

Status of Community and Municipal Child Care Transition Resulting from Full-Day Kindergarten

Date:	June 18, 2012
To:	Community Development and Recreation Committee
From:	General Manager, Children's Services
Wards:	All
Reference Number:	

SUMMARY

This report responds to a number of Community Development and Recreation Committee requests for reports on Phase 3 of Full-Day Kindergarten (FDK) implementation, proposed child care transition plans for each ward of the City, Municipal Child Care Services (MCCS) transition plan and the proposed use of any new funds arising out of the Ontario budget.

The third phase of FDK implementation, beginning in September 2012, involves the largest number of children to date moving from licensed child care to FDK school-based programs. Community child care transition plans have been developed for each City ward. These plans are intended to facilitate expansion in infant and toddler capacities to replace the expected decrease in preschool capacity as 4 and 5 year olds move to FDK, with extended day child care requirements addressed in school-based shared space. Ward-level and system-wide data is informing how Children's Services invests resources to maintain the sustainability of the child care system.

Like community child care operators, MCCS has developed a transition plan for directly-operated child care centres that takes into account the unique role of MCCS and the impact of FDK on its program. MCCS transition plans include a public fee increase to be phased in over three years. These plans also include reconfigurations to care for younger children, providing FDK before- and after- school programs and addressing site options where sites may no longer be financially viable.

RECOMMENDATIONS

The General Manager, Children's Services Division, recommends that:

1. City Council endorse the MCCS public fee adjustment as outlined in Appendix C of this report, to be phased in over 3 years.
2. The proposed 2013 MCCS public fee increase of \$0.083 million be included in the 2013 Operating Budget Submission for Children's Services.
3. Authority be delegated to the General Manager, Children's Services, to increase MCCS fees charged to families not eligible for fee subsidy in 2014 and 2015 as outlined in Appendix C, to reflect the actual cost of providing service, in accordance with the Provincial "Guidelines for Municipalities: Establishing Child Care Per Diems", with these increases to be adjusted for inflation if necessary and reflected in the Children's Services Division's annual operating budget submissions.
4. Authority be delegated to the General Manager, Children's Services, in consultation with the other divisions as appropriate, to take actions necessary to change the title of Municipal Child Care Services to Toronto Early Learning and Child Care Services, which better reflects the mandate of this function and the transition of child care to a system of early learning and care, with any transitional costs to be addressed through the existing MCCS budget.
5. The General Manager, Children's Services report to Community Development and Recreation Committee on details of new provincial funding when they become available.

FINANCIAL IMPACT

The implementation of FDK has resulted in significant financial pressures for the child care system as 4 and 5 year olds move from licensed child care into the FDK Program. Child care operators must respond to the loss of 4 and 5 year olds in their programs by increasing service, where feasible, to younger age groups. This will impact the cost of care as, historically, fees from older children have cross subsidization fees of younger age groups.

Working with the Province and child care providers, Children's Services has developed an investment strategy using transitional/operational funding provided by the Province to stabilize and sustain existing child care centres that are impacted by FDK and capital funding for space reconfigurations that enable operators to serve younger children.

To date, the City has received \$5.723 million in operating/transitional funding and \$1.150 million in capital funding from the Province of Ontario. As previously reported, there is an estimated shortfall of \$21.3 million in operating/transitional funding and \$26.3 million in capital funding.

City Council continues to make requests to the province for financial, policy, and legislative resources needed to mitigate the impacts of the transition to FDK.

As reported in April 2012, the Ontario budget tabled on March 27, 2012 did not contain any new resources for child care. However, on April 20, 2012 in a budget backgrounder titled "Making the Ontario Budget Even Better", the Province announced new assistance for child care operators across the province. The announced money totalled \$90 million in 2012-13; \$68 million in 2013-14; and \$84 million in 2014-15. These amounts are one-time funding and will not be added to the base budget. Once the details of the additional funding are available, staff will report to the Community Development and Recreation Committee.

Children's Services is recommending that MCCS public fees (fees charged to full-fee paying parents), be incrementally increased in 2013, 2014 and 2015 to mitigate transitional pressures associated with FDK, sustain service delivery and reflect the full cost of providing service in accordance with the Provincial "Guidelines for Municipalities: Establishing Child Care Per Diems." It is anticipated that these increases will net an additional \$0.250 million over the three year period.

In 2013, Children's Services is recommending an increase in the public fees effective January 1, 2013. This increase will provide an additional \$0.083 million in revenues, which will be included in the 2013 Operating Budget Submission for the division. Fee increases will impact only those families not eligible for child care fee subsidies. Fees for subsidized families continue to be based on the provincially-mandated income test.

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

DECISION HISTORY

Community Development and Recreation Committee at its meeting of March 27, 2012 requested that the General Manager, Children's Services, report to the June 26, 2012 meeting of the Community Development and Recreation Committee on the status of Phase 3 Full-Day Kindergarten implementation and the proposed transition plans for each ward in a manner that respects the confidentiality requirements of each operator. The Committee also requested that the General Manager, Children's Services, brief individual Councillors on their ward transition plans.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2012.CD11.1>

Community Development and Recreation Committee at its meeting of April 24, 2012 requested that the General Manager, Children's Services, report to the June 26, 2012

meeting of the Community Development and Recreation Committee on the proposed use of any new funds arising out of the Ontario budget, such report to address options that will increase child care access and affordability for Toronto families.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2012.CD12.2>

Community Development and Recreation Committee at its meeting of May 23, 2012 requested that the General Manager, Children's Services, report to the June 26, 2012 meeting of Community Development and Recreation Committee on the Municipal Child Care Services (MCCS) All-Day Kindergarten Transition Plan.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2012.CD13.3>

ISSUE BACKGROUND

The Provincial Government received the report "With Our Best Future in Mind: Implementing Early Learning in Ontario" from the Special Advisor on Early Learning in 2009. The report provided a comprehensive action plan for developing a seamless and integrated system to support children from birth to 12 years and their families. The plan included Full-Day Kindergarten (FDK) with a corresponding comprehensive child and family service system with child care as the foundation. The Provincial Government identified FDK as a policy priority in 2009 and in early 2012 restated its commitment to implementing FDK across the Province and, where there is an expressed need, to implement a corresponding before- and after-school program for children in FDK which is to be delivered in shared space within the school, either directly by the school board or by a third-party operator.

While the introduction of FDK is a positive development for many families and children, its implementation has impacts on the child care system. As a result of FDK, the existing child care system, which currently delivers licensed early learning and care opportunities to children from birth to 12 years of age, will no longer provide full-time care for 4 and 5 year olds. The move of 4 and 5 year olds to school-based services impacts child care centres' revenues, parent fees, and access to licensed care. City Council has recently made a number requests to the Province for the financial, policy, and legislative resources necessary to mitigate these impacts.

As reported in April 2012, the Ontario budget tabled on March 27, 2012 did not contain any new resources for child care. However, on April 20, 2012 in a budget backgrounder titled "Making the Ontario Budget Even Better", the Province announced new assistance for child care operators. Across the province, the announced money totalled \$90 million in 2012-13, \$68 million in 2013-14 and \$84 million in 2014-15.

At this time, the intended purpose of the new money and the City of Toronto's allocation are not known. Staff will report to Community Development and Recreation Committee when more details are available.

COMMENTS

Status of Phase 3 (2012-2013) Implementation

The third phase of FDK implementation, beginning in September 2012, involves the largest number of children to date moving from licensed child care to Full-Day Kindergarten. At this time, approximately 49% of kindergarten-aged children will have access to FDK. As a result, the impacts on child care will begin to be strongly felt. Toronto Children's Services has taken a number of financial, policy and regulatory actions to mitigate the impact of FDK on Toronto's child care system. These include suggesting changes to the *Day Nurseries Act*, working on recommendations for a new child care funding model, continuing to assess and project the impacts of FDK on child care service levels, and identifying the resources required to mitigate these impacts.

To date, the City has received \$5.723 million in operating/transitional funding and \$1.150 million in capital funding to support child care programs impacted by FDK. Based on the funding needs identified in previous staff reports, this leaves shortfalls of \$21.3 million in operating/transitional funding and \$26.3 million in capital funding.

The number of third party before- and after-school programs will grow significantly in Phase 3, from four to 88. In September 2012, 63 TDSB, 22 TCSB schools and three French-language schools will have FDK before- and after-school programs for 1,880 kindergarten-aged children. Of these, a significant majority will be operated by licensed third-party operators, with two locations being directly operated by the TDSB.

These before- and after-school programs are offered where enough parents express a need. School boards are required to survey families to determine need. Where parents of 20 or more children express interest, the school is required to offer a program. The program can be directly operated by a school board or contracted through a licensed child care provider. Where there is an existing licensed child care centre in a school, school boards offer the first opportunity to operate the before- and after-school program to that operator. The challenges identified with respect to third-party operators of FDK before- and after-school programs are ongoing. These include contract management requirements, issues related to the sharing of space and resources between programs and schools and split-shift staffing.

By 2014, approximately 56,000 children in Toronto will be eligible to begin kindergarten. Based on current trends, approximately 82% (45,920 children) will attend FDK in the public school system. Of these, it is projected that 70% (32,144 children) will require before- and after-school care and at least 32% of these (10,286 children) will require fee subsidy to help with the cost of care. Current funding levels provide for 4,800 subsidies to this age group under the Child Care Service Plan principle of age equity, approximately 5,486 subsidies short of what is required. These calculations are based on the Statistics Canada 2011 Census Labour Force Survey and 2006 Census & public school board records. Subsidies for the FDK before- and after-school program will be

subsidies that have been transferred from the existing licensed child care system, augmented by a limited amount of new provincial resources.

In the Toronto District School Board, third-party fees for FDK before- and after-school programs range from \$27 to \$32 per instructional day. The range set by the Toronto Catholic District School board for third-party programs is \$29 to \$35, though some operators are charging lower rates. These rates are for before- and after- school care only. In comparison, the range of fees for the same age group in child care programs is \$35 to \$62 a day for a full-day program. The provincially-funded six hours of FDK significantly lowered fees for families, making the FDK before-and after-school program an attractive and affordable option. As a result, it is anticipated that interest in the before- and after-school program will continue to grow yearly. Last year there were 4 programs in Toronto; this year the number will grow to 88.

The number of new extended day programs is a positive development in that it provides greater access to formal, school-based care for families. Managing the ongoing implementation of extended day programs poses a number of administrative pressures for the City. The increased number of new licensed before- and after-school child care programs requires additional asset, financial and contract management, quality assurance, and planning support that, to date, has been absorbed within the budgets and complements of impacted divisions, primarily Children's Services. This will become increasingly difficult as more children and child care operators begin the transition process.

While FDK will be fully implemented in September 2014, the child care transition process is expected to continue beyond that date as a result of the time required for reconfigurations and the likely need of operators to adjust their leases and to address staffing issues.

Transition plans

The Children's Services Staff Report, "Transitional Issues Impacting Toronto's Child Care System and Recommended Actions for Mitigation", considered by City Council on November 29, 2011, summarized the ward analysis process and projected the licensed capacity of the child care system to September 2014, when FDK is fully implemented. The 2011 analysis projected a loss of 338 infant spaces, 974 toddler spaces and 5,972 preschool spaces if no additional resources were provided. With available resources for operators to realize their reconfiguration plans, gains of 593 infant and 1,666 toddler spaces, and a transfer of 5,034 preschool spaces (representing the move of four and five year olds to FDK) were projected. These projections were based on operator surveys, site visits and assessments of potential revenue losses.

Since the 2011 report, the projections have been refined and community transition plans developed to mitigate the impacts of FDK on child care service levels across the city. Children's Services staff have been working with community operators and their boards of directors to assess transition options, which include mergers, relocations,

reconfigurations, and in some cases, closures. The potential to operate a FDK before-and after-school program as a third party operator provides an opportunity for some operators to strengthen their sustainability and viability. Community transition plans are based on more in-depth consultations with operators, reviews of long-term business plans, evaluations of projected service levels and requirements at the neighbourhood level. Current ward-level capacities, equity targets and community transition plans are available on the Children's Services website at www.toronto.ca/children. (Equity targets represent each City ward's allocation of fee subsidies based on the number of children living in the ward whose family income is below Statistics Canada's Low Income Cut-Off). Within each ward, the equity target is further distributed by age to ensure that children in each of the age groupings receive equitable access to a child care subsidy.

Community transition plans take into account:

- Surrounding schools' year of FDK implementation
- An operator's dependency on families with fee subsidy
- Centres deemed to be at risk of closing
- Ward and neighbourhood specific needs
- Ease of reconfiguring to serve younger children
- Planned new child care centre builds
- Operators' interest and ability to operate a before- and after-school program

Children's Services' role in the transition process is to encourage and facilitate the planning process with community operators. Operators are not required to develop or implement transition plans. As independent businesses, final decisions are the responsibility of their board of directors or owners. As FDK transition continues, community transition plans will be updated as new information becomes known. Children's Services staff are briefing individual councillors on their ward transition plans and projected service levels. These plans are also available at www.toronto.ca/children.

Transition Plan Analysis and Overview

Community transition plans document the degree to which the child care system is changing. They will continue to be adjusted and modified as new information becomes available. City-level plans for 2014, based on the community transition planning results, are reflected in Table 1.

As Table 1 illustrates, between May 2012 and full implementation of FDK, the licensed child care system is projected to increase by 352 infant spaces, 1,556 toddler spaces, and decrease by 6,323 preschool spaces. These numbers include centres both with and without fee subsidy contracts with the City. The final column of the table reflects on a percentage basis the progress made for each age group in meeting the service level proposed in the community plan. These percentages will increase as more capital reconfigurations are completed.

Table 1 – Current and Projected Licensed Capacity

Age group	May 2011 capacity	May 2012 capacity	Planned September 2014 capacity (based on community transition plans)	Movement from May 2011 to May 2012 in meeting planned September 2014 capacity (%)
Infant	2,680	2,756	3,108	17.8
Toddler	6,704	6,902	8,458	11.3
Preschool	28,481	28,132	21,809	(5.2)
Subtotal	37,865	37,790	33,375	(1.7)
FDK Before- and after school program *	0	100	7,460	1.3
Schoolage	15,753	15,825	15,348	--
Total	53,618	53,715	56,183	3.8

* FDK before- and after- school programs directly operated by school boards will not be licensed. These spaces are, however, included in the table above numbers.

There are currently 373 schools in Toronto with a child care centre in the school (of 589 elementary schools). If each of these schools offers a FDK before- and after-school program to only 20 children, minimally 7,460 kindergarten aged children will be in these programs at full implementation. In September 2012 approximately 88 FDK before- and after-school programs will be operating for 1,880 children. (These spaces are not all licensed as programs directly operated by school boards do not require a license under the *Day Nurseries Act*.) These new spaces are projected to make up for the decrease in preschool spaces, meaning that the overall capacity in the system is projected to increase by 2,565 from May 2011 to September 2014.

The decrease in preschool spaces reflects the move of four and five year olds to FDK. Currently, the planned increase in FDK before- and after-school spaces is more than the decrease in the number of preschool spaces. This is an indication that a number of operators have chosen to fill their preschools spaces with younger preschool children (age 2.5 to 4) instead of altering their licensed capacity and reconfiguring for infants or toddlers.

Between May 2011 and May 2012, 24 child care centres in Toronto closed, resulting in a loss of 26 infant spaces, 60 toddler spaces and 652 preschool spaces. Over the same period, centre openings and reconfigurations resulted in an additional 102 infant spaces, 268 toddler spaces and 319 preschool spaces. None of the closures are thought to have been as a direct result of FDK.

From May 2012 to September 2014, 97% of the infant increase in licensed capacity, 97% of the toddler increase and 84% of the preschool decrease is expected to be in centres with a fee subsidy contract with the City.

Table 2a below shows the number of wards projected to have insufficient capacity to meet their equity targets as outlined in the November 2011 report to Council and based on updated results following development of the community transition plans. A ward has insufficient capacity to meet equity when it has a lower number of licensed spaces in a particular age group than it has subsidies for that particular age group. The November 2011 report considered two scenarios. Scenario 1 projected service levels if all centres deemed to be at risk were closed. Scenario 2 projected service levels if sufficient provincial resources were made available to facilitate the transition. A third scenario has now been developed based on ward community transition plans which included a more detailed analysis of opportunities and updated plans from operators.

Table 2a

Age group	# of wards with insufficient capacity to meet equity		
	November 2011 Projection (Scenario 1 – No Action Taken)	November 2011 Projection (Scenario 2 – Resources Available)	Updated Projection Community Transition Plan
Infant	31	17	27
Toddler	23	7	8
Preschool	8	0	1

Table 2b shows the number of wards projected to have sufficient or more than sufficient capacity to meet equity. A ward has sufficient or more than sufficient capacity to meet equity when it has at least 25% more spaces than it has subsidies for a particular age group. These wards are expected to be able to accommodate both full-fee families and families with a fee subsidy following the FDK transition.

Table 2b

Age group	# of wards with sufficient or more than sufficient capacity to meet equity		
	November 2011 Projection (Scenario 1 – No Action Taken)	November 2011 Projection (Scenario 2)	Updated Projection Community Transition Plan
Infant	9	15	10
Toddler	13	27	26
Preschool	30	43	43

Projections from community plans recognize the opportunity for operators to provide before- and after-school programs and the ability of these programs to have a stabilizing

influence on some centres. Of the 88 FDK before-and after-school programs that will be operating in September 2012, 22 of the operators were deemed to be at risk under the initial ward analysis. Before- and after-school programs have helped these operators to remain viable despite the impact of FDK.

Maps highlighting wards at risk by age grouping can be accessed at www.toronto.ca/children/wardanalysis.htm

Investment Strategy

The goal of the ward analysis and community transition planning process has been to help Children's Services in its role of Consolidated Municipal Service Manager to effectively use its resources to ensure a sustainable, affordable and high-quality child care system in Toronto. Investment will occur in accordance with principles of the Council-approved Toronto Child Care Service Plan, which includes providing service access based on age and geographic equity and expanding child care through public and not-for-profit delivery. As such, areas with the lowest projected service levels are priorities for investment.

It is important to recognize that the child care system remains underfunded and the number of spaces and subsidies do not meet the needs of Toronto families. Expansion efforts can not begin until the existing system is stabilized. The extent to which expansion of licensed child care can occur will depend on new resources received from other governments, changes to the child care funding model, and legislative/regulatory amendments as noted in previous reports to Council.

Resources received from the province to date have been used to stabilize and sustain existing child care centres. There are two components to the Children's Services investment strategy. Capital funding is necessary for reconfigurations as operators shift to serve younger children. Transition funding is needed to support viability and affordability as operators experience temporary vacancies with children moving to FDK.

Capital

The provincial capital money allocated to Toronto to date is \$1.15 million. This money has been invested in non-profit child care operators located outside of schools to assist them in reconfiguring their centres to serve younger children. In 2011 and early 2012, eligible operators with a current service contract for fee subsidy could apply to the City for a grant of up to \$50,000 towards the capital costs of reconfiguring their centres. This minor capital program includes the Children's Services Minor Capital Health and Safety grant program and provincial Transitional Minor Capital funding. Children's Services has approved 14 applications for minor capital (with an additional 13 applications in progress) to address the construction costs related to reconfiguration. Many of the requests have been for new toddler rooms, resulting in the expansion of toddler care in the city. To ensure that fee subsidy allocation remains consistent with the principles of

age and geographic equity, requests for revised fee subsidy contracts to address the new spaces created were considered in conjunction with the capital funding requests.

Appendix A highlights wards that were identified as most at risk in the 2011 analysis and where capital applications and approvals have occurred. It is apparent that in some areas where there is a need for investment to stabilize the system, few centres would be eligible due to their location in a school or commercial auspice. Provincial capital funding is limited to non-profit providers.

While Children's Services' priority is to invest in non-profit centres outside of schools, where there are no other options in an underserved area, eligible applications will be accepted for minor capital funding from non-profit child care in schools in high-need wards. Centres in schools that receive Children's Services funding will be required to demonstrate security of tenure, financial viability and program quality. Should new provincial capital money be received, Children's Services will review the existing \$50,000 cap in minor capital grants in recognition of higher construction costs for infant and toddler spaces.

An interim provincial policy is in place that will fund the capital costs of replacing child care spaces for young children in child care centres located in schools that are scheduled to close or to be rebuilt. This policy may have a limited impact in Toronto as it does not apply to capital funding for child care spaces in new schools or in rebuilds or retrofits that are already underway.

Transition

To date, the City has received \$5.723 million in operating/transitional funding. Children's Services has identified transition funding needs of \$27 million to maintain affordability for parents and sustainability for operators over the course of FDK implementation. To date, this money has been invested in fee subsidies, helping to reduce the draw on the Child Care Expansion Reserve Fund.

As previously reported, FDK implementation generates some savings in the form of wage subsidy recalculation as required by the 2006 Provincial Wage Subsidy Guidelines (as group sizes of 4 and 5 year olds move to FDK, wage subsidy is reduced), occupancy cost savings (before- and after-school programs are offered in shared space, which is not subject to rental or occupancy payments) and fee subsidy savings related to the reduced hours of care required for 4 and 5 year olds. To date approximately \$118,000 has been recovered in wage subsidy from 25 centres as group sizes of four and five year olds leave licensed child care for FDK. These savings make up part of the transitional resources.

Going forward, Children's Services will use transitional resources in two ways. First, some one-time funding will be provided to support centres experiencing a temporary loss of revenue as children leave incrementally or as rooms are empty and under renovation. In these cases, Children's Services' transition funding strategy will look at stabilization through methods that include increased per diems to support temporary losses of revenue.

Allocations will consider financial need, the principles of the Child Care Service Plan, and program quality. The second transitional need is in long-term funding to maintain affordability for families with younger children. A new funding model and additional resources are required before action can be taken in this regard

Municipal Child Care Services Transition Plans

Municipal Child Care Services (MCCS) directly operates child care centres in 52 locations. It uniquely focuses on areas of the city where a significant number of children are thought to be at risk, where there are few child care alternatives, and where more intensive services for families are needed. MCCS provides an inclusive program with a high proportion of children with extra support needs. MCCS has assumed a sectoral and pedagogical leadership role through the implementation of the Early Learning for Every Child Today (ELECT) curriculum framework, the development of integrated municipal service delivery approaches, piloting alternative program models and adopting a focus on improving outcomes for children. In addition, MCCS acts as a sectoral leader by being a resource for other agencies, accommodating student placements, hosting supervised access programs, and providing support for at-risk community child care providers. Current operating capacities in MCCS are 344 infant spaces, 540 toddler spaces, 1,115 preschool spaces, 340 kindergarten spaces and 414 schoolage spaces.

The unique nature of MCCS is demonstrated in its client profile, which differs from the general population in significant ways. For example:

- The average income for an MCCS family is \$23,000, compared to an average income of \$88,343 for Toronto families with young children (2006 Census).
- 95% of MCCS families receive a fee subsidy compared to the rest of the licensed child care system where 36% of families receive a fee subsidy.
- 74% of MCCS families are single parents compared to 22% of Toronto families with young children.
- 29% of MCCS subsidized families receive Ontario Works.

Like the rest of the child care system, MCCS is striving to maintain the stability and quality of its programs as services are realigned. MCCS transition plans consider factors such as ward equity, child poverty statistics and Early Development Instrument results. In developing its transition plans, it has established a number of strategic directions based on the Child Care Service Plan, as well as City of Toronto initiatives such as the Strong Neighbourhoods Strategy and economic development goals. This ability of MCCS to align with broader City goals is enhanced by partnerships with a number of City divisions and boards, including Parks, Forestry and Recreation, Toronto Employment and Social Services, Toronto Public Health, and Toronto Public Library.

Appendix B to this report summarizes MCCS Transition plans by District. In total, infant spaces are projected to increase from 344 to 408 and toddler spaces from 540 to 620 over the coming three years. Preschool/Kindergarten spaces are projected to decrease from 1465 to 880 as a result of children leaving for FDK and school age spaces from 414 to 370. MCCS is also projected to operate FDK before- and after-school programs for 260 kindergarten children as a third-party operator.

The transition plan envisions 14 centre reconfigurations, 5 service realignments, and operating FDK before- and after school programs in 12 schools. Twenty-eight centres will not be impacted and an expanded child care centre as part of the Kipling Acres revitalization initiative will open in 2013. Reconfigurations required in MCCS sites are funded through Children's Services' capital budget and are estimated to cost \$2.891 million, which will be managed under the current 10-year capital plan. For 2012, reconfiguration costs will total \$240,000 and entail adding toddler rooms to three centres. 2013 plans are under consideration as part of the capital budget process.

Service realignments include closing satellite locations which largely serve kindergarten and school age children where programs are no longer viable; transitioning existing programs to "third-party operated" FDK before- and after-school programs; and transitioning services to non-profit centres in areas that are no longer in line with the MCCS mandate.

The Children's Services capital budget allows for three new child care centres every 10 years, some of which may be operated by MCCS. The projected MCCS capacity by age following the transition process, as outlined in this report, does not reflect plans to introduce new MCCS centres in underserved areas. Such plans will be formalized once the outcomes of the child care system's transformation are clear.

MCCS Transition – Impact on Fees

As noted in previous reports to Council, care for younger children (infants and toddlers) is more costly than that of older children as a result of higher legislated staff to child ratios. Child care fees for infants and toddlers have traditionally been cross-subsidized by fees for older children. The transition of 4- and 5-year old children from licensed child care to FDK places significant pressure on fees for those children remaining within the licensed child care sector for two primary reasons. First, Provincial legislation requires that fees for the extended day FDK program be charged on a full cost recovery basis thus eliminating opportunities for cross subsidization. Second, licensed child care is reconfiguring to accommodate a greater number of younger children as 4 and 5 year olds vacate space for FDK. While this is a positive development for Toronto's youngest children, the cost of care increases. Adding to the complexity, it is difficult for operators, including MCCS, to charge higher public fees for school age programs than for kindergarten programs as these programs are less costly to deliver. This serves to further limit the potential for cross-subsidization.

As a result of these pressures, there will be an increase in public fees that will impact a small number of full fee-paying parents whose children attend MCCA. Fees for subsidized families will continue to be based on a provincially mandated income test and, as a result, not impacted by the increase.

The FDK transition plan for MCCA, combined with inflationary pressures and the Provincial requirement that per diems paid on behalf of subsidized clients combined with fees from parents cover the cost of care, requires an adjustment in MCCA fees. Since 2008, fees have increased 7.8%. The last increase was applied in 2011, averaging 2.48% over all age groups. Fee adjustments were based on the Council-approved report "2001 Per Diem Rates for the City of Toronto Directly Operated Child Care Centres", which states that "per diem rates be reviewed annually and adjusted when necessary to reflect but not exceed salary increases negotiated as a result of City Collective bargaining".

To address the increase in costs as a result of FDK, it is proposed that MCCA fees to the public increase over three years to ensure that families who are not eligible for subsidy are paying the actual cost of child care. The proposed increase for each age group will reflect the actual impact of the loss of cross subsidization on that age group. Infant and toddler fees, which have historically benefited the greatest from cross-subsidization, will see a greater increase. It is proposed that families whose rates would be impacted by this increase have their fees grandfathered for the age group in which their child currently receives care. For example, if a parent currently has a child in the infant age group, their rate would increase only when the child becomes of toddler age and the new toddler rate would be applied. In calculating the new fees, the City deleted all MCCA costs relate to the work it undertakes as a part of City business – thus reflecting the true costs of child care for parents.

Currently, MCCA programs serve 2,753 children, of which 94.6% are subsidized. This fee increase will impact 124 families who currently pay full fee for child care in MCCA centres. At present enrolment, the increase to fees will net an additional \$0.25 million in revenue in the year 2015. The proposed increase will be phased in over three years and is exclusive of any inflationary adjustment that may be required. The proposed increase equates to 10.4% over the three years. Fee increases will be raised in accordance with the Provincial "Guidelines for Municipalities: Establishing Child Care Per Diems."

MCCA expenses will not increase due to the fee increase. The increased revenues will reduce the draw from the Child Care Expansion Reserve Fund.

MCCA Proposed Title Change

Given the ongoing transformation of the child care system to a broader early learning and care system, Children's Services is seeking authority to pursue a change of title for Municipal Child Care Services. The proposed new title is Toronto Early Learning and Child Care Services, which better reflects all of the early learning activities in which MCCA is involved. Any transitional costs will be addressed through the existing MCCA budget

Conclusion

The implementation of FDK continues to impact the viability of community and municipally-operated child care centres and the fees that families pay for child care. The impacts will begin to be strongly felt in September 2014. While FDK will be fully implemented in 2014, the transition period for the child care system will take longer. Plans to date show that service levels are projected to increase for infants and toddlers as 4 and 5 year olds leave the system for FDK. Children's Services' investment strategy will continue to support the stabilization and transition of the child care system. Without additional resources from other orders of government and a new child care funding model, however, capacity in some areas of the city will continue to be at risk.

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SIGNATURE

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ATTACHMENTS

Appendix A– Capital Allocations and At Risk Wards
Appendix B – Municipal Child Care Services Transition Plans by District
Appendix C – Proposed MCCS Rate Increase