

Clause embodied in Report No. 8 of the Audit Committee, as adopted by the Council of the City of Toronto at its meeting held on October 1, 2 and 3, 2002.

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**The City's Funding Relationship With
Childcare Programs including the Childcare
Occupancy Cost Agreements with the
Boards of Education**

(City Council on October 1, 2 and 3, 2002, adopted this Clause, without amendment.)

The Audit Committee recommends that City Council direct the Commissioner of Community and Neighbourhood Services to review the Master Agreements for Child Care Centres in Schools and make recommendations to the Community Services Committee and the Budget Advisory Committee to resolve the issue of full-fee parents receiving subsidy as a result of rents being paid by the City, thus providing a benefit for parents who could find child care at schools, such report to include also:

- (a) the total amount paid in rent by the City; and
- (b) the particular circumstances of the daycare located at the Banting and Best School.

The Audit Committee submits the following report (August 9, 2002) from the Commissioner of Community and Neighbourhood Services:

Purpose:

This report responds to issues raised with the Audit Committee concerning the City's relationship to certain non-profit child care centres. It also clarifies the history of the childcare occupancy cost agreements negotiated between the City and the Boards of Education.

Financial Implications and Impact Statement:

There are no financial implications associated with this report. Funding for the payment of occupancy costs has been previously approved by Council in consideration of the 2002 budget.

Recommendations:

It is recommended that this report be received for information.

Background:

At its meeting of April 11, 2002 Audit Committee received a copy of a communication from Councillor Balkissoon to the City Auditor concerning the City's relationship to certain non-profit child care centres. Audit Committee directed the Commissioner of Community and Neighbourhood Services to respond to the concerns raised and the Auditor was asked to comment on the Commissioner's report.

The communication from Councillor Balkissoon indicated that a constituent had advised him that the City proposed to take over certain non-profit childcare centres without Council authority to do so. The letter also suggested that certain of these non-profit childcare centres had large surpluses and reserves that were not being taken into account in the alleged take-over process. This report will address these suggestions.

Prior to writing this report, a meeting between Councillor Balkissoon and the auditor provided further clarification of the underlying issue of concern. Also at issue is the City's authority to pay childcare occupancy costs through the occupancy cost agreements negotiated with the Boards of Education and that doing so effectively provides a subsidy to full fee paying parents. Therefore, this report will also clarify the history and terms of the childcare occupancy cost agreements negotiated between the City and the Boards of Education.

Comments:

The constituent's fear that the City plans to take over certain non-profit childcare centres is unfounded. The department has no such plan and has never asked Council to consider such a proposal. As a result of the local service realignment process (downloading), the City was made the service system manager for childcare and as such is responsible for managing the fee subsidy and wage subsidy programs in accordance with established City and provincial guidelines. This responsibility is administered through the Children's Services Division of the Department of Community and Neighbourhood Services.

The City's budget guidelines for fee subsidy restrict a program's operating surplus to 3 months of operating funds. Program surpluses and deficits are carefully monitored as part of the annual contract renewal process with childcare programs. These restrictions apply only to those programs where the department has contracted for fee subsidy.

There are 120 agencies throughout the City, which do not receive fee subsidy (no families who qualify for subsidy use the services of the program) but are in receipt of wage subsidy. Wage subsidies are distributed under provincial guidelines and are flowed by operators directly to staff and entitlement is not impacted by operating surpluses. The Division monitors the use of these funds to ensure that they have been used to support staff salaries but no monitoring of operating surpluses is required under provincial requirements.

With respect to the follow-up issue raised during the auditor's conversation with Councillor Balkissoon concerning the City's Childcare Occupancy Cost Agreements with the Boards of Education, the origins of these agreements may be traced back to the Transition Team's Report, "The New City, New Opportunities". That report first identified the planned reduction in education spending and the threat that increased occupancy costs would pose for the

continued viability of childcare programs located in schools. The Transition Team supported the inclusion of \$5 million in the first new City budget for occupancy cost assistance to childcares located in schools.

City Council at its meeting of February 4, 5, and 6, 1998 considered a report dated January 15, 1998 from the Chief Financial Officer and Treasurer and directed City Officials to negotiate an agreement that addressed the city use of school facilities for child care and recreation purposes. That report identified the financial risk to more than 300 childcare programs located in board facilities should the newly amalgamated Boards levy a charge for the use of the facilities. At the time of the 1998 report, 40 percent of licensed childcare spaces in the new City were located in facilities owned by the Boards of Education and there were a variety of charging practices for occupancy costs in effect within the former legacy boards. Under the new provincial education funding formula, only space required for educational purposes was recognized for funding. Boards were left to recover occupancy costs from community programs using school space. Children's Services estimated that the cost to the childcare system would be \$5 million. Failure to provide adequate funding to cover these new occupancy costs would lead to the possible closure of the affected programs and the resultant loss of service to both full fee paying and subsidized families using school based childcare programs. While the report did not specifically distinguish between full fee paying and subsidized spaces, it was clear that the funding for occupancy costs was for all child care programs located in schools.

While the Treasurer and her staff continued to explore and develop the Mutual Service Master Agreements, reports related specifically to childcare occupancy costs were forwarded to Council as they were negotiated. Clause 14, Report 2 of the Strategic Policies and Priorities Committee was adopted by Council February 2, 3 and 4, 1999; this report approved the principles and objectives for a new Master Agreement and approved payments to the Toronto Catholic District School Board (TCDSB) of \$3.70 per square foot. These principles guided the negotiation of the Childcare Occupancy Cost Agreements with the Boards of Education.

Occupancy cost agreements were negotiated separately with the Conseil Scolaire De District Du Centre-Sud-Ouest and the Toronto District School Board (TDSB). At its meeting of February 1, 2, and 3, 2000, Council approved payment for the Toronto District School Board for space used by childcare and by Parks and Recreation. The agreement provided for a phase-in of the occupancy costs to coincide with the termination of mitigation funds that the TDSB was receiving from the Ministry of education. The rate of \$6.11 per square foot reflected the same level of funding the Ministry of Education was providing to all Boards for school occupancy costs. Finally, at its meeting of April 26, 2000 Council approved payment to Conseil Scolaire de District Du Centre-Sud-Ouest for childcare space. Council, on July 24, 25 and 26, 2001 amended the agreement with the Toronto Catholic District School Board to reflect a rate of \$6.11 per square foot, the same rate negotiated with the TDSB. In some cases, the Boards of Education had already collected occupancy costs in advance from childcare programs and were required to reimburse the impacted programs. The situation for each childcare centre was different since some had not previously paid any occupancy costs while others had paid substantially more than the new rate now being paid on their behalf by the City.

The Occupancy Cost Agreements cover 359 childcare programs and 18 family resource programs currently housed in school facilities. The continuation of these agreements was debated extensively as part of the 2002 Operating Budget approval process. This matter proved

a matter of significant community concern and the adverse impact of terminating these agreements was highlighted during the debate. It was feared that without these umbrella City agreements, the Boards would individually renegotiate occupancy costs with child care programs at a higher rate and that the child care programs would no longer enjoy the security of tenure the present agreements assured. A termination of the City's current agreements with the Boards would have also adversely impacted the non-subsidized families using child care by increasing their daily fees by an estimated \$2.47. On March 8, 2002, Council approved the full \$5,310.0 thousand necessary to maintain the current Occupancy Cost Agreements with the Boards of Education.

Conclusions:

This report provides assurance that the City has no plans to take over non-profit child care centres and that the Department is acting within the authority granted by Council with respect to the Childcare Occupancy Cost Agreements with Boards of Education.

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The Audit Committee submits the following report (September 6, 2002) from the City Auditor:

Purpose:

To respond to the request of Audit Committee that the City Auditor comment on the report from the Commissioner of Community and Neighbourhood Services entitled "The City's Funding Relationship with Child Care Programs including the Child Care Occupancy Cost Agreements with the Boards of Education", relating to the City's funding relationship with child care programs, including the child care occupancy cost agreements with the Boards of Education.

Financial Implications and Impact Statement:

There are no financial implications resulting from the adoption of this report.

Recommendation:

It is recommended that this report be received by the Audit Committee for information.

Background:

At its meeting of April 11, 2002, Audit Committee received a copy of communication from Councillor Balkissoon to the City Auditor concerning the City's relationship to certain non-profit child care centres. Audit Committee directed the then Acting Commissioner of Community and Neighbourhood Services to report on the concerns raised and further directed that the report be submitted to the City Auditor for comment.

The communication from Councillor Balkissoon indicated that a constituent had advised him that the City proposed to take over certain non-profit child care centres without Council authority. It also suggested that certain non-profit centres had large surpluses and reserves which had not been considered by the City in the alleged takeover process. Further discussions with Councillor Balkissoon indicated an additional concern that the City effectively provides a subsidy for full fee paying parents as a result of occupancy cost agreements negotiated with the Boards of Education.

Comments:

We have reviewed the report from the Commissioner of Community and Neighbourhood Services entitled "The City's Funding Relationship with Child Care Programs including the Child Care Occupancy Cost Agreements with the Boards of Education."

In performing this review, we familiarized ourselves with the responsibilities assigned to Children's Services Division through provincial downloading, City and provincial guidelines for the administration of fee and wage subsidies and, reviewed reports to Council and related Committees that resulted in the approval of occupancy cost agreements with the Boards of Education.

Conclusions:

Based on our review, we conclude that the contents of the report by the Commissioner of Community and Neighbourhood Services entitled "The City's Funding Relationship with Child Care Programs including the Child Care Occupancy Cost Agreements with the Boards of Education" are factually accurate. Further, it appears that the concerns raised by Councillor Balkissoon's constituent result from a misunderstanding of the differing relationships between the City and various child care providers in the City.

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