



City Budget  
2013

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 the City.

# 2013 Operating Budget

## 2013 OPERATING BUDGET ANALYST NOTES BRIEFING NOTES

BUDGET COMMITTEE, NOVEMBER 29, 2012

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## PART I: RECOMMENDATIONS

2013 Recommended Operating Budget  
(In \$000s)

| (In \$000s)        | 2012            |                  | 2013 Recommended Operating Budget |                        |                  | Change - 2013 Recommended              |       | FY Incremental Outlook |         |
|--------------------|-----------------|------------------|-----------------------------------|------------------------|------------------|--|-------|------------------------|---------|
|                    | Approved Budget | Projected Actual | 2013 Rec. Base                    | 2013 Rec. New/Enhanced | 2013 Rec. Budget | Operating Budget v. 2012 Appvd. Budget |       | 2014                   | 2015    |
|                    | \$              | \$               | \$                                | \$                     | \$               | \$                                     | %     | \$                     | \$      |
| GROSS EXP.         | 397,198.9       | 392,046.4        | 396,928.7                         | 0.0                    | 396,928.7        | (270.2)                                | -0.1% | 6,281.3                | 6,599.3 |
| REVENUE            | 320,928.4       | 315,900.4        | 320,713.1                         | 0.0                    | 320,713.1        | (215.3)                                | -0.1% | (16,183.0)             | 84.0    |
| NET EXP.           | 76,270.5        | 76,146.0         | 76,215.6                          | 0.0                    | 76,215.6         | (54.9)                                 | -0.1% | 22,464.3               | 6,515.3 |
| Approved Positions | 936.8           | 936.8            | 931.4                             | 0.0                    | 931.4            | (5.4)                                  | -0.6% |                        |         |

## Recommendations

The City Manager and Acting Chief Financial Officer recommend that:

1. City Council approve the 2013 Recommended Operating Budget for Children's Services of \$396.929 million gross and \$76.216 million net, comprised of the following services:

| <u>Service:</u>        | Gross<br><u>(\$000s)</u> | Net<br><u>(\$000s)</u> |
|------------------------|--------------------------|------------------------|
| Program Administration | 27,504.7                 | 10,212.5               |
| Municipal Child Care   | 69,607.1                 | 16,279.7               |
| Purchased Child Care   | 299,816.9                | 49,723.4               |
| Total Program Budget   | <u>396,928.7</u>         | <u>76,215.6</u>        |

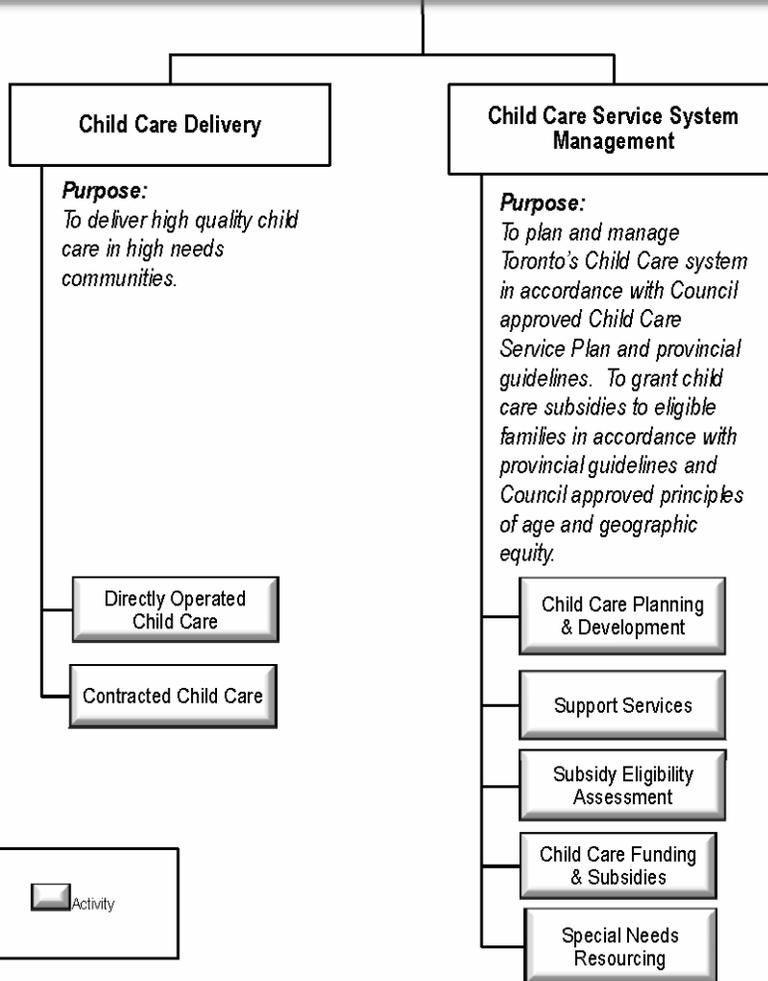
2. Children's Services' services and 2013 proposed service levels, as outlined on pages 3 and 4 and associated staff complement of 931.4 positions be approved.
3. City Council approve the 2013 recommended user fee changes for Children's Services identified in Appendix 6 (iii) for inclusion in the Municipal Code Chapter 441 "User Fees and Changes."

PART II: 2013 SERVICE OVERVIEW AND PLAN

**Program Map and Service Profiles**

**Children's Services**

*The Children's Services Program is the service system manager of childcare within Toronto. In partnership with the community, the program promotes equitable access to high quality care for children and support for families and caregivers. An integrated approach to planning and management ensures that services to children promote early learning and development, respond to families' needs and choices and respect the diversity of Toronto's communities.*



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

## 2013 Recommended Service Levels

The 2013 proposed service levels for Children's Services activities are summarized in the table below:

### Service Types and Service Levels

| Service                              | Activity                       | Sub-Activity           | Type                                 | Sub-Type                   | Approved 2012 Service Levels                    | Proposed 2013 Service Levels                          |   |
|--------------------------------------|--------------------------------|------------------------|--------------------------------------|----------------------------|---|---|---|
| Child Care Delivery                  | 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 equity target ratio of 20% achieved     | 120% of equity target ratio of 20% achieved           |   |
|                                      |                                |                        | Pre-School Children                  |                            | 100% of the equity target ratio of 25% achieved | <b>94% of the equity target ratio of 25% achieved</b> |   |
|                                      |                                |                        | Toddlers                             |                            | 80% of the equity target ratio of 18% achieved  | <b>85% of the equity target ratio of 18% achieved</b> |   |
|                                      |                                |                        | Infants                              |                            | 70% of the equity target ratio of 12% achieved  | <b>75% of the equity target ratio of 12% achieved</b> |   |
|                                      | Directly Operated Child Care   |                        |                                      | School aged Children       |   | 94% of the 98% occupancy target achieved              | 94% of the 98% occupancy target achieved        |
|                                      |                                |                        |                                      | Kindergarten aged Children |   | 98% of the 98% occupancy target achieved              | 98% of the 98% occupancy target achieved        |
|                                      |                                |                        |                                      | Pre-School Children        |   | 99% of the 98% occupancy target achieved              | <b>96% of the 98% occupancy target achieved</b> |
|                                      |                                |                        |                                      | Toddlers                   |   | 98% of the 98% occupancy target achieved              | <b>96% of the 98% occupancy target achieved</b> |
|                                      |                                |                        |                                      | Infants                    |   | 100% of the 98% occupancy target achieved             | <b>98% of the 98% occupancy target achieved</b> |
| 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  |   |
|                                      |                                |                        | Child Care Planning & Development    | Service Plan               | Curriculum Development                          |   | 100%  |
|                                      |                                | Policy Development     |                                      |                            | 100%  | 100%  |   |
|                                      |                                | Children's Report Card |                                      |                            | quarterly                                       | Quarterly   |   |
|                                      | Special Needs Resourcing       |                        | A Family Plan                        |                            | annual  | annual  |   |
|                                      | Subsidy Eligibility Assessment |                        | Income Test (Provincially regulated) |                            | annual  | annual  |   |
|                                      | Support Services               |                        |                                      | Online Services            | Customer Information                            | monthly   | Monthly   |
|                                      |                                |                        |                                      |                            | Operating Criteria                              | annual  | annual  |
|                                      |                                |                        |                                      |                            | Operator Services                               | monthly   | monthly   |
|                                      |                                |                        |                                      |                            |   | daily   | Daily   |
|                                      |                                |                        |                                      | Family Resource Support    |   | annual  | annual  |

**2013 Service Deliverables**

The Children's Services' 2013 Recommended Operating Budget of \$396.929 million gross provides funding for the following:

- 55,858 licensed child care spaces under Service Management for the City of Toronto;
- 24,000 child care fee subsidy spaces through 636 child care centres (including 52 directly operated municipal child care centres) and 10 home care agencies, (including 1 directly operated);
- 711 wage subsidy programs and 22 agencies to support children with special needs;
- 45 Family Resource Centre programs to support families and caregivers;
- 34 summer programs for 5,175 children; and
- Capital funding for 2 child care centres.

## PART III: RECOMMENDED BASE BUDGET

**2013 Recommended Base Budget  
(In \$000s)**

| (In \$000s)               | 2012<br>Approved<br>Budget | 2013<br>Rec'd<br>Base | Change<br>2013 Recommended Base<br>vs.<br>2012 Appvd. Budget |       | FY Incremental Outlook |         |
|---------------------------|----------------------------|-----------------------|--|-------|------------------------|---------|
|                           |                            |                       | \$   | %     | 2014                   | 2015    |
|                           | \$                         | \$                    | \$   | %     | \$                     | \$      |
| <b>GROSS EXP.</b>         | 397,198.9                  | 396,928.7             | (270.2)  | -0.1% | 6,281.3                | 6,599.3 |
| <b>REVENUE</b>            | 320,928.4                  | 320,713.1             | (215.3)  | -0.1% | (16,183.0)             | 84.0    |
| <b>NET EXP.</b>           | 76,270.5                   | 76,215.6              | (54.9)   | -0.1% | 22,464.3               | 6,515.3 |
| <b>Approved Positions</b> | 936.8                      | 931.4                 | (5.4)  | -0.6% |                        |         |

### 2013 Recommended Base Budget

The 2013 Recommended Base Budget of \$396.929 million gross and \$76.216 million net is \$0.055 million or 0.1% lower than the 2012 Approved Budget of \$76.271 million net.

- The 2013 Recommended Base Budget, prior to recommended service change savings of \$1.121 million, includes a net pressure of \$1.066 million or 1.4% above the 2012 Approved Budget.
- The net increase of \$1.066 million is reduced by recommended service change savings and revenue adjustments of \$1.121 million, reflecting a decrease of 1.5% below the 2012 Approved Budget.
- The Program is \$0.055 million below the target resulting from the merger of its telecom budget for consolidation of Information and Technology telecom services corporately.
- Approval of the 2013 Recommended Base Budget will result in a reduction of 5.4 positions to the Program's approved staff complement reducing the complement from 936.8 to 931.4 positions as highlighted in the table below:

**2013 Recommended Staff Complement  
Base Budget Summary**

| Changes  | Staff<br>Complement |
|--|---------------------|
| <b>2012 Approved Complement</b>                  | 936.8               |
| - 2012 In-year Adjustments                       |                     |
| <b>2012 Approved Staff Complement</b>            | <b>936.8</b>        |
| <b>2013 Recommended Staff Complement Changes</b> |                     |
| - 2013 Service Change Adjustments                | (5.4)               |
| <b>Total 2013 Recommended Complement</b>         | <b>931.4</b>        |

- The reduction of 5.4 permanent, full-time vacant positions reflects the implementation of Full Day Kindergarten (FDK) in Municipal Child Care Services, as most of the kindergarteners,

pre-school and school age children will only require before and after school care, requiring the Program to modify the way it deploys staff.

### 2013 Recommended Service Change Summary (In \$000s)

| Description   | 2013 Recommended Service Changes |                  |                  |                           | Net Incremental Impact |                 |                 |                 |
|---|----------------------------------|------------------|------------------|---------------------------|------------------------|-----------------|-----------------|-----------------|
|   | Position Changes                 | Gross Expense    | Net Expense      | % Change over 2012 Budget | 2014                   |                 | 2015            |                 |
|   |                                  |                  |                  |                           | Net Expenditure        | Position Change | Net Expenditure | Position Change |
| <b>Base Changes:</b>                                    |                                  |                  |                  |                           |                        |                 |                 |                 |
| <b>Base Expenditure Changes</b>                         |                                  |                  |                  |                           |                        |                 |                 |                 |
| Service Realignment - Reprofitting M CCS to address FDK | (5.4)                            | (600.8)          | (600.8)          | (0.0)                     |                        |                 |                 |                 |
| Reduction to Reflect Actual Experience                  |                                  | (437.2)          | (437.2)          | (0.0)                     |                        |                 |                 |                 |
| <b>Base Expenditure Changes</b>                         | <b>(5.4)</b>                     | <b>(1,038.0)</b> | <b>(1,038.0)</b> | <b>(1.4%)</b>             |                        |                 |                 |                 |
| <b>Base Revenue Changes</b>                             |                                  |                  |                  |                           |                        |                 |                 |                 |
| Increase in Family Fee Revenue                          |                                  |                  | (83.0)           | (0.1%)                    | (83.0)                 |                 | (84.0)          |                 |
| <b>Base Revenue Changes</b>                             |                                  |                  | <b>(83.0)</b>    |                           | <b>(83.0)</b>          |                 | <b>(84.0)</b>   |                 |
| <b>Sub-Total Base Budget Changes</b>                    | <b>(5.4)</b>                     | <b>(1,038.0)</b> | <b>(1,121.0)</b> | <b>(1.5%)</b>             | <b>(83.0)</b>          |                 | <b>(84.0)</b>   |                 |
| <b>Total Service Changes</b>                            | <b>(5.4)</b>                     | <b>(1,038.0)</b> | <b>(1,121.0)</b> | <b>(1.5%)</b>             | <b>(83.0)</b>          |                 | <b>(84.0)</b>   |                 |

### 2013 Recommended Service Changes

The 2013 recommended service changes include base expenditure savings of \$1.038 million and revenue increases of \$0.083 million, totaling a \$1.121 million or 1.5% decrease compared to the 2012 Approved Budget. When combined with the incremental base budget pressures of \$1.066 million or 1.4%, the 2013 Recommended Base Budget for Children's Services is \$0.055 million below the 2012 Approved Budget of \$76.271 million net.

#### Base Expenditure Changes: *(\$1.038 million gross, savings of \$1.038 million net)*

*Service Realignment - Re-Profiling Municipal Child Care Services to Address Full Day Kindergarten (FDK):*

- A complement realignment to meet the service requirement resulting from the implementation of full day kindergarten (FDK) will result in savings of \$0.601 million gross and net, with a reduction of 5.4 permanent, full-time positions. With the implementation of FDK, there will be a change in case mix, with an increase in infants and toddlers, offset by a greater loss in full time kindergarteners. Given that many of the kindergarten children will only require before and after school care, Children's Services is able to reposition its complement for greater reliance on part-time staff, resulting in salaries and benefits savings.

*Reduction to Expenditures to Reflect Actual Experience:*

- After a detailed review of actual expenditure trends, reductions of \$0.437 million gross and net are recommended, with reductions of \$0.111 million for salaries and benefits; \$0.015 million in materials and supplies; and \$0.311 million in services and rents (including \$0.116 million in contracted services and \$0.088 million in office rental).

**Base Revenue Changes: (Revenue of \$0.083 million)***Increase in Family Fee Revenues:*

- The increase in family user fee revenues of \$0.083 million net reflects the increase in fees received from full-fee families whose children attend a municipal child care centre. The fee increase is required to be in compliance with Provincial guidelines requiring that fees be charged on a full cost recovery basis, as approved by City Council July 11-13, 2012 (CD14.5). The fees for older children have traditionally cross-subsidized those younger children. The move to Full Day Kindergarten has eliminated this cross-subsidization and caused fees to increase.

**2014 and 2015 Outlook**  
(In \$000s)

| Description  | 2014 - Incremental Increase |                   |                 |                        |             | 2015 - Incremental Increase |             |                |                        |             | Total Net % Change from 2013 |
|--|-----------------------------|-------------------|-----------------|------------------------|-------------|-----------------------------|-------------|----------------|------------------------|-------------|------------------------------|
|  | Gross Expense               | Revenue           | Net Expense     | % Net Change from 2013 | # Positions | Gross Expense               | Revenue     | Net Expense    | % Net Change from 2014 | # Positions |                              |
| <b>Known Impacts</b>   |                             |                   |                 |                        |             |                             |             |                |                        |             |                              |
| Salaries and Benefits (Progression Pay, Step COLA) Progression Pay | 1,145.6                     |                   | 1,145.6         | 1.5%                   |             | 1,360.9                     |             | 1,360.9        | 1.4%                   |             | 3.3%                         |
| Non-Labour Economic Factor (POS)                                   | 5,135.7                     |                   | 5,135.7         | 6.7%                   |             | 5,238.4                     |             | 5,238.4        | 5.3%                   |             | 13.6%                        |
| Fee Increase to Full Fee Clients                                   |                             | 83.0              | (83.0)          | (0.1%)                 |             |                             | 84.0        | (84.0)         | (0.1%)                 |             | (0.2%)                       |
| <b>Sub-Total Known Impacts</b>                                     | <b>6,281.3</b>              | <b>83.0</b>       | <b>6,198.3</b>  | <b>8.1%</b>            |             | <b>6,599.3</b>              | <b>84.0</b> | <b>6,515.3</b> | <b>6.6%</b>            |             | <b>16.7%</b>                 |
| <b>Anticipated Impacts</b>   |                             |                   |                 |                        |             |                             |             |                |                        |             |                              |
| Depletion of Program Reserve                                       |                             | (16,266.0)        | 16,266.0        | 21.3%                  |             |                             |             |                |                        |             |                              |
| <b>Sub-Total - Anticipated Additional Impacts</b>                  | <b>0.0</b>                  | <b>(16,266.0)</b> | <b>16,266.0</b> | <b>21.3%</b>           |             |                             |             |                |                        |             |                              |
| <b>Total Incremental Impacts</b>                                   | <b>6,281.3</b>              | <b>(16,183.0)</b> | <b>22,464.3</b> | <b>29.5%</b>           |             | <b>6,599.3</b>              | <b>84.0</b> | <b>6,515.3</b> | <b>6.6%</b>            |             | <b>38.0%</b>                 |

\* Note: 2014 and 2015 Outlooks include only the known impact of FDK, as case mix and cost of service in POS will be determined as FDK continues to be phased in.

Approval of the 2013 Recommended Base Budget for Children's Services will result in a 2014 incremental net increase of \$22.464 million and a 2015 incremental net increase of \$6.515 million to maintain 2013 service levels.

Future year incremental costs are primarily attributable to the following:

**2014 Outlook***Known Impacts*

- Salary and benefits increase of \$1.146 million gross and net are required to cover COLA, progression pay, step increases, and increased cost of fringe benefits;
- Non-labour inflationary increase of \$5.136 million is required, mainly for purchase services of Child Care Centres; and
- Increased revenue of \$0.083 million will be generated from rate increases from full-fee paying families whose children attend a municipal child care facility.

*Anticipated Impacts*

- Depletion of \$16.266 million Child Care Expansion Reserve Fund will result in a pressure on the City's tax base if the current service levels are to be maintained. If Provincial funding to offset this pressure is not forthcoming, a reduction in child care spaces would be necessary to alleviate the pressure.

**2015 Outlook***Known Pressures*

- Salary and benefits increase of \$1.361 million gross and net are required for COLA, progression pay, step increases, and increased cost of fringe benefits;
- Non-labour inflationary increase of \$5.238 million is required, mainly for purchase services of Child Care Centres; and
- Increased revenue of \$0.084 million will be generated from rate increases from full fee paying families with children in FDK.

## PART V: ISSUES FOR DISCUSSION

## 2013 and Future Year Issues

## 2013 Issues

## 2013 Provincial Shortfall:

- Children's Services receives Provincial funding through a cost sharing agreement that provides funds on a 50/50 for administration, 80/20 for programming and 100% for special needs programming, resulting in the total available subsidy. The Program has an on-going shortfall in those areas of its budget that are cost shared on a 50/50 and 80/20 basis, since the Provincial funding for the base program has not been indexed for inflation, with funding levels frozen at that established in 1995. As a result, cost sharing ratios today are 39/61 and 72/28.
- For 2013, the funding shortfall based on the cost-sharing ratio agreement is \$13.983 million, with the shortfall offset by a contribution from the Child Care Expansion Reserve Fund (CCERF). This contribution allows the Program to maintain existing service levels.
- The following table provides the details of the shortfall allocation:

| 2013 Recommended Operating Budget  |  |                                      |   |                                  |              |
|------------------------------------|--|--------------------------------------|---|----------------------------------|--------------|
|                                    | Provincial<br>Base Subsidy<br>Required | Provincial<br>Base Subsidy<br>Funded | Provincial Base<br>Subsidy<br>Shortfall | Legislated Cost<br>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>39%</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 | 148,015.0                              | 134,483.4                            | 13,531.6                                |                                  |              |
| Ontario Works                      | 9,646.0                                | 9,646.0                              | 0.0                                     |                                  |              |
| <b>Total Programs</b>              | <b>202,139.5</b>                       | <b>189,241.6</b>                     | <b>12,897.9</b>                         | <b>80%</b>                       | <b>72%</b>   |
| <b>Total Shortfall Requirement</b> |  |                                      | <b><u>13,983.0</u></b>                  |                                  |              |

- Increased costs associated with the City's on-going base programming accumulate at approximately \$7.0 million per year. Without additional funding, the shortfall will reach \$22.464 million by 2014, resulting in the need to begin reducing spaces, with a total loss of 2,300 spaces in 2014. The Early Learning Program will further exacerbate these pressures, as the shortfall calculations excludes the impact of FDK, which will require additional service level adjustments as 4 and 5 year olds move to the before and after school program.

**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 a portion of its funding at 1995 levels, therefore creating a shortfall in the base of approximately \$20.0 million, which is equivalent to approximately 2,000 subsidized spaces.
- The City 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 2012 is projected to be \$36.168 million, with the 2013 budgeted contribution recommended at \$13.983 million. As identified in the Outlook, Children's Services is projecting an incremental pressure of \$22.464 million to maintain the 24,000 spaces, as the Child Care Expansion Reserve Fund will be depleted by the end of 2014.
- Should the Province fail to provide additional funding to maintain the existing service level of 24,000 child care fee subsidies, there will be a need to gradually reduce subsidized spaces by 2,200 through 2014 (equivalent to \$22.000 million). Further reductions of approximately 700 subsidized spaces per annum (equivalent to \$7.0 million) will be required until the annual Provincial funding contributions are indexed for inflation.

**Transitional Provincial Funding to Integrate Full Day Kindergarten (FDK):**

- The Ontario government introduced FDK 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 is occurring incrementally, with the third phase of FDK commencing in September, 2012. As of September 2013, 49% of Ontario's 4 and 5 year-olds will have access to FDK, with all children having access in September 2014.
- As reported by the General Manager of Children's Services in "New Provincial Funding for Child Care Modernization and Response to Provincial Discussion Paper on Modernizing of Child Care" CD15.7, the Program has received \$5.661 million as a one-time funding allocation for 2012, comprised of operational funding of \$4.239 million and a capital grant of \$1.422 million. In addition, during the year, the Province provided \$1.550 million for capital upgrades, bringing the transitional capital funding to \$2.972 million for 2012.
- In accordance with Provincial guidelines, the operational funding of \$4.239 million will be used to assist child care operators address the financial impacts associated with implementation of FDK. This funding will provide grants that assist providers to reconfigure their operations into centres that can accommodate a greater number of younger children, as 4 and 5 year olds move into FDK programs.
- The Ontario budget tabled on March 27, 2012 did not allocate new funding 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. The announcement advised that across the Province, additional funding of \$90.0 million will be available in 2012-13; \$68.0 million in 2013-14; and, \$84.0 million in 2014-15. Once details on the 2013-14 allocations are available, Children's Services will report to Budget

Committee through the Community and Development Committee, and amend the 2013 Approved Operating Budget accordingly.

### Increased Cost Due to Transition to FDK for Purchase of Service Providers (POS):

- The 2013 Operating Budget includes a pressure of \$2.105 million (estimated at 3.5% increased net cost of POS) to reflect the shift to younger children. Licensed child care is reconfiguring to accommodate a greater number of younger children as 4 and 5 year olds vacate space and enter full-day kindergarten. Caring for younger children (infants and toddlers) is more costly than for older children, as Provincial legislation defines higher staff-to-child ratios than for kindergarteners and school age children.
- As noted in the following table, the 2013 Recommended Operating Budget includes projections for the change in age mix of POS, determined by a recent ward analysis. In 2013, there will be an increase of 450 infants and toddlers spaces to 4,886, or 10% from 2012 levels of 4,436. This change will be offset by a decrease of 450 in kindergarten, pre-school and school age spaces, reducing spaces for this group to 16,695, representing a 2.6% reduction from 2012 levels of 17,145.

| Impact on POS of change in Age Mix  |             |                |   |        |          |                |
|-------------------------------------|-------------|----------------|---|--------|----------|----------------|
|                                     | 2012 Budget |                | 2013 Budgeted Mix at 2012 Budgeted Per Diem Rates |        |          |                |
|                                     | Spaces      | Gross (\$000s) | Spaces **   | Change | Per diem | Gross (\$000s) |
| Total Purchased Spaces by Age Group |             |                |   |        |          |                |
| Infant                              | 1,570       | 22,711.7       | 1,741   | 171    | 55.43    | 25,180.4       |
| Toddler                             | 2,867       | 37,896.9       | 3,145   | 278    | 50.64    | 41,572.8       |
| Kindergarten                        | 5,393       | 52,579.2       | 5,186   | (207)  | 37.35    | 50,559.7       |
| Pre-school Age                      | 5,463       | 57,408.6       | 5,351   | (112)  | 40.26    | 56,231.8       |
| School Age                          | 6,289       | 40,656.4       | 6,158   | (131)  | 24.77    | 39,812.6       |
| Total                               | 21,582      | 211,252.8      | 21,582  | (0)    | 37.88    | 213,357.3      |
| Increase                            |             |                |   |        |          | 2,104.5        |

\* Per diem based on average cost of purchased child care

\*\*Age-mix projections based on analysis in CD14.5: "Status of Community Child Care and MCCS Transformation Resulting from Full Day Kindergarten."

- While the 2013 Recommended Operating Budget has been adjusted to accommodate the increase in pressure due to the change in age mix, the 2014 and 2015 Outlooks have not identified the full impact of the change in per diem rates, as Program needs are still being evaluated.

### Change in Cost of Municipal Child Care Services Due to Legislative Changes and Change in Case Mix:

- While there is a significant shift in the age-mix of children due to the transition to FDK, at the same time, there is a change in the allocation of costs. These two changes will have a significant impact on the Municipal Child Care Services FDK transition.
- As noted in the report, "Status of Community Child Care and Municipal Child Care Services and Municipal Child Care Services Transformation Resulting from Full Day Kindergarten," CD14.5, the change in case mix results in a reduction in spaces, as the increase in toddlers and infants do not make up for the reduced demand for kindergarten, preschool and school age spaces. Other transitional changes will result in savings, as it is anticipated that many kindergarten, and school age children will only require before and after school care.
- The following table, based on a recent ward assessment, includes both the effect of age-mix projections resulting from the transition to FDK, and the allocation of costs based on Provincial guidelines:

| Number of Spaces in Municipal Child Care Service by Age Group |                |                        |          |                                |              |                  |          |
|---|----------------|------------------------|----------|--------------------------------|--------------|------------------|----------|
|   | 2012 Capacity  |                        |          | 2013 - 15 Projected Case Mix** |              |                  |          |
|   | Cost of Spaces | Gross Service (\$000s) |          | Cost of Spaces                 | Gross Change | Service (\$000s) |          |
| MCCS Spaces by Age Group                                      |                |                        |          |                                |              |                  |          |
| Infant  | 344            | 91.00                  | 8,170.3  | 408                            | 64           | 104.70           | 11,149.3 |
| Toddler   | 540            | 81.00                  | 11,416.1 | 620                            | 80           | 93.20            | 15,081.6 |
| Kindergarten  | 340            | 65.50                  | 5,812.5  | 260                            | (80)         | 41.00            | 2,782.3  |
| Pre-school Age  | 1,115          | 65.50                  | 19,061.5 | 880                            | (235)        | 70.70            | 16,238.4 |
| School Age  | 414            | 41.00                  | 4,430.2  | 370                            | (44)         | 41.00            | 3,959.4  |
| Total   | 2,753          | 68.04                  | 48,890.7 | 2,538                          | (215)        | 74.29            | 49,210.9 |
| Increase  |                |                        |          |                                |              |                  | 320.3    |

\* Cost of Service determined by Ministry guidelines, which excludes facilities cost and corporate administration

\*\*Age-mix projections based on analysis in CD14.5: "Status of Community Child Care and MCCS Transformation Resulting from Full-Day Kindergarten", which projects the system demands through the implementation of FDK.

The table indicates that through a combination of the changes in case mix and the method of allocating the cost of providing service, Children's Service is projecting a pressure of \$0.320 million between 2013 and 2015. These costs will be largely offset by the increase in user fees of \$0.250 million during the same period.

### Core Service Review and Efficiency Study Implementation:

The final report on the Core Service Review was considered by City Council at its September 26 and 27, 2011 meeting. City Council referred the KPMG opportunities related to child care for inclusion in broader organizational and service studies. The Community Development and

Recreation Committee received CD13.3 "Terms of Reference – Service Review of Children's Services and Long-Term Care Homes and Services" at its meeting of May 23, 2012. In keeping with Council direction, the Service Review study focus for Children's Services includes:

- Review of comparable jurisdictions and best practices;
- Undertake stakeholder consultation, as requested by the Committee, to inform the analysis and proposed options and recommendations;
- Review the City's mixed child care delivery model;
- Based on the findings from recommendation noted above, make recommendations on the most efficient delivery model for child care services that take into consideration maximizing quality of care for children, building community capacity, Toronto's unique demographics with respect to the number of children living in poverty, service quality and service impact;
- Review two service system manager responsibilities including: (1) the current child care operator budget process to maximize opportunities to streamline and automate the process as part of the Division's information system upgrade, and (2) the Division's quality assurance role (including cost-benefit analysis) to explore broader application of the City's criteria beyond Toronto and cost recovery options; and,
- Validate the City's Transition Plan to Full Day Early Learning Kindergarten as it relates to the delivery of Municipal Child Care Services.

**Status:** The Service Review study is currently underway with a report expected to be completed by December, 2012. The General Manager, Children's Services will report back to the Budget Committee on the impact of the Service Review study during the 2014 Operating Budget process.

## Appendix 1 2012 Performance

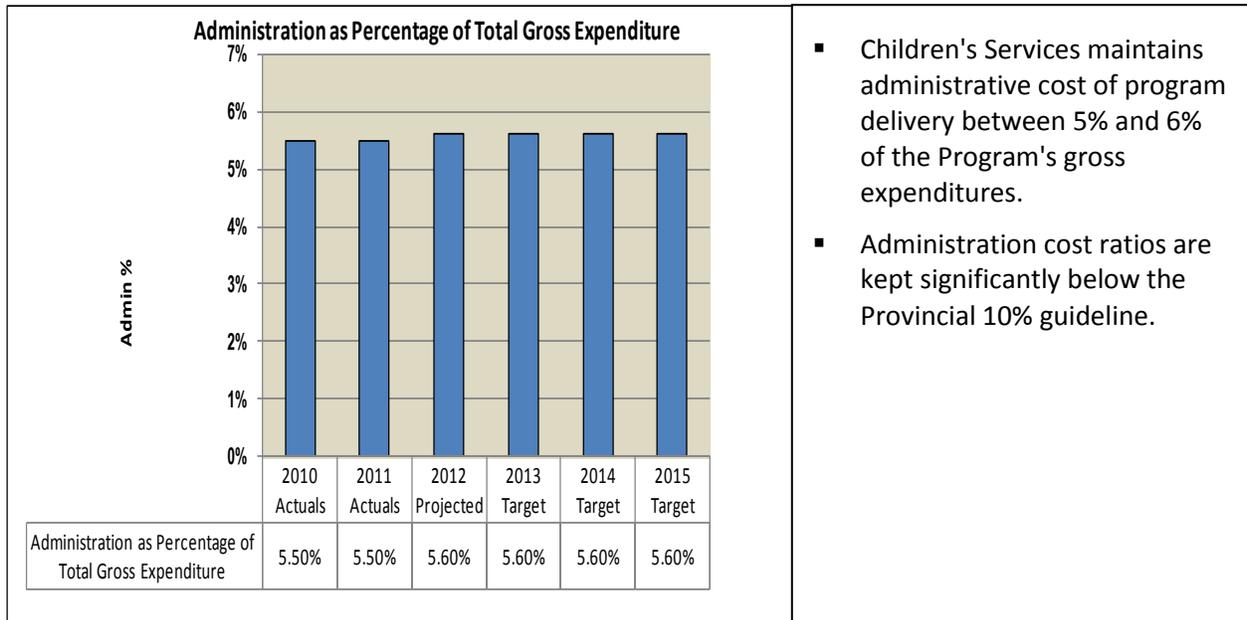
### 2012 Key Accomplishments

In 2012, 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's new Early Learning Program (ELP) on Toronto's child care system, and participated in a working group to revise the Provincial funding formula.
- ✓ Launched grants programs with new Provincial funding to begin to expedite child care modernization.
- ✓ Developed a capital investment strategy that considers the incremental impact of ELP and advances service equity across City wards.
- ✓ Developed Divisional Business Strategy and Information Management and IT Strategy.
- ✓ Opened new child care centres through established Capital Partnership Agreements - Chester Le, Thorncliffe.
- ✓ Completed development and alignment of Middle Childhood Strategy with the Recreation Service Plan, and obtained Council approval of the strategy.
- ✓ Municipal Child Care Service Strategic Plan and Transition Plan completed and approved by Council in July, 2012.
- ✓ Continued to reduce lost-time hours in Municipal Child Care Service.
- ✓ Increased and enhanced online services and integration with 311 Toronto.
- ✓ Advanced an integrated continuum of services for children and family through sites of practice.
- ✓ Community Integration Leader in a Community Action Research on Service Integration and Aboriginal Child and Family Services project.
- ✓ Implemented a new counter with Toronto Employment and Social Services for shared customer service.
- ✓ Launched new Toronto Child and Family Network.
- ✓ Supported Service Efficiency Study to be completed in December, 2012.
- ✓ Responded to recommendations arising from Ombudsman Report.

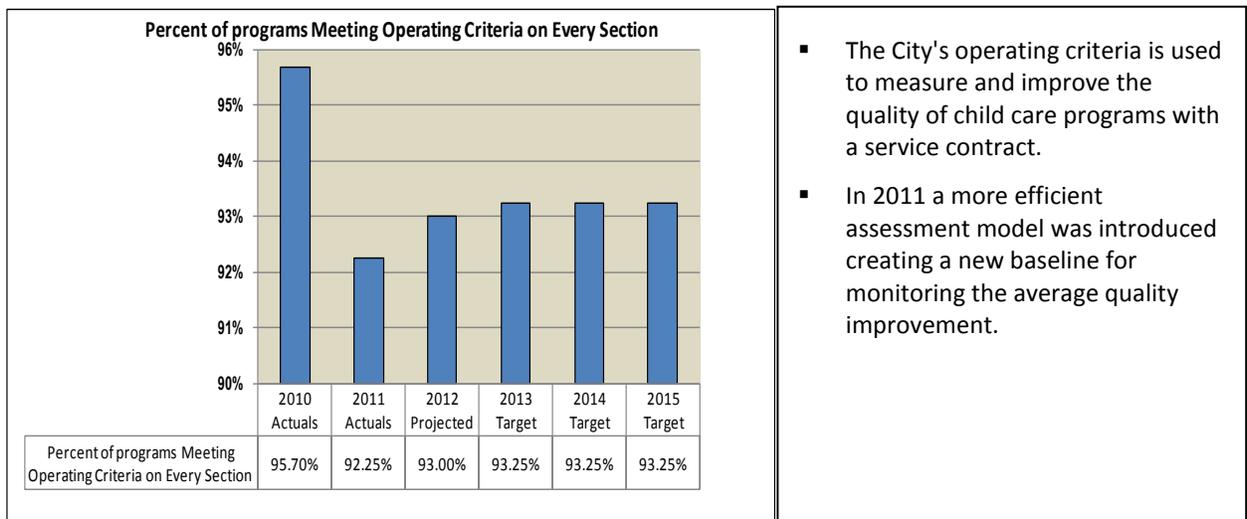
2012 Performance

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



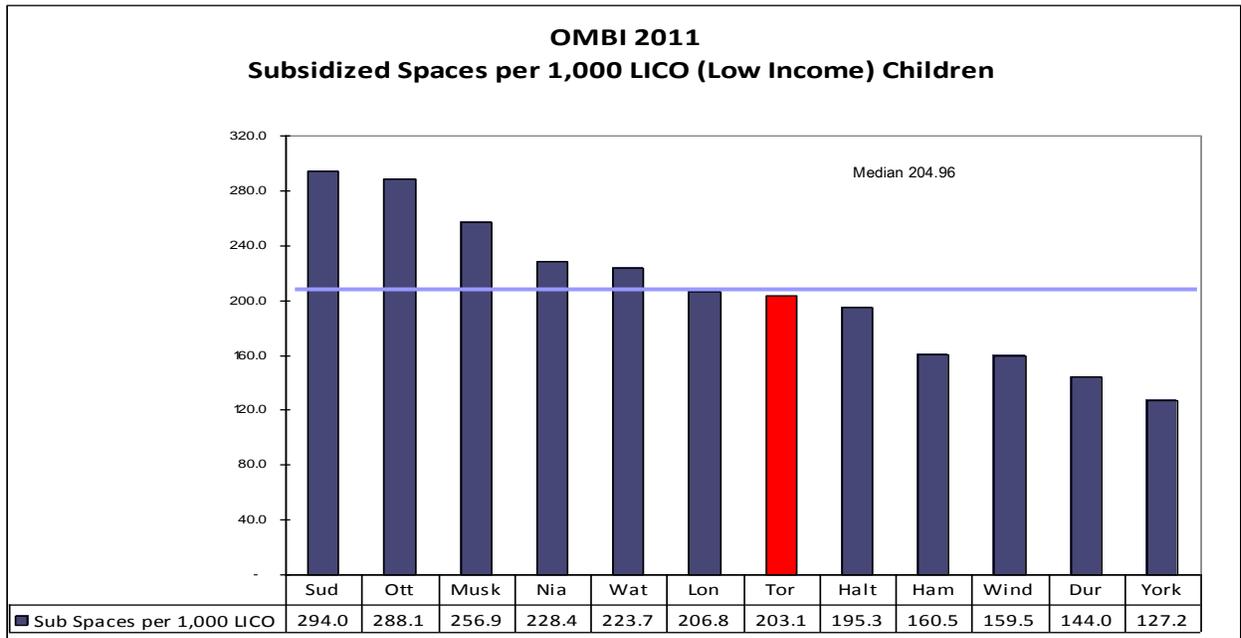
- Children's Services maintains administrative cost of program delivery between 5% and 6% of the Program's gross expenditures.
- Administration cost ratios are kept significantly below the Provincial 10% guideline.

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



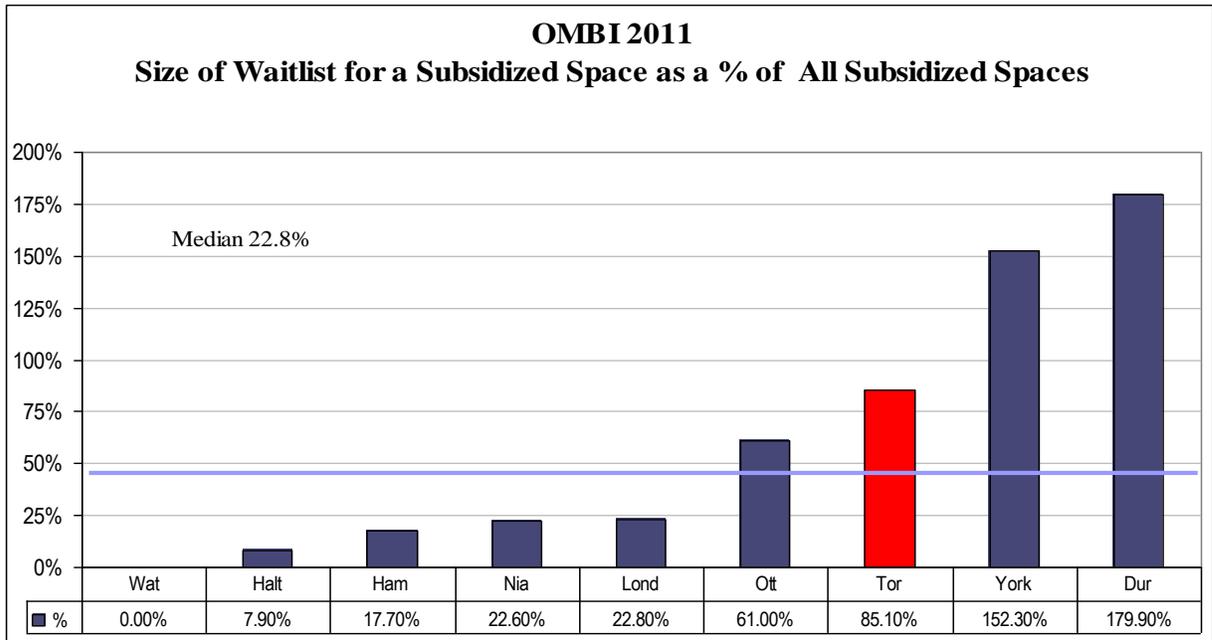
- The City's operating criteria is used to measure and improve the quality of child care programs with a service contract.
- In 2011 a more efficient assessment model was introduced creating a new baseline for monitoring the average quality improvement.

Benchmark: *Subsidized Spaces*



- This chart compares Toronto’s 2011 result to other municipalities for the number of subsidized child care spaces per 1,000 children in low income (LICO) families. Toronto ranks 7th of 12 municipalities in terms of having the highest number of subsidized spaces based on 2011 OMBI results.
- Lower income families tend to drive the demand for subsidized spaces for children 12 and under.
- The number of subsidized spaces in municipalities can be influenced by economic conditions; Provincial funding decisions; and best start funding received by some municipalities.

Benchmark: *Waitlist*



- This chart reflects the size of the waitlist for a subsidized child care space in 2011 as a percentage of all subsidized spaces. Toronto ranks 7th of 9 municipalities in terms of having the smallest waiting list.
- Toronto's percentage grew from 73.7% in 2010 to 85.1% in 2011. This measure is influenced by the level of municipal funding; the population growth; and, Provincial funding and policy changes.

## 2012 Budget Variance Analysis

### 2012 Budget Variance Review (In \$000s)

| (In \$000s)               | 2010<br>Actuals | 2011<br>Actuals | 2012<br>Approved<br>Budget | 2012<br>Projected<br>Actuals* | 2012 Approved<br>Budget vs Projected<br>Actual Variance |       |
|---------------------------|-----------------|-----------------|----------------------------|-------------------------------|---|-------|
|                           | \$              | \$              | \$                         | \$                            | \$  | %     |
| <b>Gross Expenditures</b> | 369,336.4       | 371,535.5       | 397,198.9                  | 392,170.9                     | (5,028.0)   | (1.3) |
| <b>Revenues</b>           | 298,549.1       | 297,257.6       | 320,928.4                  | 315,900.4                     | (5,028.0)   | (1.6) |
| <b>Net Expenditures</b>   | 70,787.3        | 74,277.9        | 76,270.5                   | 76,270.5                      |   |       |
| <b>Approved Positions</b> | 950.5           | 955.5           | 936.8                      | 936.8                         |   |       |

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

### 2012 Experience

Children's Services reported a \$0 net favourable variance for the nine-months ended September 30, 2012. Children's Services gross expenditures are \$5.461 million or 1.8% lower than planned, offset by reduced revenue of \$5.461 million, or 2.2% of the 2012 Approved Operating Budget.

- The under spending is primarily attributable to delays in the construction of the Thorncliffe Public School Child Care Centre of \$3.800 million, delays of \$1.261 million in the Health and Safety Program, and under spending of \$0.400 million in the School Occupancy program. The under expenditures are offset by lower than planned reserve funding.

Children's Services is projecting a favourable year-end expenditure variance of \$5.028 million gross, with an offsetting reduction in revenues, resulting in a \$0 net variance.

- Gross expenditures are projected to be \$5.028 million below budget, primarily due to under-spending of \$1.228 million in the Provincial portion of the health and safety program not being realized; and delays in spending of \$3.800 million for the Thorncliffe Park Public School Child Care Centre, reflecting planning delays associated with TDSB project delivery.

### Impact of 2012 Operating Variance on the 2013 Recommended Budget

- The grant for the construction of the Thorncliffe Park Child Care Centre of \$3.800 million has been re-budgeted in 2013, with corresponding budgeted funding from the Child Care Expansion Reserve Fund.

## Appendix 2

## 2013 Recommended Operating Budget by Expenditure Category and Key Cost Driver

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

| Category of Expense                | 2010             | 2011             | 2012             | 2012             | 2013             | 2013 Change from |               | 2014             | 2015             |
|------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|---------------|------------------|------------------|
|                                    | Actual           | Actual           | Budget           | Projected        | Recommended      | 2012 Approved    |               | Outlook          | Outlook          |
|                                    | \$               | \$               | \$               | \$               | \$               | \$               | %             | \$               | \$               |
| Salaries and Benefits              | 72,178.4         | 72,703.5         | 75,167.9         | 75,167.9         | 75,689.1         | 521.2            | 0.7%          | 76,834.7         | 78,195.6         |
| Materials and Supplies             | 3,648.0          | 3,172.7          | 3,249.4          | 3,249.4          | 3,175.8          | (73.6)           | (2.3%)        | 3,175.8          | 3,175.8          |
| Equipment                          | 357.8            | 440.3            | 714.0            | 714.0            | 699.0            | (15.0)           | (2.1%)        | 699.0            | 699.0            |
| Services & Rents                   | 288,468.8        | 291,264.8        | 312,425.2        | 307,396.4        | 311,734.3        | (690.9)          | (0.2%)        | 316,800.5        | 322,038.9        |
| Contributions to Reserve/Res Funds | 1,331.4          | 1,184.8          | 1,178.9          | 1,178.9          | 1,178.9          | 0.0              | 0.0%          | 1,178.9          | 1,178.9          |
| Other Expenditures                 | 889.7            | 68.8             | 1,034.5          | 910.8            | 1,031.3          | (3.2)            | (0.3%)        | 1,031.2          | 1,031.2          |
| Interdivisional Charges            | 2,462.3          | 2,700.6          | 3,429.0          | 3,429.0          | 3,420.3          | (8.7)            | (0.3%)        | 3,420.3          | 3,420.3          |
| <b>TOTAL GROSS EXPENDITURES</b>    | <b>369,336.4</b> | <b>371,535.5</b> | <b>397,198.9</b> | <b>392,046.4</b> | <b>396,928.7</b> | <b>(270.2)</b>   | <b>(0.1%)</b> | <b>403,140.4</b> | <b>409,739.7</b> |
| Interdivisional Recoveries         | 9,887.6          | 7,777.2          | 10,200.0         | 10,200.0         | 10,200.0         | 0.0              | 0.0%          | 10,200.0         | 8,000.0          |
| Provincial Subsidies               | 264,345.3        | 264,866.1        | 273,215.5        | 271,986.7        | 271,901.6        | (1,313.9)        | (0.5%)        | 271,901.6        | 271,901.6        |
| User Fees & Donations              | 20,330.6         | 21,233.7         | 17,871.5         | 17,871.5         | 17,954.5         | 83.0             | 0.5%          | 18,037.5         | 18,121.5         |
| Transfers from Capital Fund        | 0.0              | 253.6            | 1,027.4          | 1,028.2          | 1,014.0          | (13.4)           | (1.3%)        | 1,014.0          | 1,014.0          |
| Contribution from Reserve Funds    | 3,950.7          | 3,057.8          | 18,614.0         | 14,814.0         | 19,643.0         | 1,029.0          | 5.5%          | 3,377.0          | 5,577.0          |
| Contribution from Reserve          | 34.9             | 69.3             | 0.0              | 0.0              | 0.0              | 0.0              | n/a           |                  |                  |
| <b>TOTAL REVENUE</b>               | <b>298,549.1</b> | <b>297,257.6</b> | <b>320,928.4</b> | <b>315,900.4</b> | <b>320,713.1</b> | <b>(215.3)</b>   | <b>(0.1%)</b> | <b>304,530.1</b> | <b>304,614.1</b> |
| <b>TOTAL NET EXPENDITURES</b>      | <b>70,787.3</b>  | <b>74,277.9</b>  | <b>76,270.5</b>  | <b>76,146.0</b>  | <b>76,215.6</b>  | <b>(54.9)</b>    | <b>(0.1%)</b> | <b>98,610.3</b>  | <b>105,125.6</b> |
| <b>APPROVED POSITIONS</b>          | <b>950.5</b>     | <b>955.5</b>     | <b>936.8</b>     | <b>936.8</b>     | <b>931.4</b>     | <b>(5.4)</b>     | <b>(0.6%)</b> | <b>931.4</b>     | <b>931.4</b>     |

### 2013 Key Cost Drivers

Services and Rents are the largest expenditure category and account for 78.5% of total recommended expenditures; followed by salaries and benefits at 19.1%; interdivisional charges at 0.9%; materials and supplies at 0.8%; and other expense groupings at 0.7%.

#### *Salaries and Benefits*

- The 2013 Recommended Operating Budget for salaries and benefits of \$75.689 million reflects an increase of \$0.521 million (0.7%) from the 2012 Approved Operating Budget.
- The change from 2012 comprised of an additional \$1.122 million required to fund progression, step, COLA and fringe benefit increases. This increase is offset by savings of \$0.601 million resulting from the increased use of part-time staff to accommodate changes in service delivery with the rollout of FDK, with the reduction of 5.4 approved positions.

#### *Services and Rents*

- The 2013 Recommended Operating Budget for services and rents of \$311.734 million is \$0.691 million or 0.2% lower than the 2012 Approved Operating Budget. In addition to Program operational costs, services and rents are comprised of capital grants to third party providers, health and safety grants, and include the cost of purchased child care.

- The 2013 reduction of \$0.691 million comprised of the deletion in one-time Provincial funding from 2012 of \$4.239 million (FDK implementation), and a reduction of \$3.322 million in capital grants. As well, saving of \$0.326 million is included through adjusting budgets to actual. These reductions are offset by the increases in purchased child care, including 2013 COLA increase for purchased services of \$5.035 million, and \$2.105 million due to the change in case mix.

### *Revenue Changes*

- Provincial subsidies are the largest revenue category, and account for 84.8% of total recommended revenues; followed by contribution from reserve funds at 6.1%; user fees and donations at 5.6%; interdivisional recoveries at 3.2%; and, transfers from capital at 0.3%.

### *Provincial Subsidies*

- The 2013 Recommended Operating Budget for Provincial subsidies of \$271.902 million is \$4.297 million less than the 2012 Approved Operating Budget, and reflects the reversal of the one-time funding of \$4.239 million, provided by the Province as transitional funding to support the transition to FDK.

### *Contribution from Reserve Funds*

- The 2013 Recommended Operating Budget for contribution from reserve funds of \$19.643 million is \$4.012 million more than the 2012 Approved Operating Budget, and reflects the increase from reserves of \$7.276 million to fund the Provincial shortfall, offset by the reduction of \$3.322 million in capital grants.

### *User Fees*

- The 2013 Recommended Operating Budget for user fees of \$17.954 million is \$0.083 million more than the 2012 Approved Operating Budget, and reflects the increase in fees for full-fee families required to be in compliance with Provincial guidelines, approved by City Council July 11-13, 2012 (CD14.5), as identified in Appendix 6 (iii).

## Appendix 5 Inflows / Outflows to / from Reserves & Reserve Funds (In \$000s)

### Program Specific Reserve/Reserve Funds

| Reserve / Reserve Fund Name                           | Reserve / Reserve Fund Number                | Projected Balance as at December 31, 2012<br>\$ | Proposed Withdrawals (-) / |                |                   |
|---|--|---|----------------------------|----------------|-------------------|
|   |  |   | 2013<br>\$                 | 2014<br>\$     | 2015<br>\$        |
| Child Care Capital Reserve Fund                       | XR1103                                       | 10,684.0  |                            |                |                   |
|   | Capital program requirements                 |   | (1,400.0)                  | (1,400.0)      | (1,400.0)         |
|   | Minor Health and Safety capital expenditures |   | (3,800.0)                  |                |                   |
|   | Capital Grants*                              |   | 1,320.0                    | 1,320.0        | 1,320.0           |
|   | Contribution                                 |   | 72.0                       | 56.3           | 56.2              |
|   | <b>Balance by Year-end</b>                   | <b>10,684.0</b>                                 | <b>6,876.0</b>             | <b>6,852.3</b> | <b>6,828.5</b>    |
| Child Care Expansion Project Reserve Fund             | XR1101                                       | 36,167.6  |                            |                |                   |
|   | Projected Interest                           |   | 225.0                      | 94.3           |                   |
|   | Provincial Subsidy Shortfall                 |   | (13,983.0)                 | (22,464.3)     | (30,241.6)        |
|   | <b>Balance by Year-end</b>                   | <b>36,167.6</b>                                 | <b>22,409.6</b>            | <b>39.6</b>    | <b>(30,202.0)</b> |
| <b>Total Reserve / Reserve Fund Balances Year-end</b> |  | <b>46,851.6</b>                                 | <b>29,285.6</b>            | <b>6,891.9</b> | <b>(23,373.5)</b> |

\* Thorncliffe Park Child Care Centre for \$3.8 million

