

Consolidated Clause in Policy and Finance Committee Report 6, which was considered by City Council on July 25, 26 and 27, 2006.

30

Approval of the Toronto Child Care Service Plan Update

City Council on July 25, 26 and 27, 2006, adopted this Clause without amendment.

The Policy and Finance Committee recommends that City Council adopt the recommendation of the Community Services Committee contained in the communication (July 5, 2006) from the Community Services Committee.

Recommendations:

The Community Services Committee recommended to the Policy and Finance Committee that City Council:

- (1) adopt the staff recommendations in the Recommendations Section of the report (June 20, 2006) from the General Manager, Children's Services; and
- (2) request the Mayor and the Council Lead for Children to seek a meeting with the provincial Minister of Children and Youth Services to discuss the Child Care Service Plan and the impact of reduced funding.

Action taken by the Committee:

The Community Services Committee requested the General Manager, Children's Services, to report to the September 11, 2006, meeting of the Community Services Committee on funding required to restore Phase II Best Start capital projects, how funding could be structured with potential cost-sharing, implementation scenarios involving the federal, provincial and municipal governments, and options for the utilization of the new federal incentive for child care capital expenditures.

Background:

The Community Services Committee on July 5, 2006, considered a report (June 20, 2006) from the General Manager, Children's Services, seeking approval of changes required to the Toronto Child Care Service Plan to reflect reduced funding for Best Start.

Recommendations:

It is recommended that:

- (1) Children's Services' 2006 Approved Operating Budget be reduced by \$31.621 million gross and \$0 net to reflect the projected Provincial Best Start funding for 2006;
- (2) Best Start's unspent funds of \$32.676 from the 2005/2006 allocation received from the Province be transferred to the Child Care Expansion Reserve Fund;
- (3) the Child Care Service Plan be amended by adjusting provincial funding for Best Start to \$27.478 million and by allocating the funds as follows: \$20.082 million to support 2,000 child care fee subsidy spaces; \$2.500 million to support children with special needs through special needs resourcing; \$2.833 million to program management, administration and Best Start planning; \$2.063 million for wage improvement; and that these amendments to the 2005-2009 Child Care Service Plan be forwarded to the Ministry of Children and Youth Services;
- (4) retroactive to January 1, 2006, base rate adjustments be made to eligible licensed child care programs, family resource programs, special needs resourcing services and home child care provider rates in accordance with City budget guidelines and in a manner that maximizes available provincial and municipal funding;
- (5) health and safety funding of \$1.0 million be paid to eligible child care operators;
- (6) wage improvement funds be dispersed to licensed child care programs with a purchase of service agreements on the basis of a sliding scale which reflects the gap between the City's entry level salary and the salaries in the program as described in Option 2;
- (7) the General Manager of Children's Services be delegated authority to execute agreements on behalf of the City with child care programs for these purposes and such agreements to be on terms and conditions satisfactory to the General Manager and in a form satisfactory to the City Solicitor;
- (8) this report be forwarded to Policy and Finance Committee for consideration; and
- (9) the appropriate City officials be authorized and directed to take the necessary action to give effect thereto.

Jane Mercer, Toronto Coalition for Better Child Care, addressed the Community Services Committee.

(Report dated June 20, 2006, from the General Manager, Children's Services
addressed to the Community Services Committee)

Purpose:

This report seeks approval of changes required to the Toronto Child Care Service Plan to reflect reduced funding for Best Start.

Financial Implications and Impact Statement :

Best Start is a provincially funded program with no City contribution. Children's Services' 2006 Approved Operating Budget includes Best Start funding of \$117.306 million, consisting of the 2005 allocation of \$45.917 million, carried forward to 2006, and the expected 2006 allocation of \$71.389 million.

The federal government has announced that it will terminate its bi-lateral Early Learning and Child Care Agreement with Ontario by March 31, 2007, and as a result, the Province has announced reductions to Best Start allocations and confirmed that funds from the final year of the agreement will be used for the period 2006/2007 to 2009/2010. The Province has confirmed that the City will receive \$27.478 million for the Provincial fiscal year 2006/2007 or \$20.608 million for the City's 2006 calendar year.

To date, the City has received the 2005/2006 allocation of \$73.467 million of Best Start funding. Of this amount, \$8.391 million was utilized to address base funding pressures in 2006 and \$32.400 million is projected to be utilized in 2006 as part of the Best Start Service Plan commitments. In order to maintain service levels detailed in the updated Child Care Service Plan, the City will require the use of the remaining balance of \$32.676 million in future years. This report recommends that the balance of \$32.676 million be transferred to the Child Care Expansion Reserve Fund to be used to supplement future year allocations and to maintain the service growth created under Best Start. The Child Care Expansion Reserve Fund will be used in 2007 onwards as a revenue source to support service levels. It is anticipated that these funds will be exhausted by March 2008, and that service reductions will be required.

For 2006, Children's Services 2006 projected provincial funding totals \$85.685 million (\$32.400 million projected expenditures from the 2005/2006 allocation, \$32.676 million contribution to the Child Care Expansion Reserve Fund, and \$20.608 million from the 2006/2007 allocation), a reduction of 31.621 million from the 2006 Budget of \$117.306 million. This report recommends that Children's Services' 2006 Approved Operating Budget be reduced by \$31.621 million gross and \$0 net to reflect the decrease in Best Start funding.

Children's Services' 2006 Approved Capital budget includes a Health and Safety/Playground Project of \$5.0 million to assist child care operators address health and safety concerns including playground retrofit. Recommendation No. 4 of the Children's Services' 2006 Approved Capital Budget states that "approval of the \$4.0 million, representing the Provincial Portion of the \$5.0 million gross expenditure for the Health and Safety/Playground project, be conditional on receiving this funding from the Province". It is not expected that these funds will be received,

thus, this report recommends that Children's Services spend the \$1.0 million included in the 2006 Approved Capital Budget, representing the City's portion of the Health and Safety funding.

There are no net increases to the City's Budget in 2006 or future years from adopting this report.

The Chief Financial Officer and Deputy City Manager has reviewed this report and concurs with the financial impact statement.

Recommendations:

It is recommended that:

- (1) Children's Services' 2006 Approved Operating Budget be reduced by \$31.621 million gross and \$0 net to reflect the projected Provincial Best Start funding for 2006;
- (2) Best Start's unspent funds of \$32.676 from the 2005/2006 allocation received from the Province be transferred to the Child Care Expansion Reserve Fund;
- (3) the Child Care Service Plan be amended by adjusting provincial funding for Best Start to \$27.478 million and by allocating the funds as follows: \$20.082 million to support 2,000 child care fee subsidy spaces, \$2.500 million to support children with special needs through special needs resourcing, \$2.833 million to program management, administration and Best Start planning, \$2.063 million for wage improvement and that these amendments to the 2005-2009 Child Care Service Plan be forwarded to the Ministry of Children and Youth Services;
- (4) retroactive to January 1, 2006, base rate adjustments be made to eligible licensed child care programs, family resource programs, special needs resourcing services and home child care provider rates in accordance with City budget guidelines and in a manner that maximizes available provincial and municipal funding;
- (5) health and safety funding of \$1.0 million be paid to eligible child care operators;
- (6) wage improvement funds be dispersed to licensed child care programs with a purchase of service agreements on the basis of a sliding scale which reflects the gap between the City's entry level salary and the salaries in the program as described in Option 2;
- (7) the General Manager of Children's Services be delegated authority to execute agreements on behalf of the City with child care programs for these purposes and such agreements to be on terms and conditions satisfactory to the General Manager and in a form satisfactory to the City Solicitor;
- (8) this report be forwarded to Policy and Finance Committee for consideration; and
- (9) the appropriate City officials be authorized and directed to take the necessary action to give effect thereto.

Background:

The City's 2005-2009 Child Care Service Plan adopted by City Council at its meeting of May 17 and 18, 2005, and was later amended to incorporate the Best Start funding through the Best Start Child Care Service and Transition Plan and the Best Start Transition Infrastructure Plan. The Best Start Service and Transition Plan, approved by Council at its meeting of October 26, 27, 28 and 31, 2005, provided directions for increasing fee subsidies, special needs resourcing funds, supporting program administration and recommended that the allocation of new wage subsidies be deferred until provincial guidelines were issued. It further directed that strategies for wage subsidy and wage improvement fund allocations be developed in accordance with previously established principles and wherever feasible, preference be given to funding operator's costs through per diems.

At its meeting of April 25, 26 and 27, 2006, Council approved a Status Report on the Best Start Infrastructure Plan which outlined the impact of the cancellation of federal/provincial agreements that were funding Best Start. The General Manager of the Children's Services Division was directed to report back on provincial funding commitments for Best Start.

At its meeting of June 8, 2006, Community Services Committee approved a report providing an update on provincial commitments for Best Start for 2006 and seeking approval for principles to develop an updated Child Care Services Plan. The principles were consistent with the Guiding Principles for a Best Start Framework also adopted by Council also at its meeting of April 25, 26 and 27, 2006, as follows:

- (i) all programs must be funded sufficiently to provide good quality child care;
- (ii) all staff will be paid fair wages on established wage scales that recognize training and experience; and
- (iii) if users must contribute toward the cost of care, the fees will be assessed on the basis of income rather than the actual cost of care or a market price.

Comments:

Changes to the funding of Best Start, as a result of the cancellation of federal/provincial agreements, will have significant impact on the City's 2005-2009 Child Care Service Plan and Best Start Service and Transition Plan. The original plan was based on an expectation of funding increasing from \$45.9 million in 2005 to \$125.0 million in 2008. The City's plan called for:

- (i) the creation of 5,855 new licensed and fee subsidy spaces;
- (ii) doubling of funding for supports to children with special needs to \$15.0 million;
- (iii) annual increases to child care per diem rates to reflect actual costs of service;
- (iv) wage improvement funding of up to \$14.7 million annually by 2008;
- (v) health and safety funding of \$5.0 million annually; and
- (vi) start-up funding of up to \$2,200 per space.

Although the City was not able to achieve all the improvements outlined in its original plan much has been accomplished. From April 2005 to September 2006, it is expected that 3,351 new licensed child care spaces in approximately 100 new child care centres will have been created in Toronto. Phase 1 capital projects currently under construction are building 1,700 of these new spaces in areas of the City with the lowest access to child care and high levels of child poverty.

In addition to the development of new licensed child care spaces, the City has already increased the number of children receiving child care fee subsidies by over 2,000 fee subsidy spaces and has begun to increase services to children with special needs through agencies providing special needs resourcing supports.

In order to sustain the new child care spaces already created in Ontario, the Province allocated the remaining year of funding from the bi-lateral agreement with the federal government over a four-year period. Based on their new Best Start allocation, municipalities were directed to file an updated service plan that reflects the reduced funding and allocates the remaining funding to fee subsidy, wage subsidy, special needs resourcing and administration. As reported previously, the Province has announced that the City will receive \$27.478 million 2006/2007. It is expected that this level of funding will be maintained for the period of 2007 to 2009. The allocation included specific funding for Wage Improvement and Best Start Planning and the City is required to determine how to distribute the remaining funds to support the newly created child care spaces.

Funding the City's Child Care Service Plan:

The City's new funding allocation for Best Start for 2006 and beyond is not sufficient to maintain the service growth already created and it will need to use unspent 2005 Best Start funding to augment the new allocations in 2006 and 2007. In the first year of Best Start, the City received \$73.467 million. Of this amount, \$8.391 million was utilized to address base funding pressures in 2006 and \$32.400 million is projected to be utilized in 2006 as part of the Best Start Service Plan commitments. This report recommends moving the remaining funds into the Child Care Expansion Reserve and using funds from the reserve to support the City's Child Care Service Plan. It is expected that the funds will be sufficient to meet service demands in 2006 and 2007 but that without additional provincial funding, service cuts will be necessary in 2008.

Base Rate Adjustments:

In order to sustain the current child care system, including the newly created spaces, it is recommended that base rate adjustments be made to eligible child care programs, family resource programs, special needs resourcing agencies, and to home child care provider rates. This direction is consistent with Council's commitment to the payment of actual costs. Service providers submit operating budgets each year which are analyzed against Council approved budget guidelines and the proposed base rate adjustments reflect the actual costs of delivery. The Division has reviewed the 2006 budget submissions and the average rate increase is three percent.

Health and Safety:

Each year the Children's Services Division reviews applications for health and safety/playground funding from child care operators against the available funding, Day Nurseries Act and Public Health requirements. Health and safety funds are provided to address urgent health and safety issues and support compliance with the Canadian Standards Association playground standards. Although provincial funding is not available this report recommends allocation of \$1.0 million, the City portion of the health and safety funding, to eligible programs.

Wage Improvement Funding:

The Province has introduced Wage Improvement Funding (WIF) to attract and retain early childhood professionals and to support an increase to the average salary of program staff. In a previous report, Council considered a set of principles to guide the distribution of Wage Improvement Funds. Using these principles the Division developed three options for the distribution of WIF:

Option 1 – Wage Improvement Funds are used to establish minimum hourly rates and funds are directed only to staff below the minimum rates. Only a limited number of staff would receive funding under this option.

Option 2 – Wage Improvement Funds are distributed on a sliding scale to programs where staff salaries are below the City's entry level. Salaries furthest from the benchmark will be allocated more Wage Improvement Funding than those closer to the benchmark. Operators receiving this funding will be required to develop wage scales.

Option 3 – Wage Improvement Funding is equally divided among all staff. This option does not address the disparities between salaries.

The Division held two community consultation sessions to discuss the three options. Although there was support for both Option 2 and 3, Option 2 was preferred. Under Option 2, the Division would determine entitlement for funding and require child care operators to develop a plan for distribution of the funding based on the establishment of wage scales. In this manner the City can support the principle of fair wages on established pay scales that recognize training and experience.

Conclusions:

This report provides information on the impact of reduced funding for Best Start. It proposes amendments to the City's Child Care Service Plan and recommends base rate adjustments to child care service providers, funding health and safety projects and proposes a method to distribute wage improvement funding.

Contact:

Petr Varmuza
Director, Operational Effectiveness
Children's Services
Tel: 416-392-8284
e-mail: varmuza@toronto.ca

Councillor Moscoe declared his interest in this matter in that his daughter is employed by Children's Services as an Early Childhood Educator on a casual on-call basis.

City Council – July 25, 26 and 27, 2006

Councillor Moscoe declared an interest in this Clause, in that his daughter is employed as an early childhood educator, part-time, in the Children's Services Division.