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HEARING ON THE FISCAL YEAR 2014 EXECUTIVE BUDGET FOR THE

DEPARTMENT OF HOMELESS SERVICES

May 21, 2013

EXECUTIVE BUDGET HIGHLIGHTS

- The Department's proposed Fiscal 2014 Expense Budget totals \$903.5 million.
- The Fiscal 2014 Executive Budget includes an increase of \$101.6 million, or 11 percent of DHS' proposed operating budget of \$903.5 million in Fiscal 2014, when compared to its Fiscal 2013 Adopted Budget of \$801.8 million.
 - Approximately \$449.4 million, or 50 percent of DHS' Fiscal 2014 budget is City tax-levy (CTL) funding, and the remaining is from a combination of State, federal, and intra-city funding sources.
 - The Department's overall headcount is 1,959 positions.
- The Executive Plan includes re-estimates for adult and family capacity at homeless shelters. Funding for adult capacity is increased by \$18.9 million and family capacity is increased by \$34.3 million.
- The Executive Plan includes the following other adjustments:
 - \$13.9 million in revenue adjustment: \$3.9 million of funds for adult shelter reimbursement from the State transferred from the Human Resources Administration to DHS and \$10 million from the State to the City for a lawsuit settlement;
 - \$2.2 million in Single Room Occupancy (SRO) subsidy \$240,000 in CTL, \$1.76 million State funding, and \$247,000 federal funding.
- Council Funding in Fiscal 2013: \$250,000 for Citywide Homeless Prevention Fund Initiative (see Appendix 3).
- The Fiscal 2014 Program to Eliminate the Gaps (PEG) includes \$14 million in reductions for the Department. The Council restored \$11.2 million in Fiscal 2013 to offset the impacts of current year PEGs.
- Fiscal 2014 Capital Commitments Plan for the agency totals \$117.9 million, all of which are City funds.

FINANCE DIVISION

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DEPARTMENT OF HOMELESS SERVICES OVERVIEW

This report provides an overview of the Department of Homeless Services Fiscal 2014 Budget, a review of the significant initiatives included in the Executive Budget, and a summary of the Department's Capital Budget for Fiscal 2014-2019. Appendices 1-3 report the changes made to the Fiscal 2013 and Fiscal 2014 Budget since adoption of the Fiscal 2013 Budget; and provides a list of Fiscal 2013 Council Initiatives. For additional information on the Department's Budget and its various programs, please refer to the "DHS Fiscal 2014 Preliminary Report" available at the Council's website.

FINANCIAL SUMMARY

<i>Dollars in Thousands</i>	2012	2013		2014	Difference
	Actual	Adopted	Exec. Plan	Exec. Plan	2013-2014*
Spending					
Personal Services	\$113,789	\$120,080	\$120,080	\$121,056	\$976
Other Than Personal Services	786,731	681,795	680,882	782,444	100,649
TOTAL	\$900,520	\$801,875	\$800,962	\$903,500	\$101,625
Budget by Program Area					
Adult Shelter Administration & Support	\$8,968	\$8,201	\$8,201	\$8,201	\$0
Adult Shelter Intake and Placement	8,407	9,152	9,152	9,209	57
Adult Shelter Operations	278,289	270,155	269,492	301,690	31,535
Family Shelter Administration & Support	6,354	9,742	9,742	9,742	0
Family Shelter Intake and Placement	22,337	23,926	23,926	23,651	(275)
Family Shelter Operations	398,281	364,378	364,378	430,804	66,426
General Administration	62,476	60,627	60,627	61,076	449
Outreach, Drop-in and Reception Services	33,334	29,146	29,146	29,146	0
Prevention and Aftercare	26,712	6,250	6,000	6,404	154
Rental Assistance and Housing Placement	55,363	20,300	20,300	23,577	3,277
TOTAL	\$900,520	\$801,876	\$800,964	\$903,500	\$101,625
Funding					
City Funds		\$410,632	\$409,719	\$449,392	\$38,760
Federal – CD		4,098	4,098	4,098	0
Federal – Other		279,415	279,415	321,361	41,946
Intra-City		900	900	900	0
Other Categorical		0	0		0
State		106,830	106,830	127,749	20,919
TOTAL	\$900,520	\$801,876	\$800,964	\$903,500	\$101,625
Positions					
Full-time Positions	1,818	1,934	1,934	1,959	25
TOTAL	1,818	1,934	1,934	1,959	25

* Difference between FY 2013 Adopted Budget and FY 2014 Executive Budget.

NEW IN THE EXECUTIVE BUDGET

The Fiscal 2014 Executive Plan increases the Department's budget by \$101.6 million when compared to the Fiscal 2013 Adopted Budget. Since adoption, for Fiscal 2014, there are about \$14 million in Program to Eliminate the Gap (PEG) reductions, \$758,000 in PEG restorations, \$122.7 million in new needs, and \$1.7 million in technical adjustments.

- **ADULT CAPACITY RE-ESTIMATION.** The Fiscal 2014 Budget includes a re-estimate of funding for adult capacity in homeless shelters. DHS estimates it will need an additional \$18.9 million in City funds to meet the need for adult capacity in Fiscal 2014 and in the outyears. This additional funding will support 799 units of shelter for single homeless adults. As of March 2013, there were 9,818 single adults living in City shelters.
- **FAMILY CAPACITY RE-ESTIMATION.** The Department will increase its family shelter budget by \$34.3 million (\$9 million CTL) in Fiscal 2014 and in the outyears to support family shelter capacity of 1,200 family units. As of March 2013, there were 11,882 homeless families served in City shelters.
- **REVENUE ADJUSTMENTS.** The Department estimates an additional \$13.9 million in revenue in Fiscal 2014. In an effort to streamline State reimbursements under the adult shelter cap, HRA will no longer claim reimbursements, and will transfer \$3.9 million received by the State to DHS. In addition, DHS will receive \$10 million from the State to settle a lawsuit the City filed against it regarding reimbursements for homeless services. The State will reimburse the City \$40 million over four years.
- **SINGLE ROOM OCCUPANCY (SRO) SUPPORT SUBSIDY.** As a result of savings achieved through Medicaid Redesign, the State was able to redistribute costs savings and increase the cap for SRO support. The State matches the DHS' funding for SRO support, and to maximize State funding, the DHS added an additional \$240,000 to its SRO support subsidy.

BUDGET HIGHLIGHTS IN DHS

Although the Department's Fiscal 2014 Budget does not include any significant decreases, many of the policies that DHS plans to implement this coming fiscal year through its Program to Eliminate the Gap (PEG) is cause for concern for the Council.

ELIMINATION OF THE ADVANTAGE PROGRAM

Without State and federal support, the City withdrew funding for the \$200 million-a-year Advantage program in Fiscal 2013, which was the City's sole rental assistance program for the homeless. Subsequently, the average length of stay has increased in both the adult and family shelter systems. Between April of 2011, when Advantage ended, and January of 2013, the average shelter length of stay for single adults increased from 258 days to 286 days, an increase of 28 days, or 11 percent; for adult families without children the average length of stay increased from 366 days to 484 days, an increase of 118 days, or over 32 percent; and for families with children the average shelter length of stay increased from 277 days to 375 days, an increase of 98 days, or 35 percent.

The Department's Fiscal 2014 budget reflects an increase in spending for adult and family shelter capacity as a result of longer shelter stays and more people using the shelter system. While it is essential that the City supports the provision of shelter services and make sure capacity is aligned with the need, the pattern of increasing shelter capacity spending will continue without a viable plan in place to address the issue of transitioning single adults and families out of shelter and into permanent housing. DHS has yet to introduce a plan that addresses the gap that the elimination of the Advantage program caused.

SINGLE ADULT SHELTER DIVERSION

For Fiscal 2014, DHS proposes to redirect single adults, who do not report to their assigned shelters for 30 days or longer, back to the intake center for diversion services. As a result of the proposed diversion services, the Department projects a savings that will be achieved from a projected reduction in care days, of \$4.1 million in Fiscal 2014, and \$5.1 million in Fiscal 2015. In addition, the Department plans to invest \$543,000 in Fiscal 2014, and \$784,000 in Fiscal 2015 and in the outyears for 13 shelters diversion staff that will offset the savings achieved. Currently, a shelter client has up until one year to report to their assigned shelter, before being required to restart the intake process.

EMPLOYMENT INITIATIVE

DHS' budget includes a proposal for the provision of temporary subsidized employment services to shelter residents that will result in a savings of \$4.4 million in Fiscal 2014 from the reduction in the number of care days.

CAPITAL PROGRAM

The Executive 2013 Capital Commitment Plan includes \$117.9 million in Fiscal 2013-2017 for the Department of Homeless Services (including City and Non-City funds). This represents less than one percent of the City's total \$44.5 billion Executive Plan for Fiscal 2013-2017. The agency's Executive Commitment Plan for Fiscal 2013-2017 is 47 percent more than the \$80.5 million scheduled in the Preliminary Commitment Plan, an increase of \$37.4 million.

The majority of capital projects span multiple fiscal years, and it is, therefore, common practice for an agency to roll unspent capital funds into future fiscal years. In Fiscal Year 2013, the Department of Homeless Services committed \$24.2 million or 41.5 percent of its annual capital plan. Therefore, it is assumed that a significant portion of the agency's Fiscal 2013 Capital Plan will be rolled into Fiscal 2014. Since adoption last June, the City's total Capital Commitment Plan for Fiscal 2013 has decreased from \$17.9 billion in the September Capital Commitment Plan to \$16.6 billion in the Executive Capital Commitment Plan, a decrease of \$1.3 billion or 7.3 percent.

2013-2017 Commitment Plan: Executive Budget and Preliminary Budget

Dollars in Thousands

	FY13	FY14	FY15	FY16	FY17	Total
Executive						
Total Capital Plan	\$50,496	\$51,216	\$15,214	\$756	\$211	\$117,893
Preliminary						
Total Capital Plan	\$49,553	\$26,069	\$3,866	\$756	\$211	\$80,455
Change						
Level	\$943	\$25,147	\$11,348	\$0	\$0	\$37,438
Percentage	2%	96%	294%	0%	0%	47%

MAJOR CAPITAL PROJECTS & EXECUTIVE BUDGET HIGHLIGHTS

The Department's Fiscal 2013-2017 Capital Plan totals \$117.9 million, all of which are City funds. DHS' capital projects fund transitional housing for homeless individuals and families and social service buildings, management information systems and equipment. Funding for major Department for Homeless Services projects in the Capital Plan for Fiscal 2013-2017 includes the following:

- \$12.5 million for major repairs and building upgrades at congregate facilities for homeless families;
- \$12.3 million for major upgrades and building repairs for new homeless shelters Citywide;
- \$9.4 million for the Bedford Atlantic Recreational Center;
- \$7.7 million for housing, outreach and prevention enterprise system; and
- \$13.2 million for boilers and fuel storage tanks for the Ward Island Complex homeless shelter.

APPENDIX 1: BUDGET ACTIONS IN THE EXECUTIVE PLAN

<i>Dollars in Thousands</i>	FY 2013			FY 2014		
	City	Non-City	Total	City	Non-City	Total
Budget as of the Preliminary 2014 Plan	\$455,691	\$499,585	\$955,276	\$436,535	\$411,966	\$848,501
PEG Restorations						
Delayed Implementation of Adult Shelter Diversion	\$2,000		\$2,000			
TOTAL, PEG Restoration	\$2,000		\$2,000			
New Needs						
Adult Capacity Re-estimate	\$16,313		\$16,313	\$18,873	\$0	\$18,873
Family Capacity Re-estimate	6,848	21,628	28,476	8,987	25,411	34,398
TOTAL, New Needs	\$23,161	\$21,628	\$44,789	\$27,860	\$25,411	\$53,271
Other Adjustments						
Preliminary Plan Technical Adjustments	(\$12,484)	\$10,758	(\$1,726)	(\$15,003)	\$16,731	\$1,728
TOTAL, Other Adjustments	(\$12,484)	\$10,758	(\$1,726)	(\$15,003)	\$16,731	\$1,728
TOTAL, All Changes	\$12,677	\$32,386	\$45,063	\$12,857	\$42,142	\$54,999
Budget as of the Executive 2014 Plan	\$468,368	\$531,970	\$1,000,338	\$449,392	\$454,107	\$903,500

APPENDIX 2: BUDGET ACTIONS IN THE NOVEMBER, PRELIMINARY AND EXECUTIVE PLANS

<i>Dollars in Thousands</i>	FY 2013			FY 2014		
	City	Non-City	Total	City	Non-City	Total
Budget as of the Adopted 2013 Plan	\$410,632	\$391,243	\$801,875	\$406,832	\$385,484	\$792,316
Program to Eliminate the Gap (PEGs)						
Electronic Census Monitoring			-	(\$733)	(\$1,900)	(\$2,633)
Employment Initiative	(1,128)		(1,128)	(4,384)		(4,384)
Fraud Detection				(1,000)		(1,000)
Fringe Reimbursement	(404)	404				
One-Time Rev Settlement	(1,392)	1,392				
Reimbursement for shelter Med Services	(500)		(500)	(2,000)		(2,000)
Single Adult Shelter Reapplications			-	(4,060)		(4,060)
TOTAL, PEGs	(\$3,423)	\$1,796	(\$1,627)	(\$12,178)	(\$1,900)	(\$14,078)
PEG Restorations						
Addtl Veterans Rev	(\$700)	\$700	\$0	(\$700)	\$700	\$0
Adult Shelter Provider Performance Pay	(700)		(700)	(700)		(700)
Delayed Imp of City Owned Shelter Reorg	990	310	1,300			
Delayed Implementation of Shared Rooms PEG	9,101	14,258	23,359			
Delayed Implementation of Adult Shelter Diversion	2,000		2,000			
PS Accrual	(4,529)		(4,529)			
Restoration of Family PIP	1,236	1,536	2,772			
Restore of Shelter Provider Admin and Sec Sav	1,400	58	1,458	1,400	58	1,458
Restore of Shelter Security and Admin Sav	1,031	1,466	2,497			
Restore of Emergency Assistance Rev	1,329		1,329			
TOTAL, PEG Restorations	\$11,158	\$18,328	\$29,486	\$0	\$758	\$758
New Needs						
Adult Capacity Re-estimate	\$38,696	(\$54)	\$38,642	\$45,514	(\$54)	\$45,460
Family Capacity Re-estimate	22,088	49,306	\$71,394	24,227	53,088	77,315
TOTAL, New Needs	\$60,784	\$49,252	\$110,036	\$69,741	\$53,034	\$122,775
Other Adjustments						
November Plan Technical Adjustments	\$1,645	\$31,431	\$33,076			
Preliminary Plan Technical Adjustments	56	29,164	29,220			
Executive Plan Technical Adjustments	(12,484)	10,758	(1,726)	(15,003)	16,732	1,729
TOTAL, Other Adjustments	(\$10,783)	\$71,353	\$60,570	(\$15,003)	\$16,732	\$1,729
TOTAL, All Changes	\$57,736	\$140,729	\$198,465	\$42,560	\$68,624	\$111,184
Budget as of the Executive 2014 Plan	\$468,368	\$531,970	\$1,000,338	\$449,392	\$454,107	\$903,500

APPENDIX 3: COUNCIL INITIATIVES AND FUNDING**FY 2013 Council Changes at Adoption by Program Area***Dollars in Thousands*

Prevention and Aftercare	
Citywide Homeless Prevention Fund Initiative	\$250
TOTAL	\$250