short term basis;
- adopting an approach that focuses services and supports to help people find and maintain housing; and
- providing highly specialized effective services for people who need that additional assistance to stabilize before they move into housing.

For many, shelters have been the gateway to a new stable life in the community. With the introduction of the City of Toronto Council approved Toronto Shelter Standards in 2002 and the subsequent introduction of the Quality Assurance Review process, the shelter system has made significant progress towards providing the highest quality in shelter services.

Part of the continuous quality improvement within the emergency shelter system is the opportunity to set new innovative policy directions. A Housing First Strategy represents the future of shelter services in Toronto by informing and defining policy change: from managing homelessness to ending homelessness.

The funding model needs to be flexible enough to meet the unique challenges that municipalities face in responding to the shelter, support and housing needs of people who are homeless. The next section briefly describes one such pilot that

the City of Toronto and the Province have been undertaking in 2007 called From Hostels to Homes.

5. From Hostels to Homes

In 2007 the province agreed to partner with six municipalities including Toronto, Ottawa, Kingston, Hamilton, Windsor and London to pilot a new program that uses the equivalent of per diem funding to provide an intensified combination of housing assistance and follow-up support services. The program directly assists homeless individuals/households to obtain appropriate and permanent housing in the community and integrate successfully into the community. The City of Toronto has been allocated 310 housing opportunities for the project, which is the largest of any of the municipalities. The current pilot focuses on housing individuals and/or families that are eligible to receive Ontario Works (provincial requirement) and are chronic shelter users under the provincial definition. The funding for the pilot is for a period of 18 months.

Shelter, Support and Housing Administration is working in close partnership with Toronto Social Services and three City operated shelters (Family Residence, Seaton House and Women's Residence), Streets to Homes, and seven community shelters (Good Shepherd, Fred Victor Centre, Street Haven, YWCA First Stop Woodlawn, Eva's Initiatives, Dixon Hall, Native Child and Family) to make this pilot a success.

Since July 2007, 116 people have been housed; another 15 have applied to participate and are seeking housing; and an additional 58 are at the beginning stages of the application process. We anticipate that the full 310 people/households will be housed by January 30, 2008. To-date the project is at a 95 per cent retention rate.

Staff from Shelter, Support and Housing Administration and Toronto Social Services participate as members of the Provincial Reference Committee, the Implementation Sub-Committee and the Pilot Evaluation Committee.

The Ministry of Community and Social Services is undertaking an evaluation of the Hostels to Homes Pilot Project for which Toronto has been selected as one of three sites to undergo a more intensive review of how the interventions funded under the pilot (intensive housing follow up services) impact client housing outcomes.

The Ministry's key objectives in undertaking the evaluation include:

- a. documentation of the Provincial plans for the Hostels to Homes pilot as well as best practices and critical success factors emerging from the pilot;

- b. an assessment of pilot implementation and outcome in each of the six sites (municipalities); and
- c. an assessment of the pilot's overall impact including participant ability to maintain housing for up to two years from the enrolment, reduced length of stay in the emergency shelter system by participants, the achievement of a more co-ordinated and integrated approach to the provision of housing and support services and overall savings to the Ministry and the municipality.

This is an exciting pilot project that is using an integrated system management approach to improve the coordination of services and supports to effectively assist homeless people to access and maintain permanent housing. Staff are recommending that should the pilot be extended that the City of Toronto continue to participate in this important initiative that tests the use of flexible funding to more effectively meet the needs of homeless people and move from managing homelessness to ending homelessness. To this end, it is recommended that the General Manager, Shelter, Support, and Housing Administration, be authorized to enter into an agreement with the Province, should they wish to continue a project such as Hostels to Homes, which uses per diem funding in a flexible manner to support people who are homeless to access and maintain permanent housing, provided that the funding and payments do not exceed the Annual Approved Operating Budget.

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ATTACHMENTS

- APPENDIX A - 2008 Recommended Per Diem Rates, Bed Capacities and Personal Needs Allowances
- APPENDIX B - 2006 vs. 2007 Occupancy Information
- APPENDIX C - Total Number of Unique Individuals Using the Shelter System From 1999-2006
- APPENDIX D - 1998-2007 Average System Capacity vs. Annual Bednights
- APPENDIX E - Summary of Annual Criteria for Per Diem Rate Recommendations
- APPENDIX F - 2007 vs. 2008 Purchase of Service Per Diem Budget
- APPENDIX G - 2007 In-Year Adjustments Report
- APPENDIX H - Other Service Contracts
- APPENDIX I - Summary Recommendations from the Youth Sector Interagency Network
- APPENDIX J - Community Development and Recreation Committee and Toronto City Council Motions Related to the “System in Crisis” Report
- APPENDIX K - 2008 Youth Sector Recommended Per Diem Rate and Bed Capacities
- APPENDIX L - 2008 City of Toronto Shelter Profile Information