

Analysis of Emergency Operating Funding Request from Cabbagetown Youth Centre

Date: February 18, 2020

To: City Council

From: Executive Director, Social Development, Finance and Administration

Wards: 13

SUMMARY

This report responds to Budget Committee request on February 4, 2020 to report to City Council with a responsible emergency operating funding plan for the Cabbagetown Youth Centre which responds to the needs of the organization and provides protection for any public funding recommended for Cabbagetown Youth Centre.

The Cabbagetown Youth Centre informed the City in late fall 2019 that they were experiencing a funding crisis that would result in the closure of the organization in early 2020 and requested \$350K in emergency operating funding to continue operations throughout the year.

Social Development, Finance and Administration does not have a practice of providing emergency funds to organizations in funding crises to continue regular operations. Not-for-profits in Toronto face significant challenges as the costs of operating rise and grant funding from most funders becomes more targeted and project based. Some organizations experiencing funding challenges across the not-for-profit sector have sought emergency financial support from the City, and will continue to make requests. To date, Social Development, Finance and Administration's emergency funding capacity has enabled a modest, equitable investment in the range of \$5,000 - \$10,000 per organization to provide support to the Board of Directors to determine viable options for the future of the organization – from restructuring to mergers to closures.

Social Development, Finance and Administration does not recommend going beyond this established divisional practice to instead provide emergency funding to Cabbagetown Youth Centre to continue regular operations. However, should Toronto City Council decide to extend emergency operating support to the Cabbagetown Youth Centre, staff analysis indicates two options that Council can consider to provide a one-time emergency operating grant to the Cabbagetown Youth Centre:

- Option 1: a one-time grant of \$89,300 for a six month period (April – September 2020) to support current program-related costs while the organization develops and starts to implement a Transition Plan.

- Option 2: a one-time grant of \$160,900 for a nine month period (April – December 2020) to support current program-related costs while the organization develops and starts to implement a Transition Plan.

Should Council pursue a funding option for the organization, it would be important to make the provision of funding contingent on meeting several conditions to ensure public dollars are leveraged in the most effective way. The 2020 Staff Recommended Operating Budget does not include emergency operating funding for the Cabbagetown Youth Centre.

RECOMMENDATIONS

The Executive Director, Social Development, Finance and Administration recommends that:

- 1) City Council receive this report for information.

FINANCIAL IMPACT

Staff analysis indicates two options for the provision of a one-time emergency operating grant to the Cabbagetown Youth Centre:

- **Option 1:** \$89,300 for a six month period (April – September 2020)
- **Option 2:** \$160,900 for a nine month period (April – December 2020)

The options vary based on the funding timeframe and the specific activities and expenses outlined in the Centre's monthly cashflow projections. For example, funding from other sources cover the majority of the Centre's expenses during June - August 2020. A one-time funding source will need to be identified should City Council choose to proceed with either one of the options noted above.

The 2020 Staff Recommended Operating Budget for Social Development, Finance and Administration does not include emergency operating funding for the Cabbagetown Youth Centre. The provision of emergency operating funding is outside of the funding practices of the division and is not part the \$21M Community Partnership Investment grant envelope within the Staff Recommended Operating Budget. However, within the Community Partnership Investment portfolio, Social Development, Finance and Administration can fund the costs associated with meeting the three recommended funding conditions: a reputable auditor/consultant to conduct a financial and program audit; a consultant to support the development of a Transition Plan; and a trustee to manage the public funds.

The Chief Financial Officer and Treasurer has been provided with the financial impact information.

DECISION HISTORY

At its meeting of February 4, 2020, Budget Committee requested the Executive Director, Social Development, Finance and Administration to report to City Council with a responsible emergency funding plan for the Cabbagetown Youth Centre which responds to the needs of the organization and provides protection for any public funding recommended for Cabbagetown Youth Centre.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.BU16.2>

Budget Briefing Note #19, Update on the Cabbagetown Youth Centre, was provided to Budget Committee for consideration at its meeting on the January 28, 2020. This note responded to Council direction from its meeting of November 26 and 27, 2019 requesting staff to evaluate existing programming and the financial situation at the Cabbagetown Youth Centre and report back to the Budget Committee with interim funding options to support Cabbagetown Youth Centre's core programs through the 2020 budget process and to review the feasibility of a transfer of ownership of the Cabbagetown Youth Centre to the City to establish an Association of Community Centres.

<https://www.toronto.ca/legdocs/mmis/2020/bu/bgrd/backgroundfile-145296.pdf>

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.MM12.20>

COMMENTS

The Cabbagetown Youth Centre was founded in 1972 as the Cabbagetown Boxing Club to provide vulnerable youth with positive alternatives through sport and recreation, while encouraging ongoing education. As a not-for-profit organization, Cabbagetown Youth Centre provides programming focused on educational, recreational and social activities and operates out of 2 Lancaster Ave, Rose Avenue, and Winchester Public Schools. The Centre also runs summer camps in Scarborough.

In 2018, the Cabbagetown Youth Centre generated a total revenue of \$1,004,933. The majority of the Centre's funding (83% in their last audited financial statement from 2018), comes from other orders of government, with major contributions from the federal government (\$237,642), Toronto District School Board (\$343,111), and provincial ministries (\$250,007). As a minor funder, the City of Toronto has been providing ongoing funding for two youth programs, representing 7% of the Cabbagetown Youth Centre's operating budget. In 2018, Social Development, Finance and Administration provided \$38,875 for the Focus on Youth Program (also known as After-Four), and Children's Services granted \$33,956 for the summer day program. The City's funding level has remained consistent for the organization over the past seven years with incremental growth for cost of living, while other orders of government have varied in their funding commitments leading to a funding challenge for the Cabbagetown Youth Centre at this time.

The Community Funding Unit in Social Development, Finance and Administration has worked closely with the Cabbagetown Youth Centre over an eight-year funding period, noting concerns about the organization's financial health, governance, performance and

reporting. Community Funding staff have advised the organization on several previous occasions to diversify their funding sources to ensure stability. During this time, there have been ongoing delays from Cabbagetown Youth Centre with reporting timelines and requirements. Changes in leadership in September 2016 have contributed to improvements with governance and performance, but the organization's financial health and timely reporting have been noted as ongoing concerns.

Options Available for Organizations Facing Financial Crisis

Not-for-profits in Toronto continue to face significant challenges as the costs of operating rise and grant funding becomes more targeted and project based. A number of factors contribute to loss of funding within community organizations. Those that face similar persistent financial health, governance, performance and reporting challenges can face loss of funding. Sometimes, funding envelopes change or funding programs close and organizations that lack diversified funds find themselves without sufficient funding to effectively operate.

Options available to organizations in these financial circumstances include:

- Developing a stability plan with major funders to assist the organization to address funding shortfalls or cash flow challenges;
- Exploring mergers with other organizations in the not-for-profit sector in order to maximize resources and overall impact;
- Downsizing programs and administration in order to concentrate on program delivery in the organization's strongest service areas;
- Developing and executing a responsible and effective closure plan, transferring programs to other aligned organizations to continue to meet community needs.

Some organizations experiencing funding challenges across the not-for-profit sector have sought emergency financial support from the City, and will continue to make requests. To date, Social Development, Finance and Administration's emergency funding capacity has enabled a modest investment in the range of \$5,000 - \$10,000 per organization to provide support to the Board of Directors to determine viable options for the future of the organization. This emergency funding has not included emergency operational funding to continue regular administration and program operations.

The provision of emergency funding requires a strong rationale, including an assessment of the organization's capacity and readiness to undertake the necessary actions to revitalize the organization, secure alternative partnership arrangements, or to cease to operate.

Should City Council set a precedent with the provision of emergency operational funding, such funding would be required beyond the \$21M Community Partnership Investment grant envelope within the 2020 Staff Recommended Operating Budget for Social Development, Finance and Administration. The Community Partnership Investment grant envelope currently funds 357 community agencies across Toronto and experiences greater demand than grant streams can meet. Further, to meet granting standards, the division would require a clear, equitable and transparent process to determine how best to fund, to which organizations to provide emergency operating funding and to determine the utility of this investment. An investment of emergency

operating funding would need to be contingent on a clear plan of action, specific timeframes, achievement of milestones, and with appropriate funding conditions.

Assessment of the Cabbagetown Youth Centre Request

As part of due diligence, City staff conducted a review of financial and program information provided by the Cabbagetown Youth Centre, and available through grant funding reports over Social Development's funding period; met with Centre staff and the Board Chair and had follow up communication. Additionally staff a conducted a preliminary scan of children and youth programs in the catchment area of the Cabbagetown Youth Centre: St. James Town, Cabbagetown, and Regent Park.

Findings from this initial review indicates:

- Low program enrolment in some of the Centre's core programs. For example, the seven programs cut in 2018 due to funding shortfall had a total enrolment of 132, with the highest enrolments being in the Performing Arts Dance Class (28), We Read (24) and Junior Karate (26);
- Multiple program locations that may divide focus from the St. James Town community given the Centre's resource levels. Their highest enrolment summer camps, for example, are in Scarborough with 406 participants versus an enrolment of 134 in the St. James Town community, which is the focus of Cabbagetown Youth Centre's funding request to the City;
- High administration costs in some areas. For example, the printer leasing fee in 2019 was \$984.62/month with an additional printer usage fee of \$35/month;
- A heavy debt load. The organization has maxed out its line of credit; and paying bank penalties; and,
- Other service providers in the area that run similar children and youth programs for the same age groups. These include (but is not limited to): The Power Hour and other recreation activities at The Growing Up Healthy Downtown through Family Services Toronto; MLSE Launchpad Homework Club; summer camps through various organizations including the Native Child and Family Services, Toronto Kiwanis Boys and Girls Club, ArtHeart Community Art Centre, Central Neighbourhood House, Regent Park Focus Youth Media Arts Centre, and Dixon Hall Services; After-School Recreation Care (ARC) and other sport activities at Regent Park Community Centre; and step aerobics through the Wellesley Community Centre. While there are waitlists for the City children and youth programs at the Wellesley and Regent Park Community Centres, both are identified in the Growth Plan with funding allocations that will alleviate some of the waitlist pressures. The Centre's boxing program is the most unique offering in the community which could not be easily transferred to another provider.

Social Development, Finance and Administration does not recommend going beyond the division's established practice to begin providing emergency funding to Cabbagetown Youth Centre to continue regular operations. However, should City Council decide to extend emergency operating support to the Cabbagetown Youth Centre, staff analysis indicates two options that City Council can consider to provide one-time emergency operating grant to the Cabbagetown Youth Centre:

- **Option 1:** a one-time grant of \$89,300 for a six month period (April – September 2020) to support current program-related costs while the organization develops and starts to implement a Transition Plan.
- **Option 2:** a one-time grant of \$160,900 for a nine month period (April – December 2020) to support current program-related costs while the organization develops and starts to implement a Transition Plan. This option gives the Centre more time begin implementing transition activities.

Table 1 summarizes the Cabbagetown Youth Centre’s expense that informs the two options: program and program staff, administration, administrative salaries, and facility operations. These expenses and amounts are based on the expenditure and cash flow projections provided by the Centre on Jan 24, 2020 and through subsequent communications to clarify various budget lines. The options vary based on the funding timeframe and the specific activities and expenses outlined in the Centre’s monthly cashflow projections. For example, funding from other sources cover the majority of the Centre’s expenses during June - August 2020.

Table 1: Options for the Provision of Emergency Operating Funding

Expenses	Inclusions and Exclusions	Option 1: 6 Months	Option 2: 9 Months
Programs & Program Staff	<ul style="list-style-type: none"> ▪ Includes salaries for After 4 and Boxing programs ▪ Excludes restarting programs closed since 2018 and new program equipment purchase in this transition period 	\$26,400	\$52,800
Administration	<ul style="list-style-type: none"> ▪ Includes insurance, computer, internet and telephones, bank charges and transportation 	\$22,800	\$35,600
Administration Salaries	<ul style="list-style-type: none"> ▪ Includes Accounting/ Booking keeping fees, Executive Director salary and MERCS 	\$24,800	\$49,500
Facility Operations	<ul style="list-style-type: none"> ▪ Includes building cleaning and maintenance, property taxes, and utilities 	\$15,300	\$23,000
Total		\$89,300	\$160,900

Both options start in April as per the Centre’s request. They keep the Cabbagetown Youth Centre’s doors open and staff operational during the transition period allowing time for the Board of Directors to explore and develop a viable Transition Plan for the organization and enables the Community Action Program for Children, a federally funded program, to still be offered at the site, as well as other funded summer camps serving the neighbourhood. These options also supplement the City-funded After 4 program and enables the Boxing Program to continue with salary-related investment.

Neither option funds restarting the recreation programs that ceased in 2018 due to funding shortfalls. Restarting these programs via a 6-month or a 9-month emergency operational grant would be premature when the overall viability of the organization needs to be thoroughly assessed.

Conditions

Should City Council pursue an emergency operating funding option for the organization, it would be important to make the provision of such funding contingent on following conditions to ensure that public dollars are leveraged in the most responsible way:

- the completion and reporting of a financial and program audit through a reputable external auditor/consultant within the first three (3) months of the City funding allocation (by June 30, 2020);
- the completion and reporting of a Transition Plan within the first three (3) months of City funding allocation (by June 30, 2020) through the services of a reputable consultant to support the Board of Directors to map out steps Cabbagetown Youth Centre can take to either re-focus and stabilize the organization, explore mergers, or pursue closure and transition of services and participants to other area providers; and,
- use of a City-appointed trustee to responsibly manage these public funds on behalf of the Cabbagetown Youth Centre.

CONTACT

Barbara Powell, Manager, Community Funding, Social Development, Finance and Administration 416-392-7302 Barbara.Powell@toronto.ca

SIGNATURE

Denise Andrea Campbell
Executive Director
Social Development, Finance and Administration

ATTACHMENTS

None