



THE CITY OF SAN DIEGO

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## OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

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**Date Issued:** October 24, 2013

**IBA Report Number:** 13-46

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# Second Contracts for the FY 2014 Emergency Homeless Shelters

## OVERVIEW

The FY 2014 Adopted Budget includes \$1.9 million in General Fund monies with the intent to support year-round operations of the Single Adult Homeless Emergency Winter Shelter (Single Adult Shelter) and the Veterans' Emergency Shelter (Veterans' Shelter). During budget discussions, the San Diego Housing Commission (Housing Commission) raised the concern that this amount of funding may be inadequate to cover a full year of expenses to operate and maintain these shelters. At that time, they expressed that the funding necessary to support both of these shelters will likely be substantially higher than the amount budgeted due to additional costs related to year-round operations. At that time, it was estimated that additional costs associated with year-round operations were approximately \$750,000. The discrepancy over funding requirements was not resolved at the time of budget adoption.

On June 24, 2013, the Housing Commission approved two four-month contracts (July 1, 2013 – October 31, 2013) with Alpha Project for the Homeless (Alpha Project) and Veterans Village of San Diego (VVSD) to operate the Single Adult Shelter and the Veterans' Shelter, respectively. At the time of approval, the contract amounts only reflected operator costs. The contracts did not include the additional administration, maintenance, repair or utility costs associated with operating the shelters for an extended period of time.

In a letter dated July 30, 2013 to the City's Chief Operating Officer and a memorandum dated August 22, 2013 to former Mayor Filner and City Councilmembers, the Housing Commission's President & CEO Rick Gentry communicated that the amount of funding in the FY 2014 Adopted Budget would not be sufficient to fund these Emergency Shelters year-round. This determination was based on the additional expenses that Alpha Project and VVSD identified regarding actual costs of operating the emergency shelters. With the understanding that funding allocated in FY 2014 would not be adequate for year-round operations, the Housing Commission, City staff, the Mayor's Office and shelter operators worked to develop a budget that could extend through traditional winter months, to March 31, 2014.

After reimbursing the operators for their four-month contract actual costs, the Housing Commission indicates the remaining General Fund, Community Development Block Grant (CDBG) and Environmental Solutions Grant (ESG) funding could extend the operations of the two emergency shelters for an additional five months from November 1, 2013 through March 31, 2014, for a total of nine months. On October 28, 2013, the Housing Authority will be asked to approve two five-month contracts with Alpha Project and VVSD to support the extended operations with remaining General Fund, CDBG and ESG monies allocated for this purpose.

## FISCAL/POLICY DISCUSSION

### *Current Funding for the Emergency Shelters*

Of the \$1.9 million included in the FY 2014 Adopted Budget, \$1.3 million is intended to fund the Single Adult Shelter, and \$600,000 for the Veterans' Shelter. This funding is in addition to CDBG and ESG monies of approximately \$300,000 that were also allocated for this purpose. Two four-month contracts (July 1, 2013 – October 31, 2013) with Alpha Project and VVSD were approved by the Housing Commission on June 24, 2013. These contracts included \$402,000 for the Single Adult Shelter and \$315,069 for the Veterans' Shelter for a total of \$717,069 to be funded from the \$1.9 million allocated in the City's General Fund for this purpose. At the time of approval, these figures reflected only the short-term operator costs. Additional administration, maintenance, repair and utility costs associated with operating the facilities for an extended period of time were not reflected in those estimated contract costs. Since the approval of these contracts, the Housing Commission worked with the operators to determine their actual costs for running their facilities for an extended period of time, resulting in increased reimbursement for the four-month contracts. The chart on the following page is based on information provided by the Housing Commission, and reflects the actual costs for the initial four months of operations.

Based on additional costs associated with supporting year-round functions, the Housing Commission has expressed that the funding allocated in the FY 2014 Adopted Budget would not be sufficient to fully fund year-round operations for the two emergency shelters. After reimbursing the shelter operators for the initial four months of operations, the Housing Commission has determined that the shelters can continue to operate for an additional five months, from November 1, 2013 through March 31, 2014, for a total of nine months. Based on this determination, two five-month contracts with Alpha Project and VVSD are proposed for approval by the Housing Authority on October 28, 2013.

The cost of the contract with Alpha Project to operate the Single Adult Shelter is \$655,140. It is proposed to be funded by the General Fund. The contract with VVSD to operate the Veterans' Shelter is \$478,111, and its proposed funding sources are comprised of the General Fund, CDBG, and ESG funding. These figures reflect costs for the operation of the shelters. Full costs, including Housing Commission expenses, are reflected in the chart on the following page.

Contingent upon Housing Authority approval of the two five-month contracts, the operations for the two emergency shelters will be funded for a total of nine months, from July 1, 2013 through March 31, 2014. As reflected in the following chart, General Fund, CDBG and ESG funding will be exhausted after the execution and reimbursement of these contracts.

	Single Adult Shelter			Veterans' Shelter		
	General Fund	CDBG	ESG	General Fund	CDBG	ESG
4-Month Operations	\$ 416,080	-	-	\$ 332,688	-	-
5-Month Operations	\$ 607,927	-	-	\$ 162,214	\$ 208,945	\$ 60,669
<b>Operations SUBTOTAL</b>	<b>\$ 1,024,007</b>	-	-	<b>\$ 494,902</b>	<b>\$ 208,945</b>	<b>\$ 60,669</b>
<b>Maintenance/Repair/Utilities</b>	<b>\$ 98,019</b>	-	-	<b>\$ 18,788</b>	-	-
Operator Admin	\$ 64,466	-	-	\$ 61,714	\$ 26,055	-
Housing Commission Admin	\$ 113,508	-	-	\$ 24,596	\$ 9,165	\$ 4,550
<b>Admin SUBTOTAL</b>	<b>\$ 177,974</b>	-	-	<b>\$ 86,310</b>	<b>\$ 35,220</b>	<b>\$ 4,550</b>
<b>TOTAL</b>	<b>\$ 1,300,000</b>	-	-	<b>\$ 600,000</b>	<b>\$ 244,165</b>	<b>\$ 65,219</b>
TOTAL Allocated	\$ 1,300,000	-	-	\$ 600,000	\$ 244,165	\$ 65,219
Remaining Funding	\$0	\$ -	\$ -	\$0	\$0	\$0


***Funding the Emergency Shelters Year-Round***


Pending approval of the two five-month contracts, the Single Adult Shelter and the Veterans' Shelter will continue to operate through March 31, 2014. The Housing Commission estimates it will cost \$864,285 to extend operations for both shelters for the remainder of the fiscal year as originally proposed, excluding approximately \$175,000 of set up and tear down costs. This rate is based on an estimated monthly rate of \$288,095 for both shelters including administrative, maintenance, repair and utility costs.

Looking forward to FY 2015, the Housing Commission estimates it would cost approximately \$3.5 million to fully fund both shelters year-round. Although CDBG and ESG funding could potentially be used to offset some of these costs, the General Fund would likely be responsible for the bulk of the funding.

**CONCLUSION**

The FY 2014 Adopted Budget includes \$1.9 million in the General Fund and approximately \$300,000 in CDBG and ESG funds with the intention to fund operations of the Single Adult Winter Shelter and the Veterans' Emergency Shelter year-round. The Housing Commission CEO expressed concerns during budget deliberations that this level of funding would not be sufficient to keep the shelters open for the full fiscal year. This issue remained unresolved at the time of budget adoption. Contingent upon Housing Authority approval of the two five-month contracts, the emergency shelters will be able to continue to operate until March 31, 2014, for a total of nine months.

  
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