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2016 OPERATING BUDGET BRIEFING NOTE BASE REDUCTIONS FOR SSHA

Issue/Background:

Budget Committee at its meeting of January 5, 6, 8 and 11, 2016 requested that the General Manager, Shelter, Support and Housing Administration (SSHA) provide a briefing note to the January 18, 2016 meeting of the Budget Committee showing the reductions to the base budget.

Key Points:

On the first page of the Shelter, Support and Housing Administration 2016 Operating Budget Analyst Notes the following chart shows the overall change to the base budget:

| (in \$000's) | 2015 Approved | | Change | |
|-------------------------|------------------|------------------|-----------------|-------------|
| | Budget | 2016 Budget | \$ | % |
| Gross Expenditures | 662,409.3 | 668,803.7 | 6,394.5 | 1.0% |
| Gross Revenues | 340,926.4 | 315,524.9 | (25,401.6) | (7.5%) |
| Net Expenditures | 321,482.8 | 353,278.9 | 31,796.0 | 9.9% |

On pages 8 and 9, Table 2 and 3 outlines in detail the cost drivers and base reductions. The following summarizes the net changes of both charts:

| | Net (in \$M) |
|--|-----------------|
| Pressures to the tax base | |
| Reversal of the 2015 Reserve Draw for Social Housing | 25.64 |
| Loss in Federal Funding | 8.96 |
| Phase out of Client Fees | 0.47 |
| Motel Increase for occupancy | 0.55 |
| IDC change | 0.06 |
| Increase in Solid Waste collection charge | 0.05 |
| Economic Factors | 0.50 |
| Total Pressure | 36.23 |

Savings/Reductions to the Base Budget

| | |
|---------------------------------------|--------------|
| PEP Salary and Benefit Savings | 0.81 |
| Social Housing Cost Driver Adjustment | 0.32 |
| Changes to CHPI funding | 0.67 |
| Line by Line Savings | 0.08 |
| Increase to Gapping | 0.48 |
| Additional IAH Revenue | 1.58 |
| Economic Factors | 0.50 |
| Total Reductions | 4.44 |
| Net Change | 31.80 |

Overviews of the above savings/reductions are described below:

- Moving to position-based budgeting based on actual budget requirements;
- Savings for Social Housing costs primarily from mortgage rates in Non-TCHC providers being below 2% reflecting less subsidy;
- Reversal of one-time CHPI contribution to Social Housing Reserve due to program funding requirements;
- Line by line review savings based on actuals, primarily in Materials and Supplies and Services and Rents;
- Increase in gapping rate to align with actual;
- Administrative funding from the Investment in Affordable Housing program; and
- Absorption of inflationary increases to hydro and water.

Savings/reductions to the Base Budget do not result from or result in service reductions.

Questions & Answers:

Q1: What are client fees? Why are they being phased out?

A1: Client fees were in place for some clients in transitional programs; these were charged by some shelters and offset the City's cost of a shelter stay (i.e. food and lodging). They are being discontinued because fees were inconsistently applied across the system and charging fees worked against the goal of housing and served to prolong shelter stays. Revenue reduction in the 2016 budget reflects the second year of the two-year phase out initiated in 2015.

Q2: Why is gapping being increased?

A2: The rate of gapping is being increased from 3.2% in 2015 to 3.7% in 2016 to align with the actual average vacancies that the division is experiencing at any given time.

Q3: How much was spent on motels in 2015 and what is the budget ask for 2016?

A3: The estimate for 2015 is \$1,154,284. This was more than twice the planned spending for the year (which was \$547,841) because of longer stays among homeless families due to difficulties in finding affordable housing. In addition, as service system manager, SSHA has been using motels for homeless couples to alleviate pressure on occupancy in the co-ed sector.

For 2016, we have increased the budget for motel expenditures to \$1,095,000, to reflect actual use.

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