

Analyst Briefing Notes

Community Services Committee

January 12, 2006

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PART I: 2006 Operating Budget Overview

Table 1: 2006 Proposed Budget

	2005		2006 Proposed Operating Budget			Change 2006 Proposed from 2005 Budget		FY Incremental Outlook	
	2005 Approved Budget	2005 Proj Act.	2006 Proposed Base	2006 New Council Priorities	2006 Proposed Op. Bud.	\$	%	2007	2008
(In \$000s)	\$	\$	\$	\$	\$			\$	\$
GROSS EXP.	332,235.6	312,235.6	319,980.1	95,608.8	415,588.9	83,353.3	25%	107,772.8	125,000.0
REVENUE	264,112.0	244,112.0	251,313.1	95,608.8	346,921.9	82,809.9	31%	104,852.8	125,000.0
NET EXP.	68,123.6	68,123.6	68,667.0	0.0	68,667.0	543.4	1%	2,920.0	0.0
Approved Positions	952.7	952.7	952.7	15.0	967.7	15.0	2%	0.0	0.0
TARGET			69,486.1						
\$ Over / (Under) Program Target			(819.1)						
% Over / (Under) Program Target			-1.2%						

Executive Summary

- Children's Services' 2005 Approved Budget of \$68.124 million is projected to be on target by year-end. The Program is maximizing all allowable provincial cost shared expenditures as budgeted. Gross expenditures, however, will be under-spent by approximately \$20.0 million (of the 2005 Provincial allocation of \$25.0 million) due to the delay in the implementation of the Best Start Initiative, as the Province only confirmed the subsidies for the Best Start Initiative in July 2005.
- The 2006 Proposed Budget for Children's Services of \$68.667 million (net) is 1% or \$0.543 million higher than the 2005 Approved Budget, and \$0.819 million or 1.2% below the 2006 target. The Program has managed to be below target as base pressures of \$7.765 million for City funded child care spaces and program subsidy shortfall for administration which were 100% City funded, are now being absorbed within the Best Start Initiative.
- The 2007 incremental net increase of \$2.920 million reflects the reversal of \$2.6 million funding from the National Child Benefit Supplement Reserve Fund and the Child Care Capital Reserve Fund and the proposed deferral of a \$0.320 million contribution to the Child Care Capital Reserve Fund to 2007.
- The 2006 Proposed Budget includes an increase of 15 new staffing positions required for the additional child care spaces in the municipally operated child care centres as a result of the Best Start Initiative. All staffing costs will be 100% funded within the Best Start Initiative.

- New/Enhanced Services proposed for 2006 have gross expenditures of \$95.609 million and have no net costs to the City. The following is proposed:
 - Best Start's 2006 provincial allocation for the Operating Budget of \$48.476 million (funded from Provincial revenues) is to be used primarily to support growth of licensed child care spaces, to provide greater access to child care fee subsidy spaces and for the maintenance of the existing child care system.
 - As recommended within Children's Services' 2006 Capital Budget, Best Start's 2006 Capital Budget of \$43.426 million (funded from Provincial revenues) was transferred to the Operating Budget pending a review of probable child care centres identified on City-owned properties. Capital projects under Best Start include the creation of child care centres for children under 5 years of age in City-owned and non-City owned sites. Non-City owned child care centres must be funded from the Operating Budget as they are non-City owned assets. Details on the capital budget allocations will be reported to the Budget Advisory Committee and further adjustments will be made to Children's Services' Operating and Capital Budgets to accommodate the revised Best Start Plan with recommended specific sites.
 - After School Recreation and Care Program of \$3.707 million gross and \$0 net, to be fully funded from the Social Assistance Stabilization Reserve Fund (SASRF). Policy and Finance Committee Report #9, Clause #32(a) was adopted by City Council in November 2005. The report recommended that Children's Services and Parks, Forestry and Recreation develop a model for an after-school recreation and care program to address child care and recreation needs of children 6-12 years of age in vulnerable communities and build opportunities for youth employment in selected communities by implementing a leadership training program. A report will be submitted Budget Advisory Committee through the Community Services Committee, on the financial details of the proposed After School Recreation and Care Program.

Recommendations

It is recommended that:

- (1) the Children’s Services’ 2006 Proposed Operating Budget of \$415.589 million gross and \$68.667 million net, comprised of the following services, be approved:

<u>Service:</u>	<u>Gross</u> <u>(\$000's)</u>	<u>Net</u> <u>(\$000's)</u>
Program Administration	24,099.3	9,360.9
Municipal Child Care	61,978.6	18,166.9
Purchased Child Care	329,511.0	41,139.2
	<hr/>	<hr/>
Total Program Budget	415,588.9	68,667.0
	<hr/>	<hr/>

- (2) the General Manager of Children’s Services report back to the Budget Advisory Committee and Policy and Finance Committee on any unused funds from the 2005 provincial allocation for Best Start that may be required to be carried forward into 2006 through the 2005 Year-End Variance Report.
- (3) the General Manager report back to the Budget Advisory Committee, through the Community Service Committee, on the financial details of the proposed After School Recreation and Care Program, in early 2006.
- (4) the General Manager of Children’s Services report back to Budget Advisory Committee on the capital budget allocations for child care centres in City-owned and non-City-owned facilities, once identified, under the Best Start Initiative with recommended adjustments to Children’s Services’ Operating and Capital Budgets to accommodate the City’s revised Best Start Capital Plan.

PART II: BASE BUDGET

Section A: 2005 Budget Variance Analysis**Table 2: 2005 Budget Variance Review**

	2004 Actuals	2005 Approved Budget	2005 Projected Actuals *	2005 Approved vs Projected Actuals Variance Over / (Under)	
(In \$000s)	\$	\$	\$	\$	%
GROSS EXP.	274,262.8	332,235.6	312,235.6	(20,000.0)	(6.0)
REVENUES	209,330.0	264,112.0	244,112.0	(20,000.0)	(7.6)
NET EXP.	64,932.8	68,123.6	68,123.6	0.0	0.0
Approved Positions	919.8	952.7	952.7	0.0	0.0

*Projected Actual expenditures to year-end as of November 2005

2005 Experience

- The Third Quarter projection to year-end is \$68.124 million net, which is on target to meet the 2005 Approved Budget, as Children's Services is maximizing all allowable provincial cost shared expenditures as budgeted.
- The Best Start funding allocation for 2005 is \$25.0 million of which only \$5.0 million is anticipated to be spent. The unspent \$20.0 million is offset by under utilized corresponding Provincial revenues of \$20.0 million. The implementation of the Best Start Initiative was delayed as the Province only confirmed the subsidies for this new initiative in July 2005.

Impact of 2005 Operating Variance on 2006 Proposed Budget

Under-spending associated with the Best Start Initiative of approximately \$20.0 million, is anticipated to be carried forward to 2006. The final gross under-expenditure to be carried forward to 2006 will be reported back to Budget Advisory Committee and Policy and Finance Committee through the 2005 Year-End Variance Report. Currently, the Province requires that the 2005 fiscal year allocation be spent by March 2006. The Division is attempting to clarify the rules and will report back to the Budget Advisory Committee through Community Services Committee on this matter.

Section B: 2006 Proposed Base Budget

Table 3: 2006 Proposed Base Budget

(In \$000s)	2005 Approved Budget	2006 Requested Base	2006 Proposed Base	Change 2006 Proposed Base v. 2005 Approved Budget		FY Incremental Outlook	
				\$	%	2007	2008
GROSS EXP.	332,235.6	321,221.7	319,980.1	(12,255.5)	(3.7)	320.0	0.0
REVENUE	264,112.0	251,773.9	251,313.1	(12,798.9)	(4.8)	(2,600.0)	0.0
NET EXP.	68,123.6	69,447.8	68,667.0	543.4	0.8	2,920.0	0.0
Approved Positions	952.7	957.7	952.7	0.0	0.0	0.0	0.0
NET TARGET		69,486.1					
\$ Over / (Under) Program Target		(819.1)					
% Over / (Under) Program Target		-1.2%					

2006 Proposed Base Budget

- The 2006 Proposed Base Budget for Children's Services of \$68.667 million (net) is 1% or \$0.543 million higher than the 2005 Approved Budget and \$0.819 million or 1.2% below the 2006 target. The Program has managed to be below target as base pressures of \$5.765 million, which was 100% funded by the City (i.e. City funded child care spaces and program subsidy shortfall for administration), are now being absorbed within the Best Start Initiative.
- The 2007 incremental net increase of \$2.920 million reflects the reversal of \$2.6 million funding from the National Child Benefit Supplement Reserve Fund and the Child Care Reserve Fund and the proposed deferral of a \$0.320 million contribution to the Child Care Capital Reserve Fund to 2007.

2006 Key Cost Drivers

Key cost drivers for 2006 include the following:

- Economic factors related to COLA of \$1.191 million and non-labour inflationary increases of \$0.959 million;
- Reversal of \$1.7 million of one-time provincial funding in 2005 for the implementation of the Multilateral Framework on Early Learning and Child Care; and,
- Annualization, ongoing merit / step increases and fringe benefit impact of harmonization of \$1.296 million.

- Best Start Initiative funding to cover \$5.717 million of previously 100% city funded child care spaces and \$2.048 million for the restoration of full cost sharing on cost of administration.
- Reversal of 2005 contribution from reserve funds of \$2.6 million, and proposed to continue into 2006:
 - As approved by Council in May 2001, the cost of \$2.2 million for additional 280 child care spaces are to be funded from the National Child Benefit Supplement Reserve Fund.
 - \$0.4 million of minor capital projects budgeted under the Children's Services' Operating Budget are to be funded from the Child Care Capital Reserve Fund specifically set up to ensure that child care centres meet the health and safety standards set by the City of Toronto and other authorities. The balance of the Child Care Capital Reserve Fund is projected to be \$7.3 million by 2005 year-end.

**Table 4: Summary of Proposed Base Budget Changes
From 2005 Approved Budget**

	Summary of 2006 Base Budget Adjustments				Net Incremental Outlook	
	Approved Positions	Gross Expenditures	Revenues	Net	2007	2008
(\$000's)		\$	\$	\$	\$	\$
2005 Approved Operating Budget	921.7	304,667.9	238,510.0	66,157.9	0.0	0.0
In-year approvals and technical adjustments	31.0	27,567.7	25,602.0	1,965.7		
2005 Approved Operating Budget	952.7	332,235.6	264,112.0	68,123.6	0.0	0.0
Annualizations	0.0	1,315.3	(7,988.3)	9,303.6	2,600.0	0.0
Economic factors		5,369.7	3,220.2	2,149.5		
Adjusted Base Budget	952.7	338,920.6	259,343.9	79,576.7	2,600.0	0.0
Other base changes	5.0	(17,698.9)	(7,570.0)	(10,128.9)		
Base revenue changes	0.0	0.0	0.0	0.0		
2006 Base Budget Request	957.7	321,221.7	251,773.9	69,447.8	2,600.0	0.0
Proposed Base Adjustments:						
Other base changes	(5.0)	(1,241.6)	(460.8)	(780.8)	320.0	
Service efficiencies						
Revenue adjustments						
Minor service impact						
Major service impact						
Total Proposed Base Adjustments	(5.0)	(1,241.6)	(460.8)	(780.8)	320.0	0.0
2006 Proposed Base Budget	952.7	319,980.1	251,313.1	68,667.0	2,920.0	0.0
2006 Program Operating Target	N/A	N/A	N/A	69,486.1		
% Over (Under) Program Target	N/A	N/A	N/A	(1.2)		
% Over (Under) 2005 Approved Budget	0.0	(3.7)	(4.8)	0.8		

Section C: 2006 Base Budget Issues**Key Issues / Recommendations***Other Base Budget Changes*

The 2006 Proposed Base Budget includes the following base budget changes:

- The request for \$0.145 million (net) for 5 additional clerical staff required to meet the additional workload as a result on increased child care spaces. It is proposed that this request be reclassified to New/Enhanced Service Request and absorbed within the Best Start Initiative.
- The Toronto South District Office currently shares office space in Metro Hall with Children's Services' Head Office. With the recent re-organization, Head Office requires additional space in Metro Hall to accommodate central management, control and support functions. The request for \$0.316 million (net) for the relocation of the Toronto South District Office from Metro Hall to another space in downtown Toronto is proposed to be reclassified to New/Enhanced Service Request and absorbed within the Best Start Initiative.
- The request for \$0.320 million contribution to the Child Care Reserve Fund will be deferred to 2007. In October 2000, Council approved an annual contribution to the Child Care Capital Reserve Fund from residual funds resulting in the phase-out of the former City of Toronto Daycare Grant Program. Payment of this annual contribution has been deferred since 2001. The balance of the Child Care Capital Reserve Fund is projected to be \$7.3 million by 2005 year-end.

3 Year Operating Budget Overview

The Provincial Best Start Strategy, first announced in November 2004, is a 10-year plan designed to give Ontario’s children the base start in life and to help them achieve success in school by providing a comprehensive system of services that support children from birth to transition into school. The plan is aimed at increasing licensed child care spaces, access to subsidies and improving wages of child care staff.

The Children’s Services 3-Year Operating Budget overview reflects the three-year funding allocation, confirmed by the Province, for the City of Toronto under the Provincial Best Start Strategy. The three-year funding allocations are tied to the child care space targets for the City (see table below). The Province has confirmed that there is no requirement to cost share the new funding and will therefore, have no net impact to the City’s budget.

Toronto Child Care Expansion Targets:

	2005/06	2006/07	2007/08	Total
Child Care Spaces	2,145	930	2,780	5,885

During consideration of the Provincial Best Start Initiative, Council directed that the Best Start Plan must build on Council approved direction, including the City of Toronto’s approved Service Plan for Child Care. In addition, that funding flexibility allow for:

- (i) the restoration of previously lost child care subsidy spaces;
- (ii) the service needs of children 0-12 years of age;
- (iii) ongoing inflationary costs for existing services;
- (iv) expansion of the First Duty program from the pilot stage to broader community application;
- (v) improvement in the provision of quality; and
- (vi) improved access for children with special needs and high needs communities.

Under Best Start, the City must develop a plan to use existing vacant child care spaces to increase licensed spaces and more child care fee subsidies in 2005/2006 with a priority for children in Junior Kindergarten and Senior Kindergarten and a gradual expansion for children aged 0-4 years of age, and work with the Best Start Network to develop a longer term plan to implement early learning and care hubs. As well, through the Best Start Transitional Infrastructure Plan, the City will identify renovation and new building requirements for the transition year of 05/06 and beyond.

The funding allocation to the City of Toronto includes approximately 10% of operating funding for program management and administration. This funding has allowed the City to come into full cost sharing balance on administration cost for child care and provides for the additional resources needed to address Best Start growth. The targeted service growth associated with Best Start requires additional staff to support the growth and management of the program. Children’s

Services has identified 30 new staff for Program Administration (approved in 2005) and an additional 15 staff (included in the 2006 Proposed Budget) is required for the program delivery of the municipally operated child care centres. All staffing costs will be funded by Provincial funding under Best Start and will have no impact on the City's net budget.

As recommended within Children's Services' 2006 Capital Budget, Best Start's 2006 Capital Budget of \$43.426 million (funded from Provincial revenues) was transferred to the Operating Budget pending a review of probable child care centres identified on City-owned properties. Capital projects under Best Start include the creation of child care centres for children under 5 years of age in City-owned and non-City owned sites. Non-City owned child care centres must be funded from the Operating Budget as they are non-City owned assets. Details on the capital budget allocations will be reported to the Budget Advisory Committee with recommended adjustments to Children's Services' Operating and Capital Budgets to accommodate the revised Best Start Plan with recommended specific sites.

Issues Referred to 2006 Operating Budget Process

None

Outstanding Issues from 2005 and Prior Years

None

Appendix A

Summary of Service Level Adjustments

PART III: NEW COUNCIL PRIORITIES

Section D: 2006 Proposed New Council Priorities

Table 5: Summary of 2006 Proposed New Council Priorities (\$000)

Council Priority	Description	Total 2006 New Requests		2006 Not Proposed		2006 Proposed Council Priorities		Proposed New Positions	Net Incremental Impact			
		Gross Exp.	Net Exp.	Gross Exp.	Net Exp.	Gross Exp.	Net Exp.		2007	2008		
		\$	\$	\$	\$	\$	\$		#	\$	\$	
Council Priorities:												
5	Best Start - Operating	48,475.6				48,475.6		15.0				
5	Best Start - Capital	43,426.0				43,426.0						
5	After School Recreation and Care Program	3,707.2				3,707.2						
	Sub-Total Council Priorities	95,608.8				95,608.8		15.0				
New Requests Referred to 2006 Operating Budget:												
	Sub-Total Referred											
New Program Requests:												
	Sub-Total New Program Requests											
Total New Council Priorities		95,608.8				95,608.8		15.0				
<table border="0"> <tr> <td style="vertical-align: top;"> Council Priority 1 - Improve Public Service 2 - Make Progress on the Waterfront 3 - Improve Business Climate 4 - Make Toronto a clean and beautiful city 5 - Strengthen our at-risk neighbourhoods </td> <td style="vertical-align: top;"> 6 - Ensure housing is affordable 7 - Get the powers and funding needed for Toronto to succeed 8 - Improve the planning process 9 - Increase public involvement in civic affairs 10 - N/A </td> </tr> </table>											Council Priority 1 - Improve Public Service 2 - Make Progress on the Waterfront 3 - Improve Business Climate 4 - Make Toronto a clean and beautiful city 5 - Strengthen our at-risk neighbourhoods	6 - Ensure housing is affordable 7 - Get the powers and funding needed for Toronto to succeed 8 - Improve the planning process 9 - Increase public involvement in civic affairs 10 - N/A
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Key Issues / Recommendations*2006 New Council Priorities*

The Proposed New / Enhanced Services are consistent with Council's Priority to "Strengthen our at-risk neighbourhoods" and consist of the following:

- **Best Start Initiative - Operating**

Best Start's 2006 provincial allocation for the Operating Budget of \$48.476 million (funded from Provincial revenues), to be used primarily to support growth of licensed child care spaces, greater access to child care fee subsidies and the maintenance of the existing child care system. The service growth associated with Best Start requires 15 additional staff for the municipally operated child care centres. All staffing costs will be funded by provincial funding under Best Start and will have no impact on the City's net budget.

- **Best Start Initiative - Capital**

As recommended within Children's Services' 2006 Capital Budget, Best Start's 2006 Capital Budget of \$43.426 million (funded from Provincial revenues) was transferred to the Operating Budget pending a review of probable child care centres identified on City-owned properties. Capital projects under Best Start include the creation of child care centres for children under 5 years of age in City-owned and non-City owned sites. Non-City owned child care centres must be funded from the Operating Budget as they are non-City owned assets. Details on the capital budget allocations will be reported to the Budget Advisory Committee and further adjustments will be made to Children's Services' Operating and Capital Budgets to accommodate the revised Best Start Plan with recommended specific sites.

- **After School Recreation and Care Program**

After School Recreation and Care Program of \$3.707 million gross and \$0 net, to be fully funded from the Social Assistance Stabilization Reserve Fund (SASRF). Policy and Finance Committee Report #9, Clause #32(a) was adopted by City Council in November 2005. The report recommended that Children's Services and Parks, Forestry and Recreation develop a model for an after-school recreation and care program to address child care and recreation needs of children 6-12 years of age in vulnerable communities and build opportunities for youth employment in selected communities by implementing a leadership training program. The report also recommended that funds from the Social Assistance Stabilization Reserve Fund (SASRF) originally allocated for the City's 20% share of the expansion of 2,000 child care spaces (included in Children's Services' 2005 Approved Budget) be re-directed to fund the development of this program. The funds for the 2,000 space expansion are no longer required due to the 100% Provincial funding of these spaces under the Best Start Initiative. The development phase of the program (start up costs including toys, materials and youth leadership training) will be paid for from SASRF, however, over the long term, the program is expected to meet its operating costs through user fees. A report will be submitted Budget Advisory Committee through the Community Services Committee, on the financial details of the proposed After School Recreation and Care Program.

New Requests Referred to 2006 Operating Budget Process

None

2006 New Program Requests

None

Appendix B

Summary of Council Priority Services and New Service Requests