
2018 OPERATING BUDGET BRIEFING NOTE

Operating and Capital Impacts of the Addition of 1,000 new Emergency Shelter Beds and the Continuation of Respite Sites

Issue/Background:

At its meeting on January 12, 2018 Budget Committee requested a briefing note from the General Manager, Shelter, Support and Housing Administration (SSHA) detailing the impacts of the following:

- a. extending the respite spaces beyond April 15, 2018 ensuring everyone who needs a bed receives a bed; and
- b. costs related to opening and operating 1,000 additional shelter beds as quickly as possible.

Similarly, at its meeting on January 17, 2018, Community Development and Recreation Committee adopted recommendation 4 of report CD25.5, "Review of Current Winter Respite and Shelter Services During the Recent Cold Weather:"

4. City Council direct the Deputy City Manager, Cluster A, in consultation with the General Manager, Shelter, Support and Housing Administration and the Acting Chief Financial Officer to:
 - a. retain operations of the necessary respite centres, warming centres, and drop-in programs beyond the scheduled April 15, 2018 timeline to respond to the overcrowding in the shelter system;
 - b. work with the operators of the Out of the Cold programs with the aim of keeping the program running beyond the scheduled April 15, 2018 timeline to respond to the overcrowding in the shelter system;
 - c. immediately begin preparations for the 2018-2019 winter season and to consult with all interested parties in these preparations with interested community stakeholders;
 - d. immediately develop service and maintenance standards for winter respite drop-ins, 24 hour drop-ins, warming centres and the Out of the Cold programs;
 - e. ensure necessary budget adjustments are made for 2018 and subsequent years.

This briefing note provides a summary of the projected financial implications to the 2018 Preliminary Operating Budget and 10-year Capital Plan (2018 to 2027) for SSHA resulting from

the extension of respite spaces, the addition of 1,000 new shelter beds and the extension of the Out of the Cold program. 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 continue the respite spaces as well as build and operate new shelter sites.

Key Points:

- Included in the 2018 Preliminary Operating Budget is a one-time draw from the Social Housing Stabilization Reserve of \$3.399 million in funding for 300 spaces, in 5 sites, as part of the Winter Respite Services from January 1 to April 15, 2018. This initiative is part of the overall \$6 million draw that was approved by City Council on July 4, 5, 6 and 7, 2017, via item CD21.16 "Review of Current Winter Respite Services and Planning for the 2017/18 Winter Season"

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.CD21.16>

- At its meeting on December 5, 6, 7 and 8, 2017, City Council adopted among other things, the 2018 Shelter Infrastructure Plan CD24.7 "Shelter Infrastructure Plan and Progress Report" including the following:
 - a. providing 400 beds/spaces as soon as practically possible by adding additional motel beds; opening additional beds in existing shelters which have the available space to accommodate such beds within Shelter Standards; and, opening additional low-barrier winter respite sites, funded from a \$10.6 million draw from the Tax Stabilization Fund;
 - b. opening the following five (5) permanent shelters in 2018 (a total of 291 beds), the funding for which is including in the 2018 Preliminary Budgets (operating and capital):
 - Hope Shelter, 29 Leslie St, in the first quarter of 2018 (60 beds for men)
 - Youth Link, 747 Warden Avenue, in the second quarter of 2018 (51 beds for youth);
 - Birchmount Residence, 3306 Kingston Road, in the second quarter of 2018 (100 beds for senior men)
 - Temporary shelter for George Street Replacement, 731 Runnymede Road, in the third quarter of 2018 (50 beds for men)
 - Egale Canada, 257 Dundas Street East, in the third quarter of 2018 (30 beds for LGBTQ2S youth);
 - c. in addition to the aforementioned five (5) shelter sites opening in 2018, opening three (3) additional shelters (with a request that the Interim Chief Financial Officer report to Budget Committee on the financial implications).

Continuation of Respite Services beyond April 15th, 2018

- In total, 700 respite shelter spaces will be operational for the winter months (i.e. November 15th to April 15th). All of these spaces are funded by reserve draws. The current funding allocated would sustain this service for a portion of the year but not the full year. As shown in Table 1, extension of the 700 spaces from April 15, 2018 to the end of the year would cost an estimated \$14.026 million. If the service was to continue beyond 2018, the City would face a \$13.999 million pressure (\$3.399 + \$10.600) in 2019 and would need to identify a more permanent funding source.

1,000 New Permanent Beds

- The 2018 preliminary budget includes the opening of 121 new shelter beds. To achieve the goal of opening 1,000 permanent shelter beds the City must authorize funding for another 880 shelter beds.
- Table 1 details a three year plan to add an additional 880 beds at 11 sites (assuming an average bed capacity of 80).
- The shelters will open at various times within their year of construction completion
- Facilities and SSHA have partnered to identify shelter sites and thus far have listed 5 potential sites that could be used as permanent shelters. Negotiations for the 5 sites are preliminary and on-going. Of the sites identified, three would be purchased and two would be leased long-term.
- An additional 6 sites would need to be identified by Facilities to reach the goal of 1,000 shelter beds
- Estimates developed by Financial Planning and SSHA project capital costs for 11 sites to be approximately \$178.56 million over three years.
 - The capital cost estimates include land costs, as well as the costs for design, architecture, construction and renovation to bring the properties to shelter standards as well as costs for furniture, equipment and project management.
- Further, the operating costs to run all 11 shelter sites, including the lease costs for 2 sites, is estimated to reach \$35.228 million by 2021.
 - Consequently, the projected incremental operating impacts to SSHA's 2018 Preliminary Operating Budget for the new shelters is expected to be \$1.658 million in 2018 with an incremental costs of \$10.908 million in 2019, \$12.697 million in 2020, \$9.965 million in 2021 .
 - The projected capital costs of \$178.56 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, \$4.358 million in 2019, \$4.516 million in 2020, \$2.034 million in 2021 for a total 10 year debt servicing cost of \$11.514 million.

- There will be significant workload challenges in keeping with the proposed timeline of opening 880 beds in 3 years. Facilities and SSHA are already working collaboratively to advance the GSR transition plan. A plan in which over 400 beds will be worked on over the same timeline and must be opened before March 2021. Additionally, if the 700 respite sites are to remain open after the winter months, both divisions would need to focus efforts on extending the current respite agreements or finding new ones. Table 2 details the schedule of deliverables.

Continuation of Out of the Cold

- The Out of the Cold (OOTC) program is a seasonal winter program that is delivered by inter-denominational faith-based groups across the City of Toronto between November and April, and is coordinated by Dixon Hall. OOTC operates through the work of volunteers, who bear many of the costs associated with program operations. The capacity of each location ranges from 15 to 75 spaces with up to four sites operating per night. On average each night 100 spaces are available.
- To extend the program, the City would need to consult with the faith based groups to see if they have the capacity to continue operating beyond the winter season. The resulting costs of extension are presently unknown.

Provision for Oversight and Improvement

- The capacity increases of 2017/2018 have had a significant impact on the need for additional human resources in SSHA. As the service system manager for City's shelters, the Division must provide appropriate operational support and oversight to ensure continued improvement in the shelter system. The challenges of additional service in the refugee sector, winter response and enhanced infrastructure require an immediate increase of 35 positions to the divisional complement to keep up with operational need and expansion. The timing of hire would create an incremental FTE equivalent of 17.5 in 2018 and 17.5 in 2019 for a total of 35 FTEs. The Community Development and Recreation Committee has requested that an external independent review of SSHA's staff complement be conducted, the results of the review may impact the complement of future operating budgets.

As noted above, neither the capital nor operating funding required for the 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 impacts, identified in Table 1, of adding new shelters and continuing respite services, as part of the list of New and Enhanced Service Requests not included in the 2018 Preliminary Operating Budget.

Similarly, capital projects with total estimated costs of \$178.56 million would need to be added to SSHA's 2018 – 2027 Capital Budget and Plan all to be cash flowed as per the Table 1 with debt as a funding source.

Table 1
(\$000s)

		YEAR				
		2018	2019	2020	2021	Total
Capital Cost Estimates						
	Land (9 sites)	20,000	30,000	40,000		90,000
	Architect, Design and Project Management	2,580	3,640	4,240		10,460
	Construction and Renovation*	21,300	28,400	28,400		78,100
	Total	43,880	62,040	72,640		178,560
Operating Cost Estimates						
	Lease Costs (2 sites)	125	688	688	0	1,501
	Operating Cost (11 sites)	1,533	10,220	12,009	9,965	33,727
	Total (A)	1,658	10,908	12,697	9,965	35,228
	Total Beds	240	320	320		880
Other Operating Impacts						
	Debt Servicing Cost**	606	4,358	4,516	2,034	11,514
	Extension of 700 Respite Sites Positions for Oversight and Improvement	14,026	13,999	0	0	28,025
		1,750	1,750	0	0	3,500
	Total (B)	16,382	20,107	4,516	2,034	43,039
	Total Operating Impact (A+B)	18,040	31,015	17,213	11,999	78,267
	FTE	17.5	17.5			35

*The estimates for construction and renovation are for 11 sites

**The 10 year total debt service cost is \$11.514 million

Table 2

Schedule of Deliverables

	2018	2019	2020	Total
New Permanent Shelters	3 sites for 121 beds			121 beds
New Permanent Shelters	3 sites for 240 beds	4 sites for 320 beds	4 sites for 320 beds	880 beds
Total New	361 beds	320 beds	320 beds	1,001 beds
New Permanent Replacement	2 sites for 120 beds			120 beds
George Street Transition*	1 sites for 50 beds	3 sites for 274 beds	1 site for 88 beds	412 beds
Total Replace	170 beds	274 beds	88 beds	532 beds
Respite Sites**	700 spaces			700 spaces
Total Beds/Spaces	1,231	594	408	2,233

* 3306 Kingston Road will assist in the GSR transition but for the purposes of this chart it is included in the new permanent count. The site provides up to 60 replacement beds and up to 40 new beds

** agreements to extend respite sites beyond April 15th, 2018, have not been secured and may result in relocation

Prepared by: Glenn Morgan, Director Program Support, Shelter, Support & Housing Administration Division, Telephone, 416-397-4161, E-mail, Glenn.Morgan@toronto.ca

Further information: Paul Raftis, General Manager, Shelter, Support & Housing Administration Division, 416-392-7885 & Paul.Raftis@toronto.ca

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