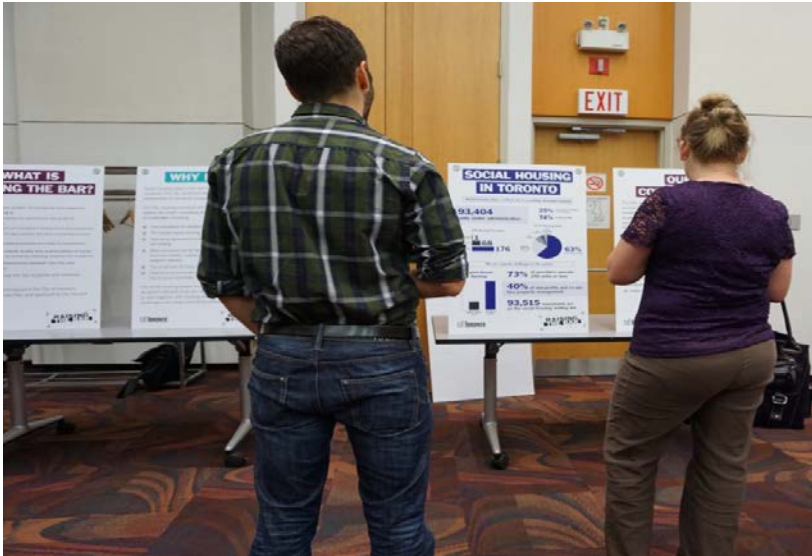


Toronto 2018 BUDGET



CAPITAL BUDGET NOTES



Shelter, Support & Housing Administration

2018 2027 CAPITAL BUDGET AND PLAN OVERVIEW

Shelter, Support and Housing Administration (SSHA) delivers the City's emergency shelter program through a network of 20 City-owned and leased facilities in various locations across the City.

The 10-Year Preliminary Plan dedicates \$214.5 million for maintenance of existing facilities and \$624.9 million for service improvements for a total of \$839.4 over 10 years. The Plan provides funding of \$537.5 million for George Street Revitalization (GSR) that includes funding for the Transition Plan (Phase 2) for current Seaton House residents relocation to 4 new shelter sites as well as for project management and construction (Phase 3) slated for 2020 – 2023. Also included in the Plan is \$279.2 million in new funding for Toronto Community Housing Corporation (TCHC) as an interim funding measure to allow the corporation to continue its capital repair plan to prevent permanent unit closures and continue with current phases of Council-approved revitalization projects planned for 2018 and 2019.

The 10-Year Preliminary Capital Plan will increase future year Operating Budgets by a total of \$2.8 million net over the 2018 – 2027 period primarily for new positions and operating costs for 2 permanent shelters required for the implementation of the GSR-Seaton House Transition Plan.

CONTENTS

Overview

1. 10-Year Preliminary Capital Plan [5](#)
2. Issues for Discussion [17](#)

Appendices

1. 2017 Performance [28](#)
2. 2018 Preliminary Capital Budget [29](#)
3. 2018 Preliminary Capital Budget; 2019 - 2027 Capital Plan [30](#)
4. 2018 Cash Flow and Future Year Commitments [31](#)
5. 2018 Preliminary Capital Budget with Financing Detail [32](#)
6. Reserve / Reserve Fund Review [33](#)

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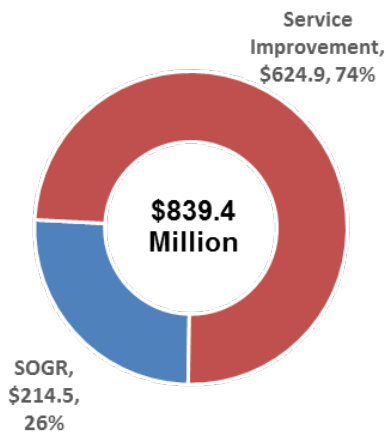
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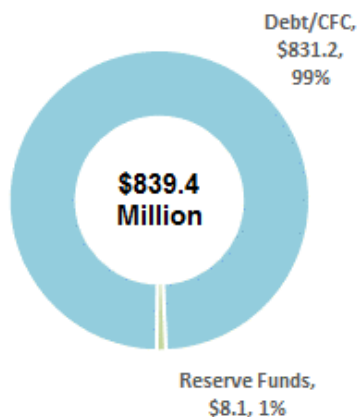
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CAPITAL SPENDING AND FINANCING

2018 - 2027 Preliminary Capital Budget and Plan By Project Category



By Funding Source



Where the money goes:

SSHA's 2018-2027 Preliminary Capital Budget and Plan totalling \$839.4 million provides funding of:

- \$14.5 million for capital upgrades and State of Good Repair (SOGR) projects in City-owned and leased shelter facilities;
- \$624.9 million in Service Improvement projects to support the City's emergency shelter system through;
 - \$6.6 million for shelter land acquisition;
 - \$51.7 million to complete the Transition Plan from Seaton House and preconstruction consulting work critical to the construction phase of GSR;
 - \$485.9 million for George Street Revitalization Construction phase.
 - \$279.2 million in new funding to TCHC, \$200 million to continue its SOGR plan and \$79.2 million new funding to TCHC to complete current phases of revitalization projects planned for 2018 and 2019; and
 - \$1.6 million to continue the implementation of the Choice Based Housing Access System

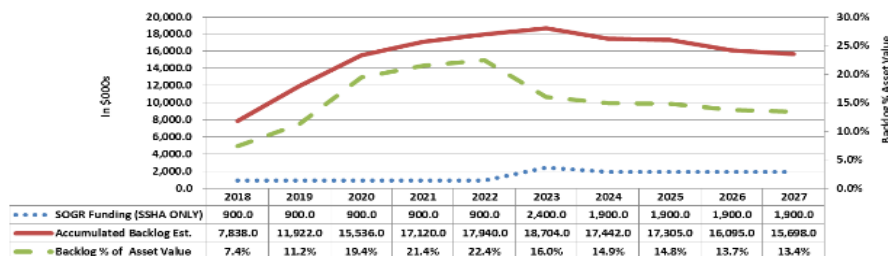
Where the money comes from:

In order to complete the aforementioned projects, funding is proposed from the following sources:

- Debt funding of \$831.2 million or 99% of total funding. Additional debt funding was added following a city-wide review of critical and unmet corporate priorities for the GSR Construction project and for TCHC state of good repair and revitalization projects as an interim measure based on Council direction until a permanent funding solution is developed.
- The inclusion of GSR Phase 3 and new funding to TCHC in the Capital Plan will result in SSHA exceeding its allocated debt target over the 10-year planning period by \$773.3 million.
- Reserve funding of \$8.1 million is planned for the acquisition of future shelter sites (\$6.6 million) and implementation of the Choice Based Housing Access System (\$1.6 million).

State of Good Repair Backlog

The 10-Year Preliminary Capital Plan includes funding of \$14.5 million for State of Good Repair to address SSHA's SOGR backlog which is projected to increase from 7.4% in 2018 to 22.4% in 2022 before declining to 13.4% by 2027.



OUR KEY ISSUES & PRIORITY ACTIONS

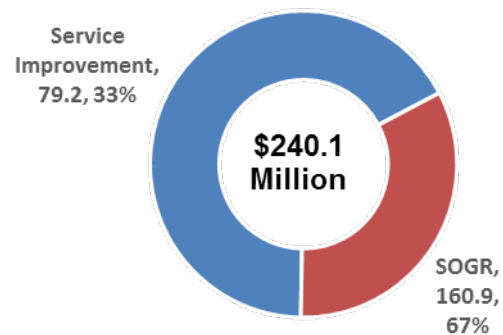
- **Demand for Shelter services has been trending up since 2012** and requires initiatives aimed at transforming the shelter system and enhancing support mechanisms to prevent homelessness.
 - The 10-Year Preliminary Plan includes funding of \$537.5 million for George Street Revitalization (Phase 2 and 3) to replace the shelter capacity (600 beds), currently located at Seaton House, with 378 long-term care home beds, 100 emergency shelter beds for men, and a 130 bed transitional living program. Additionally, co-located in the same area, there will be affordable housing opportunities and links to other programming.
- **TCHC does not have sufficient resources to fund its state of good repair backlog and inflight revitalization projects** triggering the introduction of an interim Funding Model (2018 – 2019) until a permanent funding solution is developed, scheduled for 2019.
 - Funding of \$216.0 million in 2018 and \$63.1 million in 2019 is provided to allow TCHC to address its SOGR backlog requirements to avoid the permanent closure of units during the period and support the completion of current phases of revitalization projects underway.



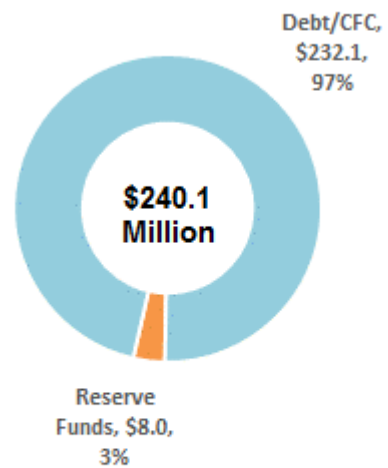
2018 CAPITAL BUDGET HIGHLIGHTS

- The 2018 Preliminary Capital Budget for Shelter, Support and Housing Administration of \$240.1 million, excluding carry forward funding, will:
 - Maintain funding for SOGR projects at City-owned and leased facilities (\$0.9 million) as well as support shelter land acquisition to help stabilize the emergency shelter system (\$6.6 million).
 - Continue the Seaton House Transition Plan (\$8.3 million) and the Preconstruction and Project Management work (\$6.9 million) required to achieve construction readiness necessary to proceed to Phase 3 of the GSR project.
 - Continue the procurement and installation of a new Choice Based Housing Access System (\$1.4 million).
 - Enable TCHC to continue to address its SOGR repair backlog that will avoid permanent unit closures (\$160.0 million) and support inflight revitalization of communities within its existing portfolio (\$56.0 million).

2018 Preliminary Capital Budget By Project Category



By Funding Source



Actions for Consideration

Approval of the 2018 Preliminary Capital Budget as presented in these notes requires that:

1. City Council approve the 2018 Capital Budget for Shelter Support and Housing Administration with a total project cost of \$279.183 million, and 2018 cash flow of \$267.325 million and future year commitments of \$99.831 million comprised of the following:
 - a) New Cash Flow Funds for:
 - i. 2 new / change in scope sub-projects with a 2018 total project cost of \$279.183 million that requires cash flow of \$216.037 million in 2018 and future year cash flow commitments of \$63.146 million for 2019.
 - ii. 5 previously approved projects with a 2018 cash flow of \$15.764 million; and future year cash flow commitments of \$21.819 million for 2019; \$3.146 million for 2020; \$3.146 million for 2021; \$3.146 million for 2022; \$3.146 million for 2023 and \$2.282 million for 2024.
 - iii. 1 previously approved sub-project with carry forward funding from 2016 requiring 2018 cash flow of \$8.251 million that requires Council to reaffirm its commitment; and
 - b) 2017 approved cash flow for 5 previously approved projects with carry forward funding from 2017 into 2018 totalling \$27.273 million.
2. City Council approve the 2019 - 2027 Preliminary Capital Plan for Shelter, Support and Housing Administration totalling \$499.471 million in project estimates, comprised of \$8.129 million for 2019; \$5.854 million for 2020; \$5.854 million for 2021; \$5.854 million for 2022; \$466.180 million for 2023; \$1.900 million for 2024; \$1.900 million for 2025; \$1.900 million in 2026 and \$1.900 million in 2027.
3. City Council consider the operating costs/(savings) of \$0.211 million net in 2018; \$3.879 million net in 2019; (\$0.014) million net in 2020 and (\$1.260) million net in 2024 resulting from the approval of the 2018 Preliminary Capital Budget for inclusion in the 2018 and future year operating budgets.
4. City Council approve 12 new temporary positions for the delivery of 2018 capital projects and that the duration of these positions not exceed the life and funding of their respective projects/subprojects.
5. City Council direct that following condition assessments of existing capital infrastructure, the General Manager of Shelter, Support and Housing Administration incorporate any required adjustments to the current accumulated state of good repair backlog for each of Shelter, Support and Housing Administration's asset categories in time for the 2019 Budget process.
6. City Council in its capacity as shareholder of Toronto Community Housing Corporation (TCHC) direct the Chief Financial Officer to provide debt funding to TCHC of \$216.037 million in 2018 and \$63.146 million in 2019.
7. City Council in its capacity as shareholder of TCHC, authorize the Chief Financial Officer to direct TCHC to adhere to the City's Quarterly Capital Variance reporting process and provide status updates on capital spending on City funded projects.



Part 1:

10-Year Preliminary Capital Plan

10-Year Capital Plan: Net Operating Budget Impact

Table 5
Net Operating Impact Summary (In \$000s)

Projects	2018 Budget		2019 Plan		2020 Plan	2018 - 2022		2024 Plan		2018 - 2027	
	\$000s	Position	\$000s	Position	\$000s	\$000s	Position	\$000s	Position	\$000s	Position
George Street Revitalization - Phase 2 - Seaton House Transition											
Operating Impact of 2 Permanent Shelters and Purchase of Service Costs for 200 Beds funded from the Operating Budget	1,497.8		4,425.8		411.5	6,335.0	-			6,335.0	-
Operating Impact of 2 Transitional sites funded from the Capital Budget	443.2		415.6		402.0	1,260.8	-	(1,260.8)		(0.0)	-
Choice Base Housing Access System											
Operating Impact of Changes in Project Team Positions	(1,729.8)	9.0	(962.3)		(827.4)	(3,519.5)				(3,519.5)	-
Total (Net)	211.2	9.0	3,879.1	-	(14.0)	4,076.3	-	(1,260.8)		2,815.5	-

The 10-Year Capital Plan will increase future year Operating Budgets by \$2.815 million over the 2018 – 2027 period, as shown in the table above.

This amount is comprised of expenditures or savings from the following capital projects:

- *GSR Phase 2 - Transition – Seaton House:* The operating impacts of 2 permanent shelters as well as the Purchase-of-Service costs for approximately 200 beds that will transition to the City's community partners. The operating impacts of the 2 Transitional sites will reverse once GSR Phase 3 – Construction is complete and the sites vacated.
- *Choice Based Housing Access System:* Salaries and benefits for the project team, these impacts will also reverse as soon as the installation and commissioning of the system is complete.
- Future operating impacts will be reviewed each year as part of the annual budget process.

Table 6
Capital Project Delivery: New Temporary Positions

Position Title	CAPTOR Project Number	# of Positions	Project Delivery		Salary and Benefits \$ Amount(\$000s)						
			Start Date	End Date (m/d/yr)	2018	2019	2020	2021	2022	2023 - 2027	
Choice Base Housing Access System											
Shift Leader (Training Supervisor)	SHL908415-1	4.0	07/01/2018	10/31/2018	120.0						
Systems Integrator 2	SHL908415-1	8.0	04/01/2018	04/15/2018	42.0						
Deletion of Project Team positions no longer required	SHL908415-1	(3.0)			(320.0)	(326.1)	(330.5)				
Total		9.0			(158.0)	(326.1)	(330.5)	-	-	-	-

Approval of the 2018 – 2027 Capital Budget and Plan will result in a requirement for 12 new temporary capital project delivery positions to implement the Choice Based Housing Access System project.

It is recommended that Council approve these new temporary positions for the delivery of the above capital projects and that the duration of these positions not exceed the life and funding for this project.



Part 2:

Issues for Discussion

Issues Impacting the 2018 Capital Budget

Review of Capital Projects and Spending

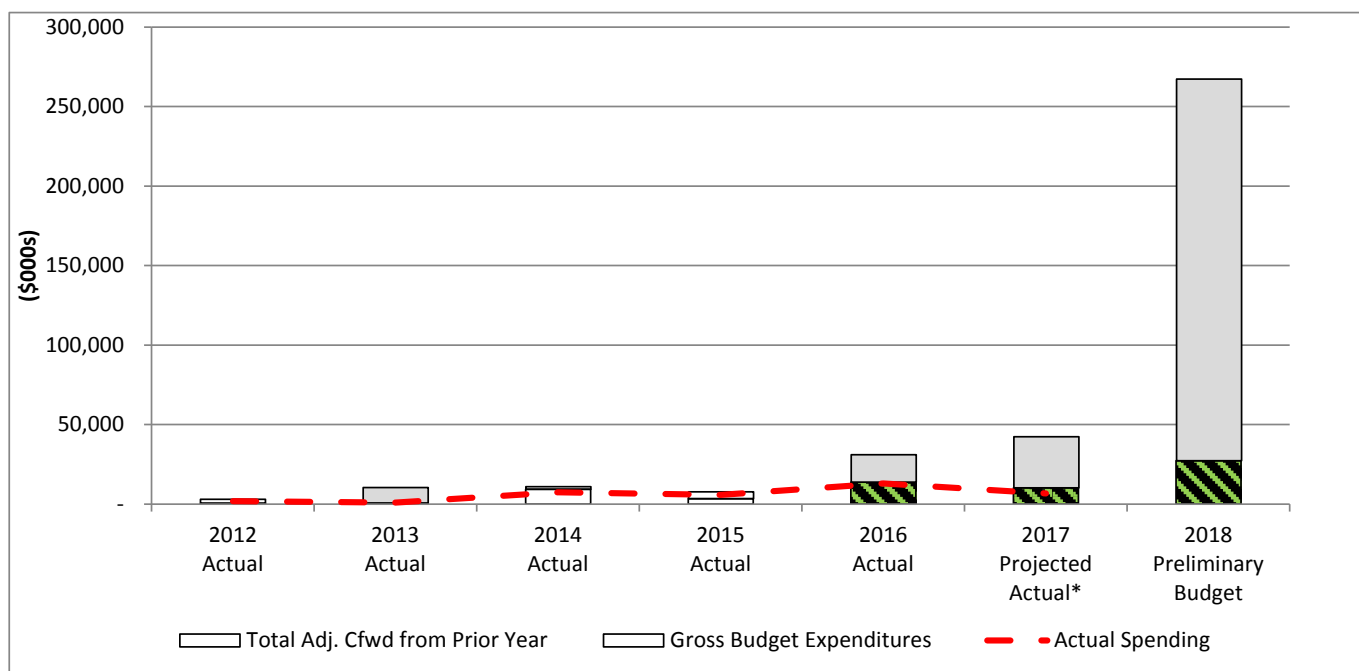
- City Council, at its meeting of May 25, 2017 considered the report entitled "2018 Budget Process – Budget Directions and Schedule EX25.18" and directed City Programs and Agencies to submit their 2018 – 2027 Capital Budget and Plans requiring that:
 - Annual cash flow funding estimates be examined to more realistically match cash flow spending to project activities and timing, especially in the first 5 years of the Capital Plan's timeframe. A link to the report can be found here: <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.EX25.18>
- The 2018 – 2027 Preliminary Capital Budget and Plan for Shelter, Support and Housing Administration has been established following a review of capital requirements based on the Program's spending capacity, the readiness to proceed of planned projects and funding for 2 critical and unmet capital priorities.
 - The Capital Plan also reflects \$200.401 million in debt funding above the 2018 debt target of \$31.651 million and \$773.305 million over the 10-Year Capital Plan period of \$57.915 million which includes funding of \$279.183 million to TCHC to address its SOGR backlog and complete its Council approved inflight revitalization projects.
 - The additional funding for GSR Phase 3 – Construction and for TCHC SOGR and Revitalization projects was made possible by freed up debt room following a city-wide review of capital spending rates and subsequent realignment of project cash flows with planned activities as part of 2018 Budget process. In addition, anticipated additional revenue from allocated provincial gas tax enabled the City to further invest in critical social infrastructure
 - The 10-Year Preliminary Capital Plan includes the deferral of \$23.887 million in cash flow funding originally planned for 2018 to future years based on project readiness and updated project delivery schedules and activities.
 - Shelter, Support and Housing Administration had an average annual spending rate over the past five years 2012 – 2016 of 46.2%, inclusive of large scale, multi-year major capital projects such as George Street Revitalization. Average spending rates over this period for SOGR projects is 37.2% and 47.5% for Service Improvement projects.

- The following tables illustrates SSHA's rate of spending from 2012 to 2016, as well as the year end spending rate projection for 2017.

**Chart 5
Capacity to Spend – Budget vs. Actual
(In \$000s)**

Category	2012			2013			2014			2015			2016			Spending Rate 5 Year 2012-2016 Avg. %	2017		
	Budget	Actual	Spending Rate %	Budget	Actual	Spending Rate %	Budget	Actual	Spending Rate %	Budget	Actual	Spending Rate %	Budget	Actual	Spending Rate %		Budget	Projected Actual *	Spending Rate %
SOGR	1,600	604	37.8%	1,600	604	37.8%	1,139	438	38.5%	1,601	765	47.8%	1,735	446	25.7%	37.2%	1,800	1,580	87.8%
Service Improvement	1,392	1,222	87.8%	8,814	317	3.6%	9,761	7,060	72.3%	6,123	5,092	83.2%	29,341	12,630	43.0%	47.5%	40,606	5,090	12.5%
Total	2,992	1,826	61.0%	10,414	921	8.8%	10,900	7,498	68.8%	7,724	5,857	75.8%	31,076	13,076	42.1%	46.2%	42,406	6,670	15.7%

* 2017 Projection based on the 2017 Q3 Capital Variance Report



- Factors contributing to the average of 46.2% spend rate over the past five years include:
 - Dedicated resources were needed to coordinate needed capital repairs and maintenance projects in the program's facilities, and
 - Project delays resulting from the difficulty in securing shelter sites for the implementation of George Street Revitalization project Phase 2 – Transition – Seaton House.
- Shelter, Support and Housing Administration has implemented the following initiatives and priority actions to improve capital spending rates in 2018. These actions include:
 - Introduction of a dedicated Asset Management Unit as part of its staff realignment exercise. This new unit has made significant progress in completing Facility Condition Assessments and addressing overdue repairs. As shown in shown in Chart 5 above the spending rate on SOGR projects was 66% as of Q3-2017 and is projected to increase to 87.8% by the end 2017.
 - The search for shelter sites has intensified with SSHA and Facilities and Real Estate Management Division collaborating in the search for suitable properties. Multiple potential sites are under consideration and further progress on the Transition Plan is anticipated in 2018.

2018 – 2027 Preliminary Capital Plan vs Debt Targets

- Shelter, Support and Housing Administration's 2018 Preliminary Capital Budget and 2019 - 2027 Preliminary Capital Plan is above the program's allocated debt target over the 10 years as follows.

(\$000s)	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	Total
2018 - 2027 Preliminary Capital Plan	240,052	93,094	9,000	9,000	9,000	469,326	4,182	1,900	1,900	1,900	839,354
Debt Funding Required	232,052	92,960	9,000	9,000	9,000	469,326	4,182	1,900	1,900	1,900	831,220
Program Debt Target	31,651	4,126	4,046	4,046	4,046	2,400	1,900	1,900	1,900	1,900	57,915
Over/(Under) Debt Target	200,401	88,834	4,954	4,954	4,954	466,926	2,282	-	-	-	773,305

- Following a city-wide review of unmet capital priorities, additional debt funding of \$773.305 million has been added to SSHA's 10-Year Preliminary Capital Plan for the following additional projects:
 - GSR – Phase 2 – Transition – Seaton House (\$8.251 million);
 - GSR – Phase 3 – Construction (\$485.871 million); and
 - Interim Funding for TCHC (\$279.183 million).
- Further details on TCHC related SOGR and revitalization projects and the GSR- Phase 3 - Construction projects are presented below and the "Reporting on Major Capital Projects" section of this report.

Interim 2018-2019 Funding Model for TCHC

- City Council, at its meeting on July 4, 2017 adopted the report entitled "*Tenants First- Phase 1 Implementation Plan EX26.1*" and directed:
 - The development of an interim funding model for TCHC to address the current and short-term funding shortfalls in 2018 and 2019, as part of the 2018 budget process;
 - The creation of a permanent funding solution for the New TCHC and the new Seniors Housing and Services entity, to be reported to City Council in 2019; and
 - That no additional housing units are permanently closed in 2018 and 2019. A link to the report can be found here: <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.EX26.2>
- A review of TCHC's 10-year capital requirements (2018-2027) indicated that an investment of \$3.680 billion gross is needed to support TCHC's SOGR backlog and revitalization requirements. Of this, \$3.210 billion is needed to address its SOGR backlog to avoid permanent unit closures and \$0.470 billion is required to complete Council approved revitalization projects. Through a variety of funding strategies TCHC is able to address \$1.191 billion of the \$3.680 billion requirement leaving a funding gap of \$2.489 billion.
- In keeping with City Council's direction, a 2018-2019 Interim Funding Model for TCHC has been established following a review of TCHC's capital requirements through the City's financial planning and management processes and will address TCHC's SOGR backlog and revitalization requirements while a permanent funding solution is developed in 2019.
 - The proposed interim funding outlined below will address TCHC's funding requirements in 2018 and 2019.
 - The development of a permanent funding solution, to be completed in 2019, will address the funding shortfall beyond 2019.
 - It is important to note that the significant capital funding shortfall for TCHC cannot be fully accommodated within the City's debt targets given the City's limitations on debt servicing costs. Future capital funding for TCHC provided through a permanent funding solution will explore other funding sources including, Provincial funding for social housing and funding from the Federal National Housing Strategy.

- TCHC requires \$399.183 million of interim funding in 2018 and 2019, which includes debt funding of \$279.183 million from the City and \$120 million from provincial grants.

(\$000s)	2018	2019	Total
Funding for SOGR Backlog Requirements			
City Debt Funding	160,000	40,000	200,000
Provincial SHAIIP Grant		120,000	120,000
Total Funding for SOGR Backlog Requirements	160,000	160,000	320,000
Funding for Inflight Revitalization Projects			
City Debt Funding	56,037	23,146	79,183
Total Funding for Inflight Revitalization Projects	56,037	23,146	79,183
Total City Funding	216,037	63,146	279,183
Total Provincial Funding		120,000	120,000
Total Funding for TCHC	216,037	183,146	399,183

- In partnership with the Province, the Interim Funding Model will provide \$320 million to TCHC to address SOGR backlog requirements to avoid additional permanent unit closures in 2018 and 2019, as directed by City Council, as well as position TCHC to reach a 10% FCI by 2026. The City will provide \$200 million of debt funding, with \$160 million in 2018 and the remaining \$40 million in 2019, and the Province will provide grants of \$120 million in 2019 through the Provincial Social Housing Apartment Improvement Program (SHAIIP).
- An additional \$79.183 million of debt funding from the City will enable TCHC to continue development on Council approved revitalization projects that are inflight and cannot be completed without interim funding. The replacement of TCHC's building inventory through revitalization will also serve to reduce the building repair backlog from increasing further. TCHC requires \$56.037 million in 2018 and \$23.146 million in 2019. Specifically, funding is included to complete inflight revitalizations at Leslie Nymark; Lawrence Heights (Phase 1); and Regent Park (Block 27, Phase 3).
- The \$279.183 million in debt funding for TCHC in SSHA's Preliminary Capital Plan is in line with the 2018 Budget approved by TCHC's Board of Directors on September 28, 2017.
- Providing direct City debt funding to TCHC is a departure from regular practice since TCHC is a corporation with its own borrowing capacity. However, due to the urgent need to address TCHC's SOGR backlog to prevent additional permanent unit closures, it is recommended that the City provide direct debt funding to TCHC.
- It is recommended that TCHC adhere to the City's Quarterly Capital Variance reporting process and provide status updates on capital spending on City funded projects.

Reporting on Existing Major Capital Projects: Status Update

In compliance with the Auditor General's recommendations, additional status reporting on all major capital projects is required in order to strengthen accountability, manage risks, improve controls and ensure successful implementation/completion of major capital projects. The following project has been reporting on a quarterly basis during 2017.

George Street Revitalization Project

- The GSR project plans for the closure of Seaton House, Toronto's largest shelter for men, and the rebuild of a smaller emergency shelter, a transitional program, affordable housing and a long-term care home in its place. The intent is to transition from the large institutionalized setting of the current Seaton House site. Instead, the new shelters will be

smaller (100 beds maximum) and will offer clients increased privacy and dignity. Through a decrease in the number of individuals assigned to each room/dormitory, this model will allow for improved staff-client interactions.

- This project is being developed in 3 phases and will be stage gated as detailed in the chart below:

Stage Gating	Estimated Duration	Expected Time of Completion	Total Project Cost (In \$millions)	2018 Preliminary	2019 Plan	2020 Plan	2021 Plan	2022 Plan	2023 Plan
GSR Phase 1 - Initiation, Preliminary Design & Preparation	24 months	Completed in 2016	16.32						
GSR - Phase 2 - Project Management/Preconstruction: Preparation of Project Specific Output Specification (PSOS)	18 months	Q2 - 2018	10.027	6.864					
GSR - Phase 2 - Seaton House Transition Relocation of Seaton House residents to 2 transitional and 2 permanent shelters	36 - 42 months	Q2 - 2019	70.071	32.771					
GSR - Phase 3 - Procurement RFP, RFQ, Tender and Award and Consulting.	22 months	Q2 - 2020	26.970		7.229	4.954	4.954	4.954	4.879
GSR Phase 3 - Construction Substantial Completion and Final Payment to Contractor	36 - 42 months	Q2 - 2023	458.900						458.900
Project Closure Occupancy	4 months	Q3 - Q4 2023							
Total			582.288	39.635	7.229	4.954	4.954	4.954	463.779

In addition to the above stated project costs, GSR project will also result in operating impacts of \$6.335 million on SSHA's operating budget comprising of \$2.962 million in operating costs of 2 permanent shelters and \$3.373 million in per diem costs for the 200 beds that will transition to Purchase-of-Service facilities.

Phase 1 Project Management, Architecture and Project Cost Development

- Involved the project management and architectural services required to support the development of a project delivery model and initial project cost estimates. This phase is complete.

Phase 2 - Transition and Preconstruction

- Currently the GSR project is in Phase 2 and involves 2 distinct activities:
 - Relocation of the current occupants of Seaton House into two temporary and two permanent facilities to allow for the decanting and redevelopment of the facility (referred to as the Seaton House Transition Plan), and,
 - Project Management, Architectural and Preconstruction consulting activities necessary to achieve construction readiness and successful implementation of the procurement model adopted by City Council. Further details of this phase are provided in the "Phase 2-Transition and Preconstruction" section of this report.

Phase 3 - Construction

- Will involve the construction of a new purpose built facility as earlier described as well as the revitalization of George Street. Following a reprioritization of the City's unmet capital needs, funding for this phase has now been included in the 2018 - 2027 Preliminary Capital Budget and Plan.

Project Cost Estimates

- Based on the most recent estimates, the total cost of the GSR project is approximately \$585.250 million funded through a combination of debt, draws from the Land Acquisition Reserve, Recoverable Debt from the Ministry of Health and Long-Term Care (MHLTC) and affordable housing grants under the Investment in Social Housing-Social Infrastructure Fund (IAH-SIF).

GSR - Phase 2 Transition and Preconstruction

Project Deliverables and Status

- GSR-Phase 2 deliverables include:
 - Closure of Seaton House by the end of 2019 and relocation of 400 of the men at this facility to 2 temporary and 2 permanent shelter facilities each with a maximum capacity of 100 beds.
 - Relocation of the remaining 200 men to purchase-of-service facilities operated by the City's community partners.
 - Delivery of a Project Specific Output Specification (PSOS) document which will be the basis for the construction contract required for the implementation of the GSR project.

Project Challenges

- Progress on the Transition Plan has been significantly delayed in 2017 due to the difficulty of acquiring sites for replacement shelters to relocate the occupants at Seaton. However, the GSR preconstruction work is continuing on schedule and pending Council approval of funding, procurement can begin on schedule in mid-2018.

Financial Update

- Approved cashflows for 2017 inclusive of prior year carryforward total \$36.683 million. Projected spending in 2017 is estimated at \$3.900 million resulting in a carry forward of \$32.783 million to 2018.
- Following a review of the progress to date in 2017, 2 cashflow funding estimates have been realigned to match the revised project timelines and anticipated activities through out the period covered by the 2018-2027 Preliminary Capital Budget and Plan.

GSR – Phase 3 - Construction

Project Scope

- This project involves the decanting and demolition of Seaton House to make way for the construction of a purpose built set of facilities on the site and the George Street neighbourhood incorporating a smaller emergency shelter, a transitional housing program, affordable housing, a long-term care home and a Community hub.
- This project signals SSHA's transition to a smaller shelter model based on the central assumption that housing will be the primary focus of the program for new shelter sites. These shelters will offer clients increased privacy and dignity within a community setting enhanced with housing supports.

As adopted by Council in EX16.13 *"George Street Revitalization: Recommended Procurement and Delivery Strategy"* on the basis of the work undertaken by Ernst & Young Orenda Corporate Finance Inc. (EY), the new facility will be procured and delivered via Design-Build-Finance (DBF) procurement model. A link to the Council can be found here: (<http://www.toronto.ca/legdocs/mmis/2016/ex/bgrd/backgroundfile-94286.pdf>).

- A DBF model combines various aspects of project delivery under one contract, allowing for the bidding consortium to coordinate activities, realize economies of scale, be innovative with respect to design and scheduling, and manage potential cost escalation risks. As a Public-Private Partnership (P3) model, construction payments for a DBF are made only upon substantial completion which is anticipated in 2023.

Project Deliverables and Status

- The project's mission is to deliver a dynamic range of housing, shelter, long-term care home and community services in the downtown east of Toronto. This facility will offer integrated and specialized programs and services through a new model in order to meet the needs of the local community, vulnerable individuals as well as elderly men and women with complex needs.
- Specifically, the project will deliver the following facilities:
 - A 378 bed 24/7 long term care home to be operated by the City's Long-Term Care Homes and Services division;
 - A 100 bed emergency shelter for men to be operated by SSHA;
 - A 130 bed transitional living program for chronically homeless men, women and transgender people with personal or medical needs that exceed the mandate and resources of the emergency shelter system;
 - Affordable Housing units for men, women and transgender people referred from the emergency shelter to assist in their transition to independent living; and
 - A Community Services Hub that will offer programs to on-site residents, vulnerable individuals and the local community to foster social inclusion and community integration.

Project Challenges and Risks

- The project plan calls for decommissioning of Seaton House to be sequenced with the opening of beds at 2 temporary and 2 permanent shelters. These shelters will house 400 of the 600 men currently residing at the facility. The remaining 200 men will transition to purchase-of-service facilities with the City's community partners.
- Essentially, construction start is contingent upon a vacant site and hand over of the site to the successful bidder for the construction contract.
- Additionally, the difficulties experienced in the identification and acquisition of new shelter sites to relocate the men at Seaton House which have delayed the Transition Plan by one year elevates the risk that construction start may be further delayed if the remaining 3 shelters cannot be acquired and operational by the end of 2019.
- To mitigate these risks and advance the project, the search for shelter sites has intensified in recent months with SSHA collaborating with Real Estate Services staff in the search for potential sites. A lease for the property at 731 Runnymede Road, the first temporary site in the plan has been signed and the shelter will become operational by Q3-2018.
- Multiple potential sites remain under consideration and SSHA plans to open one more site before the end of 2018. The last 2 sites are expected to be operational by the end of 2019.
- The construction costs included in the plan were estimated by Hanscomb Ltd in 2015 are the most recent and best estimates that could be obtained at the time EY completed its due diligence work to recommend a procurement model to the City for consideration. Actual costs may vary when the construction contract is awarded.
- In order to mitigate this risk, the City has retained the services of Infrastructure Ontario and a team of architects, cost consultants and engineers to protect its interests and support the project team in the preparation of the PSOS, tender and award of the contract and actual construction.

- Finally, The City has limited experience with P3 procurement models and the procurement lead-Infrastructure Ontario (IO) has not previously worked on any P3 procurement projects for either long-term care homes or shelters. However, IO has experience with other complex, integrated projects such as the PanAm Village, Bridgepoint Health, Mount Sinai Hospital and the Toronto South Detention Center.

Financial Update

- As earlier noted in this report and outlined in the chart on the next page, demolition and construction of the new facility is estimated for a duration of 36 – 42 months. Substantial completion is estimated between May and November 2023. Final Payment to the contractor as required by the Design-Build-Finance procurement model and most recently available professional estimates is up to \$458.900 million due within 10 days from the official date of substantial completion.
- Occupation and commencement of operations at the new facility can commence between substantial and final completion and is expected to last approximately 4 months.
- Debt funding of \$485.871 million has been included in 10-Year Preliminary Capital Plan for Council consideration. These funds will support the project management and consulting work required as construction progresses as well as the final lump sum payment to the project contractor at substantial completion.
- Upon completion and commencement of operations at the new long-term care home, the City is eligible for recoverable debts payment from the Ontario Ministry of Health and Long Term Care (MHLTC) totalling \$60.879 million payable over a 25-year period.
- In addition, the project's affordable housing component is also eligible for affordable housing grants estimated at \$3.200 million from the Federal-Provincial-Investment in Affordable Housing grant program.
- While only payable upon project completion, these funding sources will help reduce the City's overall financing costs.

Issues Impacting the 10-Year Capital Plan

Unmet Needs

The "Unmet Capital Need" identified by SSHA and TCHC, as noted in the table below, includes additional funding required to address SSHA's and TCHC's SOGR backlog as well as cost of TCHC's planned future revitalization projects.

Project Description (In \$000s)	Total Project Expenditure	Non-Debt Funding	Debt Required	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
<i>SOGR projects to reduce backlog</i>	10,463.0		10,463.0	361.0	4,084.0	3,614.0	1,584.0	820.0					
<i>TCHC SOGR projects to reduce backlog</i>	2,610,000.0	519,700.0	2,090,300.0			160,000.0	220,000.0	274,300.0	325,800.0	319,800.0	325,700.0	304,700.0	160,000.0
<i>TCHC Revitalization - Planned Future Projects</i>	625,092.0	499,367.0	125,725.0		325.0			26,588.0				72,182.0	26,630.0
Total	3,245,555.0	1,019,067.0	2,226,488.0	361.0	4,409.0	163,614.0	221,584.0	301,708.0	325,800.0	319,800.0	325,700.0	376,882.0	186,630.0

SSHA's Unmet Needs

- SSHA is responsible for the maintenance of 20 of the City's facilities including 13 shelter sites. Current funding allocations for SOGR projects will not keep pace with anticipated need over the period covered by the 10-Year Preliminary Capital Plan. This project seeks to highlight the funding gap between current SOGR funding levels and need over the next 5 years. These projects are for typical building maintenance such as roof and elevator repair and repaving work typically costing more than \$0.050 million each.

TCHC's Unmet Needs

- TCHC has a funding shortfall of \$2.090 billion for its SOGR backlog to avoid additional permanent unit closures from 2020-2027. The shortfall will be addressed through the development of a permanent funding solution to be reported to City Council in 2019.
- In addition, a funding shortfall of \$125.724 million in 2019, 2022, 2026 and 2027 remains to complete future phases of revitalizations not currently inflight, including Lawrence Heights Phases 2, 3 and 4; and Regent Park Phases 4 and 5.



Appendices

Appendix 1

2017 Performance

2017 Key Accomplishments

In 2017, Shelter, Support and Housing Administration made significant progress on the following:

- ✓ Project management and preconstruction consulting work for Phase of the George Street Revitalization Project.
- ✓ Signed a lease agreement for the property at 731 Runnymede Road, the first of 2 temporary shelters required for the implementation of Seaton House Transition Plan.
- ✓ Pre-development work on the acquired property at 63-65 Homewood Avenue.
- ✓ Implementation of a Choice Based Housing Access System.

2017 Financial Performance

2017 Budget Variance Analysis (in \$000's)

2017 Budget	As of Sept. 30, 2017		Projected Actuals at Year-End		Unspent Balance	
\$	\$	% Spent	\$	% Spent	\$ Unspent	% Unspent
42,406	3,210	7.6%	6,670	15.7%	35,736	84.3%

* Based on 2017 Q3 Capital Variance Report

For additional information regarding the 2017 Q3 capital variances and year-end projections for Shelter, Support & Housing Administration, please refer to the attached link for the report entitled "*Capital Variance Report for the Nine-Month Period Ended September 30, 2017*" considered by City Council at its meeting on November 27, 2017.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.BU37.1>

Impact of the 2017 Capital Variance on the 2018 Preliminary Capital Budget

- As a result of the delays in the capital projects, described in the 2017 Q3 Capital Variance Report, funding of \$35.524 million is being carried forward to the 2018 Preliminary Capital Budget to continue the capital work.
- A detailed review of the 2018 – 2027 Preliminary Capital Budget and Plan has been conducted and the necessary adjustments made to the timing of cash flow funding for unique and major capital projects such as George Street Revitalization Project - Seaton House Transition Plan and the Choice Based Housing Access System which are the major contributors to annual under expenditures. By deferring the cash flow funding to future years, the 2018 Preliminary Capital Budget reflects readiness to proceed and will lead to a higher rate of spending.

Appendix 2

**2018 Preliminary Capital Budget;
2019 - 2027 Capital Plan Including Carry Forward Funding (\$000s)**

Project	Total Project Cost	Prior Year Carry Forward	2018	2019	2020	2021	2022	2018 - 2022	2023	2024	2025	2026	2027	2018 - 2027 Total
State of Good Repair:														
<i>Capital Repairs/Replacement - Leased Buildings</i>		20	100	100	100	100	100	520	300	272	272	272	272	1,908
<i>Capital Repairs/Replacement - City Operated Buildings</i>		200	800	800	800	800	800	4,200	2,100	1,628	1,628	1,628	1,628	12,812
<i>TCHC SOGR Backlog</i>	200,000		160,000	40,000				200,000						200,000
Sub-Total	200,000	220	160,900	40,900	900	900	900	204,720	2,400	1,900	1,900	1,900	1,900	214,720
Service Improvements:														
<i>Shelter Land Acquisition</i>	7,300		6,570					6,570						6,570
<i>GSR - Phase 2 - Project Management/Preconstruction</i>	10,027		6,864					6,864						6,864
<i>GSR - Phase 2 - Transition-Seaton House</i>	70,071	24,520	8,251	21,685	3,146	3,146	3,146	63,894	3,146	2,282				69,322
<i>GSR - Phase 3 - Construction</i>	485,871			7,229	4,954	4,954	4,954	22,091	463,780					485,871
<i>Choice Based Housing Access System</i>	4,357	2,533	1,430	134				4,097						4,097
<i>TCHC-Revitalization of Existing Portfolio</i>	79,183		56,037	23,146				79,183						79,183
Sub-Total	656,809	27,053	79,152	52,194	8,100	8,100	8,100	182,699	466,926	2,282	-	-	-	651,907
Total	856,809	27,273	240,052	93,094	9,000	9,000	9,000	387,419	469,326	4,182	1,900	1,900	1,900	866,627

Appendix 3

2018 Preliminary Capital Budget; 2019 - 2027 Capital Plan

CITY OF TORONTO

Gross Expenditures (\$000's)

Shelter, Support & Housing Administration

Sub- Project No. Project Name PrioritySubProj No. Sub-project Name Ward Stat. Cat.						Current and Future Year Cash Flow Commitments						Current and Future Year Cash Flow Commitments Financed By												
						2018	2019	2020	2021	2022	Total 2018-2022	Total 2023-2027	Total 2018-2027	Provincial Grants and Subsidies	Federal Subsidy	Development Charges	Reserve Reserves	Reserve Funds	Capital from Current	Other 1	Other2	Debt - Recoverable Debt	Total Financing	
<u>SHL908572</u> TCHC Capital Projects																								
0	2	TCHC Revitalization-Existing Portfolio			CW S4 04	56,037	23,146	0	0	0	79,183	0	79,183	0	0	0	0	0	0	0	79,183	0	79,183	
Sub-total						216,037	63,146	0	0	0	279,183	0	279,183	0	0	0	0	0	0	0	279,183	0	279,183	
Total Program Expenditure						267,325	93,094	9,000	9,000	9,000	387,419	479,208	866,627	0	0	0	2,533	8,134	220	0	0	855,740	0	866,627

CITY OF TORONTO

Gross Expenditures (\$000's)

Shelter, Support & Housing Administration

		Current and Future Year Cash Flow Commitments and Estimates									Current and Future Year Cash Flow Commitments and Estimates Financed By								
		2018	2019	2020	2021	2022	Total 2018-2022	Total 2023-2027	Total 2018-2027	Provincial Grants and Subsidies	Federal Subsidy	Development Charges	Reserve Reserves	Reserve Funds	Capital from Current	Other 1	Other2	Debt - Recoverable Debt	Total Financing
Sub- Priority	Project No. SubProj No.	Project Name Sub-project Name	Ward	Stat.	Cat.														
Financed By:																			
		Reserves (Ind. "XQ" Ref.)				2,533	0	0	0	0	2,533	0	2,533	0	0	0	0	0	2,533
		Reserve Funds (Ind."XR" Ref.)				8,000	134	0	0	0	8,134	0	8,134	0	0	0	0	0	8,134
		Capital from Current				220	0	0	0	0	220	0	220	220	0	0	0	0	220
		Debt				256,572	92,960	9,000	9,000	9,000	376,532	479,208	855,740	0	0	0	0	855,740	855,740
Total Program Financing						267,325	93,094	9,000	9,000	9,000	387,419	479,208	866,627	0	0	0	0	855,740	866,627

Status Code	Description
S2	S2 Prior Year (With 2018 and/or Future Year Cashflow)
S3	S3 Prior Year - Change of Scope 2018 and/or Future Year Cost\Cashflow)
S4	S4 New - Stand-Alone Project (Current Year Only)
S5	S5 New (On-going or Phased Projects)
S6	S6 New - Future Year (Commencing in 2019 & Beyond)

Category Code	Description
01	Health and Safety C01
02	Legislated C02
03	State of Good Repair C03
04	Service Improvement and Enhancement C04
05	Growth Related C05
06	Reserved Category 1 C06
07	Reserved Category 2 C07

Appendix 4

2018 Cash Flow and Future Year Commitments

CITY OF TORONTO

Gross Expenditures (\$000's)

Shelter, Support & Housing Administration

Sub- Project No. Project Name PrioritySubProj No. Sub-project Name Ward Stat. Cat.						Current and Future Year Cash Flow Commitments						Current and Future Year Cash Flow Commitments Financed By												
						2018	2019	2020	2021	2022	Total 2018-2022	Total 2023-2027	Total 2018-2027	Provincial Grants and Subsidies	Federal Subsidy	Development Charges	Reserves	Reserve Funds	Capital from Current	Other 1	Other2	Debt - Recoverable Debt	Total Financing	
SHL906659 Capital Repairs/Replacement - Leased Bldgs																								
0	19	Capital Repairs/Replacements-Leased Bldgs-2017	CW	S2	03	20	0	0	0	0	20	0	20	0	0	0	0	0	0	0	0	20		
0	21	Capital Repairs/Replacements-Leased Bldgs-2018	CW	S4	03	100	0	0	0	0	100	0	100	0	0	0	0	0	0	100	0	100		
Sub-total						120	0	0	0	0	120	0	120	0	0	0	0	0	0	100	0	120		
SHL906660 Capital Repairs/Repl : City Operated																								
0	18	Capital Repairs/Replacements-City Operated-2017	CW	S2	03	200	0	0	0	0	200	0	200	0	0	0	0	0	0	0	0	200		
0	20	Capital Repairs/Replacements-City Operated-2018	CW	S4	03	800	0	0	0	0	800	0	800	0	0	0	0	0	0	800	0	800		
Sub-total						1,000	0	0	0	0	1,000	0	1,000	0	0	0	0	0	0	800	0	1,000		
SHL908242 Shelter Land Acquisition																								
0	1	Shelter Land Acquisition	30	S2	04	6,570	0	0	0	0	6,570	0	6,570	0	0	0	0	6,570	0	0	0	0		
Sub-total						6,570	0	0	0	0	6,570	0	6,570	0	0	0	0	0	6,570	0	0	0	6,570	
SHL908287 George Street Revitalization (GSR)																								
0	1	Transition/Redevelopment	CW	S2	04	8,251	0	0	0	0	8,251	0	8,251	0	0	0	0	0	0	8,251	0	8,251		
0	3	GSR-Project Management/Preconstruction	CW	S2	04	6,957	0	0	0	0	6,957	0	6,957	0	0	0	0	0	0	6,957	0	6,957		
0	4	GSR Phase II-Transition-Seaton House	CW	S2	04	24,427	21,685	3,146	3,146	3,146	55,550	5,428	60,978	0	0	0	0	0	0	60,978	0	60,978		
Sub-total						39,635	21,685	3,146	3,146	3,146	70,758	5,428	76,186	0	0	0	0	0	0	0	76,186	0	76,186	
SHL908415 Choice Based Housing Access System																								
0	1	Choice Based Housing Access System	CW	S2	04	3,963	134	0	0	0	4,097	0	4,097	0	0	0	2,533	1,564	0	0	0	0		
Sub-total						3,963	134	0	0	0	4,097	0	4,097	0	0	0	2,533	1,564	0	0	0	0	4,097	
SHL908572 TCHC Capital Projects																								
0	1	TCHC Capital Projects-SOGR backlog	CW	S4	03	160,000	40,000	0	0	0	200,000	0	200,000	0	0	0	0	0	0	200,000	0	200,000		
0	2	TCHC Revitalization-Existing Portfolio	CW	S4	04	56,037	23,146	0	0	0	79,183	0	79,183	0	0	0	0	0	0	79,183	0	79,183		
Sub-total						216,037	63,146	0	0	0	279,183	0	279,183	0	0	0	0	0	0	0	279,183	0	279,183	
Total Program Expenditure						267,325	84,965	3,146	3,146	3,146	361,728	5,428	367,156	0	0	0	2,533	8,134	220	0	0	356,269	0	367,156

CITY OF TORONTO

Gross Expenditures (\$000's)

Shelter, Support & Housing Administration

		Current and Future Year Cash Flow Commitments and Estimates									Current and Future Year Cash Flow Commitments and Estimates Financed By								
		2018	2019	2020	2021	2022	Total 2018-2022	Total 2023-2027	Total 2018-2027	Provincial Grants and Subsidies	Federal Subsidy	Development Charges	Reserve Reserves	Reserve Funds	Capital from Current	Other 1	Other2	Debt - Recoverable Debt	Total Financing
Sub- Priority	Project No. SubProj No.	Project Name Sub-project Name	Ward	Stat.	Cat.														
Financed By:																			
		Reserves (Ind. "XQ" Ref.)				2,533	0	0	0	0	2,533	0	2,533	0	0	0	0	0	2,533
		Reserve Funds (Ind."XR" Ref.)				8,000	134	0	0	0	8,134	0	8,134	0	0	0	0	0	8,134
		Capital from Current				220	0	0	0	0	220	0	220	220	0	0	0	0	220
		Debt				256,572	84,831	3,146	3,146	3,146	350,841	5,428	356,269	0	0	0	0	356,269	356,269
Total Program Financing						267,325	84,965	3,146	3,146	3,146	361,728	5,428	367,156	0	0	0	0	356,269	367,156

- Status Code Description**
- S2 S2 Prior Year (With 2018 and/or Future Year Cashflow)
 - S3 S3 Prior Year - Change of Scope 2018 and/or Future Year Cost\Cashflow)
 - S4 S4 New - Stand-Alone Project (Current Year Only)
 - S5 S5 New (On-going or Phased Projects)

- Category Code Description**
- 01 Health and Safety C01
 - 02 Legislated C02
 - 03 State of Good Repair C03
 - 04 Service Improvement and Enhancement C04
 - 05 Growth Related C05
 - 06 Reserved Category 1 C06
 - 07 Reserved Category 2 C07

Appendix 5

2018 Preliminary Capital Budget with Financing Detail



CITY OF TORONTO

**Shelter, Support & Housing Administration
Sub-Project Summary**

Project/Financing Priority Project	Project Name	Start Date	Completion Date	2018	Financing									
				Cash Flow	Provincial Grants Subsidies	Federal Subsidy	Developmt Charges	Reserves	Reserve Funds	Capital From Current	Other 1	Other 2	Debt	Debt - Recoverable
0	<u>SHL906660 Capital Repairs/Repl : City Operated</u>													
0	18 Capital Repairs/Replacements-City Operated-2017	01/01/2017	12/31/2017	200	0	0	0	0	0	200	0	0	0	0
0	20 Capital Repairs/Replacements-City Operated-2018	01/01/2018	12/31/2018	800	0	0	0	0	0	0	0	0	800	0
	Project Sub-total:			1,000	0	0	0	0	0	200	0	0	800	0
0	<u>SHL908242 Shelter Land Acquisition</u>													
0	1 Shelter Land Acquisition	01/01/2016	12/30/2018	6,570	0	0	0	0	6,570	0	0	0	0	0
	Project Sub-total:			6,570	0	0	0	0	6,570	0	0	0	0	0
0	<u>SHL908287 George Street Revitalization (GSR)</u>													
0	1 Transition/Redevelopment	01/01/2016	12/31/2017	8,251	0	0	0	0	0	0	0	0	8,251	0
0	3 GSR-Project Management/Preconstruction	01/01/2017	12/31/2018	6,957	0	0	0	0	0	0	0	0	6,957	0
0	4 GSR Phase II-Transition-Seaton House	01/01/2017	12/31/2022	24,427	0	0	0	0	0	0	0	0	24,427	0
	Project Sub-total:			39,635	0	0	0	0	0	0	0	0	39,635	0
0	<u>SHL908415 Choice Based Housing Access System</u>													
0	1 Choice Based Housing Access System	02/24/2017	12/31/2019	3,963	0	0	0	2,533	1,430	0	0	0	0	0
	Project Sub-total:			3,963	0	0	0	2,533	1,430	0	0	0	0	0
0	<u>SHL908572 TCHC Capital Projects</u>													
0	1 TCHC Capital Projects-SOGR backlog	01/01/2018	12/31/2019	160,000	0	0	0	0	0	0	0	0	160,000	0
0	2 TCHC Revitalization-Existing Portfolio	01/01/2018	12/31/2019	56,037	0	0	0	0	0	0	0	0	56,037	0
	Project Sub-total:			216,037	0	0	0	0	0	0	0	0	216,037	0
12	<u>SHL906659 Capital Repairs/Replacement - Leased Bldgs</u>													
0	19 Capital Repairs/Replacements-Leased Bldgs-2017	01/01/2017	12/31/2017	20	0	0	0	0	0	20	0	0	0	0
0	21 Capital Repairs/Replacements-Leased Bldgs-2018	01/01/2018	12/31/2018	100	0	0	0	0	0	0	0	0	100	0
	Project Sub-total:			120	0	0	0	0	0	20	0	0	100	0
	Program Total:			267,325	0	0	0	2,533	8,000	220	0	0	256,572	0

Status Code Description
 S2 S2 Prior Year (With 2018 and/or Future Year Cashflow)
 S3 S3 Prior Year - Change of Scope 2018 and/or Future Year Cost/Cashflow
 S4 S4 New - Stand-Alone Project (Current Year Only)
 S5 S5 New (On-going or Phased Projects)

Category Code Description
 01 Health and Safety C01
 02 Legislated C02
 03 State of Good Repair C03
 04 Service Improvement and Enhancement C04
 05 Growth Related C05
 06 Reserved Category 1 C06

Category Code	Description
07	Reserved Category 2 C07

Appendix 6

Reserve / Reserve Fund Review – Corporate (\$000s)

Reserve / Reserve Fund Name	Project / SubProject Name and Number	Projected Balance as at Dec 31, 2017 *	Contributions / (Withdrawals)										2018 - 2027 Total Contributions / (Withdrawals)		
			2018 Budget	2019 Plan	2020 Plan	2021 Plan	2022 Plan	2023 Plan	2024 Plan	2025 Plan	2026 Plan	2027 Plan			
Land Acquisition Reserve Fund (XR1012)	Beginning Balance	114,757	121,552	114,982	114,982	114,982	114,982	114,982	114,982	114,982	114,982	114,982	114,982		
	Withdrawals (-)	(255)													
	<i>Shleter Land Acquisition</i>		(6,570)											(6,570)	
	Total Withdrawals	(255)	(6,570)												(6,570)
	Contributions (+)	7,050													
	Total Contributions	7,050													
Total Reserve Fund Balance at Year-End		121,552	114,982	114,982	114,982	114,982	114,982	114,982	114,982	114,982	114,982	114,982	114,982	(6,570)	

* Based on the 2017 Q3 Variance Report