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2018 OPERATING BUDGET BRIEFING NOTE

Operating and Capital Impacts of the Addition of 3 new Emergency Shelters in 2018

Issue/Background:

At its meeting on December 5, 6, 7 and 8, 2017, City Council considered and adopted with amendments the recommendations contained in CD24.7 "*Shelter Infrastructure Plan and Progress Report*" from the General Manager, Shelter, Support and Housing Administration (SSHA).

The report sought Council approval to authorize the transfer of \$10.6 million from the Tax Stabilization Fund to the Social Housing Reserve to fund the provision of 400 shelter beds as soon as is practically possible to alleviate the occupancy pressures in the shelter system.

The report further authorized the Deputy City Manager, Cluster A to open 3 new shelters to be available for general shelter use in 2018, ensuring that across the shelter system, new spaces are made available for diverse categories, with a view to achieving 90 percent occupancy.

At the same meeting, City Council also requested the Acting Chief Financial Officer to report to the Budget Committee on the financial implications of these additional shelters to SSHA's 2018 Preliminary Operating Budget and 10-year Capital Plan.

This Briefing Note provides a summary of the projected financial implications to the 2018 Preliminary Operating Budget and 10-year Capital Plan for SSHA resulting from the addition of 3 new shelters in 2018 as requested by City Council. The additional capital funding requirements and the associated operating impacts are not included in the 2018-2027 Preliminary Capital Budget and Plan and 2018 Preliminary Operating Budget for SSHA.

Each of these budgets must be adjusted to include the necessary funding and authority to add and operate 3 new shelter sites.

Key Points:

- Of the 3 shelter sites, 1 site will be leased and 2 will be acquired by the City. In view of the ongoing challenges of identifying and acquiring suitable shelter sites, the operating impact estimates assume all 3 sites will be operational by the end of October 2018.

- Estimates developed in collaboration with SSHA and detailed in Table 1 below projects capital costs of approximately \$44 million in 2018 for the 3 new shelters. Each shelter is expected to have a maximum capacity of 100 beds.
 - The capital cost estimates include land costs for 2 sites to be acquired by the City, as well as the costs for design, architecture, construction and renovation to bring the 3 properties to shelter standards as well as costs for furniture, equipment and project management.
- Further, the operating costs to run the three shelter sites is estimated at \$3.833 million per year for each shelter with a capacity of a 100 beds.
 - Consequently, the projected incremental operating impacts to SSHA's 2018 Preliminary Operating Budget for the 3 new shelters is expected to be \$2.078 million for 2 months in 2018 with an incremental cost of \$10.2 million in 2019.
 - The projected capital costs of \$44 million are not included in the 10-year Preliminary Capital Plan and will require debt financing by the City resulting in additional annual debt servicing costs of approximately \$0.606 million in 2018 and an additional \$2.037 million in 2019 for a total annual debt servicing cost of \$2.643 million.

Table 1

Capital Costs Estimates	2018 Cashflow	2019 Incremental
Land Costs (2 sites)	20,000,000	
Design & Architecture	1,200,000	
Construction & Renovation*	21,440,000	
Furniture*	1,260,000	
Project Management*	120,000	
Total Capital Costs	44,020,000	
Operating Costs Estimates		
Lease Costs - 1 site	125,000	625,000
Operating Costs - 3 sites	1,953,000	9,544,500
Sub-Total	2,078,000	10,169,500
Debt Servicing Costs	606,000	2,037,000
Total Operating Impact	2,684,000	12,206,500
<i>* The estimates for Construction and Renovation, Furniture and Project Management costs are for the 3 sites.</i>		

- As noted above, neither the capital nor operating funding required for the 3 additional sites are included in SSHA's 2018 Preliminary Operating Budget, nor its 2018-2027 Capital Budget and Plan.

- Budget Committee must consider the additional operating impact of \$2.684 million from adding the 3 shelters together with the list of New and Enhanced Service Requests not included in the 2018 Preliminary Operating Budget.
- Similarly, 2 capital projects with total estimated costs of \$44 million would need to be added to SSHA's 2018 – 2027 Capital Budget and Plan all to be cash flowed in 2018 with funding sources to be identified.

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