

THE COUNCIL OF THE CITY OF NEW YORK

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Report to the Committee on Finance and the Committee on General Welfare on the Fiscal
2019 Executive Budget for

Department of Homeless Services

May 15, 2018

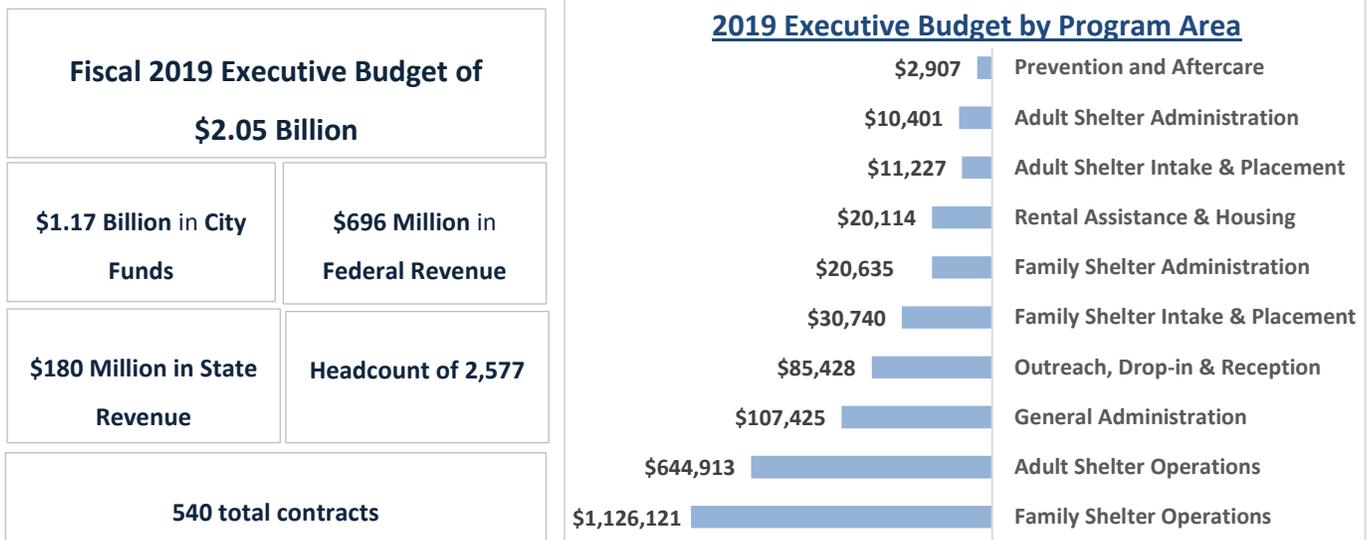
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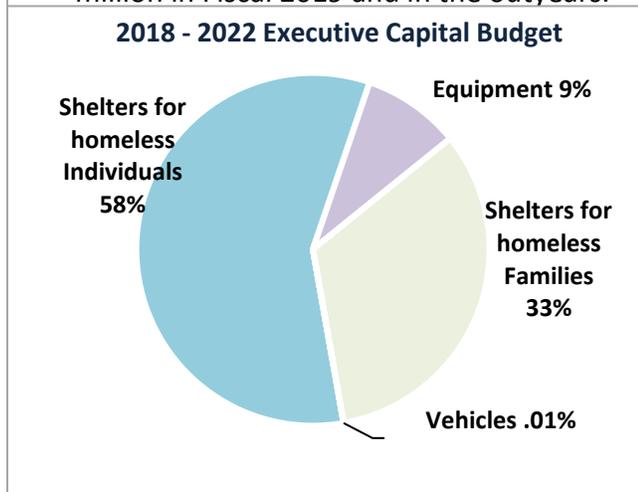
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Department of Homeless Services Executive Budget overview



- Executive Budget Changes
- New Needs total \$249 million in Fiscal 2018 and \$256 million in Fiscal 2019 and in the outyears:
 - \$207 million in Shelter Re-estimate
 - \$25 million in Information Technology Maintenance
 - \$17 million in Street Program Re-estimate
 - Other Adjustments increases DHS’ budget in Fiscal 2018 by \$77 million and reduces it by \$16.5 million in Fiscal 2019.
 - Savings from an offset in the City’s cost of providing security at shelters total \$26.1 million in Fiscal 2019 and in the outyears.

- Council’s 2019 Budget Response
- Not Included in the Executive Budget**
- **Prioritize permanent Housing over Shelter Spending.** Reassess homeless shelter spending and reallocate funding towards permanent housing, Homeless Prevention Programs, and the construction of supportive housing.
 - **Greater Budget Transparency for Homeless Spending.**



- Major Agency Issues
- **Budget Re-estimation.** DHS’ budget increases throughout the fiscal year leading to much higher actuals compared to the adopted budget.
 - **Model Budgets Process.** The contract amendment process has been slow.
 - **High reliance on commercial hotels for shelters.** The agency expanded the use commercial hotels despite a plan to stop using them.
 - **Lack of budget transparency.** DHS’ Budget lacks details of shelter spending by type of shelters.

- Capital Budget: Fiscal 2018 – Fiscal 2022
- \$176.4 million in appropriations in Fiscal 2018
 - \$29.3 million in commitments in Fiscal 2018
 - 282 Projects
 - 12 Budget Lines

Department of Homeless Services Overview

This report presents a review of Department of Homeless Services’ Fiscal 2019 Executive Budget. The section below presents an overview of the Department’s budget and how it has changed during the course of Fiscal 2018, followed by a review of the significant budget actions introduced in the Fiscal 2019 Executive Budget. Major issues related to the Department’s budget are then discussed. Analysis and highlights of DHS’ Capital Strategy and Fiscal 2018 - 2022 Plan follows the discussion of the expense budget. Appendix 1 reports the changes made to the Fiscal 2018 and Fiscal 2019 Budgets since Adoption of the Fiscal 2018 Budget. For additional information on the Department’s budget and its various programs, please refer to the Fiscal 2019 Preliminary Budget Report for Department of Homeless Services at: <https://council.nyc.gov/budget/wp-content/uploads/sites/54/2018/03/FY19-Department-of-Homeless-Services.pdf>

Below is a summary of key funding changes by program area and source when comparing DHS’s Fiscal 2019 Executive Budget to its Fiscal 2018 Adopted Budget.

DHS Financial Summary						
	2016	2017	2018	Executive Plan		*Difference
<i>Dollars in Thousands</i>	Actual	Actual	Adopted	2018	2019	2018 - 2019
Budget by Program Area						
Adult Shelter Administration & Support	\$11,781	\$11,168	\$10,401	\$10,835	\$10,401	\$0
Adult Shelter Intake and Placement	9,869	10,446	11,227	11,339	11,227	0
Adult Shelter Operations	456,422	572,449	431,578	685,208	644,913	213,335
Family Shelter Administration & Support	7,692	10,069	20,917	10,825	20,635	(282)
Family Shelter Intake and Placement	23,592	25,270	30,740	30,759	30,740	0
Family Shelter Operations	652,750	932,509	906,981	1,134,207	1,126,121	219,140
General Administration	88,797	90,525	91,243	96,262	107,425	16,182
Outreach, Drop-in and Reception Services	61,621	78,981	81,931	107,654	85,428	3,497
Prevention and Aftercare	65,297	67,264	7,559	35,716	2,907	(4,652)
Rental Assistance and Housing Placement	22,807	25,015	24,651	26,989	20,114	(4,537)
TOTAL	\$1,400,629	\$1,823,696	\$1,617,227	\$2,149,794	\$2,059,910	\$442,683
Funding						
City funds	\$798,076	\$1,093,498	\$888,633	\$1,291,346	\$1,177,241	\$288,608
Other Categorical	3,053	3,186	0	0	0	0
State	159,782	166,860	157,608	177,108	180,227	22,619
Federal - Community Development	4,098	4,098	4,722	4,722	4,722	0
Federal - Other	433,584	547,232	565,413	674,546	696,869	131,456
Intra City	2,037	8,823	851	2,072	851	0
TOTAL	\$1,400,629	\$1,823,696	\$1,617,227	\$2,149,794	\$2,059,910	\$442,683
Budgeted Headcount						
Full-Time Positions	2,404	2,341	2,483	2,613	2,577	94

**The difference of Fiscal 2018 Adopted Budget compared to Fiscal 2019 Executive Plan.*

As indicated by the Financial Plan Summary above, DHS’ Fiscal 2019 Executive Budget totals \$2 billion, an increase of \$442 million when compared to its Fiscal 2018 Adopted Budget. Below is a summary of key funding changes by program area and source when comparing DHS’ Fiscal 2019 Executive Budget to its Fiscal 2018 Adopted Budget.

Significant Programmatic Changes

DHS’ has 10 program areas, where, the largest programmatic areas in terms of funding are Family Shelter Operations and Adult Shelter Operations, which combined, consist of 83 percent of the agency’s budget.

These program areas contain the contracts for the City’s single adult and family shelters. The largest programmatic changes are described below.

- The budget for Adult Shelter Operations totals \$644.9 million, an increase of \$213.3 million in Fiscal 2019 when compared to the Fiscal 2018 Adopted Budget. In March 2018, there was an average of 16,842 single adults sleeping in the City’s single adult shelter system. For more information on the shelter census, refer to Appendix 2.
- The total budget for Family Shelter Operations in Fiscal 2019 is \$1.1 billion, \$219.1 million more than the Fiscal 2018 Adopted Budget. In March 2018, there was an average of 15,393 families, consisting of 23,110 children and 23,022 adults, sleeping in the City’s shelter system. For more information on the shelter census, refer to Appendix 2.

Changes by Funding Source

- When compared to its Fiscal 2018 Adopted Budget, DHS’s City funding for Fiscal 2019 increases by \$288 million. Since adoption of the Fiscal 2018 Budget, Financial Plan changes have driven City spending on DHS in Fiscal 2019 up by \$239.6 million. This increase is largely due to a \$158.8 million increase in planned spending on shelters, as well as a \$25 million investment in the agency’s various data management systems. Refer to Appendix 1 for more details.
- DHS’s State funding increases by \$22.6 million in Fiscal 2019 when compared to the Fiscal 2018 Adopted Budget. This increase can be attributed to the State’s contribution for higher spending for family shelter operations.
- Federal funding increases by \$131.4 million when comparing the Fiscal 2019 Preliminary Budget to the Fiscal 2018 Adopted Budget. This increase is due to more Temporary Assistance for Needy Families (TANF) grants funding that will support additional spending for the Family shelter system.

New in the Executive Budget

DHS’s Fiscal 2019 Executive Budget introduces \$249 million in new needs in Fiscal 2018 and \$256 million in Fiscal 2019 and in the outyears.

- **Shelter Costs Re-estimate.** The Fiscal 2019 Executive Plan includes \$207.9 million in additional funding in Fiscal 2018 and additional baseline funding of \$256.2 million in Fiscal 2019 and in the outyears to support shelter operations. Of the total increase, \$185.6 million in Fiscal 2018 and \$158.8 million in Fiscal 2019 is City tax-levy (CTL) funding. The table below provides a breakdown of the new need by population and source of funding

	2018 (\$ in 000s)				2019 (\$ in 000s)			
	City	State	Federal	Total	City	State	Federal	Total
Single Adults	\$116,900		-	\$116,900	\$108,600	-	-	\$108,622
Adult Families	\$3,700		-	\$3,700	-	-	-	-
Families with Children	\$65,000		\$21,333	\$86,333	\$50,200	\$9,800	\$87,600	\$147,600
Total Re-estimate	\$185,675		\$21,333	\$207,009	\$158,857	\$9,808	\$87,559	\$256,225
Total Shelter Spending	\$1,070,829	\$159,956	\$588,629	\$1,819,415	\$973,698	\$168,234	\$629,099	\$1,771,033

- **Information Technology.** The Fiscal 2019 Executive Budget includes \$25 million for maintenance and system upgrades for the data management systems at DHS. Systems to be supported through this new need include to the Client Assistance and Rehousing Enterprise System (CARES), the Building Compliance System (BCS) and the StreetSmart app, which enables homelessness

outreach workers in the five boroughs to communicate and log data seamlessly in real time while in the field .

- **Street programs Re-estimate.** The Fiscal 2019 Executive Budget includes \$17 million for the programs catering to the street homeless population. The HOME-STAT (Homeless Outreach & Mobile Engagement Street Action Teams) program doubled the number of outreach workers to about 400 outreach staff, who connects clients to drop in sites and low-threshold beds to foster a relationship and eventually move them to permanent housing. In February 2018, DHS is operating total of 1306 low-threshold beds and five 24-hour drop in centers across the City.
- **DSS Integration Adjustment.** Following the Department of Social Services (DSS) integration, back office functions for the Human Resources Administration (HRA) and DHS were combined. In Fiscal 2018, a funding adjustment of \$23 million pertaining to smaller administrative contracts will shift these contracts back into DHS.

Citywide Cost Re-estimation

- **Security Savings.** DHS has proposed a savings related to the cost of providing security at shelters totaling \$26.1 million for Fiscal 2019 and in the outyears leading to a savings for the city. The newly registered commercial hotel contracts includes the cost of providing security in the rates, which allows the agency to claim reimbursements from the federal government, leading to an offset in City costs.

Fiscal 2019 Preliminary Budget Response.

The Council's response to the Mayor's Fiscal 2019 Preliminary Budget included two recommendations for DHS, which was not funded in the Fiscal 2019 Executive Budget:

- **Prioritize Permanent Housing.** The Council urged the Administration to prioritize permanent housing solutions over homeless shelter spending. The homeless crisis continues to plague New York City, with thousands residing in homeless shelters and thousands living in temporary, unstable, or overcrowded homes. Since Fiscal 2015, spending on homeless shelters has grown by more than \$790 million. While shelter spending is supported by a mixture of City, State, and federal revenue, the City's share has increased steadily. The City should dedicate more funding to support move-outs from the shelter system, rather than increasing the City's shelter budget. The \$376.9 million added for shelter in Fiscal 2018 and the \$426.1 million in Fiscal 2019 and in the outyears would be more impactful if used for one of HRA's many rehousing programs. Baseline budget resources for rental assistance programs is a far more economical strategy for tackling homelessness than is shelter spending or long-term hotel-based shelter contracts. In addition to rehousing programs, the City needs to grow its supportive housing portfolio to combat long-term and cyclical homelessness among certain populations. Redirecting a portion of the funding for new and hotel-based shelters towards supportive housing would provide a long-term solution for placing the homeless in permanent housing, rather than temporary shelter housing, thus reducing the shelter census.
- **Lack of Transparency in DHS Budget.** DHS uses only two Units of Appropriations (U/As) for the entire \$2 billion budget, which takes away from the transparency and clarity of the agency's budget. Furthermore, the budget documents lack detail on the types of shelter funded and their respective costs. For example, commercial hotels cost the City approximately \$384 million every year, but the Supporting Schedule does not provide the breakdown of spending specifically by commercial hotel shelters.

Budget Issues

The following section provides issues and concerns as it pertains to DHS's Executive Budget.

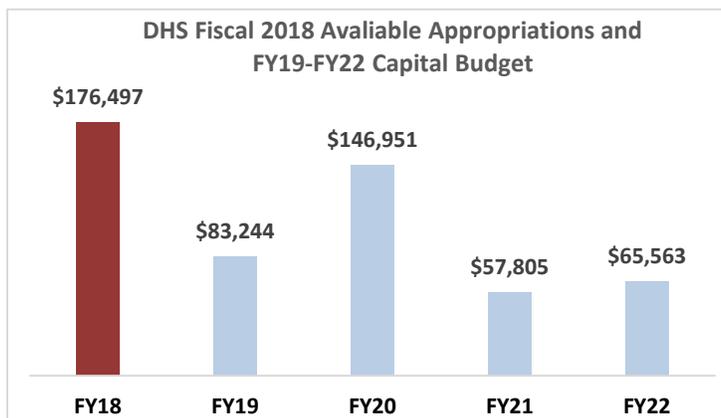
- **Shelter Spending re-estimates.** DHS' budget increases throughout the fiscal year leading to much higher actuals compared to the adopted budget. This growth can be primarily attributed to DHS modifying its budget to accommodate the growing adult and family shelter population and sheltering costs throughout the year, as opposed to calibrating the need before adoption for the entire fiscal year. A more accurate shelter budget at adoption with minimal adjustments throughout the year is reflective of an efficient and less risky budget estimation process. The percent increase between the adopted budget and actual spending related to shelter spending was 21 percent in Fiscal 2016, and 40 percent in Fiscal 2017. The total budget for DHS for Fiscal 2018 has risen 33 percent to date. Additional funding to support shelter operations amounting to \$377 million for Fiscal 2018 has been included in the Fiscal 2019 Preliminary Plan and Fiscal 2019 Executive Plan. The Administration has announced that this will be the last major shelter budget adjustment in this Fiscal year
- **Disproportionate Rise in the City's Share towards shelter budget.** As the homeless population has increased over the past few years in all three population categories, so has the City's contribution compared to the State and the federal government. The cost of sheltering families with children is shared between the State, the City and the federal government; however, the City's share continues to grow disproportionately. For example, in Fiscal 2017, the City contributed 35 percent of the costs of Family Shelter Operations but by Fiscal 2019, the City's share has risen to 40 percent. For the single adult shelter system, the State provides the City with an annual grant to pay for single adult shelter, also known as the adult shelter cap, which has remained fixed at \$68.9 million since Fiscal 2013. Lastly, the street homeless programs are funded mostly with City tax-levy funding with very limited contribution from the federal government and no contribution from the State. City spending for the street homeless has also grown as new outreach programs for the street homeless have been introduced.
- **Model Budgets.** DHS committed to a contract amendment process to amend reimbursement rates across providers to improve the quality of shelters and services, as well as increase accountability. However, the process to determine new rates has been nearly exclusively focused on maintenance and has ignored budget lines necessary to attract and retain high quality staff, enhance services, and improve outcomes such as program staff salary and fringe. The progress of amendments have been slow and unsatisfactory and most providers has not had any contract amendments reflecting updated per diem rates. Without improved rates, it is impossible for most providers to maintain a satisfactory level of basic services and hire additional staff members to assist shelter clients with rehousing and case management.
- **Commercial Hotel Spending.** In April 2018, DHS formalized the use of commercial hotels with seven community-based organizations through several contracts for three years totaling \$364 million per year. DHS had committed to phase out the use of commercial hotels and cluster sites as shelters by 2023 because they are expensive, lack necessary social services, and are often not appropriate to shelter families. However, with the current homeless census, DHS continues to use commercial hotels and clusters while it works to open new shelters that will replace clusters and other underperforming shelters. While these hotel rooms will differ from traditional rooms in terms of available social services, there still remains concern because they are expensive and this funding could be used to bring forth permanent housing instead. The CBOs that will manage the new commercial hotel room shelters are

Bronx Parent Housing Network, Acacia Network, Children’s Community Services, CORE Services group, Urban Resource Institute, African American Planning Commission and Black Veterans for Social Justice.

- 2018-2019 State Executive Budget proposal pertaining to DHS.** Through this Budget, the State requires the social services districts to engage with the Office of Temporary and Disability Assistance (OTDA) on ongoing efforts, set reasonable goals that are data-driven and uniquely tailored to the needs of its communities, and to report to OTDA regularly on progress made. The Budget authorizes OTDA to withhold funding for districts that fail to implement an effective outreach program. Although the State does not contribute to the City’s street homeless outreach efforts and New York City funds one of the most robust outreach programs in the country, the clause for withholding funding is concerning. The City receives approximately nine percent of DHS’ total budget through State funds.

Capital Program

Fiscal 2019 Executive Capital Budget and Commitment Plan for Fiscal 2018-2022

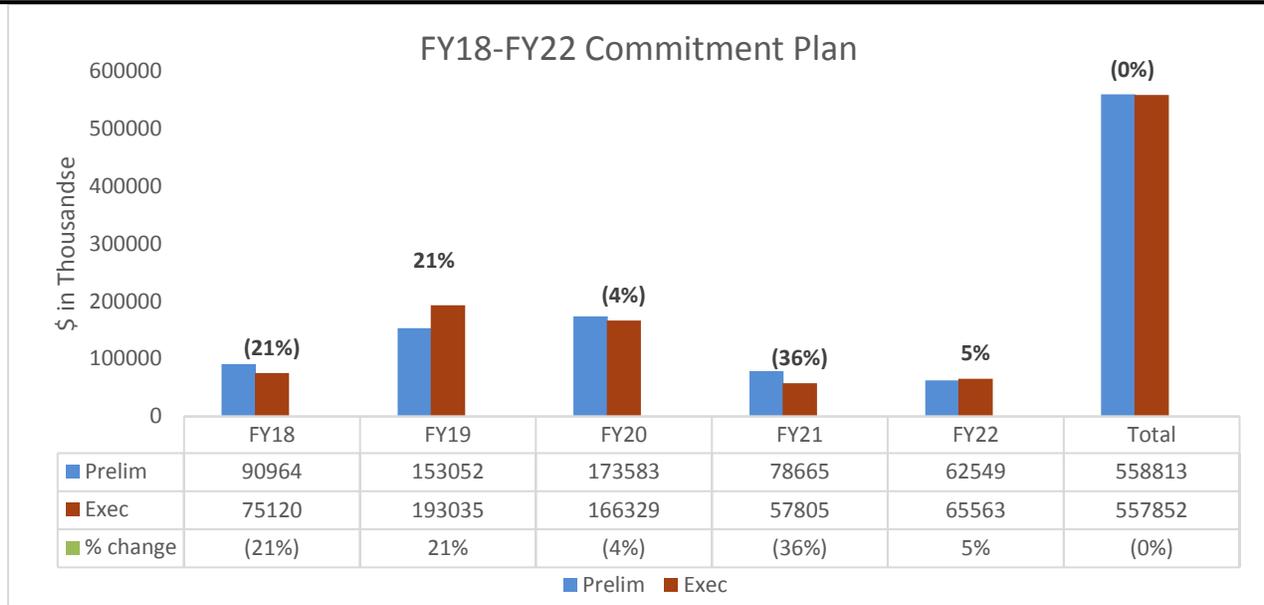


DHS’s Fiscal 2019 Executive Capital Budget includes \$353.4 million in Fiscal 2019-2022, with \$83.2 million in FY19.¹ Available appropriations for Fiscal 2018 total \$176.4 million. This includes \$122 million in reauthorized prior appropriations and \$83.2 million in authorized appropriations, less actual commitments of \$29.3 million in the current fiscal year

Capital Commitment Plan

The Department’s Preliminary Commitment Plan includes \$557.8 million in Fiscal 2018-2022. This represents less than one percent of the City’s total \$79.6 billion Executive Commitment Plan. The following section will provide an overview of the Capital Budget and Commitment Plan for DHS. What is the difference between the prelim and exec commitment plan

¹ The Capital Budget provides the required appropriations for Fiscal 2019 and planned appropriations for the subsequent three-year capital program. Appropriations represent the legal authority to spend capital dollars and are what the Council votes on at budget adoption.



Executive Capital Plan Highlights

- Technology upgrades.** Funding for technology projects including an upgrade and enhancement of the CARES case management system, which is funded at \$13 million in the Capital Commitment Plan, \$8.9 million of that in Fiscal 2019. Another component of the program system upgrade is the Building Compliance System funded at \$4 million in the Capital Commitment Plan, out of which \$2.7 million funds the project in Fiscal 2019.
- Critical Needs at Shelter Facilities.** A total of \$288 million will address critical needs at shelter facilities, including over 60 new projects at shelter facilities for homeless adults and families. Projects include elevator replacement, roof replacement, floor replacement, bathroom upgrade, boiler replacement and others.
- Bellevue Shelter.** DHS’ 2018-2022 Executive Capital Commitment Plan reflects \$120.3 million to renovate the 30th Street Men's Shelter, also known as Bellevue. This shelter is the largest in the City, and renovations include electrical upgrades and roof, interior, exterior, and façade renovations. Work around the courtyard, the fire safety, atrium, bathroom and ventilation is scheduled to begin in Fiscal 2018. Other work such as elevator upgrade, electrical system upgrade, and roof and façade replacement is in the design phase. This is also DHS’ largest capital projects.
- Fire Safety Needs at Shelter Facilities.** A total of \$74.6 million will be used to upgrade fire alarm systems and other fire safety requirements at various shelter facilities for homeless adults and families. The largest projects related to fire safety are in Bellevue Men's Residence, Ft. Washington Shelter and University Family residence. While the Ft. Washington project is in design phase, construction work has begun in the Schwartz Wards Island shelter.
- CCTV Cameras at Shelters.** The Executive Capital Commitment Plan includes \$14.8 million for installation of CCTV cameras at single adult and family shelters. The intake centers, PATH and AFIC have already been equipped with CCTV cameras as part of this project. Other shelters on track to upgrade the security system include the Linden Avenue shelter, Auburn Family Shelter, Catherine Street Shelter and Atlantic House men’s Shelter. This initiative is the capital component of a larger attempt to improve security at shelters, which includes more peace officers; NYPD managed security training and improved reporting of violent incidents at shelters.

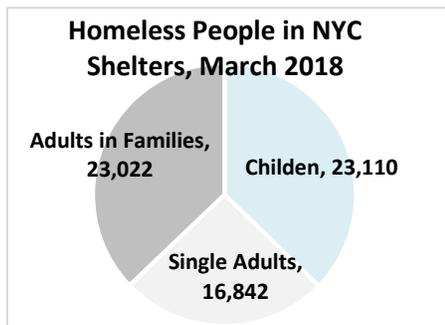
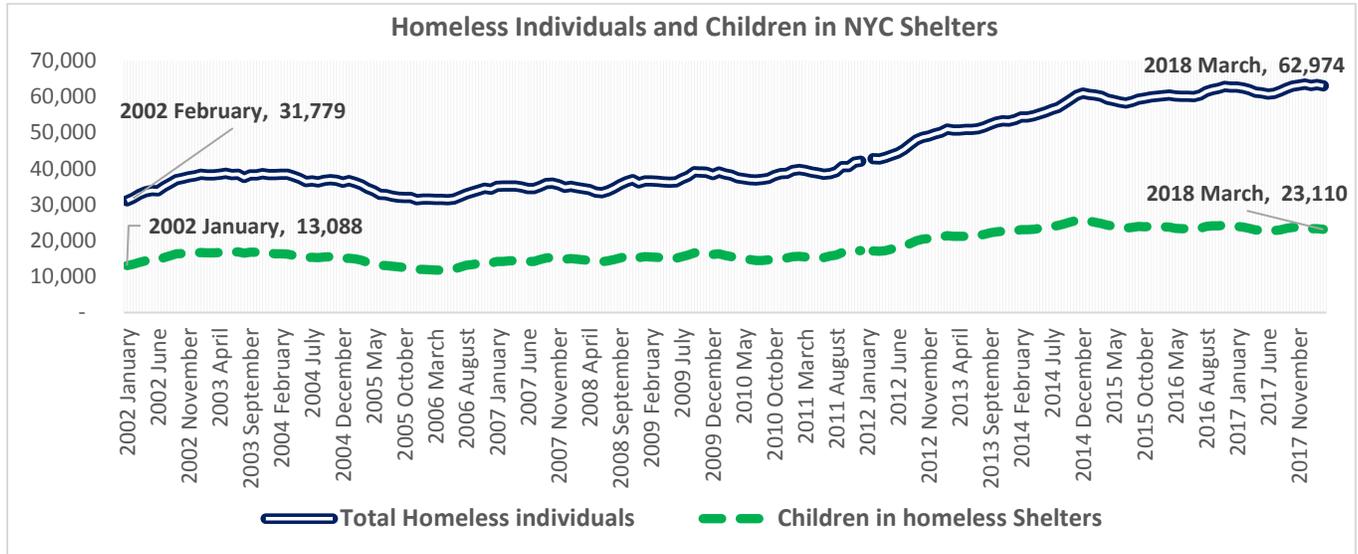
- **Regent Family Shelter.** DHS' Capital Commitment Plan includes \$25.9 million for interior and exterior upgrades at the Regent family residence including renovations of electrical and fire systems, stairs, boilers and facades.

Appendix 1: Fiscal 2019 Budget Actions since Fiscal 2018 Adoption

<i>Dollars in Thousands</i>	FY 2018			FY 2019		
	City	Non-City	Total	City	Non-City	Total
Agency Budget as of the Fiscal 2018 Adopted Budget	\$888,633	\$728,594	\$1,617,227	\$898,353	\$747,832	\$1,646,185
New Needs						
Business Development Staff	\$612		\$612	\$1,224		\$1,224
Reasonable Accommodations	1,500		1,500	3,000		3,000
Shelter Re-estimate	150,000	19,900	169,900	150,000	19,900	169,900
Subtotal, New Needs	\$152,112	\$19,900	\$172,012	\$154,224	\$19,900	\$174,124
Other Adjustments						
8915 REVENUE		\$1,035	\$1,035			
Financial Plan Headcount Adjustments						
FY18 CAPS grant		378	378			
FY18 COC Planning Grant		600	600			
FY18 ESG OTPS REVENUE		6,404	6,404			
FY18 HUD Continuum of Care		40	40			
FY18 MRCC E200 Mod		780	780			
PUT UP FY18 ESG PS REVENUE		1,929	1,929			
Roll over FY17 uncom balance		3,522	3,522			
Temp mod for DHS Homebase		17,402	17,402			
Energy Manager		78	78			
Lease Adjustment	96	-	96			
Wage Adjustment Transfer	(72)	-	(72)	(72)		(72)
ExCEL Program		863	863			
RCM Work		280	280			
Foothold technology		434	434			
FY18 Planning Grant		785	785			
Subtotal, Other Adjustments	\$34,529	\$34,553	(\$72)	\$0	(\$72)	\$34,529
TOTAL, All Changes	\$152,136	\$54,429	\$206,566	\$154,153	\$19,900	\$174,053
Agency Budget as of the Fiscal 2019 Preliminary Plan	\$1,040,769	\$783,024	\$1,823,793	\$1,052,505	\$767,732	\$1,820,237
New Needs						
Information Technology	\$25,000		\$25,000			
Shelter Reestimate	185,676	21,333	207,009	158,858	97,368	256,226
Street Programs Reestimate	17,000	0	17,000			
Subtotal, New Needs	\$227,676	\$19,900	\$249,009	\$154,224	\$19,900	\$174,124
Other Adjustments						
Agency allocation procurement reform		\$1,035		(\$68)		(\$68)
Agency Phone Plan Review				(101)		(101)
Assignment Differential	19	378	19			
Citywide fleet optimization completion.		600				
Civilian Waivers	(106)	6,404	(106)	(426)		(426)
DC37 Collective Bargaining	8	40	8	8		8
DSS Integration Adjustment	23,023	780	23,023	(7,432)		(8,094)
Enterprise Print Management Adoption		1,929		(3)		(3)
FY18 COC Caps Grant DHS		3,522	(509)			
FY18 MRT SSI Revenue		17,402	2,000			
Heat, Light and Power	(318)	78	(318)	(335)		(335)
Heating Fuel Adjustment	265		265	400		400
Move funds for POTPS Needs			50,000			
Revenue for MRT/EPVA		863	2,600			
Security Costs		280		(26,145)		(7,915)
Updated Fleet Projections		434		(19)		(19)
Young Men's Initiative Funding Adjustment	10	785	10			
Subtotal, Other Adjustments	\$22,901	\$54,091	\$76,992	(\$34,122)	\$17,569	(\$16,553)
TOTAL, All Changes	\$250,576	\$75,425	\$326,001	\$124,736	\$114,936	\$239,672
Agency Budget as of the Fiscal 2019 Executive Plan	\$1,291,345	\$858,448	\$2,149,793	\$1,177,241	\$882,669	\$2,059,910

Appendix 2: Current State of Homelessness

New York has a unique “right to shelter” mandate established by the landmark case of *Callahan vs. Carey*, which requires the City to provide temporary emergency shelter to all single adults that seek shelter without having to meet any eligibility criteria. Following the *McCain v. Koch* lawsuit that was settled in 2008, families also have the right to shelter, but must apply and be deemed eligible by DHS in order to enter the shelter system. The homeless population living in the New York City shelter system has been rising consistently in the past years. The steady increase began in 2011, the same year the City and State eliminated funding for the Advantage Program, which provided rental assistance to homeless families and adults. In December 2017, an average of 63,495 men, women, and children slept in City shelters each night— an all-time record.



In March 2018, there were 62,974 homeless people in the City’s shelters, which included 15,393 homeless families, 23,110 homeless children and 16,842 single men and women. Families comprise over three-quarters of the total homeless shelter population.

DHS’ current shelter portfolio includes 547 shelter locations. The large proportion of the single adult shelter capacity is in Manhattan, while the majority of family facilities are located in Bronx and Brooklyn. In February 2018, 11 percent of the homeless population

or 6,795 individuals were sheltered in cluster units and approximately 19 percent or 11,327 individuals were sheltered in Commercial hotels. Advocates site concern with the use of cluster and commercial hotels as shelters because they are costly and lack of on-site social services. The City has vowed to phase-out usage of these shelters by the year 2022.

DHS Shelter Buildings by Borough and Type as of 1/31/2018						
Shelter Category	Bronx	Brooklyn	Manhattan	Queens	Staten Island	Total
Adult Family Shelter	8	5	8	2	0	23
Adult Family Commercial Hotel	0	0	2	1	0	3
Single Adult Shelter	16	33	31	3	0	83
Single Adult Commercial Hotel	1	9	2	16	0	28
Family with Children Cluster	182	17	12	0	0	211
Family with Children Shelter	62	33	25	17	1	138
Family with Children Commercial Hotel	3	17	19	22	0	61
Grand Total	272	114	99	61	1	547