CITY OF HAMILTON

COMMUNITY SERVICES DEPARTMENT
Housing & Homelessness Division

TO: Chair and Members
   Emergency & Community Services Committee
WARD(S) AFFECTED: CITY WIDE

COMMITTEE DATE: September 8, 2011

SUBJECT/REPORT NO:
Domiciliary Hostel Per Diem Funding Options (CS11070) (City Wide)

SUBMITTED BY:
Joe-Anne Priel
General Manager
Community Services Department

PREPARED BY:
Gillian Hendry 905-546-2424 ext. 4818
Shari Webb 905-546-2424 ext. 3600

SIGNATURE:

RECOMMENDATION

(a) That Report CS11070 - Domiciliary Hostel Per Diem Funding Options, be received;

(b) That the Mayor correspond with the Honourable Madeline Meilleur, Minister of Community and Social Services requesting:

   (i) That the Domiciliary Hostel Program per diem rate be increased to $55.00 with annual adjustments for inflation to reflect the actual costs of operating the service;

   (ii) That the City of Hamilton be authorized to allocate any year-end surplus in the provincial subsidy portion of Domiciliary Hostel Program Costs for enhanced services or exceptional costs for the Domiciliary Hostel Program; and,

(c) That any year-end surplus in the net levy portion of Domiciliary Hostel Program Costs be reallocated for enhanced services or exceptional costs for the Domiciliary Hostel Program.
EXECUTIVE SUMMARY

The Domiciliary Hostel Program is a discretionary program cost-shared (80/20) with the Ministry of Community and Social Services (MCSS). According to Provincial policy, the program funding may be used only for per diem payments up to the prescribed maximum amount. The City of Hamilton issues the maximum per diem rate of $47.75.

Residential Care Facility (RCF) Operators have been vocal to City Council and the Community Service Department in their requests for increased funding to meet the costs of delivering the service. At the June 22, 2011 E&CS Committee meeting, staff were directed to provide funding options to address the gap between the current per diem rate and the actual cost of operating the Domiciliary Hostel Program.

This report provides information regarding three possible per diem rate increases based on an average of 750 residents.

1. The Ontario Homes for Special Needs Association (OHSNA) that represents some of the local Domiciliary Hostel operators has stated that a per diem rate of $61 would more closely reflect the costs of providing service. The amount is based on a review conducted by OHSNA across a number of Ontario municipalities. This is an increase of $13.25 per day. The net levy impact would be $3,627,188.

2. In a presentation to E&CS Committee on April 20, 2011, a delegation from OHSNA compared the funding of the Domiciliary Hostel Program to the Emergency Shelter system. It was their conclusion that the Domiciliary Hostel per diem rate should be $53. This is an increase of $5.25 per day. The net levy impact would be $1,437,187.

3. On September 8, 2011, Report CS10036(a) – City of Hamilton Domiciliary Hostel Program Review is being presented to Emergency and Community Services (E&CS) Committee. A component of the Program Review is the current funding model and the adequacy of the per diem rate. The consultant determined that the current per diem payment is inadequate and recommended an increase to $55 with an annual adjustment for inflation. This is an increase of $7.25 per day. The net levy impact would be $1,984,688.

No other municipalities with Domiciliary Hostels have implemented an increase to the per diem rate beyond the provincially prescribed maximum amount. In general, per diem funding is considered a provincial responsibility. However, some municipalities support the program and the residents through other means. For example, York Region funds an annual $300.00 clothing allowance and “quality of life” funding of $50.00 per resident per month for recreation and social programs. In the past, Waterloo has provided one-time funding for health and safety upgrades.
The findings of the Program Review support an increase to the per diem rate to $55.00. Two methods were used to assess the adequacy of the per diem rate. One method used the current expense information provided by the operators and the second method was based on increases in expenses over time using inflation rates. The findings of both methods support the fact that the operating costs for the Domiciliary Hostels have increased at a greater rate than provincial increases to the per diem. The calculation for the per diem rate focused on general operating costs and did not include additional cost increases such as licensing costs, fire code retrofits, electrical safety and the HST.

An increase to the per diem rate for Hamilton’s Domiciliary Hostels utilizing 100% municipal funding is not recommended due to the resulting significant financial pressures on the City. As an increase to the per diem rate is primarily a provincial responsibility, it is recommended that the Mayor send a letter to the Minister of Community and Social Services requesting that the per diem rate be increased to $55.00 with annual adjustments for inflation.

In order to off-set some of the costs to the operators, it is recommended that a request be made to MCSS to authorize the allocation of any year-end surplus in the provincial subsidy portion of the Domiciliary Hostel Program Costs for enhanced services or exceptional costs to operate the program. At present, the funding may only be used for direct per diem payments up to the maximum amount. It is also recommended that the City authorize the allocation of any year-end surplus in the net levy portion of the Domiciliary Hostel Program Costs for the same reason. An example of enhanced services may include one-time capital costs for health and safety purposes, a clothing allowance for the residents, transportation costs for the residents or recreational programming.

Alternatives for Consideration – See Page 7

FINANCIAL / STAFFING / LEGAL IMPLICATIONS

Financial:  Domiciliary Hostel Program Costs are cost-shared 80/20 with the Province. If the per diem rate is raised from $47.75 to $55.00, the annual estimated impact would be $1,984,688 (gross) and $396,937 (net).

$175,000 (gross) surplus is forecast in Domiciliary Hostel Program Costs for 2011 which represents $140,000 in provincial subsidy and $35,000 net levy. If the Province does not approve the redirection of the provincial surplus, the subsidy will be recovered by the Province and will be lost to the City for the year. In past years, the City has requested that any surplus in the provincial subsidy for Domiciliary Hostel Program Costs be transferred to the Consolidated Homelessness Prevention Program (CHPP)
which is also part of the Homelessness Service Contract with the Province. The funding would then be used for pressures within the homelessness system.

**Staffing:** There are no staffing implications to Report CS11070.

**Legal:** An addendum to the Residential Care Facility Subsidy Agreement would be required prior to issuing additional funding.

### HISTORICAL BACKGROUND (Chronology of events)

In June 2006, the per diem rate increased from $41.20 to $45.00. The increase was intended to support the implementation of standards for operation of the facilities as outlined in the Provincial Domiciliary Hostel Program Framework and as a condition for future funding. The City of Hamilton has incorporated the requirements of the Program Framework into licensing requirements under Schedule 20 of By-Law No. 07-170 and the Residential Care Subsidy Agreement.

In June 2007, the per diem rate was increased to $45.90 and in June 2008 to $46.82. The last increase was in April 2009 to $47.75. In May 2010, MCSS announced that the per diem rate would not be increased due to the economic recession. There has been no announcement regarding the per diem rate for 2011.

In February 2010, Council instructed Community Services Department staff to conduct a survey across the province to compare the level of funding that Hamilton provides through the Domiciliary Hostel Program with other municipalities. Staff reported back to E&CS Committee on May 19, 2010 with Report CS11059 - Domiciliary Hostel Funding Survey. Findings of the survey showed that Hamilton’s licensing fees are significantly higher than the comparator municipalities. All of the surveyed municipalities were providing the maximum allowable per diem rate of $47.75 but no higher.

On April 7, 2010, Report CS10036 - City of Hamilton Domiciliary Program Review was provided to the Emergency and Community Services (E&CS) Committee. E&CS Committee was informed that a Program Review would be undertaken to assess the needs of those seeking housing with supports and the needs of the current Domiciliary Hostel residents to determine whether there should be changes to the program. The Domiciliary Hostel Funding model and the adequacy of the per diem were to be included in the review.

There has been historical under spending in the Domiciliary Hostel Program as a result of a 25% vacancy rate in the system so in 2010, the MCSS approved the transfer of $579,360 in provincial subsidy from the Domiciliary Hostel Program to the Consolidated Homelessness Prevention Program (CHPP). CHPP is a 100% provincially funded program that provides supports to people experiencing homelessness and households...
at risk of becoming homeless. The City of Hamilton, as the service system manager, provides funding to community agencies including the emergency shelter system. Both the CHPP funding and the Domiciliary Hostel Program are part of the Homelessness Service Contract with the Province. As the Province will not approve per diem top-ups within any program, the surplus funding would have been lost to the municipality without authorization to transfer the funding to the CHPP account. The funding was used for enhancements to the emergency shelter system not to top up the per diems paid to emergency shelter providers.

During the 2011 budget process, the City budget for the program was adjusted to reflect the decrease in Domiciliary Hostel Program funding due to the transfer of the funding to CHPP. As a result of the decrease, there was $138,000 in levy funds that were budgeted for the cost-share arrangement with the Province. Council approved the reinvestment of the $138,000 in the Domiciliary Hostel Program.

In a presentation to E&CS Committee on April 20, 2011, a delegation from OHSNA compared the funding of the Domiciliary Hostel Program to the Emergency Shelter system. It was their conclusion that because the men’s shelters receive a per diem of $43 per day and a shelter supplement of $10 per day per bed; the Domiciliary Hostel per diem rate should also be increased by $5.25 to reach that amount. The additional funding to the men’s shelter system was a result of the work of the Blueprint for Emergency Shelters Services. The shelters expanded their services to support improved service and shorter shelter stays. Basic standards for emergency shelter services were implemented including 24-hour service. The shelters provide a service plan to the City on an annual basis including financial information and also report performance measurements on a quarterly basis. Despite the additional funding, the emergency shelters continue to fund a portion of their service through agency donations. The additional funding is proving to be an effective investment as the number of shelter nights in the men’s system is decreasing despite the closure of 55 shelter beds in 2010.

On June 22, 2011, E&CS Committee received Report CS11050 – Domiciliary Hostel Program Re-Investment. For 2011, on a pilot basis, $138,000 in levy funds is to be reinvested in the Domiciliary Hostel Program. The available funds will be divided between the administrative costs for the operators and programming for the residents. $62,000 will be allocated to off-set administrative costs which are $1,000 for each of the Residential Care Facilities with subsidized beds and $76,000 will be allocated to improve the quality of life for Domiciliary Hostel residents at $100 per resident. The funding must be used to improve accessibility to programming for the residents. The funding may not be used for capital costs or for the delivery of the program such as staffing costs, food or utilities which is covered through the per diem payment.

In recognition of the operator’s concerns regarding the per diem rate, City Council has endorsed letters to the Minister of Community and Social Services requesting a review
of the per diem rate. In reply, the Ministry has noted that since 2005, Domiciliary Hostel per diem rates have increased from $41.20 to $47.75 which is an increase of 16%. The Ministry also notes that for the future, implementation of the new Long Term Housing Strategy will offer more local flexibility to municipalities in planning for housing and homelessness services on a local level.

**POLICY IMPLICATIONS**

There are no policy implications for Report CS11070

**RELEVANT CONSULTATION**

During the Program Review, consultation took place with over 100 key informants in the form of focus groups and interviews with residents, operators, community agencies and other service providers and City staff who interact with the Domiciliary Hostel Program. Interviews were also conducted with staff at each of the four comparator municipalities (Windsor, York, Ottawa and Waterloo) to identify best practices and benchmarks.

As well, there have been discussions regarding the per diem rate at the Domiciliary Hostel Program Working Group. The Working Group is co-chaired by the Director of Housing and Homelessness Division and an operator/member of the OHSNA. Members include six operators (both members and a non-member of OHSNA), Housing and Homelessness Division staff and the Program Supervisor from the Ministry of Community and Social Services.

The operators feel encouraged that the consultant recommended an increase to $55.00. Although the Provincial OHSNA recommended an increase to $61.00 per day, they have indicated that they would be comfortable with $55.00 plus an annual increase for inflation. The operators support advocacy efforts to MCSS to increase the per diem rate and have requested that any surplus funding be redirected to an increase to the per diem rate. The operators have been informed that the City’s budgetary constraints may prohibit any increase in 2011.

**ANALYSIS / RATIONALE FOR RECOMMENDATION**

Two methods were used by SHS Consulting Inc. to determine the adequacy of the per diem rate:
The first method was based on the current expense information provided by a for-profit and a not-for-profit operator. The analysis included operating and interest costs but excluded costs related to capital assets. A 15% margin was allowed for profit and capital asset related items and a 5% vacancy rate. The analysis resulted in a recommended per diem rate of $55.02.

The second method looked at the increase in expenses over time. Expenses were broken down into 10 categories and inflation rates were applied separately to each category to arrive at an overall inflation rate. The 1991 per diem rate was used as a base figure to which the weighted inflation rate of the cost of operations was applied. Based on this analysis, the per diem rate should have increased by at least $4.44 to $52.19.

The analyses did not include additional cost increases such as those related to the implementation of Schedule 20, fire code retrofits, electrical safety, or the HST. It is also important to note that Domiciliary Hostel operators are reporting that they are serving residents with higher care needs which may translate to higher costs for the operators.

The current service delivery model is not ideal. For example, many staff are paid minimum wage, and the quality of food in some facilities is low, which is not in the best interests of residents. Additional funding increases would be warranted with corresponding service improvements.

**ALTERNATIVES FOR CONSIDERATION**

**Financial:**

The Province will not cost-share in any increases beyond the legislated amount of $47.75. Any increases would therefore be paid for with 100% municipal funding.

- If the per diem is increased to $53.00, the net levy impact will be $1,437,187
- If the per diem is increased to $55.00, the net levy impact will be $1,984,688
- If the per diem is increased to $61.00, the net levy impact will be $3,627,188

**Staffing:** There are no staffing implications associated with Report CS11070.

**Legal:** An addendum to the Residential Care Facility Subsidy Agreement would be required prior to issuing additional funding.

**Policy Implications**
If an increase in the per diem rate is approved, the additional funding should go hand in
hand with qualitative performance measures for the Domiciliary Hostel Program. One of
the recommendations of the Program Review is to implement a qualitative monitoring of
care for residents such as an annual survey or interview. The current measures
required by MCSS are limited to two quantitative measures – the number of residents
served and the number of bed nights. A comparison may be drawn to the Emergency
Shelters who are now expected to report a number of outcomes and activities in order
to measure the impact of the effectiveness of the additional funding.

**CORPORATE STRATEGIC PLAN** (Linkage to Desired End Results)

Focus Areas: 1. Skilled, Innovative and Respectful Organization, 2. Financial Sustainability,
3. Intergovernmental Relationships, 4. Growing Our Economy, 5. Social Development,
6. Environmental Stewardship, 7. Healthy Community

*Skilled, Innovative & Respectful Organization*
- Council and SMT are recognized for their leadership and integrity

*Financial Sustainability*
- Delivery of municipal services and management capital assets/liabilities in a
  sustainable, innovative and cost effective manner

*Intergovernmental Relationships*
- Influence federal and provincial policy development to benefit Hamilton

**APPENDICES / SCHEDULES**

There are no appendices to Report CS11070