

# Toronto 2018 BUDGET



## CAPITAL BUDGET NOTES



## Children's Services

### 2018 2027 CAPITAL BUDGET AND PLAN OVERVIEW

Children's Services provides high-quality licensed child care services across the City through 52 Early Learning and Child Care Centres (TELCC), with 25 in City owned facilities valued at \$53.081 million, and through 1 home child care agency.

The primary focus of the 10-Year Preliminary Capital Plan of \$67.616 million is to leverage new Federal, Provincial and City funding to increase the capacity in the child care system by adding more physical spaces. Funding of \$49 million will deliver 21 new child care centres adding 1,110 spaces over the 10-year period. The Capital Plan also dedicates substantial funding of \$13.8 million to maintain the existing centres in a state of good repair.

In order to support the significant system growth through tri-government operating and capital investments in 2018, funding of \$4.8 million is included for system upgrades to the existing information technology systems to develop new tools that will enhance on-line applications and business processes to improve operations and increase capacity.

The 10-Year Preliminary Capital Plan will provide savings in 2018 and in the future years' Operating Budgets totalling \$0.396 million net over the 2018 - 2027 period, derived from the completion of 2 information technology projects.

### CONTENTS

#### Overview

1. 10-Year Preliminary Capital Plan 5
2. Issues for Discussion 18

#### Appendices

1. 2017 Performance 23
2. 2018 Preliminary Capital Budget 25
3. 2018 Preliminary Capital Budget; 2019 - 2027 Capital Plan 26
4. 2018 Cash Flow and Future Year Commitments 27
5. 2018 Preliminary Capital Budget with Financing Detail 28
6. Reserve / Reserve Fund Review 29

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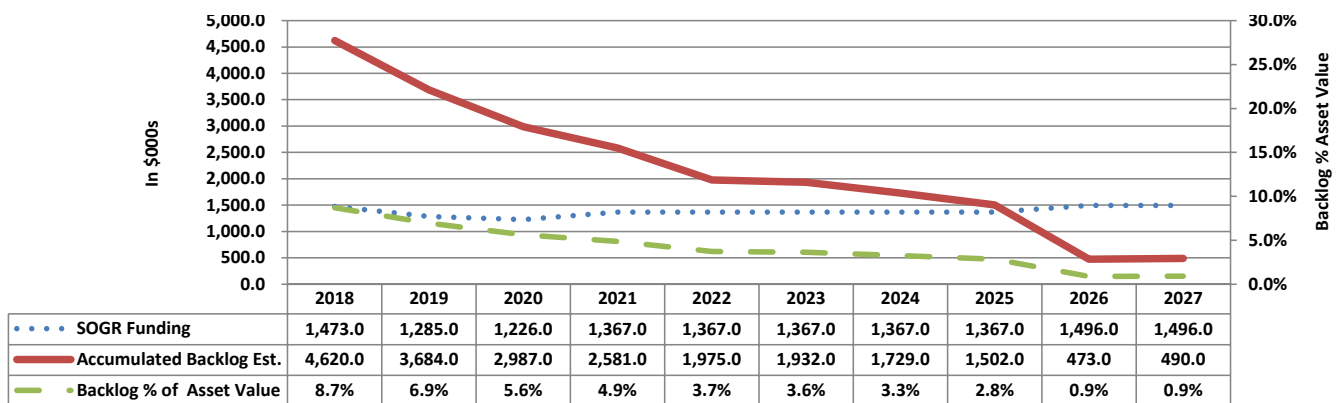






## State of Good Repair (SOGR) Backlog

**Chart 4  
SOGR Funding & Backlog (In \$000s)**



The 10-Year Preliminary Capital Plan dedicates \$13.811 million to SOGR spending over the 10-year period, which on average is \$1.381 million annually. A recent audit conducted by Facilities Management indicated that at the end of 2017, the SOGR back log will be \$5.415 million, (10.2% of the asset value) in the 25 City owned sites.

- Children's Services delivers child care services across the City in 52 Toronto Early Learning and Child Care Centres (TELCCS), 25 of which are in City owned facilities.
- Funding for the SOGR capital maintenance program is supplemented by \$0.508 million per year from the Program's Operating Base Budget throughout the 10 year period, at which time the backlog will be reduced to \$0.490 million, or 0.9% of the asset value by 2027.
- As the backlog is eliminated, the funding will focus on annual SOGR capital work and maintain facilities in a state of good repair.
- SOGR priorities are determined by the facility needs assessment, provided by Facilities Management that has identified major maintenance and capital upgrade requirements. Accessibility upgrades required by Provincial legislation are co-ordinated with the timing of the major SOGR upgrades.
  - The Toronto Early Learning Child Care Services (TELCCS) SOGR project also allocates \$1.597 million to implement accessibility upgrades required by Provincial legislation in the 25 City-owned facilities.
  - These upgrades are required to bring the facilities into compliance with Provincial legislation outlined in the Accessibility of Ontarians with Disabilities Act (AODA). Ontario Regulation 427/07 requires public sector organizations to make the necessary upgrades to their facilities to improve facility access, which will require upgrading infrastructure to remove mobility barriers and increase facility access by adding elevators, ramps, and accessible washrooms.



## 10-Year Capital Plan: Net Operating Budget Impact

**Table 5**  
**Net Operating Impact Summary (In \$000s)**

| Projects                           | 2018 Budget   |          | 2019 Plan     |            | 2020 Plan      |          | 2021 Plan      |          | 2022 Plan      |            | 2018 - 2022    |            | 2018 - 2027    |            |
|------------------------------------|---------------|----------|---------------|------------|----------------|----------|----------------|----------|----------------|------------|----------------|------------|----------------|------------|
|                                    | \$000s        | Position | \$000s        | Position   | \$000s         | Position | \$000s         | Position | \$000s         | Position   | \$000s         | Position   | \$000s         | Position   |
| <b>Previously Approved</b>         |               |          |               |            |                |          |                |          |                |            |                |            |                |            |
| Customer Service Improvements      | (15.0)        |          | (29.0)        | 1.0        |                |          |                |          |                |            | (44.0)         | 1.0        | (44.0)         | 1.0        |
| <b>New Projects - 2017</b>         |               |          |               |            |                |          |                |          |                |            |                |            |                |            |
| TCS Growing Child Care for Toronto |               |          | (64.0)        |            | (211.0)        |          | (391.0)        |          | (157.0)        | 2.6        | (823.0)        | 2.6        | (352.0)        | 2.6        |
| <b>Total (Net)</b>                 | <b>(15.0)</b> | <b>-</b> | <b>(93.0)</b> | <b>1.0</b> | <b>(211.0)</b> | <b>-</b> | <b>(391.0)</b> | <b>-</b> | <b>(157.0)</b> | <b>2.6</b> | <b>(867.0)</b> | <b>3.6</b> | <b>(396.0)</b> | <b>3.6</b> |

The 10-Year Preliminary Capital Plan will provide savings over the future year Operating Budgets by a total of \$0.396 million net over the 2018 - 2027 period, as shown in the table above.

This is comprised of the following impacts to capital projects:

- *Customer Service Improvements* –savings in operating costs are included through 2019, primarily resulting from savings in stationary supplies and a reduction in the cost of administration, reflecting business application enhancements. These savings are partially offset by the addition of one position required in 2019 for project sustainment.
- *TCS Growing Child Care for Toronto* - savings in operating costs through 2022 resulting from reductions in supplies and administration as system enhancements are developed; these savings are offset in the later years by the addition of 2.6 positions required for project sustainment.
- There will be no operating impact from the new child care centres, as the centres will be operated by community operators. The cost of subsidies and base funding through the General Operating Grant for community operators will be supported through Provincial and Federal growth funding.

These future operating impacts will be reviewed each year as part of the annual Operating Budget process.



# Part 2

## Issues for Discussion

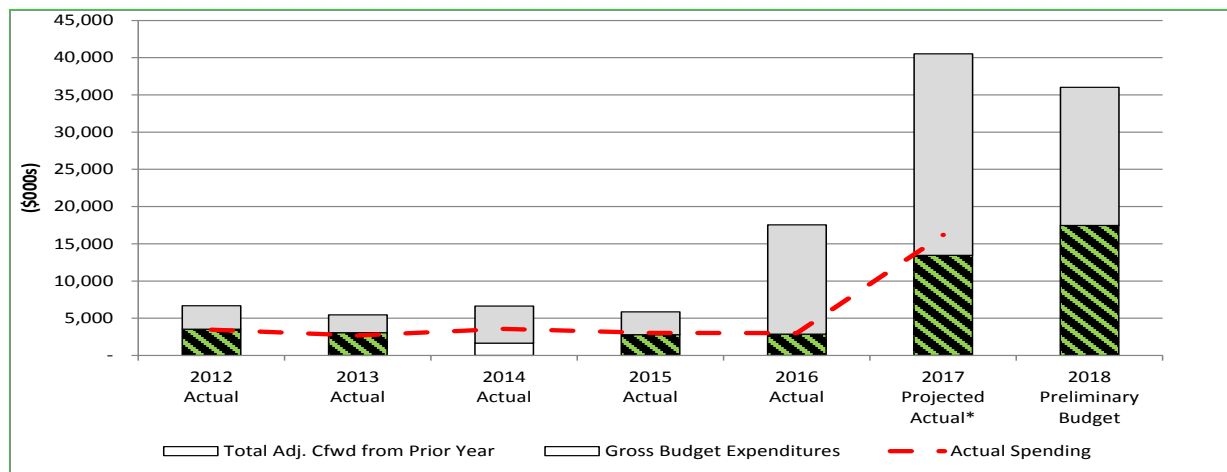
## Issues Impacting the 2018 Capital Budget

### Review of Capital Projects and Spending

- City Council, at its meeting of May 25, 2017 considered the report entitled "2018 Budget Process – Budget Directions and Schedule EX25.18" and directed that City Programs and Agencies submit their 2018 – 2027 Capital Budget and Plans requiring that:
  - Annual cash flow funding estimates be examined to more realistically match cash flow spending to project activities and timing, especially in the first 5 years of the Capital Plan's timeframe.  
<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.EX25.18>
- The 2018 – 2027 Preliminary Capital Budget and Plan for Children's Services has been established following a review of capital requirements based on the reprioritization of capital needs; a review of the Program's spending capacity and the readiness to proceed with planned projects; as well as the ability to reduce overall debt funding and/or leverage non-debt funding sources.
  - The 10-Year Preliminary Capital Plan includes the deferral of \$6.876 million from 2017 cash flows to future years based on project readiness and spending capacity, which requires re-aligning the initial planning and design work, and the construction timelines. This deferral is comprised of the cash flow funding for 11 child care centre projects. There is no debt impact as the new child centres are funded by Reserves and Development Charges.
  - Following a review with School Boards and other third party providers, the 2018 budgeted cash flow funding commitments have been adjusted based on historical spending rates, and spending capacity that reflects adequate time to plan, design and complete the construction of the new centres.
  - Children's Services had an average spending rate over the past five years 2012 – 2016 of 38.0%, which reflects an average spending rate of 91.2% for SOGR projects, and 28.3% for Service Improvement projects.
- The following tables illustrate Children's Services rate of spending from 2012 to 2016, as well as the projected year-end spending rate for 2017.

**Chart 5**  
**Capacity to Spend – Budget vs. Actual**  
**(In \$000s)**

| Category            | 2012         |              |                 | 2013         |              |                 | 2014         |              |                 | 2015         |              |                 | 2016          |              |                 | Spending Rate 5 Year 2012-2016 Avg. % | 2017          |                    |                 |
|---------------------|--------------|--------------|-----------------|--------------|--------------|-----------------|--------------|--------------|-----------------|--------------|--------------|-----------------|---------------|--------------|-----------------|---------------------------------------|---------------|--------------------|-----------------|
|                     | Budget       | Actual       | Spending Rate % | Budget       | Actual       | Spending Rate % | Budget       | Actual       | Spending Rate % | Budget       | Actual       | Spending Rate % | Budget        | Actual       | Spending Rate % |                                       | Budget        | Projected Actual * | Spending Rate % |
| SOGR                | 869          | 793          | 91.3%           | 726          | 653          | 89.9%           | 1,584        | 1,377        | 86.9%           | 1,637        | 1,570        | 95.9%           | 1,697         | 1,544        | 91.0%           | 91.2%                                 | 1,958         | 1,958              | 100.0%          |
| Service Improvement | 5,818        | 2,662        | 45.8%           | 4,742        | 2,030        | 42.8%           | 5,066        | 2,179        | 43.0%           | 4,225        | 1,451        | 34.3%           | 15,865        | 1,802        | 11.4%           | 28.3%                                 | 38,560        | 14,247             | 36.9%           |
| <b>Total</b>        | <b>6,687</b> | <b>3,455</b> | <b>51.7%</b>    | <b>5,468</b> | <b>2,683</b> | <b>49.1%</b>    | <b>6,650</b> | <b>3,556</b> | <b>53.5%</b>    | <b>5,862</b> | <b>3,021</b> | <b>51.5%</b>    | <b>17,562</b> | <b>3,346</b> | <b>19.1%</b>    | <b>38.0%</b>                          | <b>40,518</b> | <b>16,205</b>      | <b>40.0%</b>    |



Factors contributing to the average 38.0% spend rate over the past five years include:

- Children's Services' spending is significantly impacted by delays in the delivery of new child care centres, which are included as Service Improvement projects. During the first four years (2012 to 2015) spending averaged 41.5% for the Service Improvement projects, with annual budgets that included funding for up to four new child care centres.
- The 2016 Approved Capital Budget of \$17.562 million represented a significant increase from previous years, as the budget included funding for the 10 new child care centres reflecting co-ordination with the school boards and the Province which supported an expansion program adding an additional 464 new child care spaces in 10 new child care centres. With 2016 cash flow funding of \$5.650 million, this initiative also added \$11.050 million in 2017, and \$10.200 million in 2018 – 2020 for a total investment of \$26.900 million.
- The 2016 Approved Capital Budget also included funding of \$9.0 million for the Mount Dennis Child Care Centre, required as part of the Metrolinx redevelopment, with 2016 cash flow funding of \$3.5 million.
- As the Program added these projects mid-year with project completions budgeted aggressively over a 3-year period, delays in project planning and design resulted in a spending rate that dropped to 11.4%.
- The underspending (due to dependency on third party agreements) has continued into 2017 and results in the need to include \$6.876 million in 2-year carry forward funding and \$17.469 million in 1 year carry forward funding into 2018.

Children's Services is employing strategies to improve capital spending rates for 2018. These strategies include:

- As the primary partners for creating new centres are the Toronto and Catholic School Boards, expansion plans must first be approved by the School Boards. Third-party operators must also be selected. To improve spend rates, Children's Services has initiated a process that includes continuous co-ordination on planning and design progress with project delivery partners.
- The 2018-2027 Preliminary Capital Plan includes a level of increased investment from all three orders of government, with 3 new centres added in 2018, funded with new Federal/City funding contributions towards the Children's Services growth strategy. The increased investment will require aggressive spending by the division to deliver new spaces within a short time line for planning, design and project construction.
  - As all of the new child care projects will need to be co-ordinated for implementation through third party providers, Financial Planning and Children's Service will continue to monitor the capital spending rates and make adjustments to the Capital Plan as required as part of future-year budget process.

## Issues Impacting the 10-Year Capital Plan

### Children's Services Growth Strategy

- To deliver the planned child care spaces outlined in the 10-Year Growth Strategy, Children's Services has significantly expanded its capital program in the past two years.
- In 2016, with the approval of CD11.3 "Child Care Capital Expansion Update", Children's Services entered into agreements with the local school boards to add new child care centres in seven schools, two TCHC locations and partnered with Parks Forestry and Recreation (PFR) to invest in a new project, the *Northeast Scarborough Recreation Centre*. These new centres will provide 464 new spaces for \$26.900 million, and are fully funded by the City with \$5.650 million from Development Charges, and \$21.250 million from the Child Care Expansion Reserve Fund.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.CD11.3>

- In 2017, as identified in EX26.30 "Children's Services Amendment to the 2017 Operating Budget to Reflect Increase in Provincial Contributions", an additional \$15.785 million was received through the "Canada-Ontario Early Learning and Child Care Agreement, 2017" to increase licensed child care spaces for children from birth to age four.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.EX26.30>

- The additional Federal funding will provide 554 new spaces, achieved through:
  - the addition of two new child care centres for \$6.900 million that will add 124 spaces;
  - a change in funding source for 3 existing capital projects, and a Capital Grants Program for \$8.885 million that will flow through the 2017 and 2018 Operating Budgets for Children's Services, that will provide 430 spaces for not-for profit and public sector operators for renovations or new construction.
- The 2018-2027 Capital Plan for Children's Services includes the Anishawabe Child Care Centre project (\$6.0 million, 2018-2020), funded by a \$2.0 million operating contribution and \$4 million from the Child Care Capital Reserve Fund.
  - Under the proposed City's Investment plan to support growth in the child care system, this project will receive funding of \$2.0 million in 2018, and an additional \$3.6 million in funding phased-in over 2019-2020 period, subject to the 2018 and future year budget processes to replace the planned reserve funding for this project.
- Please refer to the Issues Section of the 2018 Preliminary Operating Budget for Children's Services for additional information.



# Appendices

## Appendix 1

### 2017 Performance

#### 2017 Key Accomplishments

In 2017, Children's Services made significant progress and/or accomplished the following:

- ✓ Begin construction of and negotiated additional Sec 37 funding of \$1.105 million for the development of the Block 31 Child Care Centre.
- ✓ Began the planning and design for the 11 new child care centres identified in the Child Care Expansion Report.
- ✓ Began the construction of the Mt. Dennis Child Care Centre funded by Metrolinx (\$8.000 million)
- ✓ Began construction of the St John the Evangelist project (\$2.300 million)
- ✓ Began the design of the Advent Child Care Centre (\$2.210 million)
- ✓ Negotiated a cost sharing agreement with the Province where the Province provides \$2.467 million of the cost for the *Avondale Public School* project, which reduces the City's cost of construction from \$3.900 million to \$1.433 million.
- ✓ Continued design and construction of the Avondale Public School project (\$1.864 million)
- ✓ Continued the development of the Customer Service Efficiency Implementation project (\$1.100 million) that will enhance online services for families and operators
- ✓ Completed the Redevelopment of Warden Woods Child Care Centre (\$0.680 million)
- ✓ Completed capital upgrades in the 25 Toronto Early Learning Child Care Centres (TELCCC) located in municipally owned facilities (\$1.958 million).

#### 2017 Financial Performance

##### 2017 Budget Variance Analysis (in \$000's)

| 2017 Budget | As of Sept. 30, 2017 |         | Projected Actuals at Year-End |         | Unspent Balance |           |
|-------------|----------------------|---------|-------------------------------|---------|-----------------|-----------|
| \$          | \$                   | % Spent | \$                            | % Spent | \$ Unspent      | % Unspent |
| 40,518      | 4,492                | 11.1%   | 16,205                        | 40.0%   | 24,313          | 60.0%     |

\* Based on 2017 Q3 Capital Variance Report

- The 2017 year-end projections reflect a spending rate of 11.1% primarily due to delays in the delivery of child care centres. The Program has limited control over the delivery of child-care projects, as these projects are often part of a larger project involving school boards and other third parties, with planning and design jointly managed by Children's Services and the construction managed by third parties.
- For additional information regarding the 2017 Q3 capital variances and year-end projections for Children's Services, please refer to the attached link for the report entitled "*Capital Variance Report for the Nine-Month Period Ended September 30, 2017*" considered by City Council at its meeting on Dec 5, 2017.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.BU37.1>

### **Impact of the 2017 Capital Variance on the 2018 Preliminary Capital Budget**

- As a result of delays in the delivery of capital projects, as described in the 2017 Q3 Capital Variance Report, \$6.876 million in 2-year carry forward funding is included in the 2018 Preliminary Capital Budget for re-approval by City Council. In addition, \$17.469 million is being carried forward into the 2018 Preliminary Capital Budget to continue capital work on other child care centre projects.
- A detailed review of the 2018 – 2027 Preliminary Capital Budget and Plan has been conducted and the necessary adjustments have been made to the timing of cash flow funding for the delivery of the child care centres. By deferring the cash flow funding to future years, the 2018-2027 Preliminary Capital Budget and Plan reflects readiness to proceed and will lead to a higher rate of spending.



## Appendix 2

**2018 Preliminary Capital Budget;  
2019 - 2027 Capital Plan Including Carry Forward Funding (\$000s)**

| Project                                   | Total Project Cost | Prior Year Carry Forward | 2018   | 2019   | 2020   | 2021  | 2022  | 2018 - 2022 | 2023  | 2024  | 2025  | 2026  | 2027  | 2018 - 2027 Total |
|---|--------------------|--------------------------|--------|--------|--------|-------|-------|-------------|-------|-------|-------|-------|-------|-------------------|
| <b>State of Good Repair:</b>              |                    |                          |        |        |        |       |       |             |       |       |       |       |       |                   |
| TELCCS - State of Good Repair (2018)      | 1,473              |                          | 1,473  |        |        |       |       | 1,473       |       |       |       |       |       | 1,473             |
| TELCCS - State of Good Repair (2019-2027) | 12,338             |                          |        | 1,285  | 1,226  | 1,367 | 1,367 | 5,245       | 1,367 | 1,367 | 1,367 | 1,496 | 1,496 | 12,338            |
| <b>Sub-Total</b>                          |                    | -                        | 1,473  | 1,285  | 1,226  | 1,367 | 1,367 | 6,718       | 1,367 | 1,367 | 1,367 | 1,496 | 1,496 | 13,811            |
| <b>Service Improvements:</b>              |                    |                          |        |        |        |       |       |             |       |       |       |       |       |                   |
| St John the Evangelist Catholic School    | 3,900              | 750                      | 450    | 2,138  |        |       |       | 3,338       |       |       |       |       |       | 3,338             |
| Bridletown Community Centre (#6)          | 3,900              | 1,500                    | 250    | 1,000  | 900    | 250   |       | 3,900       |       |       |       |       |       | 3,900             |
| David and Mary Thompson (#7)              | 3,900              |                          |        | 300    | 960    | 1,680 | 960   | 3,900       |       |       |       |       |       | 3,900             |
| New Child Care Centre No. 6               | 3,900              |                          |        |        | 500    | 1,500 | 1,220 | 3,220       | 680   |       |       |       |       | 3,900             |
| Customer Service Improvements             | 3,175              |                          | 400    |        |        |       |       | 400         |       |       |       |       |       | 400               |
| New Child Care Centre No. 9               | 3,900              |                          |        |        |        |       |       | -           | 500   | 1,670 | 1,730 |       |       | 3,900             |
| Avondale Public School                    | 1,433              | 449                      | (222)  |        |        |       |       | 227         |       |       |       |       |       | 227               |
| Block 31 Child Care Centre                | 4,733              |                          | 2,264  | 1,531  |        |       |       | 3,795       |       |       |       |       |       | 3,795             |
| Advent Health Care Child Care Centre      | 2,710              |                          | 500    |        |        |       |       | 500         |       |       |       |       |       | 500               |
| Stanley P.S                               | 3,900              | 1,700                    | 663    | 1,400  |        |       |       | 3,763       |       |       |       |       |       | 3,763             |
| St Columba C.S.                           | 1,400              | 350                      | 295    | 300    |        |       |       | 945         |       |       |       |       |       | 945               |
| St Maurice Catholic School                | 1,400              | 200                      | 72     |        |        |       |       | 272         |       |       |       |       |       | 272               |
| St. Barnabas Catholic School              | 1,400              | 1,750                    | 760    |        |        |       |       | 2,510       |       |       |       |       |       | 2,510             |
| St Roch Catholic School                   |                    | 1,400                    | 410    |        |        |       |       | 1,810       |       |       |       |       |       | 1,810             |
| St Bartholomew Catholic School            |                    | 1,750                    | 760    |        |        |       |       | 2,510       |       |       |       |       |       | 2,510             |
| St Stephen Catholic School                |                    | 200                      |        |        |        |       |       | 200         |       |       |       |       |       | 200               |
| George Webster                            |                    | 120                      |        |        |        |       |       | 120         |       |       |       |       |       | 120               |
| North East Scarborough Recreation C       | 3,900              |                          | 94     | 168    | 1,432  | 1,432 | 774   | 3,900       |       |       |       |       |       | 3,900             |
| TCH Lawrence Ave Site                     | 3,900              | 1,100                    | 1,700  |        |        |       |       | 2,800       |       |       |       |       |       | 2,800             |
| TCH Needle Firway                         | 3,900              | 1,700                    | 445    | 1,100  | 600    |       |       | 3,845       |       |       |       |       |       | 3,845             |
| Mount Dennis Child Care Centre            | 9,000              | 4,500                    | 1,575  | 1,000  |        |       |       | 7,075       |       |       |       |       |       | 7,075             |
| Bendale Child Care Centre                 | 3,000              |                          | 3,000  |        |        |       |       | 3,000       |       |       |       |       |       | 3,000             |
| Child Care Centre No. 11                  | 3,900              |                          | 1,300  | 1,300  | 1,300  |       |       | 3,900       |       |       |       |       |       | 3,900             |
| Anishawabe Child Care Centre              | 6,000              |                          | 2,000  | 2,000  | 2,000  |       |       | 6,000       |       |       |       |       |       | 6,000             |
| <b>Sub-Total</b>                          |                    | 17,469                   | 16,716 | 12,237 | 7,692  | 4,862 | 2,954 | 61,930      | 1,180 | 1,670 | 1,730 | -     | -     | 66,510            |
| <b>Growth Related:</b>                    |                    |                          |        |        |        |       |       |             |       |       |       |       |       |                   |
| TCS Growing Child Care Centre for Toronto | 4,764              |                          | 378    | 1,299  | 1,234  | 1,214 | 639   | 4,764       |       |       |       |       |       | 4,764             |
| <b>Sub-Total</b>                          |                    |                          | 378    | 1,299  | 1,234  | 1,214 | 639   | 4,764       |       |       |       |       |       | 4,764             |
| <b>Total</b>                              |                    | 17,469                   | 18,567 | 14,821 | 10,152 | 7,443 | 4,960 | 73,412      | 2,547 | 3,037 | 3,097 |       |       | 85,085            |



































