

Analyst Briefing Notes

Budget Committee

(January 28, 2008)

2008 OPERATING BUDGET

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2008 Operating Budget**Executive Summary**

- The projected 2007 year-end net of \$248.929 million is anticipated to be \$4.833 million or 1.9% below the 2007 Approved Budget of \$253.762 million. The favourable variance is partly due to a decline in bed nights from budgeted volumes of 1,423,055 to projected actual bed night volumes of 1,333,719. Also contributing to the under-spending are cost containment savings, following the implementation of a hiring freeze, the deferral of consultant services and equipment purchases, and a savings of \$1.000 million in Social Housing subsidy, resulting from reduced payments to Toronto Community Housing Corporation for realty taxes. The decrease in bed night volumes is expected to continue into 2008 and will result in a reduction of expenditures of \$0.746 million net. As well, savings of \$6.011 million resulting from an adjustment to Social Housing for realty taxes will continue into 2008.
- The 2008 Recommended Operating Budget supports the 3-Year strategic direction outlined in the Shelter Support and Housing Administration (SSHA) Service Plan, and provides funding for service priorities which include:
 - helping people who are homeless or at risk of homelessness find and keep housing, and to provide emergency accommodation and related services;
 - ensuring the on-going viability and sustainability of existing social housing both in terms of built form and mixed income communities;
 - ensuring the City's preparedness to shelter individuals and families in response to declared and non-declared emergencies; and
 - administering the funding for the Affordable Housing Projects in accordance with the Council approved funding through the Capital Revolving Fund.
- The Program faces challenges providing services to a diverse clientele while maintaining service levels within its existing funding envelope, and administering the social housing portfolio within the context of the Social Housing Reform Act in the face of diminishing reserves.
 - SSHA staff will develop and implement a strategy that addresses the 2009 projected shortfall of \$39.358 million that will result from the depletion of the Program reserve funds of \$30.472 million and increased costs in Social Housing of \$8.886 million.
- The 2008 Recommended Operating Budget for SSHA of \$253.762 million net meets the 2008 budget target, mainly as the result of the recommended withdrawal of \$30.472 million from the Social Housing Stabilization Reserve Fund and the Social Housing Federal Reserve Fund, which offsets ongoing pressures and allows the Program to maintain current service levels.

Table 1: 2008 Recommended Budget

(In \$000s)	2007		2008 Recommended Operating Budget			Change - 2008 Recommended from 2007 Approved Budget		FY Incremental Outlook	
	2007 Approved Budget	2007 Projected Actual	2008 Base	2008 Rec. New /Enhanced	2008 Operating Budget			2009	2010
	\$	\$	\$	\$	\$	\$	%	\$	\$
GROSS EXP.	720,693.8	699,515.7	709,990.1	116.4	710,106.5	(10,587.3)	(1.5)	9,518.1	13,398.3
REVENUE	466,931.5	450,586.3	456,227.8	116.4	456,344.2	(10,587.3)	(2.3)	(30,471.7)	0.0
NET EXP.	253,762.3	248,929.4	253,762.3	0.0	253,762.3	0.0	0.0	39,989.8	13,398.3
Approved Positions	699.0	699.0	694.5	1.0	695.5	(3.5)	(0.5)	0.0	7.0
TARGET			253,762.3		253,762.3				
\$ Over / (Under) Program Target			0.0		0.0				
% Over / (Under) Program Target			0.0%		0.0%				

- The 2008 Recommended Operating Budget for SSHA is \$710.107 million (gross) and \$253.762 million (net). This is comprised of base funding of \$709.990 million (gross) and \$253.762 million (net), and new service priorities of \$0.116 million (gross) and \$0 million (net). Approval of the 2008 Recommended Operating Budget will result in a reduction in the Program's staff complement from 699.0 to 695.5, primarily due to reductions implemented through efficiency measures in the shelter system, and through the addition of one Approved Position in the Streets to Homes Program.
 - The 2009 and 2010 Outlook increases of \$39.990 million or 15.8% and \$13.398 million or 5.3% respectively, is comprised of the reversal of one-time draws from reserves of \$30.472 million required to meet target in 2008, the increase in costs to provide ongoing Social Housing services, ongoing merit and step increases, and the operating impact of maintaining the Social Housing Administration System.
- The key cost drivers in 2008 include: reversal of 2007 draw from the Social Housing Stabilization Reserve Fund of \$24.431 million; ongoing Cost of Living Adjustments (COLA), and merit and step increases of \$3.026 million; inflationary increases in non-labour costs of \$1.243 million; operating impact from capital of \$0.901 million to open Bethlehem United and Eva's Youth shelters; and the impact from the loss of SCPI funding of \$0.804 million (including \$0.501 million for the Edward Street Shelter and Referral Centre and \$0.303 million for Streets to Homes.)
 - Social Housing's pressure of \$2.789 million is driven by increased funding for subsidies to housing providers due to prescribed cost factor increases of \$7.626 million; an increase in RGI subsidy of \$0.678 million; a decrease in Federal funding of \$0.570 million, offset by decrease in property tax settlement with TCHC of \$6.011 million; and other reductions in expenses of \$0.074 million.
- Offsetting the key cost drivers are the recommended 2008 draws from Social Housing Reserve Funds of \$30.472 million; efficiencies of \$0.792 million, which include an increase in gapping

of \$0.442 million; savings from staff restructuring of \$0.350 million; and general expenditure reductions as experienced in 2007.

- To promote the objectives of the Program, the 2008 Recommended Operating Budget incorporates the following new/enhanced service priority:
 - Streets to Homes Support of \$0.116 million gross, \$0 net for one additional position funded through the Provincial Consolidated Homelessness Prevention Program. The Streets to Homes Program has assisted over 1,500 individuals move into housing since 2005.
- Perhaps the greatest Program challenge is that of managing the social housing portfolio with limited resources. The Social Housing Reform Act prescribes that significant increases in subsidy be paid to housing providers based on formula developed by the Ministry of Municipal Affairs and Housing. In the past, these pressures have been managed through increased draws from reserves. However, as the Program's reserves will be depleted after 2008, the City will no longer be able to manage this Program on the tax base.
 - The projected 2007 year-end combined uncommitted balance of the Social Housing Reserve Funds is \$31.148 million. The 2008 Recommended Operating Budget includes a draw of \$30.472 million to fund 2008 pressures, which will deplete the reserve funds. In 2009, due to the reversal of the 2008 draw, an unfunded pressure of \$30.472 million will result.
- The 2008 Recommended Operating Budget for SSHA supports the provision of a wide range of services, which include: providing 1.377 million bed nights of emergency shelter (3,770 per night, 365 days a year) to homeless individuals, including the provision of meals and counseling; providing 285,000 bed-nights of boarding home service to adults with psychiatric disabilities; providing funding to over 250 housing providers, (including the Toronto Community Housing Corporation), with 90,879 units of social housing; administering the Homelessness Partnering Strategy and other Federal and Provincial grants to over 300 agencies; assisting homeless individuals move into housing through the Streets to Homes program, with over 1,500 individuals relocated since 2005; and developing and managing the mass care program of the City's Emergency Plan.

Recommendations

The City Manager and Chief Financial Officer recommend that:

- (1) the 2008 Recommended Operating Budget for Shelter, Support and Housing Administration of \$710.107 million gross and \$253.762 million net, comprised of the following services, be approved:

<u>Service:</u>	<u>Gross (\$000s)</u>	<u>Net (\$000s)</u>
Program Support	2,314.4	2,314.4
Social Housing	537,367.2	191,946.0
Affordable Housing Programs	10,058.8	0.0
Hostel Services	117,672.4	55,308.5
Housing and Homelessness Supports	41,427.2	3,416.6
Partnership Development & Support	363.5	363.5
Emergency Planning Services	<u>903.0</u>	<u>413.3</u>
 Total Program Budget	 <u>\$710,106.5</u>	 <u>\$253,762.3</u>

- (2) Council request the Province to fully upload all Social Housing operating and capital costs.

Section A: 2008 Budget Variance Analysis

Table 2: 2008 Budget Variance Review

	2006 Actuals	2007 Approved Budget	2007 Projected Actuals	2007 Apprvd. Budget vs Projected Actuals Variance	
(In \$000s)	\$	\$	\$	\$	% Unspent
GROSS EXP.	673,791.2	720,693.8	699,515.7	21,178.1	2.9
REVENUES	407,866.6	466,931.5	450,586.3	16,345.2	3.5
NET EXP.	265,924.6	253,762.3	248,929.4	4,832.9	1.9
Approved Positions	700.0	699.0	699.0	0.0	0.0

Source: * Projected Actuals based on the September 30, 2007 Variance Report

2007 Experience

- Shelter, Support and Housing Administration's Third Quarter Variance report projects a favourable gross of \$21.178 million (2.9%) and a favourable net of \$4.833 million (1.9%) at year end.
- The projected gross under spending is due to the following: the lower than planned volume of shelter clients, with a reduction of 6.3% in shelter occupancy, with savings of \$2.2 million; savings in social housing from the Toronto Community Housing Corporation (TCHC) property tax transfer of \$7.0 million; some delays in grants and loans to fund affordable housing projects of \$6.4 million; and some delays in grants for the HPI community projects of \$2.5 million. As well, there is division wide savings due to delays in hiring staff and cost containment initiatives totalling \$2.9 million.
- The revenue variance is attributed to the reduction in bed nights, as under the Provincial per diem funding model, volume reductions in bed nights create a revenue shortfall. As well, there are some delays in funding loans and grants to community agencies and housing providers.

2007 Cost Containment

As reported in the 3rd Quarter Variance Report, SSHA is projecting savings of \$1.683 million in cost containment through the measures detailed in the following table.

Net Cost Containment Savings	2007 (\$000s) Savings	2008 (\$000s) Continued Savings	Comments
Hiring Freeze Savings:			
Defer hiring 11 administrative and counselling positions	(379.0)		One-time in 2007
Service Level Adjustments:			
Sub-total	(379.0)	0.0	
Discretionary Savings:			
Defer hiring of consultants for program-policy development, and equipment purchases	(303.7)	(303.7)	Recommended to continue in 2008
Savings in Social Housing from adjustment in realty taxes of approximately \$1.0 million will be allocated to cost containment	(1,000.0)	(6,011.0)	Realty tax savings recommended to continue in 2008
Sub-total	(1,303.7)	(6,314.7)	
TOTAL COST CONTAINMENT	(1,682.7)	(6,314.7)	

Note: The 2007 Social Housing Operating Budget was overstated by \$6.7 million in realty taxes for housing providers. The 2008 Social Housing base includes a reduction of \$6.011 million to correctly state the realty tax subsidy.

Impact of 2007 Operating Variance on 2008 Recommended Budget

The decrease in bed night volumes for 2007 is expected to continue into 2008. Bed nights are projected to decrease by 45,179 (3.2%) from the 2007 budgeted volumes of 1,423,055. The volume reduction is projected to occur in the purchased service hostels, and will result in a 2008 reduction in expenditures of approximately \$0.746 million net.

The savings for consultants and equipment of \$0.304 million identified in cost containment will continue into 2008. As well, \$6.011 million of the 2007 projected savings in Social Housing will continue into 2008. It is recommended that the \$6.011 million savings be used to reduce the 2008 base.

Section B: 2008 Operating Budget Overview**3-Year Operating Budget Overview**

The 3-Year Operating Budget for Shelter, Support and Housing Administration supports service priorities as follows: provide emergency shelter and supports to homeless people and to those at risk of being homeless; administer the City's housing stock in accordance with the criteria in the Social Housing Reform Act; administer the Provincial Consolidated Homelessness Prevention Program and the Federal Homelessness Partnering Strategy Program; and ensure the City is prepared to shelter individuals and families in times of declared and non-declared emergencies.

The 2008 Recommended Operating Budget supports the Shelter, Support and Housing Administration Program in the provision of a wide range of services, which include:

- Providing 1.377 million bed nights of emergency shelter (3,770 per night, 365 days a year) to homeless individuals, including the provision of meals and counselling;
- Operating 6 City shelters in 10 locations;
- Administering contracts with 31 purchased service agencies that provide emergency shelter at 53 sites;
- Providing 285,000 bed-nights of boarding home service to adults with psychiatric disabilities through a contract with Habitat Services;
- Providing administration and policy development for landlord/tenant issues;
- Providing funding to over 250 housing providers, including the Toronto Community Housing Corporation. Collectively, Social Housing provides program administration and direct funding to 90,879 units;
- Administering contracts for Housing Help programs in 29 projects, which assists 4,700 households a year find housing.
- Administering the Homelessness Partnering Strategy and other Federal and Provincial grants to over 300 agencies;
- Assisting homeless individuals move into housing through the Streets to Homes program, with over 1,500 individuals relocated since 2005; and
- Developing and managing the mass care program of the City's Emergency Plan.

Challenges and Issues

The challenges to deliver these priorities include the following:

- **Shelter Services**

Challenges include maintaining client services within the constraints of the existing per diem model presents a challenge, as the combination of ongoing operating pressures and the continuing Provincial per diem shortfall make funding existing services unsustainable. Shelter Service has completed a review of the existing per diem funding model and will report to Council on recommendations.

- **Housing & Homeless Support Services**

Challenges include continuing to build on the success of the Streets to Homes program, as this service is considered a key tool in helping homeless individuals find housing; using the new Federal grant, Homelessness Partnering Strategy; and continuing to build on the success of the SCPI grant program, which ended in 2007.

- **Social Housing Services**

Managing the portfolio in accordance with the terms of the Social Housing Reform Act within the existing funding envelope presents a challenge, as the legislation prescribes significant increases in subsidy paid to housing providers based on the formula that was developed by the Ministry of Municipal Affairs and Housing.

Certain housing providers are reaching the end of their service agreements, which in some instances will mean a loss of Federal subsidy. There is a risk that, as housing providers' service agreements end, the units may not continue to be affordable to the tenants.

Program reserve funds were established in 2001 and 2002 to mitigate the financial exposure associated with Social Housing Devolution. These funds have been used to fund ongoing pressure within the Social Housing program, as well as to provide loans to housing providers for State of Good Repair (SOGR) maintenance. The City will be required to implement a new strategy to fund ongoing pressures and emergency SOGR for 2009 and beyond, as the reserves will be depleted after 2008.

Strategic Priorities

The 2008 Recommended Operating Budget for Shelter Support and Housing Administration directly advances the Mayor's vision of "...a City with a strong shared sense of social justice, a belief in inclusion and a commitment to diversity-leaving no one behind by creating opportunity for all," and directly addresses the following priorities outlined in the Council's policy agenda:

- Transform and revitalize Toronto's social housing communities, using Regent Park as an example, into viable, mixed-income, communities of hope; and
- Partner with community agencies to ensure the construction of more transitional and supportive housing.

In February 2005, the Toronto City Council made a commitment to end street homelessness. The Division has adopted a Housing First strategy to action plans that will accomplish Council's commitment. The strategy is built on the understanding that permanent housing is the first step to helping homeless people deal with any barriers to re-integration; and that supports and assistance in connecting to necessary programs and services after being housed is essential. Some of the benefits of a Housing First strategy include:

- Better quality of life;
- Substantially less alcohol and other drug use;
- Less use of emergency services;
- More use of appropriate health services; and
- Less panhandling.

The Division continues to align funding with initiatives that will advance the housing first approach, such as housing help delivered through shelters and community agencies (to help find housing and

avoid eviction), eviction prevention programs, and the sustaining of drop-in centres (to assist those in need to remain housed).

The 3-Year strategic direction and priorities for the Program are as follows:

- Helping people who are homeless or at risk of homelessness, access and maintain permanent housing, jobs and service supports;
- Ensuring the on-going viability and sustainability of existing social housing both in terms of built form and as mixed income communities;
- Ensuring the City's preparedness to shelter individuals and families in times of declared a non-declared emergencies; and
- Securing permanent, sustainable funding for social housing, transitional and supportive housing, shelters, housing supports and services needed by people who are homeless or at risk of homelessness.

Section C: 2008 Recommended Base Budget

Table 3: 2008 Recommended Base Budget

	2007 Approved Budget	2008 Recommended Base	Change 2008 Recommended Base v. 2007 Appvd. Budget		FY Incremental Outlook	
					2009	2010
(In \$000s)	\$	\$	\$	%	\$	\$
GROSS EXP.	720,693.8	709,990.1	(10,703.7)	(1.5)	9,515.8	13,395.9
REVENUE	466,931.5	456,227.8	(10,703.7)	(2.3)	(30,471.7)	0.0
NET EXP.	253,762.3	253,762.3	0.0	0.0	39,987.5	13,395.9
Approved Positions	699.0	694.5	(4.5)	(0.6)		7.0
TARGET		253,762.3				
\$ Over / (Under) Program Target		0.0			39,987.5	13,395.9
% Over / (Under) Program Target		0.0%			15.8%	5.3%

2008 Recommended Base Budget

- The 2008 Recommended Base Budget of \$253.762 million net meets the 2008 budget target of 0% increase by offsetting base pressures with a draw of \$30.472 million from the Social Housing reserve funds and efficiencies of \$0.792 million.
- The 2008 Recommended gross and revenue budgets are \$10.704 million less than the 2007 Approved Budget, with decreases due to the impact of ending the Supporting Communities Partnership Initiative and the reversal of one-time loans and grants. Other base changes include increases in both the cost of providing social housing and shelter services.

2008 Key Cost Drivers and Reduction Strategies

The Program's key cost drivers for 2008 include the following:

- The reversal of the 2007 draws from the Social Housing Stabilization Reserve Fund of \$10.285 million, and the Social Housing Federal Stabilization of \$14.146 million;
- Salary and Benefit increases of \$3.026 million for Cost of Living Adjustment (COLA) (\$1.357 million); merit and step (\$0.917 million); the impact of harmonization, job reclassifications, leap day, and annualizations (\$0.752 million);
- Inflationary increases of \$1.243 million for in gas, utility costs, equipment and materials/supplies;

- Operating impact of \$0.901 million net from the approval of the 2008 Capital Budget includes: \$0.865 million to open Bethlehem United Shelter; and \$0.036 million to open Eva's Youth Shelter;
- The loss of SCPI grants of \$0.804 million net, comprised of \$0.501 million for the Edward Street Shelter and Referral Centre, and \$0.303 million for Streets to Homes; and
- Social Housing pressure of \$2.789 million net (excluding reserve draws), as regulated by the Social Housing Reform Act, resulting from:
 - The Provincially-issued annual cost factor increase of \$7.626 million, an indexed formula that calculates certain social housing providers' subsidy increases based on the relationship between housing providers' expenditures and tenant revenues;
 - Increase in Rent-Geared-to-Income subsidy (RGI) of \$0.678 million, a rent subsidy which pays social housing providers and commercial landlords for the difference between market rent and 30% of the tenants' gross income;
 - Decrease in Federal funding of \$0.570 million, as the Federal government reduces the subsidy as mortgages and debentures on specific properties mature; and
 - These increases are offset by a decrease in the base of \$6.011 million, attributable to a realty tax settlement with TCHC from 2006, and other base reductions of \$0.074 million.

These base pressures are offset by the following reductions:

- A draw of \$30.472 million from the Program reserves, with \$19.653 million from the Social Housing Stabilization Reserve Fund, and \$10.819 million from the Social Housing Federal Reserve Fund;
- Reductions in Hostel Services of \$1.490 million net due to the closure of four purchased-service shelters, and an increase in Provincial subsidy of \$0.340 million, due to a 2% increase in the per diem rate; and
- Efficiencies in Hostel Services of \$0.792 million due to an increase in gapping (\$0.442 million) and the restructuring of staffing in City operated shelters (\$0.350 million), resulting in the reduction of 3.6 Approved Positions.

Other base changes include funding for the Homelessness Partnering Strategy (HPI) grant of \$24.019 million gross, \$0 net, which replaces the Supporting Communities Partnership Initiative (SCPI) grant that ended in December, 2007.

2009 and 2010 Outlook: Net Incremental Impact

The 2009 Outlook includes a net increase of \$39.990 million, and is comprised of the following: \$30.472 million from the reversal of the 2008 reserve draw; \$8.886 million increase in Social Housing due to changes in subsidy for cost factor index, realty taxes and RGI increases; and \$0.632 million for merit and step increases.

The 2010 Outlook includes a net increase of \$13.398 million, and is comprised of the following: \$11.883 million increase in Social Housing due to changes in subsidy for cost factor index, realty taxes, mortgage renewals, and RGI increases; \$0.644 million for merit and step increases; and \$0.871 million for the operating impact of capital for the Social Housing IT System capital project (an additional seven Approved Positions are required to maintain the new IT system).

Section D: 2008 Recommended Service Priorities

Table 4: Summary of 2008 New / Enhanced Service Priorities (In \$000s)

Priority	Description	2008 Recommended		Rec. New Positions	Net Incremental Impact	
		Gross Exp.	Net Exp.		2009	2010
		\$	\$		#	\$
(a) Enhanced Service Priorities - Council Approved:						
(b) Enhanced Service Priorities - Program Initiated: Streets to Homes Support		116.4		1.0	2.3	2.4
Sub-Total Enhanced Services		116.4	0.0	1.0	2.3	2.4
(a) New Service Priorities - Council Approved:						
(b) New Service Priorities - Program Initiated:						
Sub-Total New Service Priorities		0.0	0.0	0.0	0.0	0.0
Total Recommended New / Enhanced Service Priorities		116.4	0.0	1.0	2.3	2.4

2007 Recommended Service Priorities

Enhanced Service Priorities – Program Initiated

- Streets to Homes Support**

One additional permanent full-time position, a Street Outreach Program Officer, is required to provide increased support to help people living on the streets find and keep housing. The position will be 100% funded by the Province through the Consolidated Homelessness Prevention Program. The Streets-to-Homes service partners with 10 community agencies to help homeless people gain access to housing, and has assisted more than 1,500 people move from the streets to homes since its inception in 2005.

Section E: Issues for Discussion**2008 Social Housing Operating Budget Pressures**

The 2008 Recommended Operating Budget for Shelter, Support and Housing Administration includes an increase in Social Housing costs of \$2.789 million net from the 2007 Approved Operating Budget. The increase is comprised of a number of offsetting items and is listed below:

- Increase \$7.626 million in the cost factor index used to calculate specific housing providers' subsidy increases;
- Increase of \$0.678 million in Rent-Geared-to-Income subsidy (RGI), a rent subsidy which pays social housing providers and commercial landlords for the difference between market rent and 30% of the tenants' gross income. In 2008 the difference between market rent and tenant income has increased, with turnover of tenants requiring higher subsidies in 2008;
- Decrease in Federal funding \$0.570 million, as the Federal government withdrawals the subsidy as mortgages and debentures on specific properties mature;
- Increase of \$0.441 million to housing providers due to settlements and base adjustments;
- Decrease of \$6.011 million in property tax attributable to 2006 realty tax settlements with TCHC;
- Reduction of \$0.350 million in TCHC base, recovering 50% of the one-time base increase approved in 2007 for administrative costs; and
- Saving of \$0.165 million due to reduction in interest costs for mortgage renewals.

The Social Housing Outlooks for 2009 and 2010 include net increases of \$8.886 million, and \$11.882 million, respectively. The most significant cost drivers in 2009 and 2010 will be cost factor increases, property tax increases, adjustments to RGI subsidy, and reductions in Federal subsidy. These Outlooks do not include any additional funding for the capital maintenance of projects under the administration of the Division above that which has been included in the service providers budgets.

Social Housing Reserve Funds

Two reserves are dedicated to fund Social Housing: the Social Housing Stabilization Reserve Fund (projected 2007 ending balance of \$19.901 million), which was established in 2001; and the Social Housing Federal Reserve Fund, (projected 2007 ending balance of \$11.248 million), which was established in 2002.

These reserve funds were established: to mitigate the financial exposure associated with Social Housing Devolution, including "to stabilize in-year variances as well as unanticipated year-to-year expenditure fluctuations; to help minimize or phase in their impacts on the property tax rate; to supplement funds for capital repairs, in regard to urgent needs or phase-in toward higher funding levels; and to fund other potential liabilities as they arise."

These funds have been used to fund ongoing pressure within the Social Housing program, as well as providing loans to housing providers for SOGR maintenance to housing stock.

The 2008 Recommended Operating Budget includes withdrawals from the Social Housing Stabilization Reserve Fund of \$19.653 million and from the Social Housing Federal Reserve Fund of \$10.819 million for the Program to meet target.

The following table provides a summary of the transactions in the reserves since their inception in 2001:

SOCIAL HOUSING RESERVE FUNDS ACTIVITY SINCE INCEPTION											
(000's)	2001	2002	2003	2004	2005	2006	2007	2008	Social Housing Stabilization Reserve Fund	Social Housing Federal Reserve Fund	Total Reserves
									XR1106	XR2105	
Beginning Balance	0.0	34,683.9	34,318.1	67,931.0	70,137.3	65,744.0	46,008.2	31,148.8	0.0	0.0	676.8
Add:											
Provincial Downloading Transfer	28,242.5								28,242.5		28,242.5
Divisional Net Surplus	6,323.9		3,028.5						9,352.4		9,352.4
Federal Transfer			26,080.2							26,080.2	26,080.2
GTA Pooling Adjustment				111.8	2,121.2				2,233.0		2,233.0
Provincial Transfer (Mortgage Advance)					839.7	500.0			1,339.7		1,339.7
Investment Income	117.5	1,556.9	4,504.2	3,221.2	3,835.8	3,912.9	2,207.6		11,452.9	7,903.2	19,356.1
Total additions	34,683.9	1,556.9	33,612.9	3,333.0	6,796.7	4,412.9	2,207.6	0.0	52,620.5	33,983.4	86,603.9
Less:											0.0
Draw to fund Social Housing		(1,922.7)					(16,271.0)	(30,472.0)	(28,200.5)	(20,465.2)	(48,665.7)
Loan/Grant to Housing Providers for SOGR				(1,126.7)	(6,190.0)	(24,148.7)	(796.0)		(19,172.3)	(13,089.1)	(32,261.4)
Loan/Grant to TCHC for SOGR					(5,000.0)				(5,000.0)		(5,000.0)
Total withdrawals	0.0	(1,922.7)	0.0	(1,126.7)	(11,190.0)	(24,148.7)	(17,067.0)	(30,472.0)	(52,372.8)	(33,554.3)	(85,927.1)
Ending Balance	34,683.9	34,318.1	67,931.0	70,137.3	65,744.0	46,008.2	31,148.8	676.8	247.7	429.1	676.8

As the 2008 one-time reserve draw million essentially depletes the reserve balance, the SSHA Program will be facing a pressure of \$30.472 million in 2009.

Ontario Municipal Partnership Fund / GTA Pooling

In March 2007, the Province announced that the GTA pooling subsidy to municipalities will be phased out by 2013. In order to ensure an adequate level of subsidy is available to the municipalities currently receiving financial assistance through GTA pooling, the Province announced that any reduction in GTA Pooling will be offset by an equivalent increase in funding from the Ontario Municipal Partnership Fund (OMPF). With GTA pooling contribution to be reduced to \$66.3 million in 2008, the Province will further increase the OMPF subsidy by \$13.4 million, to offset the reduction in GTA Pooling.

	2007	2008	2009	2010	2011	2012	2013
GTA pooling contribution *	79.7	66.3	52.3	38.6	24.9	11.4	-
OMPF contribution	11.4	24.8	38.8	52.5	66.2	79.7	91.1
Total Contribution	91.1	91.1	91.1	91.1	91.1	91.1	91.1
* Budget for future years is assumed to remain unchanged at the 2007 level of \$91.1 million.							

The OMPF was introduced in 2005 to assist municipalities with their social programs costs. As the OMPF is intended to help address the burden social programs place on municipalities with limited funds, the funding was transferred to SSHA's operating budget for Social Housing from the Non-Program budget. However, with the corresponding phase out of GTA Pooling, the introduction of OMPF is a revenue neutral exercise. The 2007 Approved Operating Budget of Shelter Support and Housing Administration has been adjusted from \$276.598 million net to \$253.762 million net to reflect the funding transfer.

Provincial Funding Shortfall

The provision of emergency shelter services is subject to an 80/20 Provincial / municipal cost sharing agreement. The Province should be funding 80% of the 2008 cost of service, or \$78.034 million. However, the Province has capped the amount it contributes to the per-diem cost at a rate that is lower than the actual cost. As a result, the Provincial funding shortfall for shelter services is expected to reach \$30.745 million for 2008. The shortfall has grown from \$23.325 million in 2005 to \$30.745 million in 2008.

In the past the City has managed cost-sharing shortfalls by gapping and absorbing pressures within existing budgets. Declines in occupancy rates have also allowed the City to contain the growing shortfall.

In 2006, staff in Hostel Services commenced a review of the current per diem funding model. This review was in response to the long-standing issues with the 80/20 Provincial/ Municipal cost share funding model, as well the 2004 Auditor General – Hostel Operations Review Report that called for a review of the payment structure used by the City to pay for purchased-service hostels. The review was required because the current funding model is inadequate, as it fails to provide the funding necessary to maintain service level standards and meet ongoing pressures. As well, a shift in service delivery options is evolving, as the Program is experiencing success through the Streets to Homes and the Hostels to Homes Programs by helping clients find permanent housing.

At its meeting on December 3, 2007, the Community Development and Recreation Committee reviewed the issue of funding deficiencies in the shelter system outlined in the report to Committee, "2008 Per Diem Rates for the Purchase of Service Shelter System and Related Matters." Subsequently, Council approved the report in December.

Historical Summary of Shelter Costs

The impact of the funding short fall on Hostel Services is summarized in the following table, which provides a trend of the costs and funding from 2005 to 2008:

Shelter Services Budget Summary (\$000s)					
	2005 Budget	2006 Budget	2007 Budget	2008 Recommended Budget	Change from 2005
Gross Expenditure					
Salaries and Benefits	32,978.4	35,236.7	35,890.2	37,038.2	4,059.8
Mtls, Sup, Equip, Serv, Adm	11,126.9	11,189.8	10,557.7	10,704.9	(422.0)
Purchased Hostels	52,589.1	51,447.5	49,406.2	49,179.6	(3,409.5)
Personal Needs Allowance and Other Assistance	2,127.4	1,555.9	1,516.6	1,519.6	(607.8)
	<u>98,821.8</u>	<u>99,429.9</u>	<u>97,370.7</u>	<u>98,442.3</u>	<u>(379.5)</u>
Provincial Subsidy and Other Funding					
Provincial	53,368.9	48,687.7	47,826.4	47,289.4	(6,079.5)
Federal (SCPI)*	207.5	1,565.3	574.5		(207.5)
Other 3rd Party	782.0	940.7	939.7	939.7	157.7
Total 3rd Party	<u>54,358.4</u>	<u>51,193.7</u>	<u>49,340.6</u>	<u>48,229.1</u>	<u>(6,129.3)</u>
Net Expenditures	<u>44,463.3</u>	<u>48,236.2</u>	<u>48,030.1</u>	<u>50,213.2</u>	<u>5,749.9</u>
* SCPI funded 110 Edward Street & Referral Centre					

Net costs have increased from \$44.463 million in 2005 to \$50.213 million in 2008, an increase of \$5.750 million, mainly due to a reduction in Provincial subsidies of \$6.080 million. Provincial funding has dropped due to lower volumes and the cap on Provincial funding.

Shelter services are provided by the 10 City operated sites and 53 purchased service providers, with budgeted bed nights distributed as noted in the following table:

Shelter Bed Cost Summary					
	2005 Budget	2006 Budget	2007 Budget	2008 Recommended Budget	Change from 2005
City Hostels	513,305	435,621	442,680	436,547	(76,758)
Purchased Serviced	1,075,316	1,039,055	980,375	941,329	(133,987)
Total Bed nights	<u>1,588,621</u>	<u>1,474,676</u>	<u>1,423,055</u>	<u>1,377,876</u>	<u>(210,745)</u>

Bed nights have decreased from 1,588,621 in 2005 to 1,377,876 in 2008, a reduction of 13%, with a reduction in City shelters of 76,758 bed nights, and a reduction in Purchased Services of 133,987 bed nights. Bed nights continue to drop, in part, due to the success of the Streets to Homes and Hostels to Homes Programs.

Social Housing Historical Summary of Program Costs

The 2008 Recommended Operating Budget for Social Housing is \$537.367 million gross, with net cost of \$191.946 million. When the net is combined with City's reserve draw of \$30.472 million, the City's total cost for the Social Housing of \$222.418 million. This service provides 29% of the rental units in the City through over 250 community-based housing providers, including Toronto Community Housing Corporation.

This following table summarizes the changes in the Social Housing operating budget from 2005 to 2008:

Social Housing Budget Summary					
	(000's)				
	2005 Budget	2006 Budget	2007 Budget	2008 Budget	Change from 2005
Social Housing					
Housing Providers	501,771.3	528,912.6	530,491.0	531,097.2	29,325.9
Program Administration	3,732.7	5,598.0	5,923.9	6,270.0	2,537.3
	<u>505,504.0</u>	<u>534,510.6</u>	<u>536,414.9</u>	<u>537,367.2</u>	<u>31,863.2</u>
Funding					
Provincial	24,119.6	24,934.6	27,719.3	26,112.6	1,993.0
Federal	174,652.0	174,502.0	174,243.0	173,673.0	(979.0)
OMPF			34,268.6	47,668.6	47,668.6
GTA Pooling	85,600.0	89,500.0	79,667.0	66,267.0	(19,333.0)
Reserve Funds	4,127.1	25,817.5	24,430.6	30,471.7	26,344.6
Transfer from Capital Fund*		410.0	988.0	1,228.5	1,228.5
	<u>288,498.7</u>	<u>315,164.1</u>	<u>341,316.5</u>	<u>345,421.4</u>	<u>56,922.7</u>
Net Cost	<u>217,005.3</u>	<u>219,346.5</u>	<u>195,098.4</u>	<u>191,945.8</u>	<u>(25,059.5)</u>

* Funding for Social Housing IT system

The 2008 Recommended Operating Budget of \$537.367 million gross, reflects an increase of \$31.863 million from 2005.

During this period, there has been an increase of \$49.662 million in Provincial funding, mainly due to the introduction of the Ontario Municipal Partnership Fund (OMPF). This funding was introduced to assist municipalities with their social program costs in 2005, and eventually will replace GTA Pooling revenues, as directed by the Province. Additional OMPF funding offsets the reduction of GTA Pooling; as well, there was an increase in Housing Allowance subsidy of \$1.993 million.

From 2005 to 2008, the City's net cost has dropped \$25.060 million, primarily as the result of the change in Provincial funding, which is largely due to the new OMPF subsidy. However, the City's funding has grown significantly, with an increase in reserve funding of \$26.345 million over the four year period. The Program draws funds from the Social Housing Stabilization Reserve Fund and the Social Housing Federal Reserve Fund to provide emergency loans to housing providers for SOGR maintenance, and to fund ongoing pressures to meet target.

The Social Housing Reform Act prescribes the funding formula used to calculate the subsidies due to the housing providers. As the subsidy changes determined by the adherence to the act drive the Social Housing's non-discretionary costs, these pressures must be managed on the property tax base alone. While the administration of the Social Housing Act results in a number of cost drivers to the City,

listed below is a summary of the more significant pressures the City has funded between 2005 and 2008.

- Increase in RGI (rent-geared-to income) subsidy of \$13.528 million: RGI is a rent subsidy which pays social housing providers and commercial landlords for the difference between market rent and 30% of the tenants' gross income. Over the period the gap between market rent and tenant income has increased, with turnover of tenants requiring higher subsidies in 2008. As existing tenants move from social housing, new tenants require additional subsidy;
- Increase in Cost Factor index of \$10.962 million: the Cost Factor index is an annual funding formula provided by the Province that indexes operating expenses to market rents as the basis for calculating specific housing providers' subsidy increases; this increase affects 133 housing providers, or 60% of non-TCHC housing providers; and
- Increase in Benchmark index of \$11.471 million: the Benchmark index is an annual funding formula provided by the Province used to calculate specific housing providers' subsidy increases for all Section 103, 106 and 110 housing providers, or approximately 20% of the housing providers.

However, these cost pressures were offset by savings of \$10.511 million from mortgage renewals, as new lower-rate mortgages replace maturing mortgages that had higher interest rates.

Clearly there is a need to reform the Social Housing Reform Act, as the current administration of the Social Housing portfolio is not sustainable. As the City's reserves are depleted, it is necessary that the Province and Federal government pay for the increased cost of administering the portfolio under the requirements of the Social Housing Reform Act. As noted, much of the housing stock is in urgent need of repair and is badly in need of funding to bring the assets into a state of good repair. City Council, in December 2007, approved a comprehensive series of recommendations designed to preserve and sustain social housing communities.

As part of those recommendations, Council requested the Province to immediately upload all Social Housing operating and capital costs.

SOGR Backlog for Social Housing

At its meeting on December 11 2007, Council reviewed the issue of deferred capital maintenance in the Social Housing stock when it adopted the recommendations from the Community Development and Recreation Committee Meeting 11, Item CD11.1, "Tied in Knots: Unlocking the Potential of Social Communities in Toronto" This report included an update on the need for capital repairs and replacement required for the social housing stock. Specifically, this report advised that TCHC has immediate capital repair needs of over \$300 million (expressed in 2006 dollars), required to bring the housing stock to a state of good repair. The report also noted that in 2007, TCHC placed a \$250 million bond to be used to address capital repairs through its Building Renewal Program (\$100 million investment over four years) and redevelopment of Don Mount Court, Regent Park, and the Railway Lands. As noted in the 2007-09 Community Management Plan (adopted by Council May 25, 2007) TCHC anticipates spending an additional \$93.0 million for current capital repairs and upgrades in 2008. TCHC notes that despite these initiatives, the "failure to make the required capital repair investments will result in the withdrawal from service of housing units due to the failure to meet an appropriate standard for occupancy."

In 2005, a building condition study of the physical condition of the non TCHC social housing stock found that, while the buildings were generally in good condition, the present operating subsidy

associated with major capital repairs and upgrades to non-TCHC housing providers (the non-profit and co-operative providers) was not sufficient to cover expected capital expenditures over the life-cycle of these buildings. In order to address these requirements, the City would need to increase the yearly subsidy by an additional \$34 million annually (in 2005 dollars) to the non-TCHC housing providers.

Since 2004, the City has loaned non-TCHC housing providers approximately \$32.261 million from its social housing reserves to address urgent capital repairs, in accordance with approved withdrawal policies. In addition, \$5.0 million has been loaned to TCHC to fund emergency repairs.

However, future / ongoing funding for SOGR for social housing providers is uncertain, given the deficiency of the reserves. The Program continues to advocate to the Provincial and Federal governments for additional funding to mitigate the social housing portfolio financial risk.

Affordable Housing Grants

The 2008 Recommended Operating Budget includes funding for the Affordable Housing project loans/grants, which are summarized in the following table:

Project Name	Number of Housing Units	2008 Budget, funding from CRRF*
HOTT - 30 Darrell Street	8	1,218.8
110 Edward Street	300	5,000.0
TCHC -Regent Park Revitalization Plan Phase One (MF)	220	2,640.0
TCHC Pre-development work on Railway Lands **		1,200.0
Total	528	10,058.8
* CRRF - Capital Revolving Reserve Fund		
** Preliminary estimates are for 442 units, to be confirmed once planning has been completed		

Outstanding Issues from 2007 Budget Process

At its Special Meeting on April 20 and 23, 2007, Council approved the motion that the per diem for 577 youth shelter bed nights be increased to a minimum of \$61.00 in 2007, and that the per diem be increased from \$61.00 to \$65.00 for the 577 youth shelter beds be considered in the 2008 Budget process. It was also recommended the General Manager meet with representatives of the youth shelters and the Youth Shelter Integrated Network (YSIN) to consider their recommendations on per diem rates.

At its meeting on December 3, 2007, members of the Committee Development and Recreation Committee reviewed the issue of funding deficiencies in the shelter system when it considered the recommendations in the staff report, "2008 Per Diem Rates for the Purchase of Service Shelter System and Related Matters." The report included the 2008 recommended per diem rates for purchase-service shelter providers. Staff also advised on the procedures for amending the per diem rates in mid year; provided an update on the results of the meeting with YSIN; provided an update on the per diem increase for youth shelters in 2007, and the recommended per diem rate for youth shelters for 2008, which have been reflected in SSHA's 2008 Recommended Operating Budget.

The Community Development and Recreation Committees deferred consideration of the 2008 per diem rates to the Community Development and Recreation meeting to be held on Feb 21, 2008. The

Committee requested that the General Manager of Shelter, Support and Housing Administration meet with YSIN, and that a representative from the Ministry of Community and Social Services attend that meeting, and that the Provincial representative attend the Community Development and Recreation Committee on February 21, 2008.

Appendix 1

Summary of Recommended Base Budget Changes

	Summary of 2008 Base Budget Adjustments				Net Incremental Outlook	
	Approved Positions	Gross Expenditures	Revenues	Net	2009	2010
(\$000's)		\$	\$	\$	\$	\$
2007 Approved Operating Budget	699.0	692,492.5	415,918.8	276,573.7	0.0	0.0
In-year approvals and technical adjustments	0.0	28,201.3	51,012.7	(22,811.4)		
2007 Approved Operating Budget	699.0	720,693.8	466,931.5	253,762.3	0.0	0.0
Prior year impacts	(23.0)	(33,566.4)	(62,746.2)	29,179.8	629.7	1,513.6
Zero base items	0.0	(502.0)	(175.8)	(326.2)		
Economic factors	0.0	1,568.7		1,568.7		
Adjusted Base Budget	676.0	688,194.1	404,009.5	284,184.6	629.7	1,513.6
Other base changes	0.1	(1,431.2)	(2,406.4)	975.2		
Base revenue changes					8,886.1	11,882.3
2008 Base Budget Request	676.1	686,762.9	401,603.1	285,159.8	9,515.8	13,395.9
Recommended Base Adjustments:						
Other base changes	22.0	24,019.1	24,019.1	0.0		
Service efficiencies	(3.6)	(791.9)		(791.9)		
Revenue adjustments			30,605.6	(30,605.6)	30,471.7	
Minor service impact						
Major service impact						
Total Recommended Base Adjustments	18.4	23,227.2	54,624.7	(31,397.5)	30,471.7	0.0
2008 Recommended Base Budget	694.5	709,990.1	456,227.8	253,762.3	39,987.5	13,395.9
2008 Program Operating Target	N/A	N/A	N/A	253,762.3	N/A	N/A
% Over (Under) Program Target				0.0	15.8%	5.3%
% Over (Under) 2007 Approved Budget				0.0	39,987.5	13,395.9

Appendix 2

Summary of Service Level Adjustments

Appendix 3

Summary of 2007 Recommended New / Enhanced Service Priorities

Appendix 4

Inflows / Outflows to / from Reserves & Reserve Funds

(In \$100s)

Reserve / Reserve Fund Name	Reserve / Reserve Fund Number	Balance as of December	Proposed Withdrawals (-) / Contributions (+)		
		2007	2008	2009	2010
		\$	\$	\$	\$
Vehicle and Equipment Reserve Fund	XQ0003	19,709.2	8.0	8.0	8.0
Insurance Reserve Fund	XR1010	25,337.2	1,005.4	1,005.4	1,005.4
Sick Leave Reserve Fund	XR1007	62,542.1	55.5	55.5	55.5
Capital Revolving Reserve Fund	XR1058	34,735.5	(10,058.8)		
Social Housing Stabilization Reserve Fund	XR1106	19,900.9	(19,652.8)		
Social Housing Federal Reserve Fund	XR2105	11,248.3	(10,819.2)		
Total Reserve / Reserve Fund Draws / Contributions			(39,461.9)	1,068.9	1,068.9

Note: XR1106 and XR2105 include loans to housing providers for capital repairs