



## City Budget 2012

## Children's Services Operating Budget Analyst Notes

The City of Toronto's budget is presented by program and service, in Analyst Note format. The City's Operating Budget pays the day-to-day operating costs for City services.

# 2012 Operating Budget

## 2012 OPERATING BUDGET ANALYST BRIEFING NOTES BUDGET COMMITTEE NOVEMBER 28, 2011

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## PART I: RECOMMENDATIONS

### 2012 Recommended Operating Budget (In \$000s)

(In \$000s)	2011		2012 Recommended Operating Budget			Change - 2012 Recommended Operating Budget v. 2011 Appvd. Budget		FY Incremental Outlook	
	2011 Appvd. Budget	2011 Projected Actual	2012 Rec. Base	2012 Rec. New/Enhanced	2012 Rec. Budget	Operating Budget v. 2011 Appvd. Budget		2013	2014
	\$	\$	\$	\$	\$	\$	%	\$	\$
<b>GROSS EXP.</b>	387,902.2	379,754.7	387,804.1	0.0	387,804.1	(98.1)	(0.0)	3,364.5	9,243.2
<b>REVENUE</b>	313,629.6	305,482.1	314,389.2	0.0	314,389.2	759.6	0.2	(17,460.5)	0.0
<b>NET EXP.</b>	74,272.6	74,272.6	73,414.9	0.0	73,414.9	(857.7)	(1.2)	20,825.0	9,243.2
<b>Approved Positions</b>	955.5	941.5	929.3	0.0	929.3	(26.2)	(2.7)	(10.2)	

Target Comparison	10% Reduction Target	2012 Rec.'d Reduction	2012 10% Reduction v.s. 2012 Rec'd Reduction	Target %
2012 Reductions	(7,390.9)	(7,390.9)	0.0	10.0%

### Recommendations

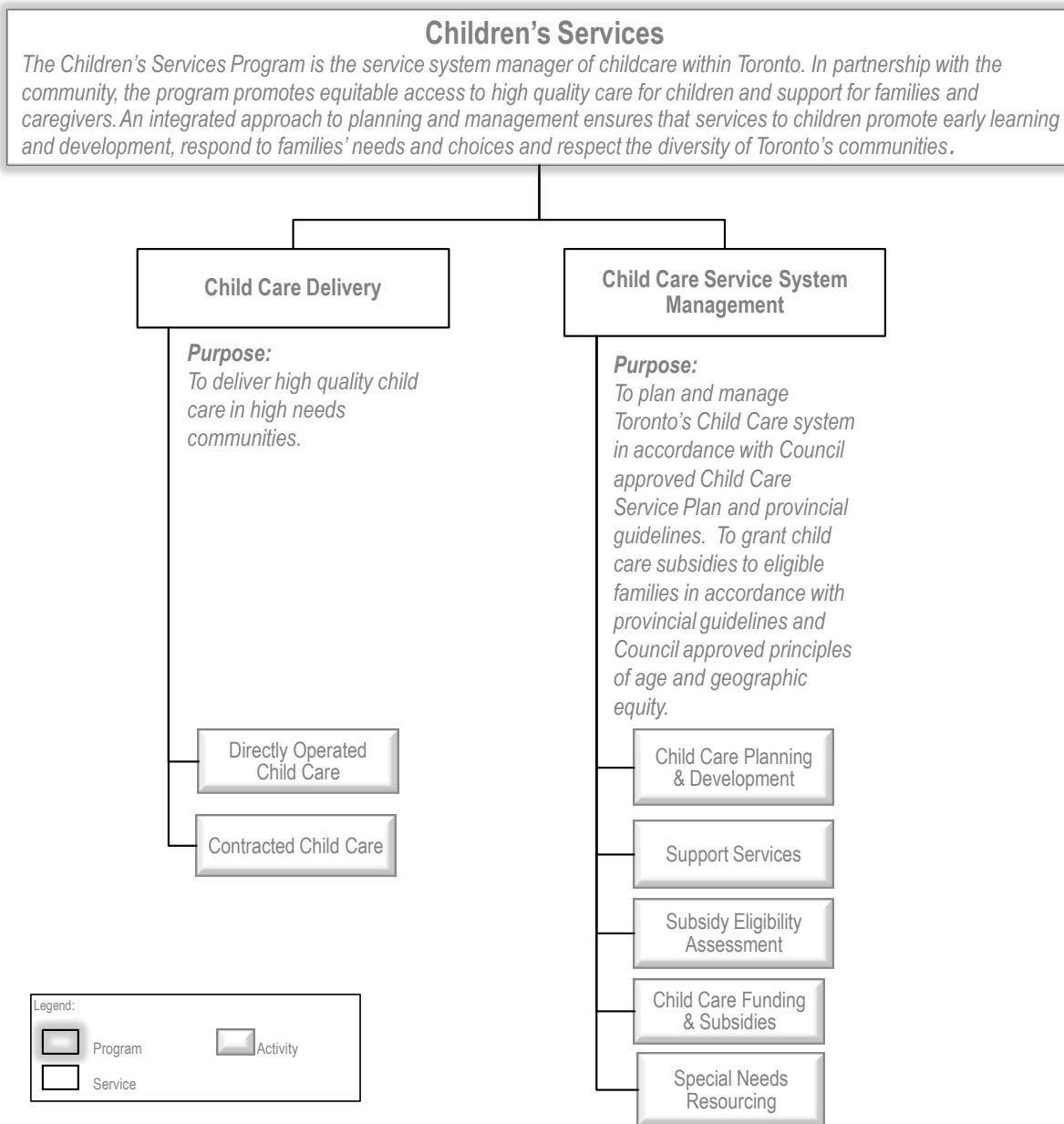
The City Manager and Chief Financial Officer recommend that:

1. City Council approve the 2012 Recommended Operating Budget for Children's Services of \$387.804 million gross and \$73.415 million net, comprised of the following services :

<u>Service:</u>	<u>Gross</u> <u>(\$000s)</u>	<u>Net</u> <u>(\$000s)</u>
Program Administration	26,868.5	9,544.0
Municipal Child Care	69,066.1	14,596.1
Purchased Child Care	291,869.5	49,274.8
<b>Total Program Budget</b>	<b>387,804.1</b>	<b>73,414.9</b>

## PART II: 2012 SERVICE OVERVIEW AND PLAN

### Program Map and Service Profiles



Service Customer

**Child Care Delivery**

- Parents / Guardians
- Children in Child Care
- Child Care Service Providers
- Families and Children

**Child Care Service System Management**

- Parents / Guardians
- Province of Ontario
- Child Care Service Providers
- Children in Child Care
- Families and Children

## 2012 Recommended Service Levels

- The 2012 proposed service levels for Children's Services activities are highlighted in the table below:

Service	Activity	Type	Sub-Type	2011 Current Service Level	2012 Proposed Service Level
Child Care Delivery	Directly Operated Child Care	School aged Children		94% of the 98% occupancy target achieved	<b>96% of the 98% occupancy target achieved</b>
		Kindergarten aged Children		98% of the 98% occupancy target achieved	<b>99% of the 98% occupancy target achieved</b>
		Pre-School Children		98% of the 98% occupancy target achieved	99% of the 98% occupancy target achieved
		Toddlers		96% of the 98% occupancy target achieved	<b>98% of the 98% occupancy target achieved</b>
		Infants		100% of the 98% occupancy target achieved	100% of the 98% occupancy target achieved
	Contracted Child Care	School aged Children		110% of equity target ratio of 25% achieved	110% of equity target ratio of 25% achieved
		Kindergarten aged Children		120% of the equity target ratio of 20% achieved	120% of equity target ratio of 20% achieved
		Pre-School Children		119 % of the equity target ratio of 25% achieved	<b>100% of the equity target ratio of 25% achieved</b>
		Toddlers		72% of the equity target ratio of 18% achieved	<b>80% of the equity target ratio of 18% achieved</b>
		Infants		61% of the equity target ratio of 12% achieved	<b>70% of the equity target ratio of 12% achieved</b>
Child Care Service System Management	Child Care Planning & Development	Service Plan (2010 – 2014 approved May 2010)		100%	100%
			Curriculum Development	100%	100%
			Policy Development	100%	100%
	Support Services	Children's Report Card		quarterly	quarterly
		Online Services		daily	daily
			Operating Criteria	annual	annual
			Customer Information	monthly	monthly
			Operator Services	monthly	monthly
	Family Resource Support		annual	annual	
Subsidy Eligibility Assessment	Income Test (Provincially regulated)		annual	annual	

Service	Activity	Type	Sub-Type	2011 Current Service Level	2012 Proposed Service Level
Child Care Service System Management	Child Care Funding & Subsidies	Wage Subsidy		annual	annual
		Special Needs Subsidy		annual	annual
		Child Care Fee Subsidy		annual	annual
		Family Resource Centre Subsidy		annual	annual
		City funded Grants		annual	annual
	Special Needs Resourcing	A Family Plan		annual	annual

## 2012 Service Deliverables

The Children's Services' 2012 Recommended Operating Budget of \$387.804 million gross provides funding for the following:

- 52,816 licensed child care spaces under Service Management for the City of Toronto;
- 24,000 child care fee subsidy spaces through 648 child care centres (including 55 directly operated municipal child care centres) and 10 home care agencies, (including 1 directly operated);
- 672 wage subsidy programs and 22 programs to support children with special needs;
- 45 Family Resource Centre programs to support families and caregivers;
- 34 summer programs for 6,356 children; 28 before and after school programs for 321 children; and,
- Capital funding for 4 child care centres.

## PART III: RECOMMENDED BASE BUDGET

## 2012 Recommended Base Budget

(In \$000s)

(In \$000s)	2011 Appvd. Budget	2012 Recommended Base	Change 2012 Recommended Base v. 2011 Appvd. Budget		FY Incremental Outlook	
			\$	%	2013	2014
<b>GROSS EXP.</b>	387,902.2	387,804.1	(98.1)	(0.0)	3,364.5	9,243.2
<b>REVENUE</b>	313,629.6	314,389.2	759.6	0.2	(17,460.5)	0.0
<b>NET EXP.</b>	74,272.6	73,414.9	(857.7)	(1.2)	20,825.0	9,243.2
<b>Approved Positions</b>	955.5	929.3	(26.2)	(2.7)	(10.2)	0.0

TARGET COMPARISON	10% Reduction Target	2012 Rec.'d Reduction	2012 Rec'd Reduction vs. 2012 10% Reduction Target	Target %
<b>2012 Reductions</b>	(7,390.9)	(7,390.9)	0.0	10.0%

## 2012 Recommended Base Budget

- The 2012 Recommended Base Budget of \$387.804 million gross, \$73.415 million net represents a \$0.858 million or 1.2% reduction from the Children's Services' 2011 Approved Budget of \$74.273 million. The 2012 Base Budget includes funding of \$6.533 million for base budget increases, which have been offset by \$7.391 million in budget reductions for recommended service changes.
- Children's Services 2012 Recommended Operating Budget has met the 10% reduction target of \$7.391 million net by including services changes comprised of base budget changes of \$4.184 million, service efficiencies of \$1.490 million, and minor service impacts of \$1.717 million.
- The 2012 Recommended Base Budget for Children's Services reflects the deletion of 28.2 positions, 8.2 permanent positions and 20.0 temporary positions. These reductions are offset by the addition of 2 capital program delivery temporary positions to complete the CSIS IT project.

- The Program's staff complement will decrease from 955.5 to 929.3 positions, as noted below:

#### 2012 Recommended Staff Complement – Base Budget Summary

Changes	Staff Complement
<b>2011 Approved Complement</b>	955.5
- 2011 In-year Adjustments	
2011 Approved Staff Complement	<b>955.5</b>
<b>2012 Recommended Staff Complement</b>	
- 2012 Temporary Complement - Capital Project Delivery	2.0
- 2012 Operating impacts of completed Capital projects	
- 2012 Service Change Adjustments *	(28.2)
<b>Total Recommended Complement</b>	<b>929.3</b>

\* Of these positions, 24 will be vacant January 1, 2012 through attrition, and 4.2 will be reassigned.

- 10.5 positions will be reduced with the permanent closure of Dovercourt Child Care Centre (due to building reconstruction), and the temporary closure of the Kipling Child Care Centres (due to the reconstruction of Kipling Acres LTC facility);
- The reduction of 7.5 positions due to the closure of Bellevue, Greenholme, and St Marks. Greenholme and St Marks are underutilized centres and being phased out with the introduction of Full Day Early Learning Kindergarten (FDELK). Bellevue is a small centre with 20 spaces that exceeds the equity target for the allocation of fee subsidy. As well, this centre is situated in an old home that houses the MCCS administration offices. With the move of the MCCS office to Metro Hall in 2012, the site is no longer a viable location for the child care centre.
- An additional 10.2 positions will be reduced to reflect the service realignment in the City's shelter system; and
- An additional 2 temporary positions are recommended to deliver CSIS IT capital upgrade project.



**2012 Recommended Service Change Summary**  
(In \$000s)

Description	2012 Recommended Service Changes				Net Incremental Impact			
	Position Change	Gross Expense	Net Expense	% Change over 2011 Budget	2013		2014	
	# Pos.	\$	\$	%	\$	# Pos.	\$	# Pos.
<b>Base Changes:</b>								
<b>Base Expenditure Changes</b>								
Reductions to Reflect Actual Experience		(1,407.2)	(1,407.2)	(1.9%)				
Closure of Dovercourt and Kipling Child Care Centres that Occurred in 2011	(10.5)	(921.0)	(921.0)	(1.2%)				
Absorb Economic Factor Increase		(257.2)						
<b>Base Budget Change</b>	(10.5)	(2,585.4)	(2,328.2)	(3.1%)	0.0	0.0	0.0	0.0
<b>Base Revenue Changes</b>								
Increase in User Fees to Reflect Actual Experience			(428.0)	(0.6%)				
Increase Provincial Funding for ELP transitional funding			(1,427.4)	(1.9%)				
<b>Base Revenue Change</b>	0.0	0.0	(1,855.4)	(2.5%)	0.0	0.0	0.0	0.0
<b>Sub-Total Base Budget Changes</b>	(10.5)	(2,585.4)	(4,183.6)	(5.6%)	0.0	0.0	0.0	0.0
<b>Service Efficiencies</b>								
Close Bellevue, Greenholme and St Marks child care centres in 2012	(7.5)	(670.1)	(670.1)	(0.9%)	(925.4)	(5.9)		
Service Realignment at Shelters child care centres	(10.2)	(819.9)	(819.9)	(1.1%)				
<b>Sub-Total Service Efficiencies</b>	(17.7)	(1,490.0)	(1,490.0)	(2.0%)	(925.4)	(5.9)	0.0	0.0
<b>Minor Service Impact:</b>								
Redirect Subsidy from School Boards to Eligible Parents		(1,676.5)	(1,676.5)	(2.3%)	(1,675.5)			
Cancel City Operating Grants		(40.8)	(40.8)	(0.1%)	(40.8)			
<b>Sub-Total Minor Service</b>	0.0	(1,717.3)	(1,717.3)	(2.3%)	(1,716.3)	0.0	0.0	0.0
<b>Major Service Impact:</b>								
<b>Sub-Total Major Service</b>	0.0	0.0	0.0	0.0%	0.0	0.0	0.0	0.0
<b>Total Service Changes</b>	(28.2)	(5,792.7)	(7,390.9)	(10.0%)	(2,641.7)	(5.9)	0.0	0.0

## 2012 Recommended Service Changes

The 2012 recommended service changes of \$7.391 million net consist of: base budget changes of \$4.184 million; service efficiency savings of \$1.490 million; and minor service level changes of \$1.717 million. These changes are itemized below:

### Base Expenditure Changes

#### *Reduction to reflect actual experience:*

- After a detailed review of actual expenditure trends, reductions of \$1.407 million gross and net are recommended, with reductions of \$0.262 million in Materials and Supplies; \$0.185 million in Equipment; and \$0.960 million in Services and Rents (including \$0.500 million in Contracted Building Services).

#### *Closure of 2 Municipal Child Care Centres:*

- The permanent closure of Dovercourt Child Care Centre (\$0.493 million), and the temporary closure of the Kipling Child Care Centre (\$0.428 million), due to the reconstruction of Kipling Acres, will provide saving of \$0.921 million. These centres were closed during 2011, and resulted in the reduction of 8.5 temporary positions and 2.0 permanent positions.

### Base Revenue Changes

#### *Increase in Provincial Funding:*

- An increase in Provincial funding of \$1.427 million is included in 2012 for transitional support to deliver the Province's Full Day Early Learning Kindergarten (FDELK).

#### *Increase in Family Fee Revenues:*

- Increase in family user fee revenues of \$2.000 million is recommended for 2012, with \$0.428 million decrease in the net, and \$1.572 million increase in reserve funding to reflect both a change in case mix and an adjustment to actual experience. It is also recommended that of the \$2.000 million increase, \$1.572 million be contributed to the Child Care Expansion Reserve Fund to assist in maintaining existing service levels into 2013.

### Service Efficiencies

#### *Closure of Municipal Child Care Centres:*

- Savings of \$0.670 million is recommended in 2012, with annualized saving of \$0.925 million in 2013, resulting from the closure of Bellevue, Greenholme, and St Marks Child Care Centres, effective August, 2012. Greenholme and St Marks are underutilized, and will be phased out with the transition to FDELK. Bellevue is a small centre with 20 spaces located in an area that exceeds the equity target for the allocation of fee

subsidy. In addition, Bellevue is situated in an old home that houses the MCCS administration offices. With the move of MCCS offices to Metro Hall in 2012, the site is no longer a viable location for the child care centre. The closures will result in the reduction of 6.2 permanent positions and 7.5 temporary positions in 2013, and 4.3 permanent positions in 2014. Position reductions are filled positions.

*Service Realignment at Shelters:*

- Savings of \$0.820 million will be realized in 2012 with the transition of child care services, currently offered at 3 of the City's shelters. Care is predominantly before and after school in nature. This is a transition from licensed child care provided by Children's Services staff, to service provision by shelter staff and other community agencies. Transitioning this service at the 3shelters will result in the elimination of 10.2 temporary, filled positions

### Minor Service Impacts

*Redirect Subsidy from School Boards to Eligible Parents:*

- Currently, Children's Services provides grants to offset occupancy costs, and solid waste fee charges directly to the school boards. This has the effect of lowering the overall cost of centre operators, resulting in an indirect subsidy for full fee paying parents. It is recommended that these grants be cancelled and redirected to centres to ensure the funding is subsidizing eligible parents only. Approval of this Service Change will result in savings of \$1.677 million in 2012, with incremental savings of \$1.676 million in 2013.

*Redirect City Operating Grants:*

- Savings of \$0.041 million net in 2012, with incremental savings of \$0.041 million net in 2013 will result from the cancellation of grants to St Lawrence and Hester Howe Child Care Centres (legacy agreements from the former municipality of Toronto), which will reduce the occupancy costs for these centres. Once implemented, full-fee families will no longer receive the benefit of reduced child care costs.

### 2013 and 2014 Outlook:

- Approval of the 2012 Recommended Base Budget for Children's Services will result in 2013 and 2014 net incremental increase of \$20.825 million and \$9.243 million respectively to maintain 2012 service levels and staff complement. Future year costs are primarily attributed to the following:
  - In 2013, the projected increase of \$20.825 million net is comprised of the following pressures:

- Reversal of contributions from the Children's Services Expansion Reserve Fund recommended in 2012 of \$9.632 million (that funded the Provincial Shortfall in 2012);
  - An increase of \$7.829 million to fund the annual impact of the Provincial funding shortfall, (funded from the Child Care Expansion Reserve Fund);
  - The inflationary increases of \$5.376 million, mainly for purchase services of Child Care Centres;
  - An increase in salaries and benefits resulting from progression pay, step increases, and 0.9% OMERS premium rate increase of \$0.631 million; and,
  - These pressures are partially offset by incremental savings of \$2.643 million to be realized from the implementation of 2012 service efficiencies and minor service level impacts.
- The 2014 Outlook includes incremental increases of \$9.243 million net, comprised of:
- Inflationary increases for the per diem in purchased-service child care centres of \$5.489 million;
  - Increase of \$3.643 million to fund the annual impact of the Provincial funding shortfall; and,
  - Progression pay, step increases and fringe benefit increases that total \$0.111 million.

The Provincial funding shortfall will result in a significant service level change, as the Child Care Expansion Reserve Fund will be depleted in 2013. If base funding pressures are not resolved, service cuts, through attrition, may have to begin in 2012 to avoid an additional impact on families.

## Part V: ISSUES FOR DISCUSSION

### 2012 and Future Year Issues

#### 2012 Issues

##### *Service Realignment at Shelters*

- As part of the 2012 service review, Children's Services, in consultation with Shelter, Support and Housing Administration (SSHA), has proposed a redesign of child care programming at directly operated City shelters. This transition will result in the elimination of 10.2 temporary filled positions and saving of \$0.819 million in 2012.
- Since 1992, 3 of the City's directly-operated hostels have offered child care services in partnership with Children's Services. These services are licensed under the Day Nurseries Act (DNA) as half day child care programs that have a combined capacity of 108 spaces, with service provided in the following hostels: Birkdale (Ward 37), Family Residence (Ward 43), and Robertson House (Ward 28).
- Children's Services and SSHA are recommending that licensed services be discontinued, and a new program be provided that will be more flexible and tailored to the needs of the clients at each site. This redesign will better align staff resources with service demand. Children's Services will continue to provide funding in 2012 for 3 ECE's positions to support children's programming at these 3 sites, and will assist SSHA in program redesign. While some minor service loss will take place as a result of this programming change, the 2 Program areas will jointly evaluate the effectiveness of the new program and report the need for any programming modifications that may arise from this change as part of the 2013 budget process.

##### *Redirect Subsidy from School Boards to Eligible Parents:*

- Since 1998, Children's Services has maintained an agreement with the 4 Toronto school boards to provide a subsidy of \$5.8 million gross and net (approximately \$6.50 per sq. foot) to offset the occupancy cost of child care centres and family resource centres on school board property. Concurrently, approximately \$0.236 million is transferred to the School Boards as a subsidy to offset the cost of solid waste fees, which also reduces the operating costs of these child care centres. The School Boards use these subsidies to reduce the occupancy costs to approximately 380 child care and 10 family resource programs located on the Boards' property.
- It is recommended that, effective June 30, 2012, these agreements be terminated, providing annualized savings of \$3.353 million, with \$1.677 million in 2012, and \$1.676 million in 2013.

- School boards that have been recipients of these grants will pass the cost increase (loss of subsidy) to the child care centres, resulting in an increase in the cost of operations in the effected child care centres.
- Once fully implemented, it is anticipated that full-fee families will pay an increase in the daily cost of child care of \$2.0 per day (5%–8% increase per month). Through the cancellation of these subsidies, full-fee paying families will no longer receive the benefit (i.e., subsidy) of reduced child care costs.
- In order to keep the cost of child care at the same rate for subsidized families, 41% of these grants, or \$2.684 million, will be paid to these centres in the form of increased per diems to offset the increase in the cost of operating the child care centres. Consequently, there will no increase in the cost of service to families receiving a subsidy, or on family resource programs.

*Provincial Shortfall:*

- Children's Services receives base Provincial funding through a cost sharing agreement that provides funds on a 50/50, 80/20 and 100% basis, resulting in the total available subsidy. The Program realizes an on-going shortfall in those areas of its budget that are cost shared on a 50/50 and 80/20 basis, primarily since the Provincial funding for the base program is not indexed to inflation, and since funding levels are frozen at those established in 1995. As a result, cost sharing ratios today are 73/27 and 42/58.
- For 2012, the funding shortfall (based on the prescribed cost-sharing-ratio agreement) is \$9.632 million, with the shortfall offset by a contribution from the unspent funds from the Child Care Expansion Reserve Fund (CCERF). This contribution allows the Program to maintain existing service levels for 2012.

The following table provides the details of the shortfall allocation:

<b>2012 Recommended Operating Budget</b>					
	Provincial Base Subsidy Required	Provincial Base Subsidy Funded	Provincial Base Subsidy Shortfall	Legislated Cost Sharing Ratio	Actual Ratio
<b>Administration</b>	<b>7,640.6</b>	<b>6,555.5</b>	<b>1,085.1</b>	<b>50%</b>	<b>42%</b>
<b>Programs:</b>					
Special Needs	7,127.7	5,623.7	1,504.0		
Family Resource Programs	1,949.2	1,700.4	248.8		
Wage Subsidies, inc Pay Equity	35,401.6	37,788.1	(2,386.5)		
Subsidized Child Care - High Level	143,664.1	134,483.4	9,180.7		
Ontario Works	9,646.0	9,646.0	0.0		
<b>Total Programs</b>	<b>197,788.5</b>	<b>189,241.6</b>	<b>8,546.9</b>	<b>80%</b>	<b>73%</b>
<b>Total Shortfall Requirement</b>			<b><u>9,632.0</u></b>		

- Costs associated with the City's on-going base funding pressures accumulate at approximately \$8.0 million per year. Without additional funding, the shortfall will reach \$20.875 million by 2013, resulting in the need to begin reducing spaces beginning in 2012, with a total loss of 2,800 spaces by 2013. The Early Learning Program will further exacerbate these pressures, as the shortfall calculations excludes the impact of the Province's Early Learning Program (ELP), which will require additional service level adjustments as 4 and 5 year olds leave the childcare system.
- An agreement has been reached with the Province to create a Toronto Children's Services-Ontario Ministry of Education Table, co-chaired by the Deputy Minister and the Deputy City Manager for Cluster A to help manage the ELP transition. The Program will use this venue as an opportunity to discuss the base funding issues with the Province. These discussions are ongoing

*Depletion of Child Care Expansion Reserve Fund:*

- The City is required by legislation to cost share fee subsidies for child care with the Province. The cost of providing child care is subject to annual inflation. The Province has capped its funding at 1996 levels, therefore creating a shortfall in the base of approximately \$20.0 million, which is equivalent to approximately 2,000 subsidized spaces. This shortfall represents a historical funding gap, as the Province does not adjust its annual funding to reflect the increased cost of care. Children's Services has been able to maintain the existing service level of providing 24,000 subsidies through annual contributions from the Child Care Expansion Reserve Fund and the Children's Services base operating budget. The balance in the reserve fund at the end of 2011 is projected to be \$31.313 million, with the 2012 budgeted contribution recommended at \$10.654 million. As identified in the Outlook, Children's Services is projecting an incremental pressure of \$20.825 million to maintain the 24,000 spaces. Without additional funding, the Child Care Expansion Reserve Fund will be depleted by the end of 2013.
- Should the Province fail to provide additional resources to maintain the existing service level of 24,000 child care fee subsidies, there will be a need to gradually reduce subsidized spaces by 2,000 beginning in September 2012 (equivalent to \$20,000 million). Further reductions of approximately 800 subsidized spaces per annum (equivalent to \$8.0 million) will be required until the annual Provincial funding contributions are indexed for inflation.

*Financial Impact of Implementing Early Learning Full-day Kindergarten Program (ELP):*

- The Ontario government introduced full day kindergarten for all JK and SK children with a corresponding extended day option for families in response to the Provincially-commissioned report "With Our Best Future in Mind - Implementing Early Learning in

Ontario." Implementation will occur incrementally over 5 years and will be completed in 2015.

- At the Community Development and Recreation Committee meeting on November 4, 2011, the Committee considered the report titled "Transitional Issues Impacting Toronto's Child Care System and Recommended Actions for Mitigation", where the financial implications associated with the implementation of FDELK were identified. These implications include the following:
  - Children's Services estimates that there is a one-time capital funding requirement of \$13.5 million to retrofit child care centres not located in schools and an additional \$13.9 million one-time capital funding requirement for child care in schools for a system-wide total of \$27.4 million. This funding is required to retrofit existing centres to accommodate the needs of younger children.
  - An additional \$27.0 million in annual funding is required to address the transition and operational needs of the child care system as it increases services to younger age groups. This funding is required to address the increased cost of delivering care to younger children, sustain programs as 4 and 5 year olds incrementally leave the system and support centres through reconfiguration.
  - To date, the Province has committed an additional \$1.9 million in operating / transitional resources, \$0.729 million in new JK/SK fee subsidies for the extended day, and \$0.332 million for capital upgrades. These funding adjustments have been included in Children's Services Operating Budget, with the capital upgrades included in the Health and Safety program.
- The City is awaiting confirmation of 2012 FDELK funding from the Province. All funds received will be allocated to support current service levels and to reduce the impacts of FDELK on the system.

## Issues Referred to the 2012 Operating Budget Process

### *Core Service Review:*

On September 26 and 27, 2011 City Council reviewed the City Manager's Report and adopted the following recommendations:

- 1) Consider transferring the city-operated child care centres to community or private operators;
- 2) Consider making changes to program structure consistent with the full-day kindergarten initiative;
- 3) Consider reducing the maximum subsidized per diem rates the City will support to levels near the average rate of non-profit providers;



- 4) Recognizing the City's need for increasing the number of affordable child care spaces, balanced by the reality of its current financial constraints, Council call on the Province to work with City staff to develop a strategy to expand the number of child care spaces in Toronto over the next 2 years;
- 5) Consider whether quality assessments are required; and,
- 6) Review child care funding subsidies to reduce funding and subsidies levels.

Status: While there are no changes in the 2012 Recommended Operating Budget that address these recommendations, further studies will be conducted in 2012 with the findings of these studies reported to Council during 2012, and, where appropriate, the findings will be implemented through the 2013 Operating Budget process.

# Appendix 1

## 2011 Performance

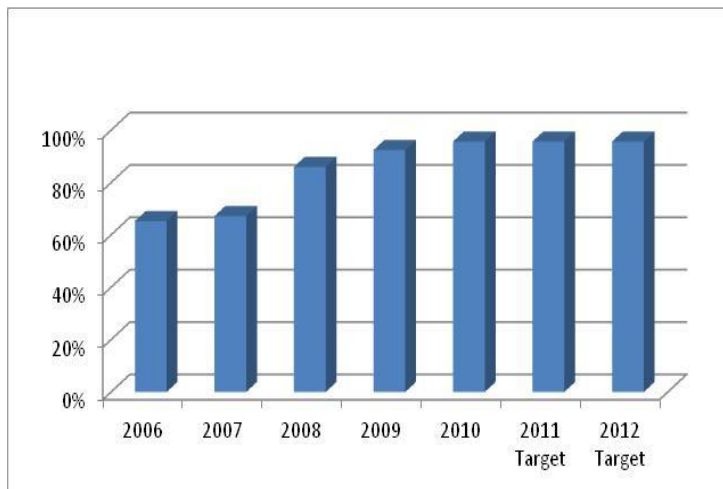
### 2011 Key Accomplishments

In 2011, Children's Services achieved the following results:

- ✓ Supported Toronto Children's Service – Ontario Ministry of Education staff table to address ongoing fiscal pressures and impacts of the Province of Ontario's new Early Learning Program (ELP) on Toronto's child care system.
- ✓ Advised on policy development related to the implementation of ELP in Toronto and Ontario.
- ✓ Completed ward level analysis of the 5 year impact of ELP on child care and identified the resources required to address impacts.
- ✓ Opened new child care centres through established Capital Partnership Agreements and the Regent Park Revitalization Initiative, including Chester Le, Native Child and Family and Regent Park Child Care Centres.
- ✓ Provided staff resources and other contributions in support of emergency response in the City.
- ✓ Completed development of a Middle Childhood Strategy.
- ✓ Increased the supply of locally-produced food in MCCS, following Council approval of the Toronto Environment Office's local food initiative.
- ✓ Continued to reduce lost-time hours in MCCS.
- ✓ Increased and enhanced online services and integration with 311.
- ✓ Continued to improve the contracted services budget process through CSIS on the WEB.
- ✓ Developed and secured Council approval for a Child and Family Outcomes Framework.
- ✓ Advanced an integrated continuum of services for children and family through sites of practice.
- ✓ Partnered with the Aboriginal community in development of a Child and Family Centre Model.
- ✓ Recognized by the Province as a Community Integration Leader to participate in a Community Action Research project.
- ✓ Implemented new Quality Assurance Model for conducting Operating Criteria Assessments.

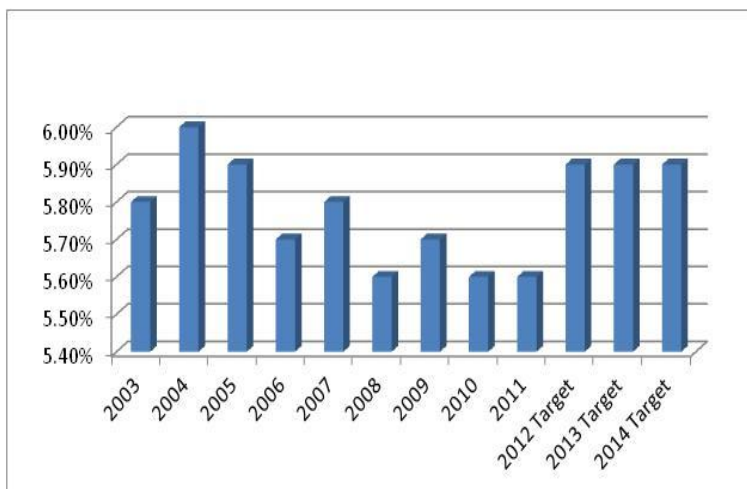
## 2011 Performance

### Effectiveness: *Percent of Programs Meeting Operating Criteria on Every Section*



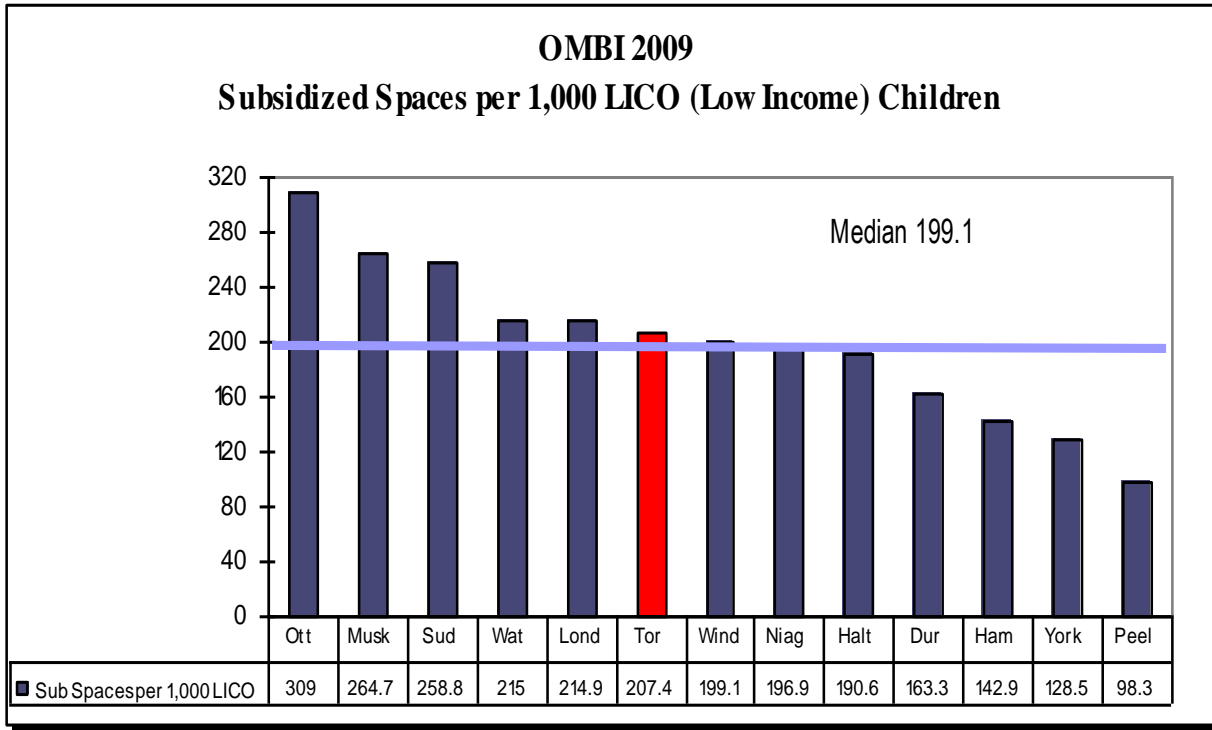
- Children's Services has been reducing the number of City wards below the equity level from 34.1% in 2006 to 4.3% in 2010. These levels are projected to be maintained through 2012.

### Efficiency: *Administration as a Percentage of Total Gross Expenditure*



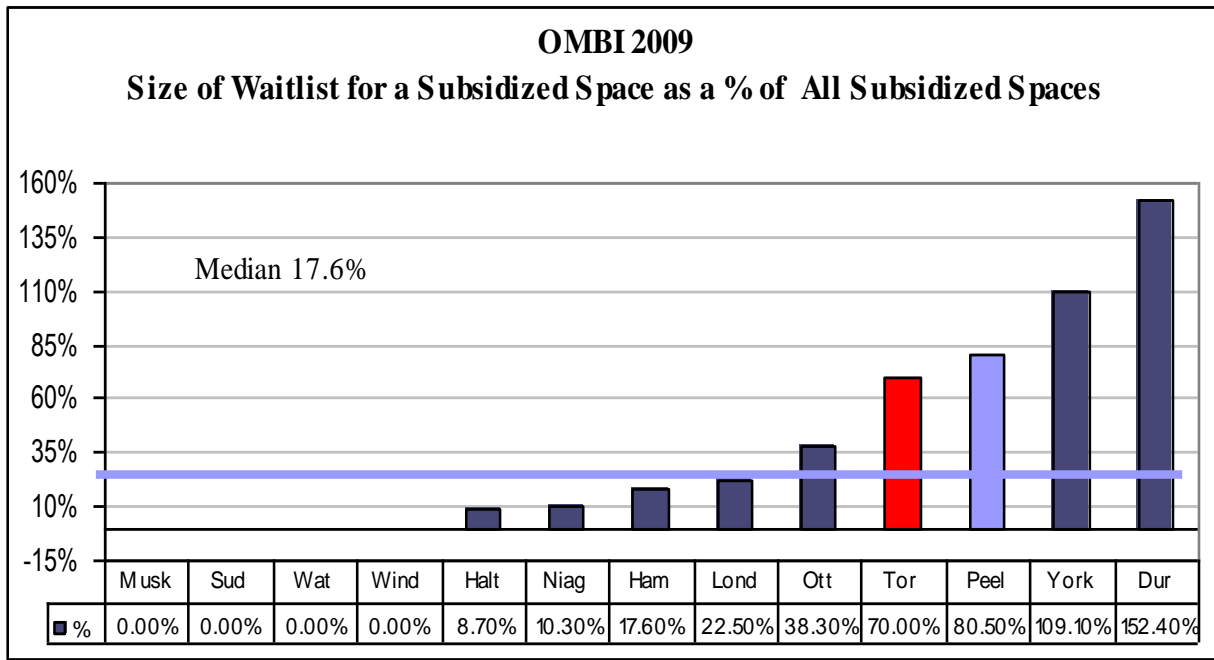
- Children's Services maintains administrative cost of program delivery between 5% and 6% of the Program's gross expenditures.
- Administration cost ratios are kept significantly below the Provincial 10% guideline.

**Benchmark: *Subsidized Spaces***



- This chart compares Toronto’s 2009 result to other municipalities for the number of subsidized child care spaces per 1,000 children in low income (LICO) families, which are reflected as bars relative to the left axis. Toronto ranks 6<sup>th</sup> of 13 municipalities in terms of having the highest number of subsidized spaces based on 2009 OMBI results.
- The chart also reflects the number of children in low income families, as a percentage of all children in the municipality, which is plotted as a line graph relative to the right axis. Toronto has a significantly higher proportion of children under LICO than other municipalities.
- The number of subsidized spaces in municipalities can be influenced by economic conditions; provincial funding decisions and best start funding received by some municipalities. Growth in the community since the 2006 Census data is not reflected in denominator and could cause distortions depending on the growth of some municipalities.

**Benchmark: *Waitlist***



- This chart reflects the size of the waitlist for a subsidized child care space in 2009 as a percentage of all subsidized spaces. Toronto ranks 10<sup>th</sup> of 13 municipalities in terms of having the smallest waiting list. Toronto's percentage grew from 57.4% in 2008 to 70.0% in 2009. This measure is influenced by the level of municipal funding, the population growth, and provincial funding and policy changes.

## 2011 Budget Variance Analysis

### 2011 Budget Variance Review (In \$000s)

(In \$000s)	2009 Actuals	2010 Actuals	2011 Approved Budget	2011 Projected Actuals*	2011 Appvd. Budget vs Projected Actuals Variance	
	\$	\$	\$	\$	\$	%
<b>GROSS EXP.</b>	365,298.6	369,336.3	387,902.2	379,754.7	(8,147.5)	(2.1)
<b>REVENUES</b>	297,523.4	298,549.2	313,629.6	305,482.1	(8,147.5)	(2.6)
<b>NET EXP.</b>	67,775.2	70,787.1	74,272.6	74,272.6	-	-
<b>Approved Positions</b>	958.5	955.5	955.5	941.5	(14.0)	(1.5)

\* Based on the Third Quarter Operating Budget Variance Report.

## 2011 Experience

Children's Services is projecting a favourable year-end expenditure variance of \$8.148 million gross, with an offsetting reduction in revenues, resulting in a \$0 net variance.

- The projected gross expenditures are below budget, primarily due to:
  - The delayed payment of the \$3.800 million grant for the construction of Thorncliffe Park Child Care Child Centre that has experienced construction delays;
  - Under spending of \$4.000 million in the Provincial portion of the health and safety projects, offset by an additional \$0.332 million for minor capital retrofits for FDELP;
  - \$0.902 million for one-time fee subsidies;
  - Under spending of \$0.500 million in administration, due to the hiring slow down; and,
  - Family user fees are projected to be \$2.000 million higher than anticipated, and will be used to reduce the withdrawal from Program reserves. The additional Provincial subsidy and user fees will be used to reduce the contribution from the Child Care Expansion Reserve Fund.

**Impact of 2011 Operating Variance on the 2012 Recommended Budget**

- The 2011 unspent grant from the Thorncliffe Park Child Care Centre (\$3.800 million) has been re-budgeted in 2012, with corresponding budgeted funding from the Child Care Expansion Reserve Fund. Savings of \$0.500 million from the hiring slow down will not reoccur in 2012, with the implementation of the 2012 service efficiencies. The family user fees revenues will continue into 2012, as the 2012 budgeted revenue has been increased to reflect historical experience.

## Appendix 2

# 2012 Recommended Operating Budget by Expenditure Category and Key Cost Drivers

### Program Summary by Expenditure Category (In \$000s)

Category of Expenses	2009	2010	2011	2011	2012	Change from		2013	2014
	Actuals	Actuals	Approved Budget	Projected Actuals	Requested Base	2011 Approved Budget	%	Outlook	Outlook
	\$	\$	\$	\$	\$	\$		\$	\$
Salaries and Benefits	66,713.4	72,178.4	74,265.0	74,265.0	74,327.9	62.9	0.1%	74,256.4	74,367.3
Materials and Supplies	3,292.9	3,648.0	3,783.5	3,783.5	3,298.4	(485.2)	(12.8%)	3,298.4	3,298.4
Equipment	442.8	357.8	1,012.1	1,012.1	714.0	(298.2)	(29.5%)	714.0	714.0
Services & Rents	285,354.6	288,468.8	303,070.3	294,922.7	303,914.5	844.2	0.3%	307,414.5	312,903.8
Contributions to Capital	0.0	0.0	0.0	0.0	0.0	0.0	n/a	0.0	0.0
Contributions to Reserve/Res Funds	1,136.2	1,331.4	1,173.1	1,173.1	1,144.4	(28.7)	(2.4%)	1,144.4	1,144.4
Other Expenditures	782.6	889.7	1,028.7	1,028.7	1,034.1	5.4	0.5%	1,034.1	1,034.1
Interdivisional Charges	7,576.2	2,462.3	3,569.6	3,569.6	3,371.0	(198.5)	(5.6%)	3,307.0	3,307.0
<b>TOTAL GROSS EXPENDITURES</b>	<b>365,298.6</b>	<b>369,336.3</b>	<b>387,902.3</b>	<b>379,754.7</b>	<b>387,804.1</b>	<b>(98.1)</b>	<b>(0.0%)</b>	<b>391,168.7</b>	<b>396,768.8</b>
Interdivisional Recoveries	14,021.6	9,887.6	10,300.0	10,300.0	10,200.0	(100.0)	(1.0%)	10,200.0	10,200.0
Provincial Subsidies	262,540.3	264,345.3	267,449.3	265,243.3	268,976.7	1,527.4	0.6%	268,976.7	268,976.7
Federal Subsidies	0.0	0.0	0.0	0.0	0.0	0.0	n/a	0.0	0.0
Other Subsidies	0.0	0.0	0.0	0.0	0.0	0.0	n/a	0.0	0.0
User Fees & Donations	18,180.6	20,330.6	15,871.5	17,871.5	17,871.5	2,000.0	12.6%	17,871.5	17,871.5
Transfers from Capital Fund	0.0	0.0	454.3	454.3	1,027.0	572.7	126.1%	1,027.0	1,027.0
Contribution from Reserve/Res Funds	2,596.7	3,950.7	19,554.5	11,612.9	16,314.0	(3,240.5)	(16.6%)	5,660.0	(14,849.1)
Other Revenues	184.2	34.9	0.0	0.0	0.0	0.0	n/a	0.0	0.0
<b>TOTAL REVENUE</b>	<b>297,523.4</b>	<b>298,549.2</b>	<b>313,629.6</b>	<b>305,482.0</b>	<b>314,389.2</b>	<b>759.6</b>	<b>0.2%</b>	<b>303,735.2</b>	<b>283,226.1</b>
<b>TOTAL NET EXPENDITURES</b>	<b>67,775.3</b>	<b>70,787.2</b>	<b>74,272.7</b>	<b>74,272.7</b>	<b>73,414.9</b>	<b>(857.7)</b>	<b>(1.2%)</b>	<b>87,433.5</b>	<b>113,542.7</b>
<b>APPROVED POSITIONS</b>	<b>958.5</b>	<b>950.5</b>	<b>955.5</b>	<b>955.5</b>	<b>929.3</b>	<b>(26.2)</b>	<b>(2.7%)</b>	<b>947.0</b>	<b>947.0</b>

## 2012 Key Cost Drivers

- Salaries and Benefits have increased by \$0.063 million, reflecting increases of \$1.316 million for fringe benefits (primarily OMERS), progression pay, and 2 additional temporary staff to deliver the CSIS IT project. These increases are offset by savings from service efficiencies level changes of \$1.253 million.
- Materials, Equipment, and Services and Rents have increased by a total of \$0.061 million, as the 2011 base budget has been permanently reduced to reflect actual



experience reductions that total \$1.409 million, with the most significant reductions in Services and Rents. The increased pressure of \$5.008 million for providing purchased service spaces is offset by closing Dovercourt and Kipling child care centres, and the saving from the elimination of subsidies to school boards for occupancy costs.

- These cost drivers will be offset by an increase of \$1.427 million to reflect the 2012 increase in Provincial subsidies; and \$2.000 million for an increase in revenues from parents accessing municipal child care centres that reflect actual experience.
- The increase in the Transfers from Capital Fund of \$0.572 million provides funding for 2 new IT positions to deliver the CSIS IT system, and the 2012 annualization of the positions added in 2011 to deliver this project.
- The reduction in the contribution from Reserve Funds of \$3.241 million reflects the reduction in funding requirements in 2012 due to higher user fees and the net reduction in Program expenditures.

**Appendix 3**  
**Summary of 2012 Recommended Service Changes**

## Appendix 5

### Inflows/Outflows to/from Reserves & Reserve Funds

#### Program Specific Reserve/Reserve Funds

Reserve / Reserve Fund Name	Reserve / Reserve Fund Number	Projected Balance as at December 31, 2011 \$	Proposed Withdrawals (-) / Contributions (+)		
			2012 \$	2013 \$	2014 \$
Child Care Capital Reserve Fund	XR1103	7,752.6			
	Capital program requirements				
	Capital Grants *		(3,800.0)		
	Minor Health and Safety Capital Expenditures		(1,400.0)	(1,400.0)	(1,400.0)
	Contribution		1,320.0	1,320.0	1,320.0
	Projected Interest		36.8	36.5	36.1
	<b>Balance by Year-end</b>	<b>7,752.6</b>	<b>3,909.4</b>	<b>3,865.9</b>	<b>3,822.0</b>
Child Care Expansion Project Reserve Fund	XR1101	31,313.3			
	Projected Interest		93.4		
	Capital Grants **		(1,022.0)		
	Provincial Subsidy Shortfall		(9,632.0)	(20,825.3)	(30,068.5)
	<b>Balance by Year-end</b>	<b>31,313.3</b>	<b>20,752.7</b>	<b>(72.6)</b>	<b>(30,141.1)</b>
<b>Total Reserve / Reserve Fund Balances Year-end</b>		<b>39,065.9</b>	<b>24,662.1</b>	<b>3,793.3</b>	<b>(26,319.1)</b>

\* Grant for Thorncliffe park Child Care Centre