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NOTE REGARDING NEXT STEPS AND IMPLEMENTATION

This Service Efficiency Study provides advice and recommendations to the City Manager and was conducted in consultation with the Division. The Study identifies actions and directions that could result in more efficient and effective service delivery, organizational and operation arrangements and associated savings.

The City Manager will work closely with senior management to determine which of the actions are feasible and can be implemented, implementation methods and timeframes, and estimated savings. In some cases, further study may be required; in other cases the actions may not be deemed feasible. Implementation will be conducted using various methods and may be reported through annual operating budget processes or in a report to Council or an applicable Board, where specific authorities are necessary. In all cases, implementation will comply with collective agreements, human resources policies and legal obligations.

Preliminary estimated savings have been identified in the study by year where possible. In some cases savings may be included in the 2014 or future years budget submissions. Achievement of these savings is highly dependent on the viability of these actions as determined by senior management, timeframes and other implementation considerations.

City of Toronto: Service
Efficiency Study of the
Children's Services
Division
Final Report

February 2013



Notice: During the course of our engagement, Deloitte relied on various sources of information provided by the City of Toronto. These documents include, but are not limited to, other reports and financial data as well as information provided verbally during interviews and working sessions. We have not audited or sought to verify the accuracy and completeness of the information provided to us (financial or otherwise).

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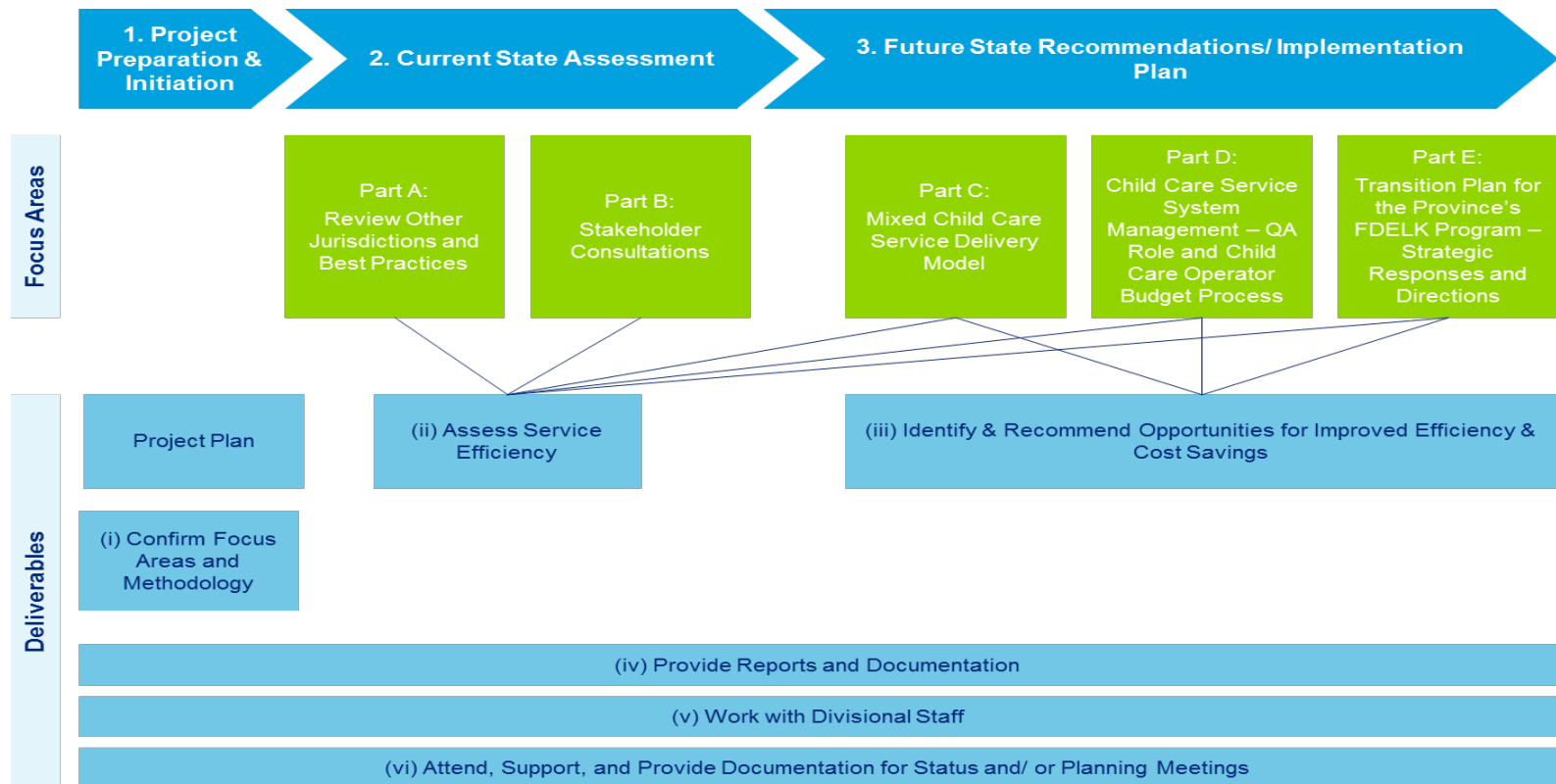
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Executive Summary

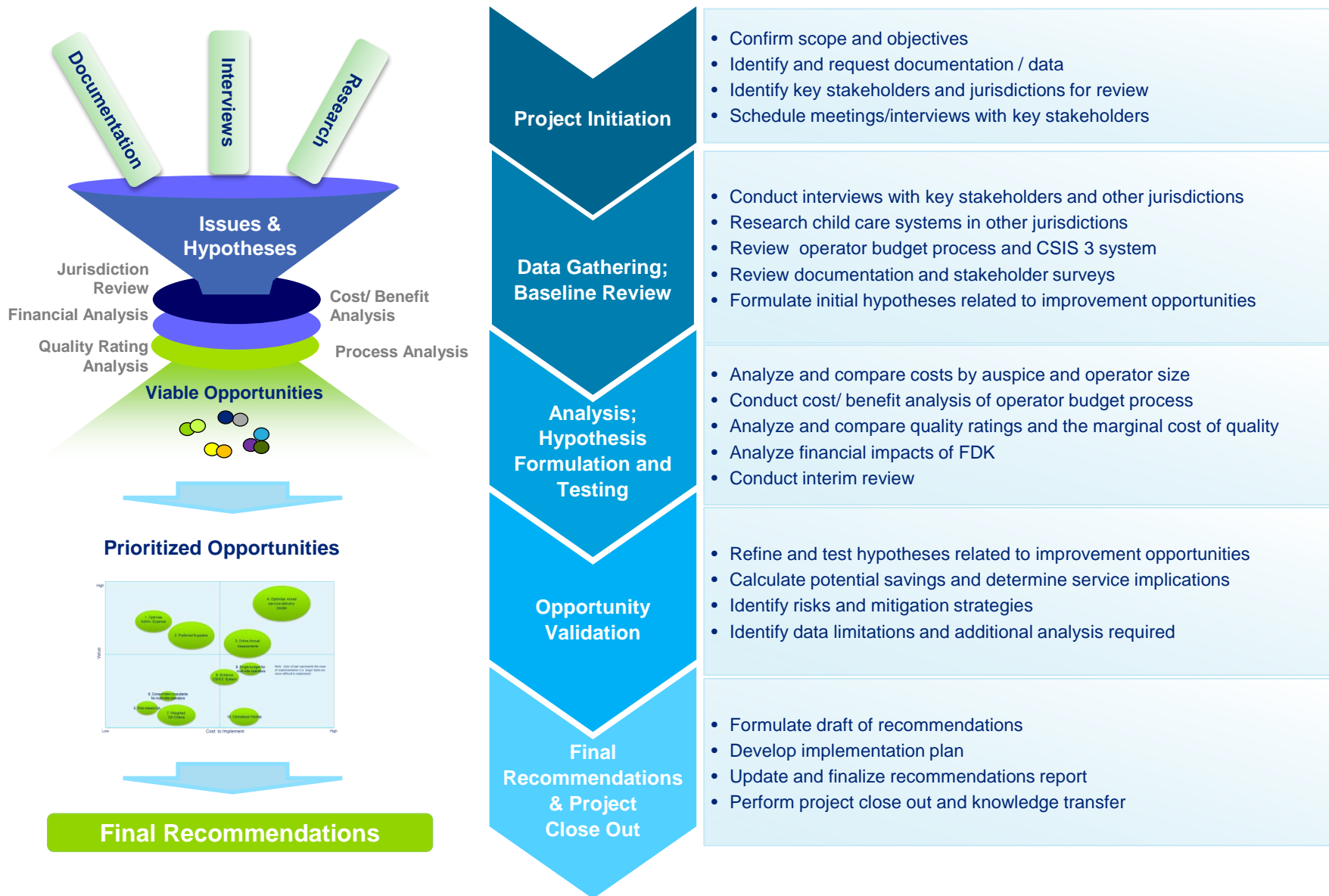
This project undertook a general review of the operations of the City of Toronto's Children's Services Division, with an emphasis on 5 focus areas

Project Objectives

The purpose of the service efficiency review of the City's Children's Services Division is to **identify and supply actionable recommendations** that will provide **optimal service efficiency savings** in the **shortest period of time**.



Our methodology was intended to facilitate as comprehensive an analysis as possible, given the broad scope and time limitations



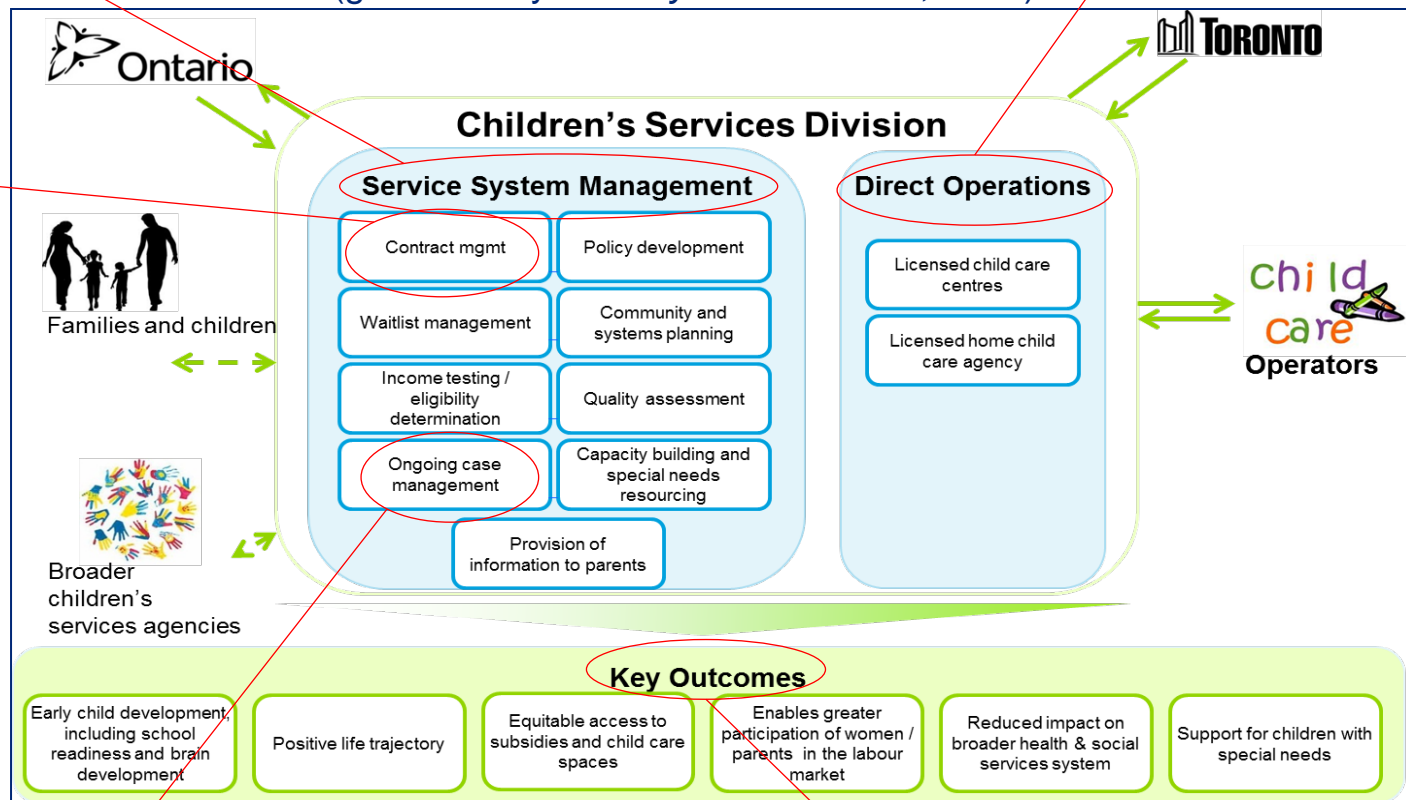
Overall, we found that the Children's Services division is taking a disciplined approach to balance service system management and direct operations amidst funding challenges

Cost of administration is 5.8% which is lower than the provincial allowable maximum of 10%

Directly operated child care centres have high quality ratings, provide service to high needs populations, and set benchmarks/best practices for other child care operators. The cost of the directly operated child care centres is higher than average

Toronto Child Care System Overview (governed by the *Day Nurseries Act*, 1990)

The current operator budget process is effort intensive for both City staff and operators

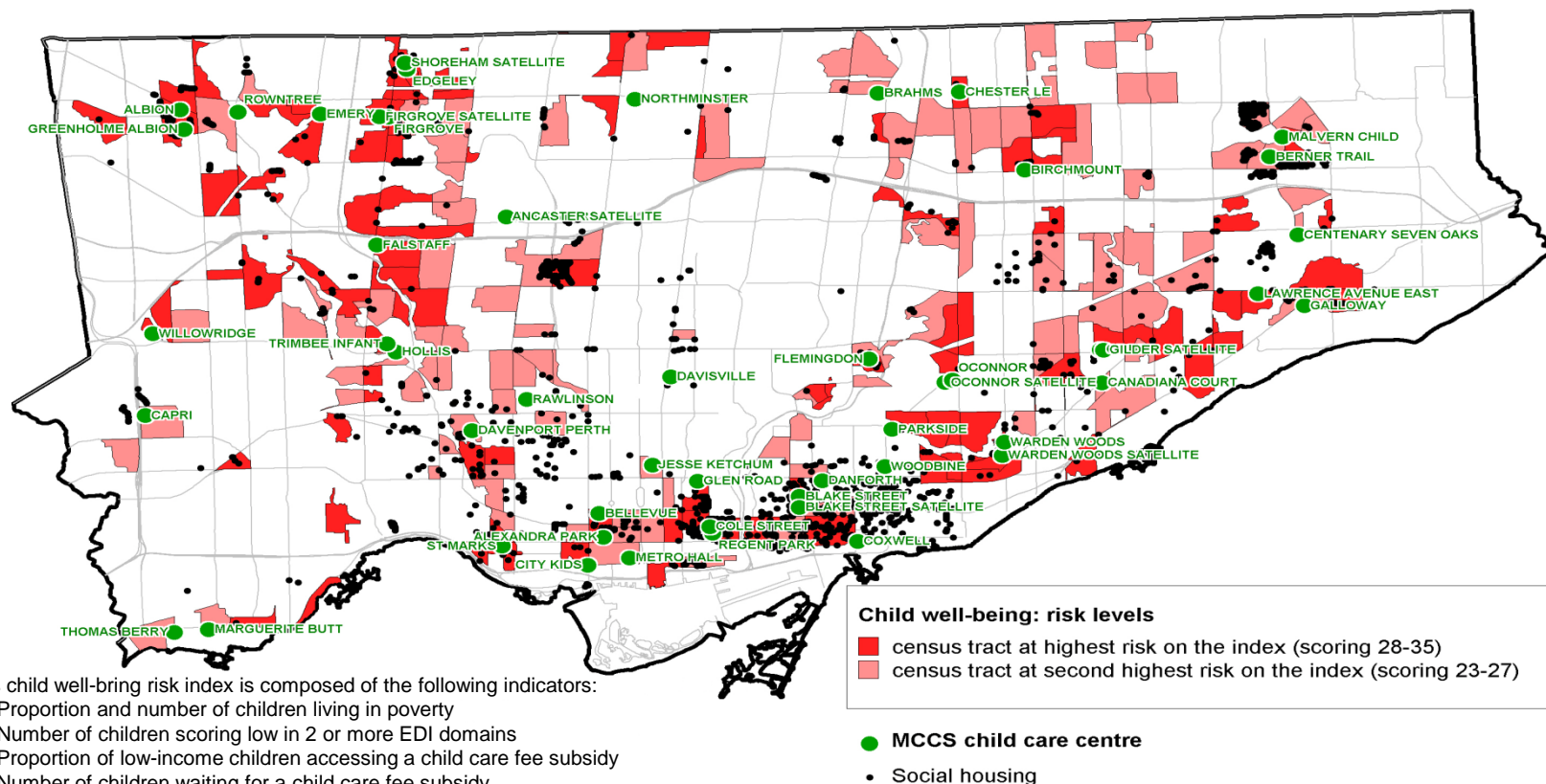


The income test annual verification process requires effort-intensive in-person interviews

The long-term impact of initiatives such as the QA can only be proven through investment in longitudinal studies

Toronto's directly operated programs address a unique need by serving high needs communities

Location of MCCS Child Care Centres



This child well-being risk index is composed of the following indicators:

- Proportion and number of children living in poverty
- Number of children scoring low in 2 or more EDI domains
- Proportion of low-income children accessing a child care fee subsidy
- Number of children waiting for a child care fee subsidy
- Number of children living in a lone-parent family
- Proportion of the community that has moved in a 1 year period

Census tracts are grouped in quintiles and ranked based on the value of the risk indicator (a rank of 1 indicates the risk is low, a rank of 5 indicates the risk is high). The quintile rankings are added to give a final score. Minimum score is 5. Maximum score is 35.

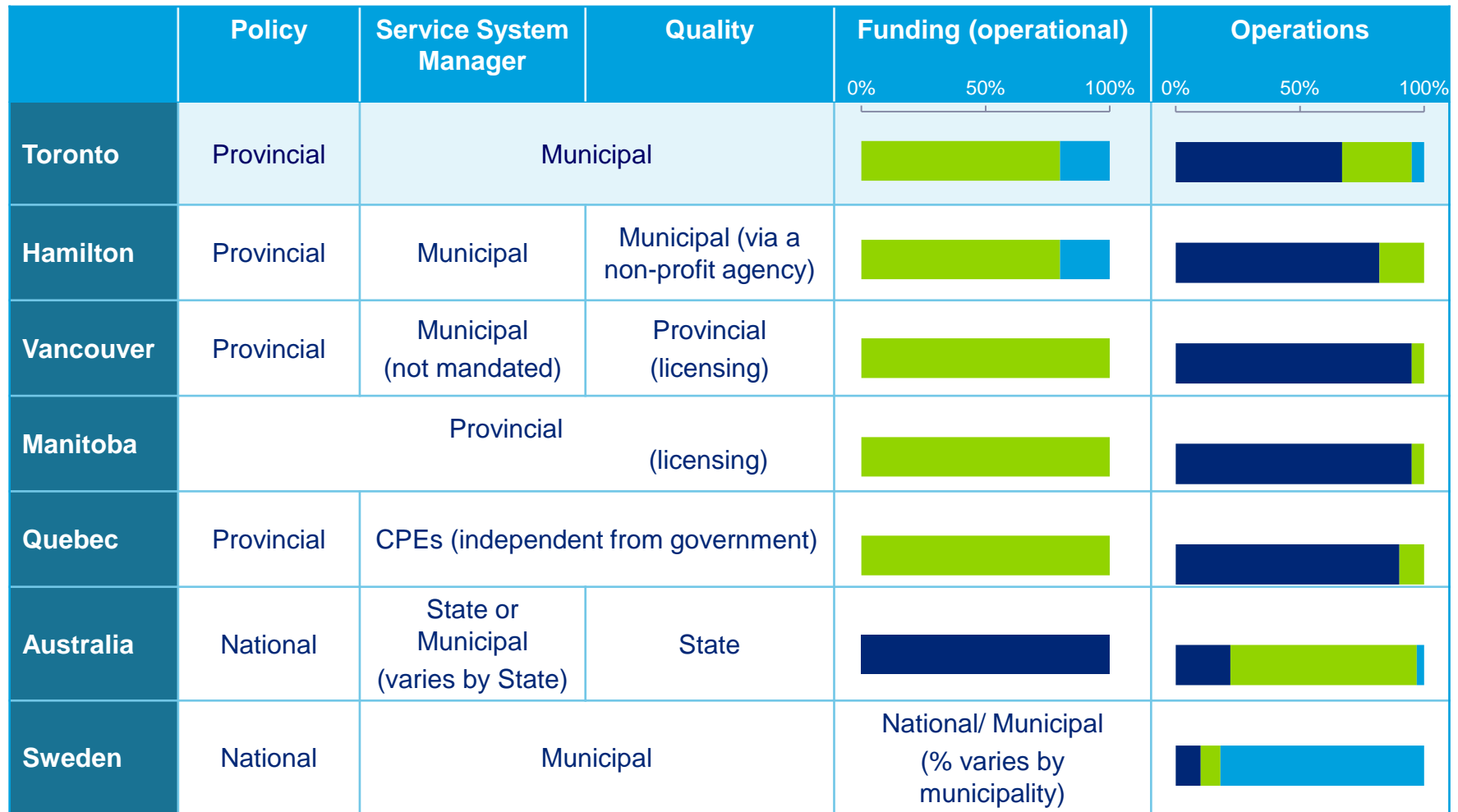
Source: MCCS Strategic Plan 2011-2015

Toronto's directly operated programs address a unique need by serving high needs communities

Key Observations

- The mandate of the Municipal Child Care Services (MCCS) centres is to serve neighbourhoods and communities with a high concentration of families with special or other needs
- Consequently, most of the MCCS child care centres are located in high-needs neighbourhoods
- MCCS child care centres also serve a higher percentage of children with special needs
- Although the City plays an important role in delivering child care in high needs communities, as the Service System Manager, it also has an important role in building system capacity , particularly focused on the non-profit sector, which could reduce the municipal role over time
- The City's focus on building system capacity and increasing its leadership role within the child care community are reflected in the 2011-2015 MCCS Strategic Plan
- In Ontario, approximately half of municipalities have some role in directly operated child care centres or private home day (OMSSA data from 2007)

Compared to other systems in Canada and globally, Toronto has a more varied mix of operators and funders



Notes: -- The majority of centres in Sweden are operated by municipal centres, however an actual percentage was not available

- The City of Hamilton also operates one municipal centre, however the percentage of spaces was not provided

■ National ■ Non-profit ■ Commercial
 ■ Provincial/ State ■ Municipal
 ■ Municipal

There are a number of high-potential improvement opportunities, which could reduce costs while maintaining service levels, within the constraints of the existing system

The City has the option of using the annual gross savings to reduce reliance on the municipal reserve fund in the short term, as well as the option of absorbing inflationary pressures on the budget.

	Focus Area		Opportunity	Description	Investment Required	Estimated Annual Gross Savings*	Approximate Effort of Implementation
High Impact	Business Process - Operator Budget Process	1	Optimize administrative expenses	Reduce the highest amount an Operator can claim on their annual budget for admin expense and provide improved guidelines for allowable expenses	Low	\$1.18M – \$4.43M (primarily cost-shared 80/20 with the Province)	1 year
		2	Explore use of preferred suppliers	Establish a preferred supplier list and negotiate favourable pricing for toys and other commodity purchases. Encourage all contracted operators to use preferred suppliers. Begin with a pilot project administered by one of the District Child Care Advisory Committees	Medium	\$0.93M - \$3.7M (primarily cost-shared 80/20 with the Province)	1-1.5 years
	Subsidy Assessment	3	Enable online fee subsidy assessments and explore opportunities to use provincial tax data	Enable online annual Subsidy Assessment for low risk families to reduce burden on administrative staff and enhance client experience	Medium - High	\$0.47M – \$0.84 M (primarily cost-shared 50/50 with the Province)	1.5-2 years
	Child Care Service Delivery Model	4	Optimize mixed service delivery model	Explore opportunities to optimize the mixed child care service delivery model by continually evaluating opportunities to increase non-profit sector capacity	High	\$3.4M - \$10.3M (based on a range of 25-75% reduction in municipal spaces; primarily cost-shared 80/20 with the Province)	2-3 years

NOTE: * Estimated annual savings are gross savings and do not reflect the cost-sharing arrangements with the Province. Cost-sharing arrangements between the Province and the City are typically 80:20 for program funding (e.g. fee subsidy, wage subsidy, special needs resourcing) and 50:50 for administration funding. In addition, there are some spaces which are 100% funded by the City or 100% funded by the Province. Investment estimates are preliminary and high-level. Low: <\$500k; Medium: \$500k to \$1 M; High: >\$1 M. For recommendation #4, it should be noted that savings are based on an illustrative range and a larger reduction in municipal spaces may take considerable time to achieve.

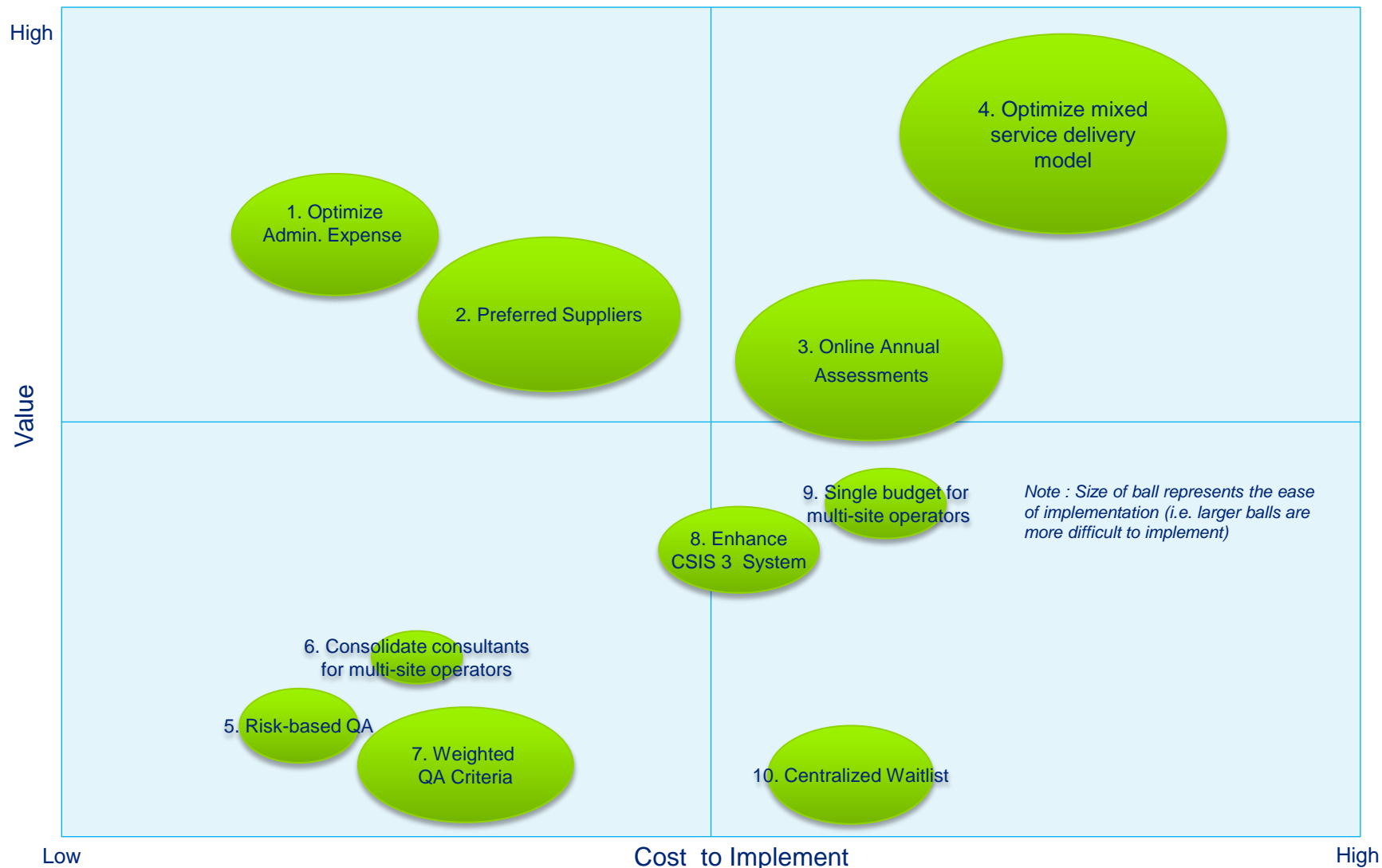
Additional, smaller, opportunities could also be pursued to improve overall efficiency and effectiveness

	Focus Area		Opportunity	Description	Investment Required	Estimated Annual Savings	Approximate Effort for Implementation
Medium/ Low Impact	Quality Assurance	5	Risk based approach to QA assessments	Conduct a Quality Assessment more frequently for poorly performing centres and less often for high performing centres	Low	Low	1 year
		6	Consolidate the number of ward-based consultants for multi-site operators	Explore opportunities to consolidate the number of ward-based consultants working with multi-site agencies, depending on the size and location of the agency	Low	Low	2-3 months
		7	Weight criteria to enhance the QA tool	Explore opportunities to enhance the QA tool by considering different criteria weights (e.g. higher weights for child-teacher interactions and curriculum)	Low	n/a	2 years

Additional, smaller, opportunities could also be pursued to improve overall efficiency and effectiveness

	Focus Area		Opportunity	Description	Investment Required	Estimated Annual Savings	Approximate Effort for Implementation
Medium/Low Impact	Business Process - Operator Budget Process	8	Enhance CSIS 3 system	Link the attendance and budget modules to eliminate the need for manual calculations and improve accuracy Expand CSIS 3 support to Home Child Care centres, Special Needs Resourcing, and Family Resource Planning	Medium	Medium	1 year
		9	Streamline budget for multi-site operators	Implement a single budget submission for multi-site operators Identify additional opportunities for efficiency, including approaches that consider a less detailed process for determining part or all of the per diem amounts	Medium	Medium	1 year
	Customer Service	10	Establish a centralized waitlist system for licensed spaces	Explore opportunities to consolidate the individual waitlists into one centralized wait list system for better information on vacancies and parents without child care services	Medium	n/a	1-2 years

The full list of opportunities can be organized according to their potential value and required implementation effort



Introduction

Background and context

The City of Toronto's Children's Services Division manages, oversees and funds Toronto's child care system, which is the largest of its kind in Ontario and the second largest in Canada.

Children's Services is designated as the City's "child care service system manager" under provincial legislation and as such has responsibility for planning and managing a broad range of child care and related services, including:

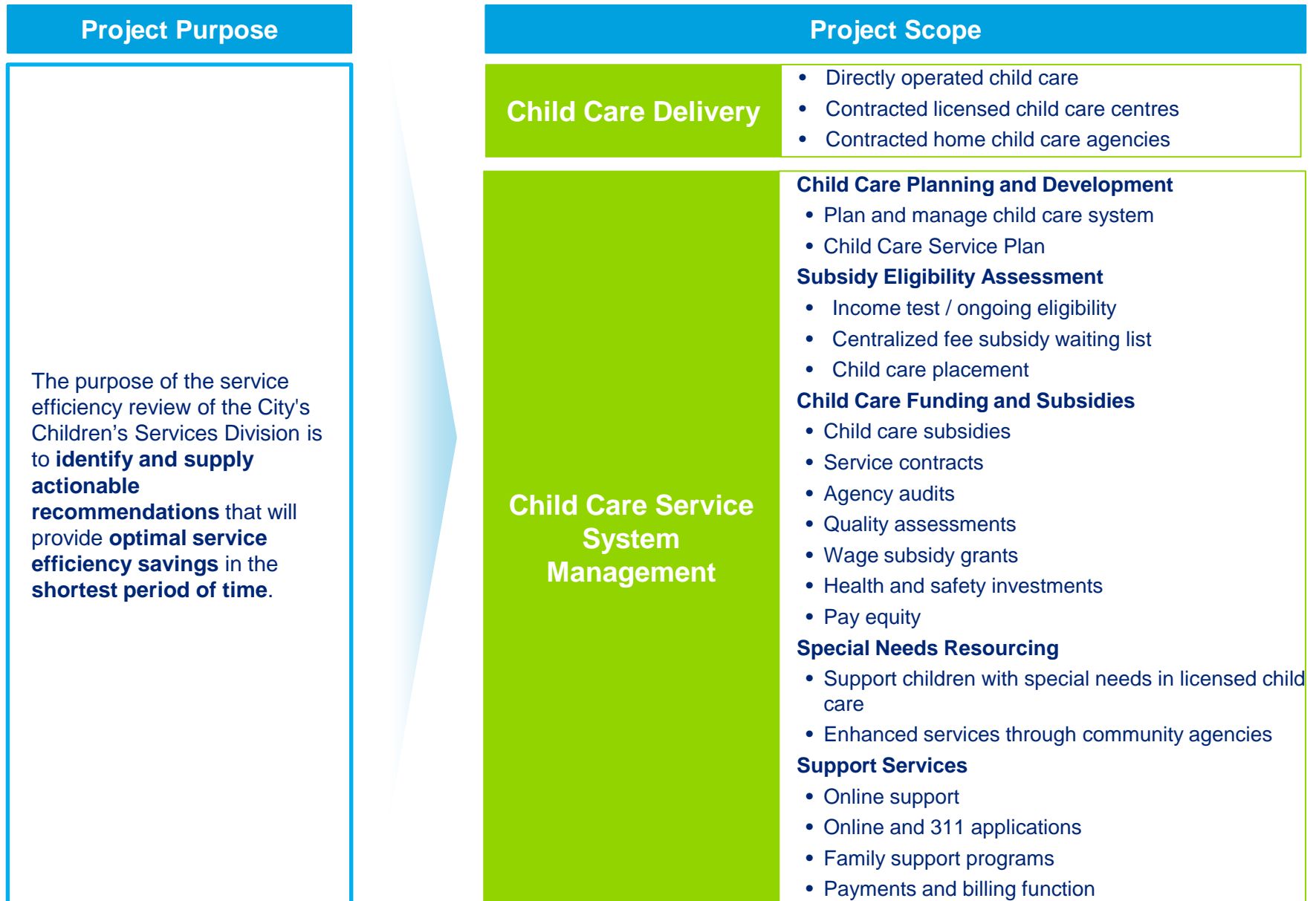
- Fee subsidy
- Wage subsidy
- Family resource centres
- Special needs resourcing
- Pay equity

In addition to its service system management role, the Children's Services Division also directly operates 52 MCCS centres and one home child care agency.

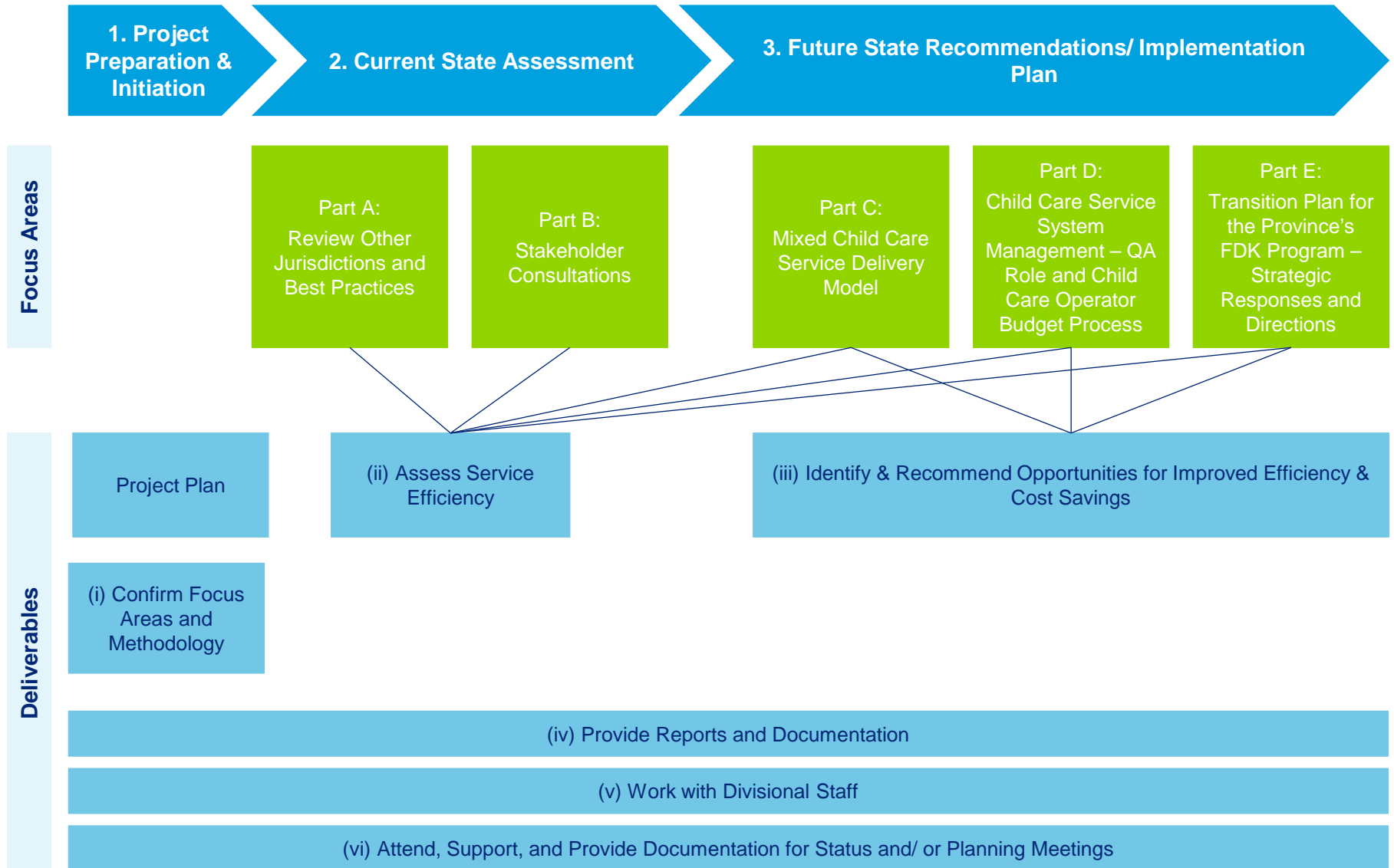
Children's Services Division Mission:

The Children's Services Division manages Toronto's child care system. In partnership with the community, the division promotes equitable access to high quality care for children and support for families and caregivers. Children's services are planned, managed and provided in ways that promote early learning and development, respond to families' needs and choices and respect the diversity of Toronto's many communities. An integrated approach to providing services to children ensures public value and benefit to all.

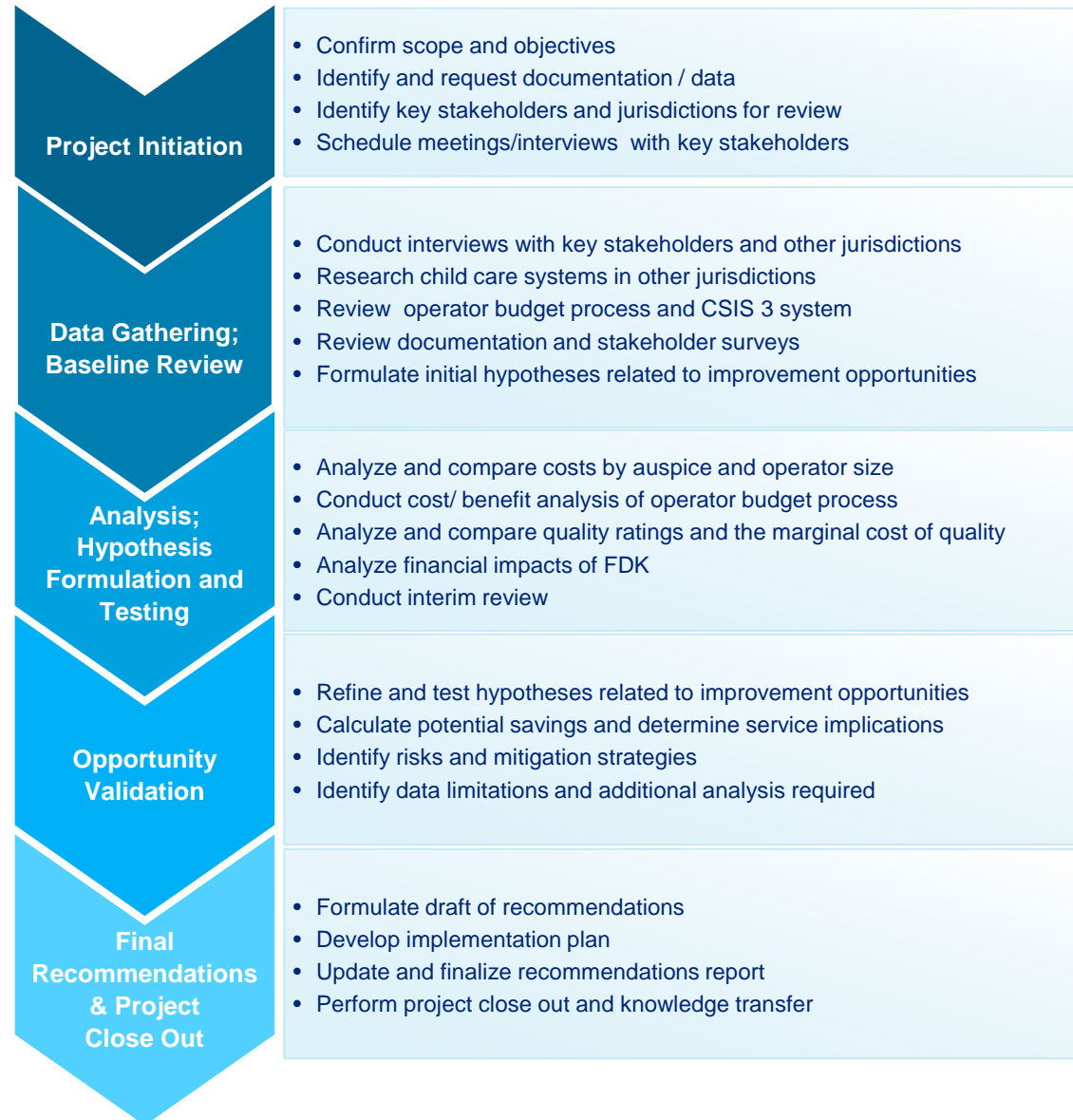
Project overview and scope



Project approach

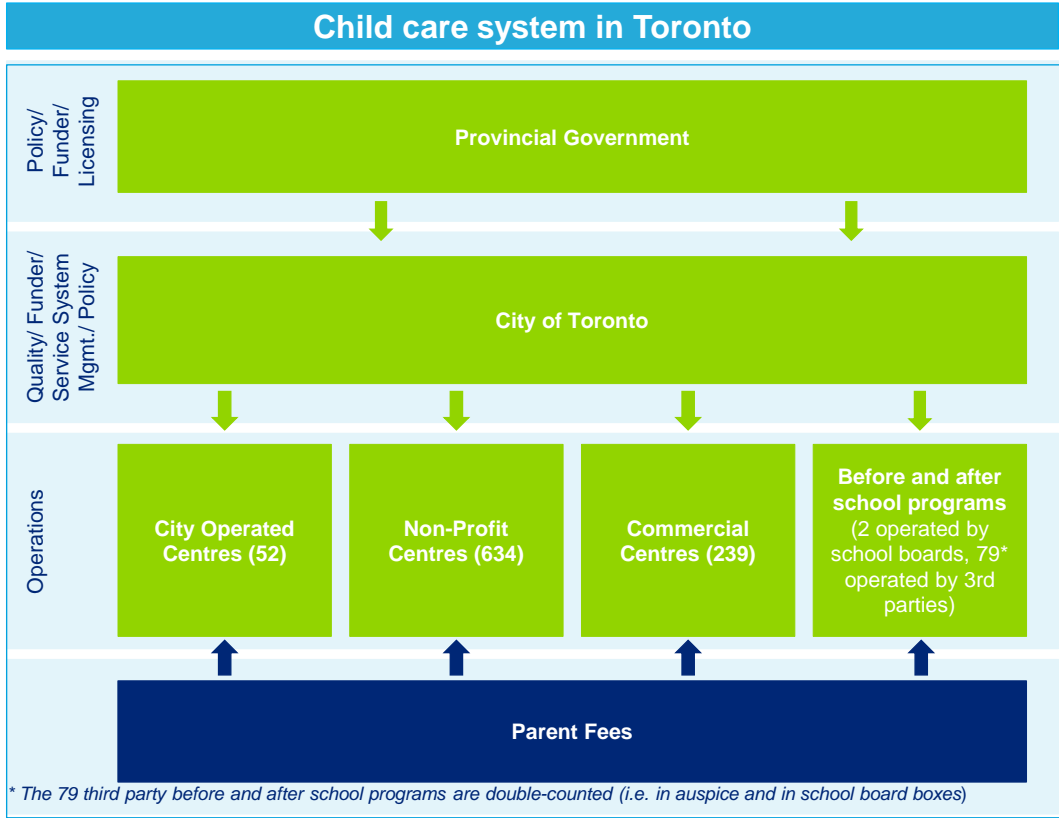


Overall methodology



Current State Assessment

Childcare in Toronto is supported through a mixed-service delivery model and multiple funding mechanisms



Funding overview

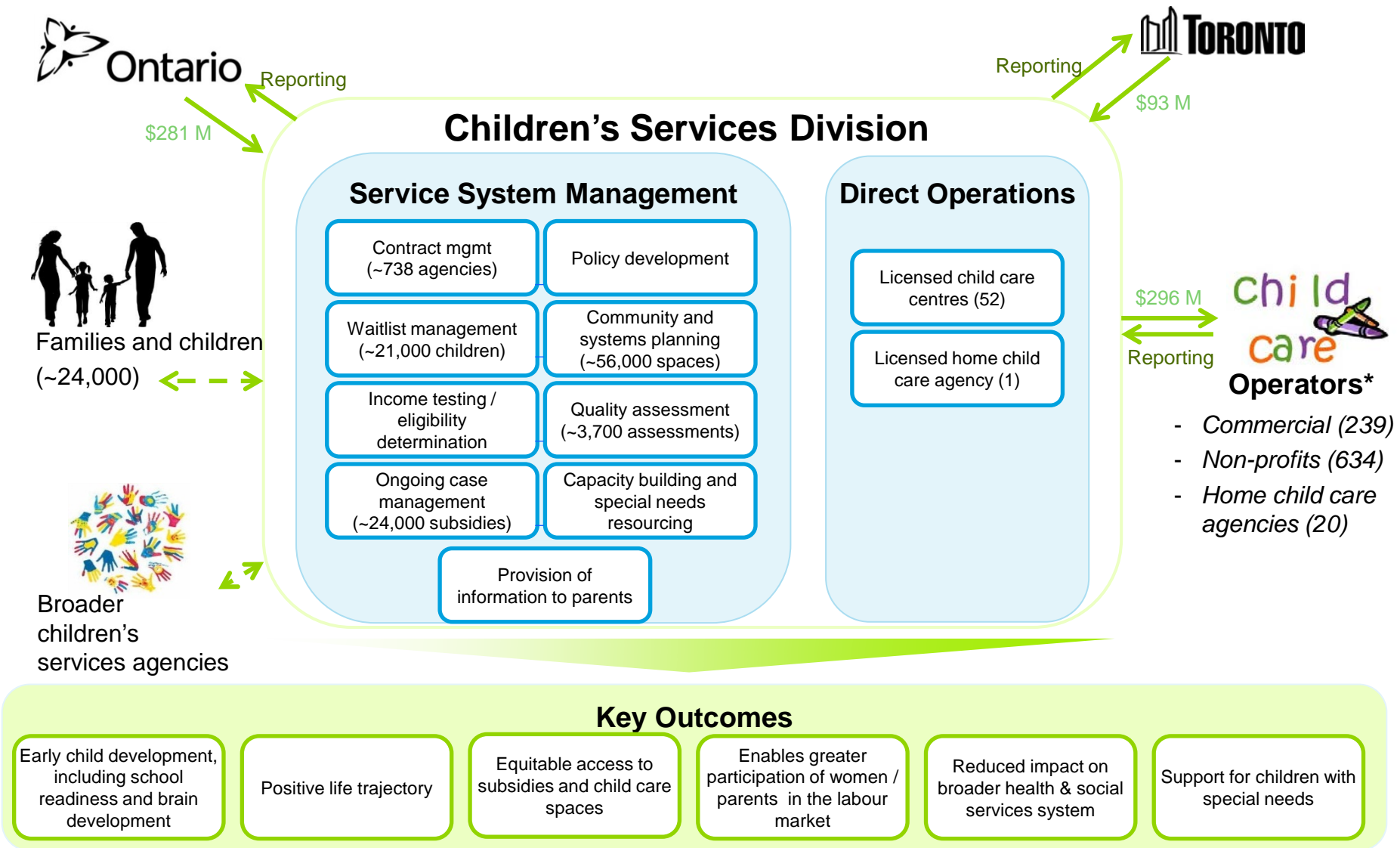
- The provincial government contributes approximately \$281M to child care (MEDU-\$272.5M, MCYS-\$1.9M, STEP/ACSUB-\$6.4M)¹
- The municipal government contributes approximately \$93M (City-\$76.3M, Reserve Funds-\$11.8M, Capital Fund-\$1M, STEP/ACSUB-\$1.6M, NCBS Reserve Fund-\$2.2M), which is above the mandated funding requirement
- There are significant funding pressures that contribute to a subsidy waitlist of 21,000 families
- The City estimates that the child care system requires an additional \$27M annually from the province in order to sustain the existing system as 4 and 5 year old children transition to the new Full Day Kindergarten (FDK) program
- The City expects to receive additional funding from the province over the 5 years of FDK implementation, however the full funding has not yet been confirmed and only a portion has been annualized

Changes within the child care system

- The province is currently in the process of implementing the FDK program for 4 and 5 year olds, which is a child-centred, play-based, integrated, extended-day program of learning (in year 3 of a 5 year plan)
- The province recently released a paper on Child Care Modernization which outlines a focus on the operating funding formula, capital funding priorities, quality programs, a modernized legislative and regulatory framework, and support for accountability and capacity building over the next few years

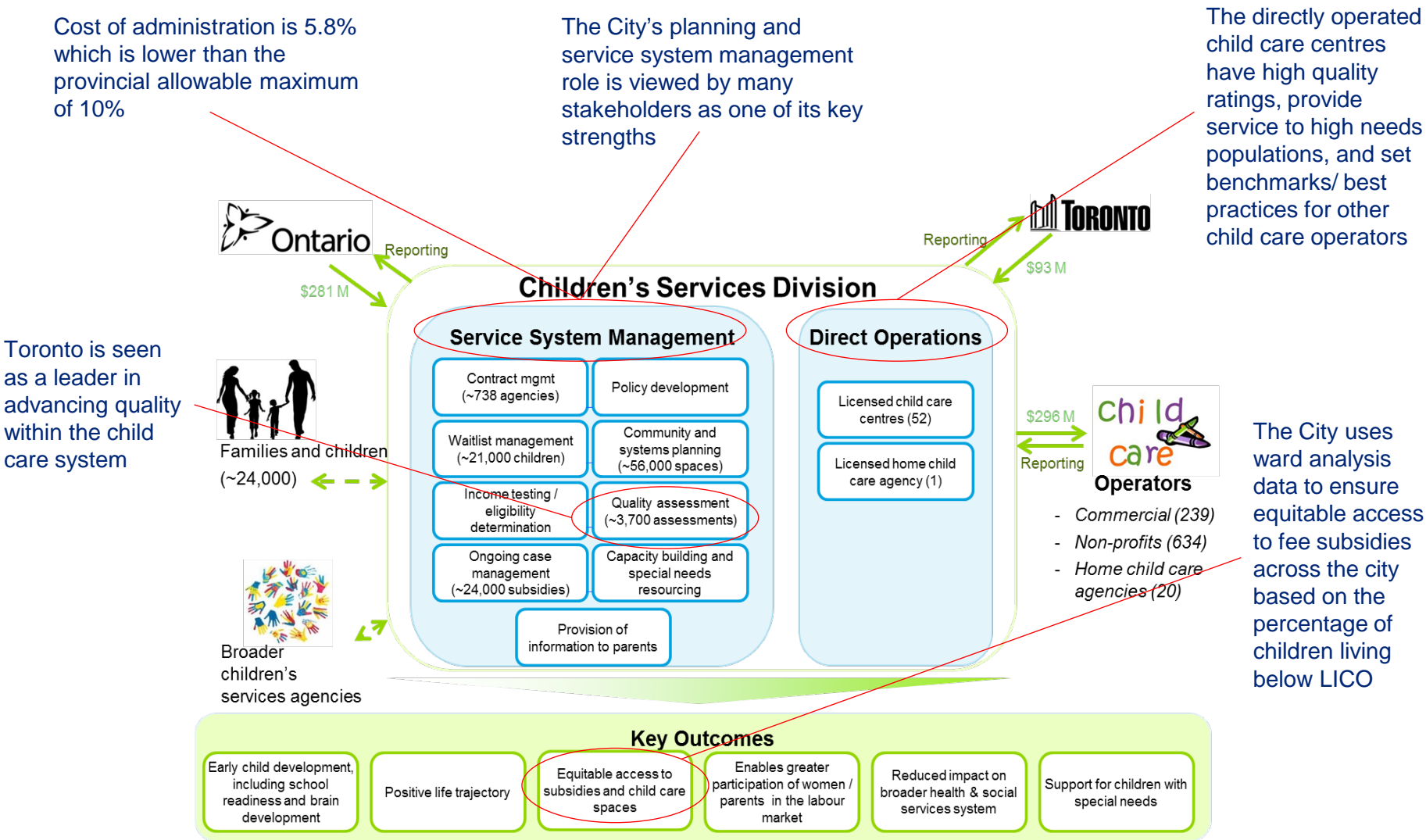
¹Of the provincial funding, \$5.7 M was a one time funding allocation

The current service delivery ecosystem includes the City and many other participants that influence and support the service model

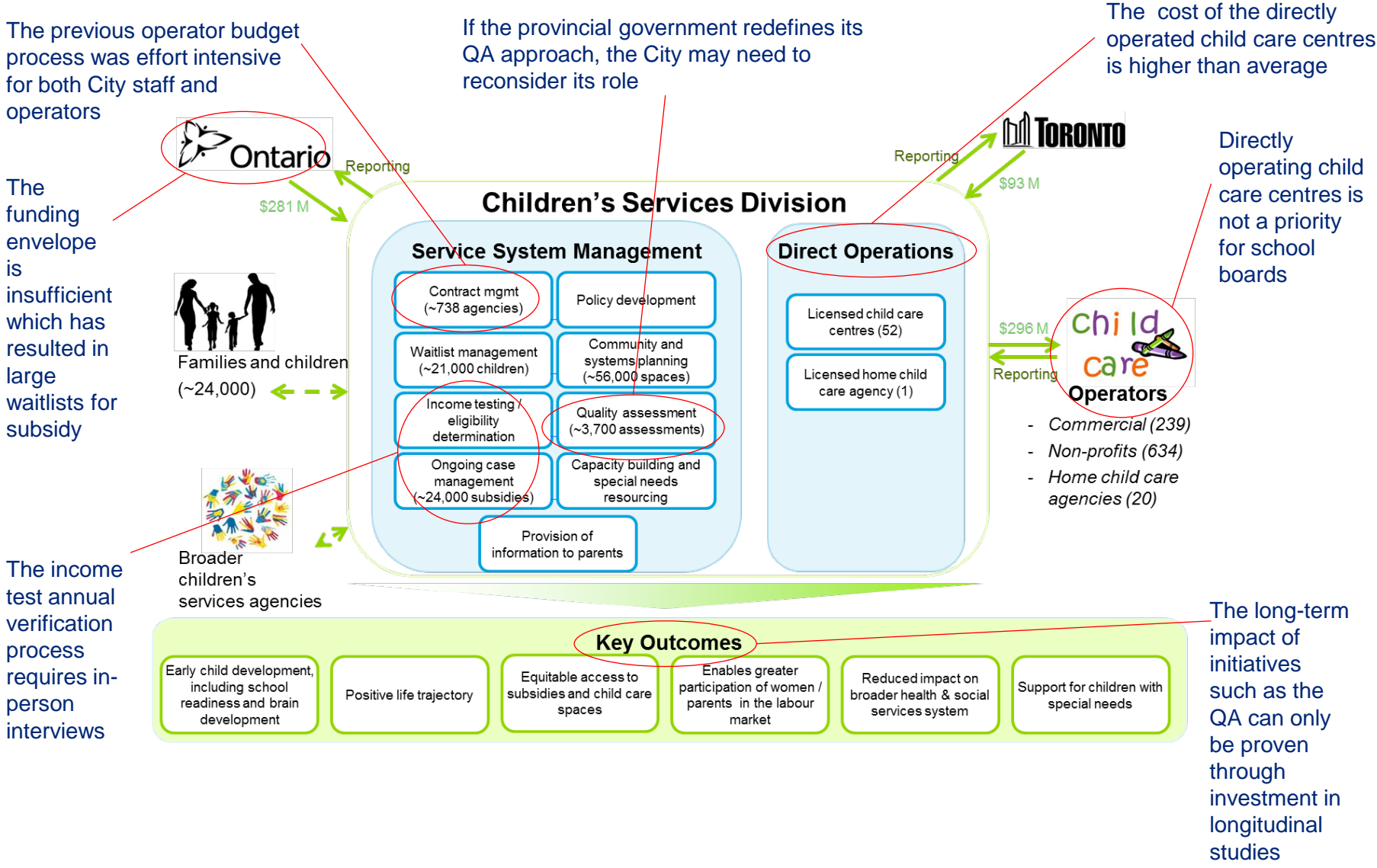


* Of the total number of centres/ home agencies shown, ~68% have a contract with the City

The strengths of the current system lie in its focus on quality and disciplined, data-driven approach to system management



The absence of a true child care system and sustained, predictable funding make it difficult to plan for the long-term



Current State Assessment: Mixed service delivery model

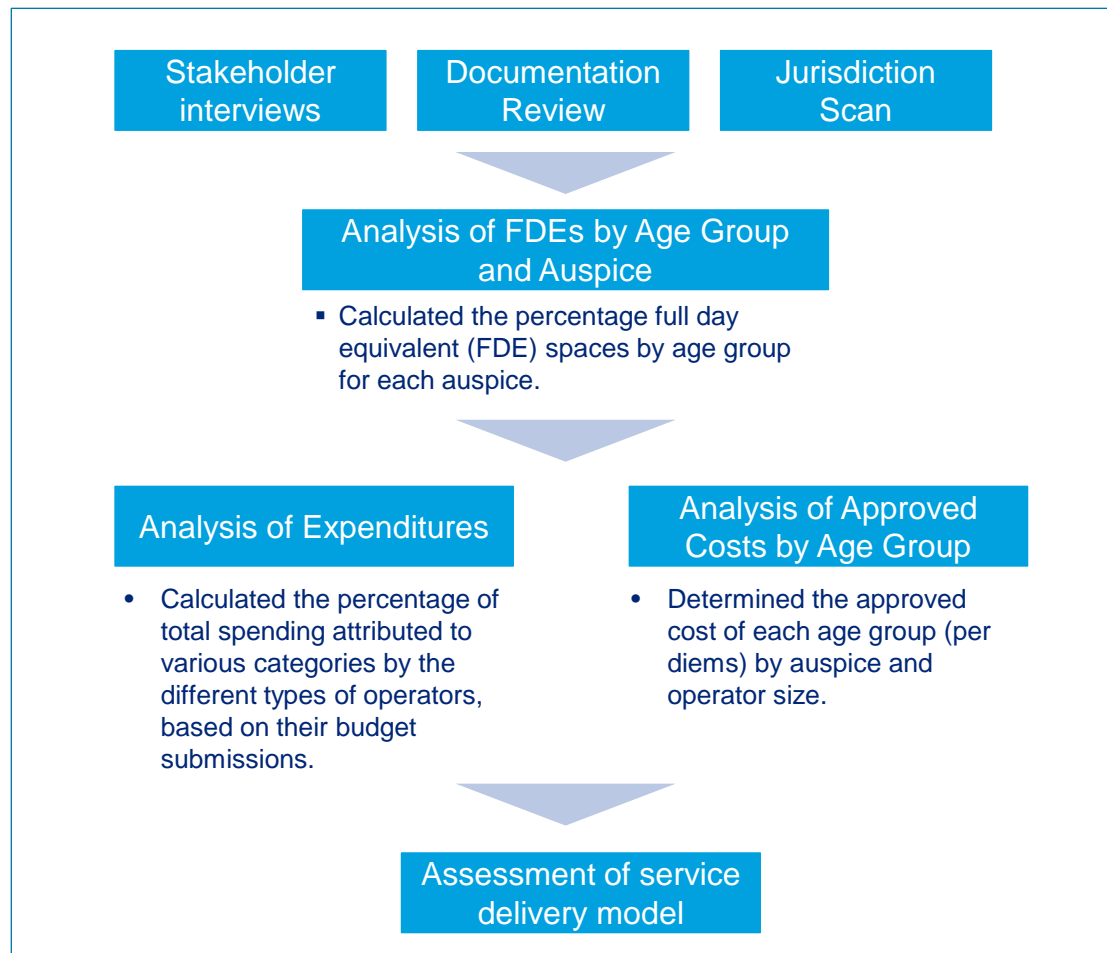
The mixed child care service delivery model aims to make the best use of available resources within the constraints of a legacy system

Purpose	<ul style="list-style-type: none">• To manage a system of child care services and provide improved access to families• To ensure that all families have equitable access to child care subsidies (e.g. in low income neighbourhoods, special needs children, etc.)	Key issues
Process	<ul style="list-style-type: none">• The City provides subsidies to eligible children and pays non-profit, commercial, and directly operated centres on their behalf• The City made a decision in 2004 to focus any system expansion on public or non-profit programs• New commercial operators are not eligible for fee subsidy or wage subsidy contracts, however existing commercial operators have been grandfathered and continue to receive funding	<ul style="list-style-type: none">• Some stakeholders feel that commercial operators should not be eligible for public funding• Completely eliminating commercial operators would have an immediate and significant impact on system capacity that would take time to mitigate• Municipally-operated centres provide service to high needs communities but are more expensive to operate
Key roles and stakeholders	<ul style="list-style-type: none">• The current child care service delivery model is composed of non-profit, commercial, and City operated child care agencies• The school boards also operate 2 before and after school programs	

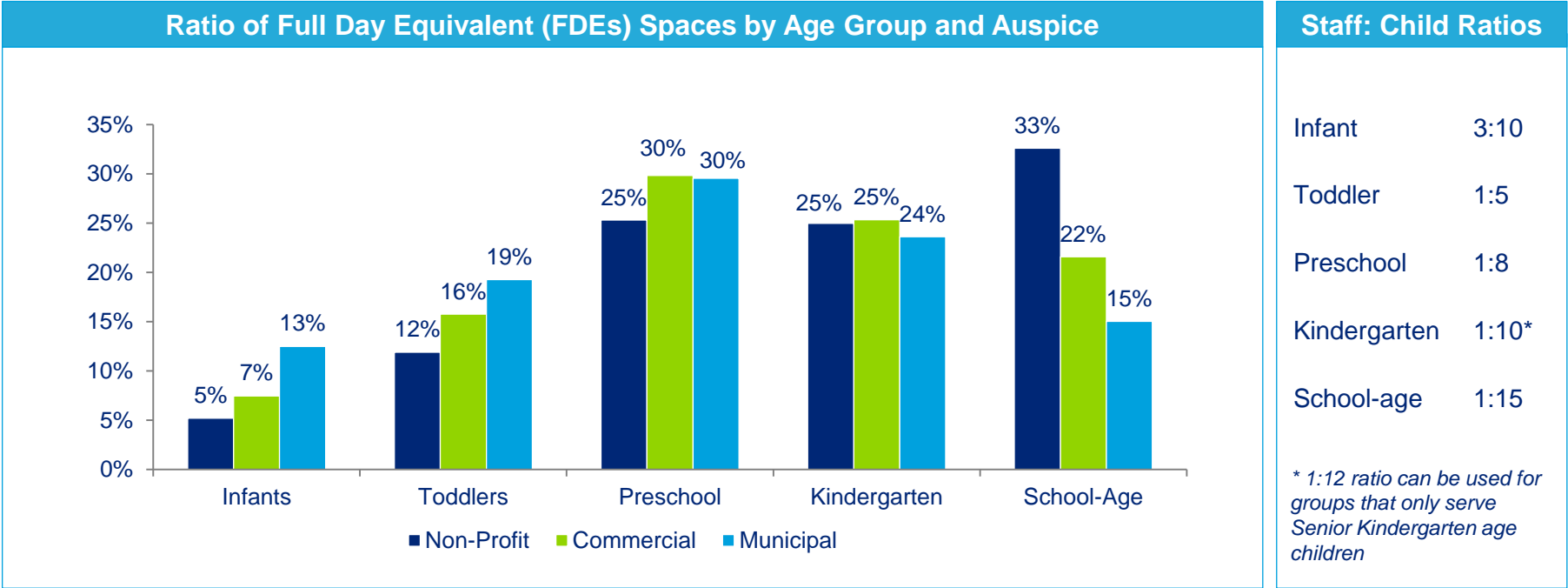
The service delivery model assessment was based on a holistic approach that considered qualitative and quantitative data across operator types

Objective of analysis: to determine the relative spending / costs across different types of child care operators

Methodology:



Municipal centres have a higher percentage of younger children, which changes the financial dynamics of a centre



Key Observations

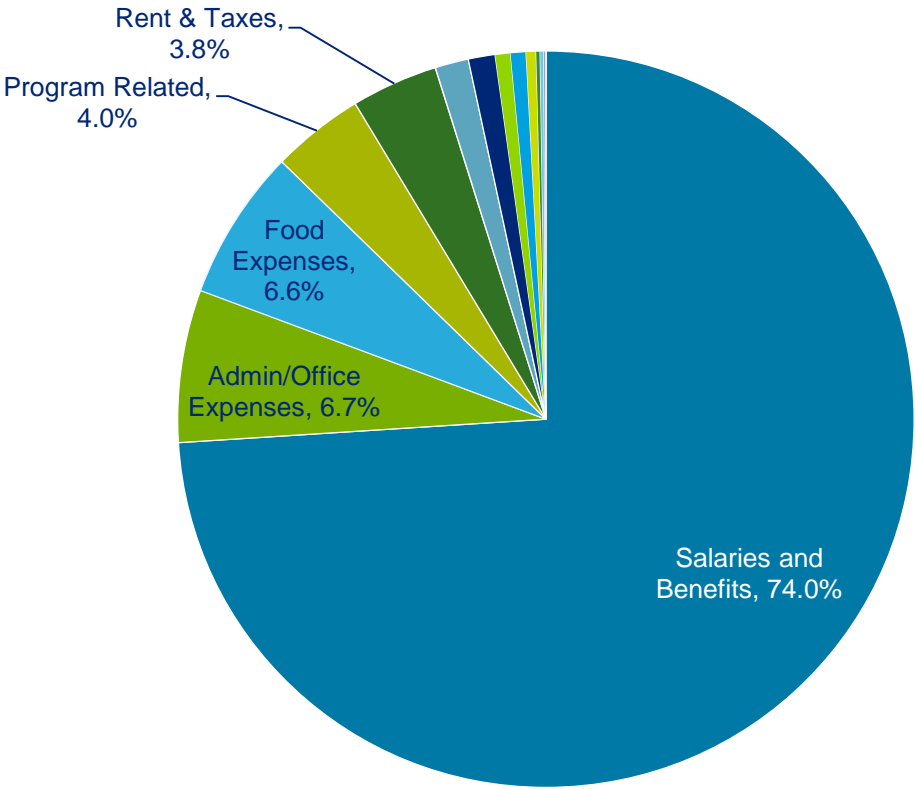
- Municipal child care centres have a higher proportion of younger age groups (e.g. infants represent 13% of FDEs vs. 5-7% for commercial and non-profit operators) which require higher staff:child ratios and consequently costs
- Non-profit operators have a higher proportion of school-age spaces (i.e. 33% vs. 15-22% for commercial and municipal centres), which require lower staff:child ratios and consequently lower costs
- As shown, the proportions of different age groups impact the financial dynamics of a centre, since the biggest expenses are related to labour

N.B:

- Analysis does not include home child care spaces

Labour is the largest component of child care service costs across the entire system and one that is difficult to control without impacting quality

Child care expenditures (averaged across all operator types)



Based on data provided by the City (please refer to Appendix C for details)

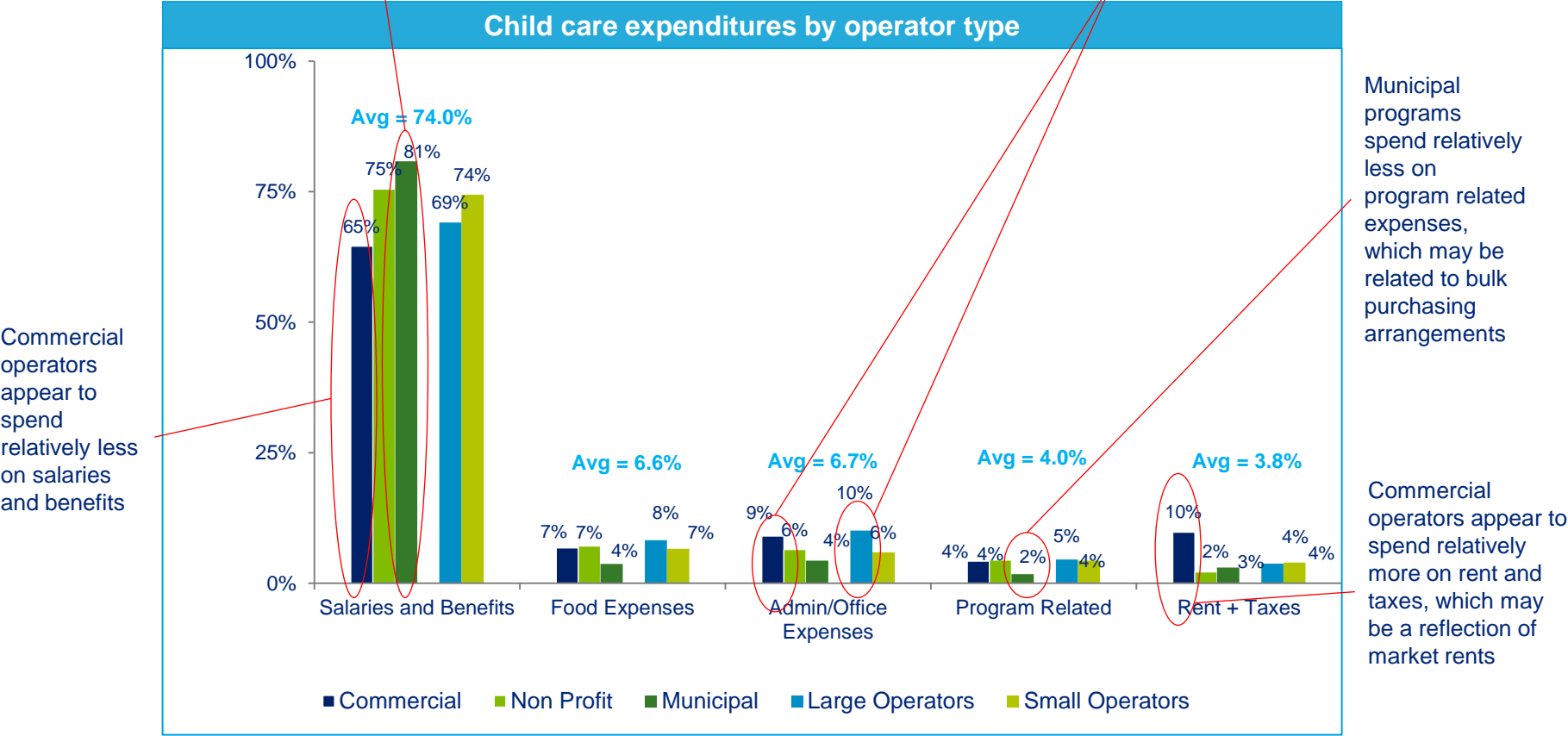
Key Observations

- The following top five expenditure categories amount to approximately 95% of all expenditures:
 - Salaries and benefits
 - Admin/ office expenses
 - Food expenses
 - Program related expenses
 - Rent and taxes
- Salaries and benefits are the largest expense across all types of operators, at approximately 74% of total expenditures (65% for commercial, 75% for non-profit, and 81% for municipal)
- Research suggests a positive correlation between staff education levels and quality; more qualified staff (certified Early Childhood Educators– ECEs) are typically paid higher salaries
- Salary levels also impact centres’ ability to retain qualified staff

Expenditures in several categories vary based on operator type, but further analysis is required to understand the root cause of such differences

Municipal programs appear to spend relatively more on salaries and benefits. This is likely a result of higher salaries, hiring more qualified staff, and a higher proportion of younger children. Municipal programs are considered the pay equity comparator

Large multi-site operators spend comparatively more on admin/ office expenses than smaller operators who would be expected to have smaller economies of scale. Additionally, commercial operators spend more on admin/ office expenses than non-profit operators, the reasons for which need to be identified through further analysis



Notes:

- All Operators with more than 5 locations were considered large operators
- Depending on the food model, some programs include a portion of food expenses in the salaries/benefits or program related expenditures. For example, the municipal centres include the salaries/ benefits of staff that prepare food in the salaries line, rather than the food expenses line. (Please refer to Appendix C for details)
- The annual salary range of ECE2 positions, which represents the majority of staff at municipal centres, is \$52,234 - \$57,240

City of Toronto – Service Efficiency Study of the Children’s Services Division

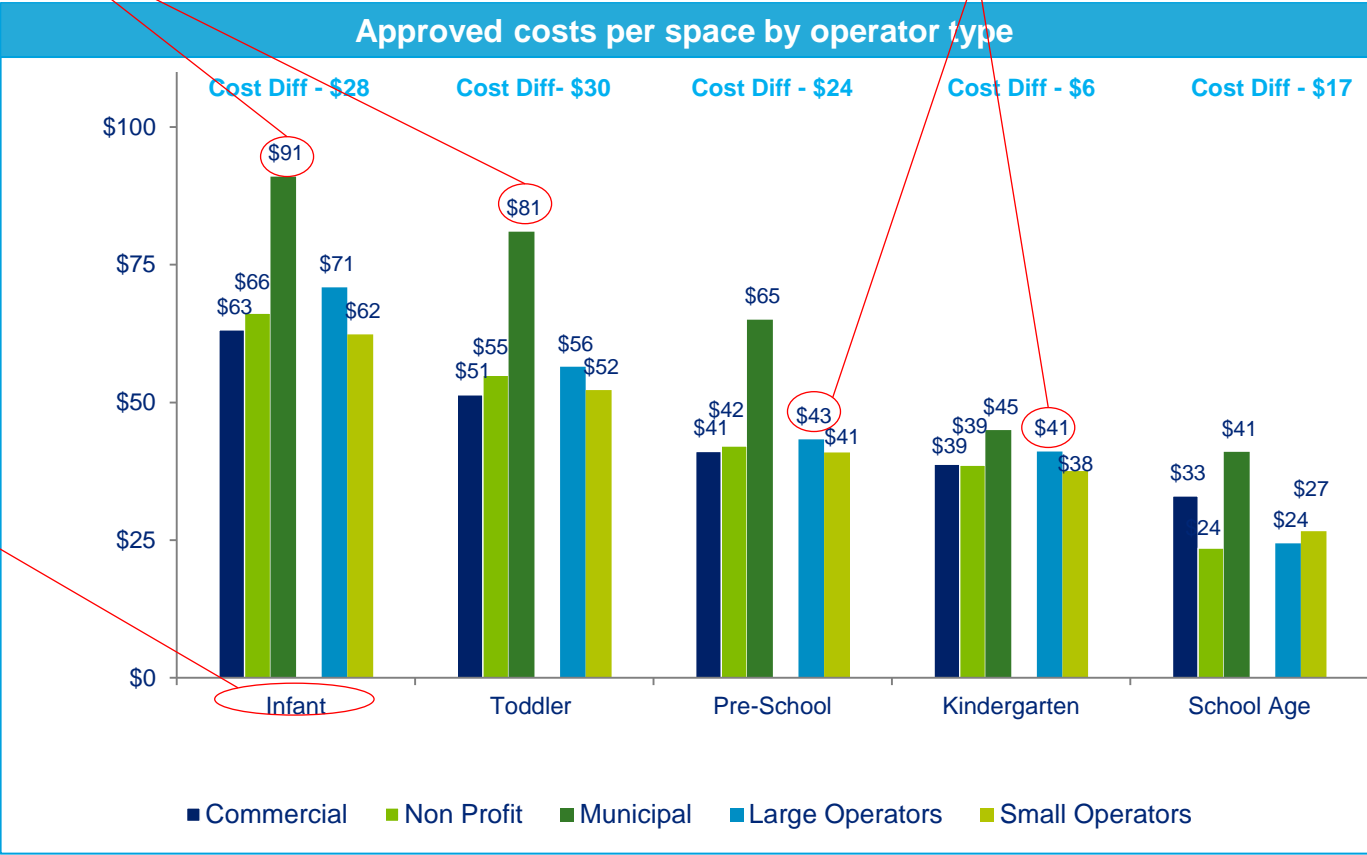
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Approved cost per space varies based on operator type, with municipal costs being comparatively higher than those of other operators

Municipal programs have a higher average approved costs per space across all age groups

Large operators also have a higher cost per space than smaller operators across all age groups, except school-age, which may be related to higher salaries, a greater proportion of unionized centres, and high occupancy costs (i.e. paying market rent)

Infant programs have higher costs per space than all other age groups, regardless of the operator type, as a result of higher staff to child ratios



- Notes:**
- All Operators with more than 5 locations were considered large operators. Large operators represent approximately 25% of contracted spaces
 - Per diem rates for Municipal centres were extracted from the following source - <http://www.toronto.ca/children/mccs/register.htm>
 - Approved costs per space do not take into account the cross-subsidization that occurs across age groups. (Please refer to Appendix C for details)

Current State Assessment: Quality Assurance (QA) Role

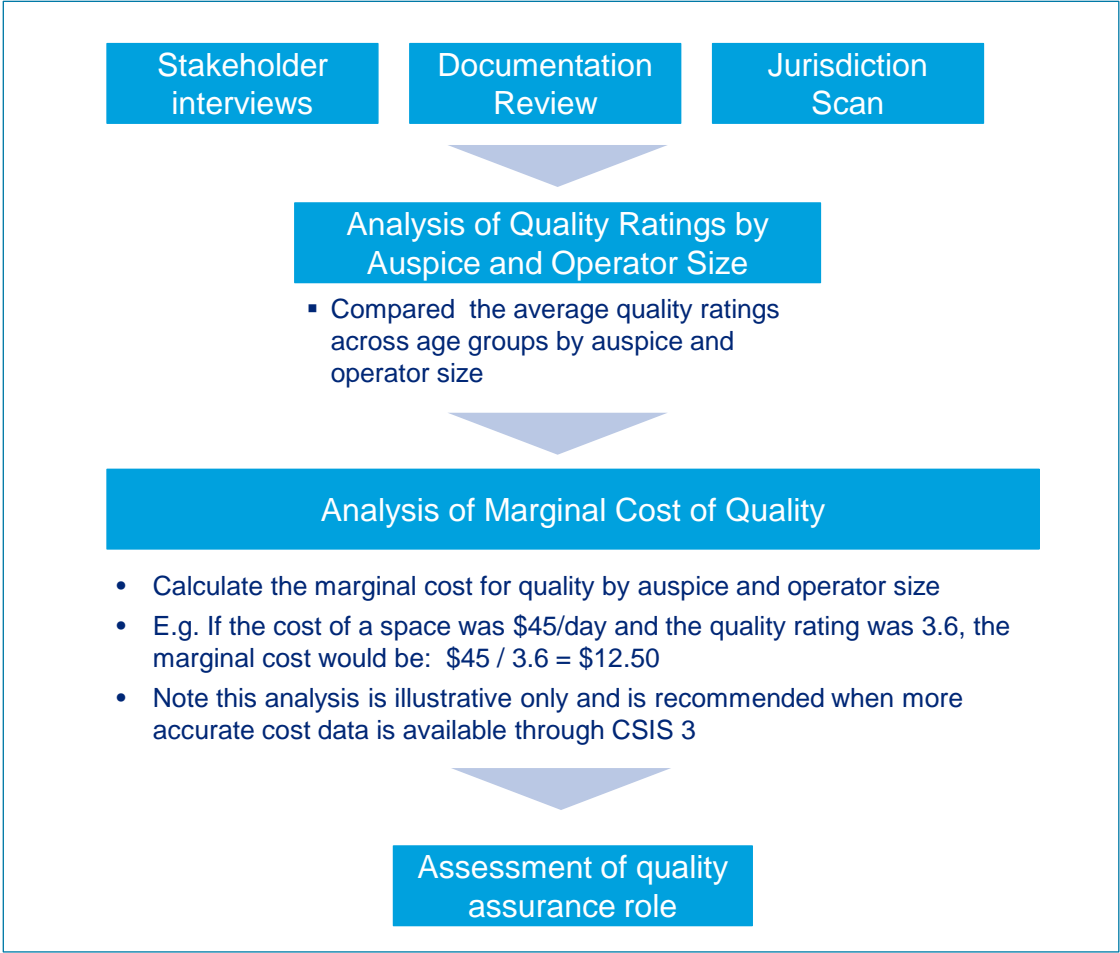
The City has invested resources into fulfilling its Quality Assurance role, which is a component of Service System Management

Purpose	<ul style="list-style-type: none">• To improve the quality of care across the child care system and improve outcomes for children• To increase transparency• To build capacity with child care operators• To set the minimum quality standard for child care programs with fee subsidy contracts	Key issues
Process	<ul style="list-style-type: none">• Rooms are assessed by the City on an annual basis and receive a rating on a 4-point scale• The ratings are posted to the City of Toronto website, which is accessible to all parents• City staff are required to meet an 80% reliability test• Each room assessment takes approximately 1 hour to complete– less than many other assessment tools such as the Early Childhood Environment Ratings Scale (ECERS)	<ul style="list-style-type: none">• The quality ratings of most operators are concentrated at the high end of the 4 point scale making it difficult to distinguish between moderately high and very high quality centres. The scale is being recalibrated to use 5 points rather than 4• The quality assurance process does not take into account the past performance of a centre (i.e. the frequency of the quality assessments is the same for all centres regardless of whether the centre currently has a high or low quality rating)• The City does not have the capacity to assess child care centres that do not have a purchase of service contract with the City
Key roles and stakeholders	<ul style="list-style-type: none">• Quality Assurance Analysts (5) are responsible for conducting annual inspections and rating child care rooms using the Toronto Operating Criteria• Consultants are responsible for working closely with the operators to build capacity and improve quality of care	

The assessment of the City’s quality assurance role was based on both quantitative and qualitative data and differences among operator types

Objective of analysis: to determine the comparative quality of different types of operators and the cost of achieving that quality

Methodology:



Research supports the need for independent assessment of quality

Academic research suggests that it is difficult for parents to accurately assess the quality of care, since parents spend a limited amount of time viewing the interactions between the child and the caregiver (Cleveland, 2008). In the absence of a provincial quality framework, the City therefore plays an important role in assessing quality and building capacity within child care centres.

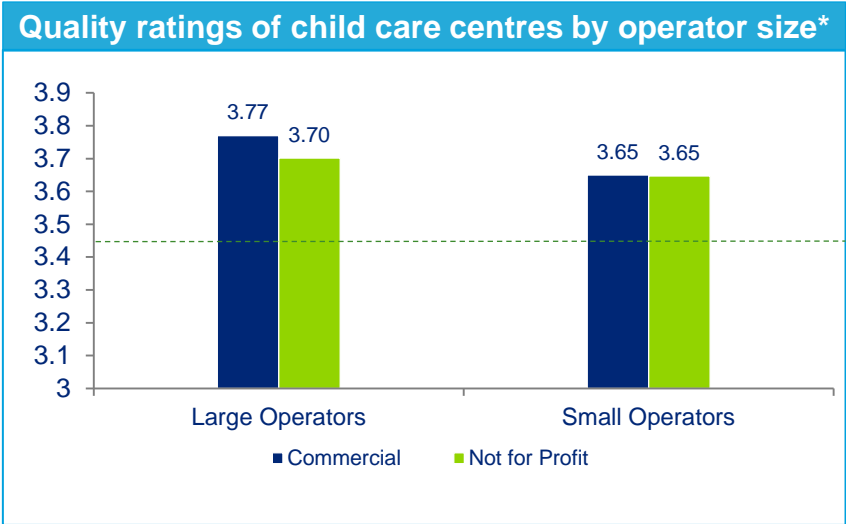
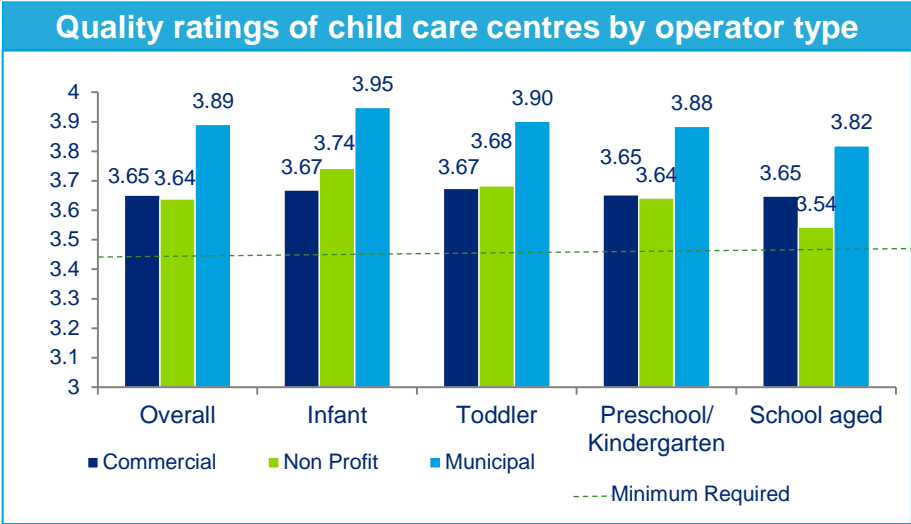
According to Leseman (2002), high quality child care centres exhibit the following characteristics, most of which are incorporated into the Toronto Operating Criteria:

1. Sensitive, responsive caregiving
2. Secure social relationships
3. Stimulating verbal interactions
4. Favourable staff:child ratios
5. Small group sizes
6. Richly equipped playrooms
7. High professionalism of staff
8. Reasonable staff salary level

Supportive interactions between the caregiver and the child are widely considered to be the most important determinant of quality.

References: http://www.toronto.ca/children/pdf/cleveland_report_may08.pdf
<http://www.oecd.org/education/preschoolandschool/1960663.pdf>

Quality ratings appear to be relatively high across all types of operators and seem to demonstrate the impact of applying the operating criteria



Key Observations

- On average, child care operators in Toronto have high quality ratings (overall average rating of 3.66 out of 4.00) as determined by the Toronto Operating Criteria
- Municipally operated centres have relatively higher quality ratings across all age groups
- Overall, there appears to be little difference between the quality ratings of non-profit and commercial operators, which may be because overall scores have increased since the City began publicly posting results. However, further investigation could identify specific causes
- Non-profit centres have higher quality ratings for younger age groups, whereas commercial operators have consistent quality ratings across all age groups
- City staff have indicated that most non-profit school-age programs are located in schools with ageing facilities (one of the quality criteria). This may explain why non-profit school-age programs have lower quality ratings
- Large multi-site operators (with 5 or more centres) have relatively higher quality ratings than small operators
- The tight distribution of ratings near the top of the scale suggests a potential need to reconsider the scale– an exercise that is currently underway
- More detailed analysis is needed to determine the root cause of the differences in quality ratings (e.g. physical space limitations)

Notes:

- All Operators with more than 5 locations were considered large scale operators, based on input from the Children's Services Division. There are more small operators within the system than there large ones
- All Operators must achieve a minimum average quality rating of 3.5

Please refer to Appendix C for additional details

City of Toronto – Service Efficiency Study of the Children's Services Division

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Additional analysis needs to be performed to determine the “marginal cost of quality” by operator type, in order to identify any variations in efficiency

Recommended analysis
<ul style="list-style-type: none">• Because of cross-subsidization among age groups (costs for infant spaces are subsidized by older age groups) and because the impacts of FDELK have not yet been fully realized, it is not possible to determine the true cost of a space by operator and age group• However, implementation of the new CSIS 3 system presents an opportunity to collect data at the level of detail necessary to calculate true costs of space by age group (detailed salary and utilization data)• Once this data is available, it should be possible to calculate a marginal cost of quality (i.e. average cost per FDE / average quality rating) to determine how well each operator and operator type is using the available funding to produce quality outcomes• This information should be used to inform the City’s decisions about the right mix of child care operators, as well as to determine when additional analysis or support is required. For example, the City may wish to invest more in programs that have a lower marginal cost of quality• It is important to note that the quality tool is in the process of being recalibrated to a 5 point scale. Consequently, it is advisable to wait until enough data has been collected using the new scale, before the marginal cost of quality is calculated

Opportunities to generate revenue from the Toronto Quality Criteria are limited

It is uncertain whether the province would adopt the Toronto Operating Criteria for broader application or as the provincial standard. Even if this were to happen, it is unlikely that the City could generate any fees from such use.

- The Operating Criteria is already in the public domain and even if it has intellectual property rights these can be difficult and expensive to enforce
- Other jurisdictions are facing fiscal pressures, similar to Toronto, and are unlikely to pay for something that could either be obtained at no cost or for which substitutes are available (e.g., Hamilton's "Raising the Bar" program)
- Even many commercial standards (across industry sectors) rarely generate revenue but are rather jointly-developed to ensure broad adoption

Despite the limited ability to generate revenues from the criteria, Toronto may be able to share the cost of further development of the criteria by establishing collaborations / partnerships with other Ontario jurisdictions. Such partnerships also improve the likelihood of broader adoption of the criteria.

Current State Assessment: Detailed Operator Budget Process

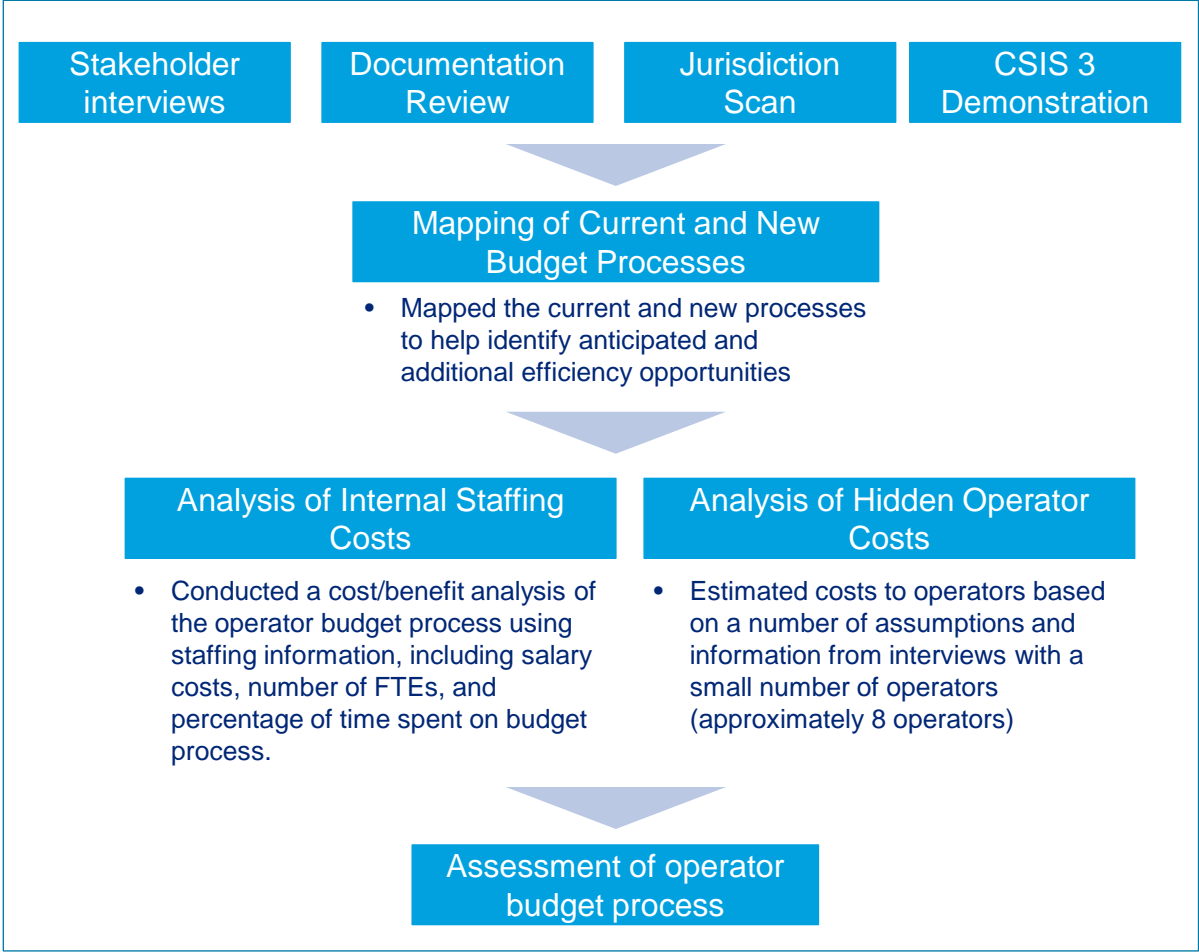
The detailed budget process required for subsidy eligibility is labour-intensive, although City staff indicate that it saves millions of dollars

Purpose	<ul style="list-style-type: none">To determine per diem rates for child care operatorsTo ensure that expenses meet the City’s guidelines and policiesTo ensure accountability for public funding	<div>Key issues</div> <ul style="list-style-type: none">Operators feel that the current process is labour intensive and cumbersomeThe current process requires manual calculations (automation will be included in the release of CSIS 3)The process takes approximately six months to complete (this is expected to be reduced to approximately 3 months once CSIS 3 is released)
Process	<ul style="list-style-type: none">Child care operators are required to submit an annual budget to the CityMulti-site operators are required to submit annual budgets for each individual centreThe City reviews the budgets and determines the approved per diem rate for each centreIncreases to the per diem rates may be capped based on the approved City budget	
Key roles and stakeholders	<ul style="list-style-type: none">The following staff roles are currently involved in the operator budget process:<ul style="list-style-type: none">Consultants (~25% of their time)Budget Coordinators (~50% of their time)Support Assistant B’s(~60% of their time)Program Manager (~20% of their time)IT staff also support the budget operator process through the Children’s Services Information System (CSIS)	

The operator budget process assessment was based on a holistic approach that considered both the existing system and planned changes

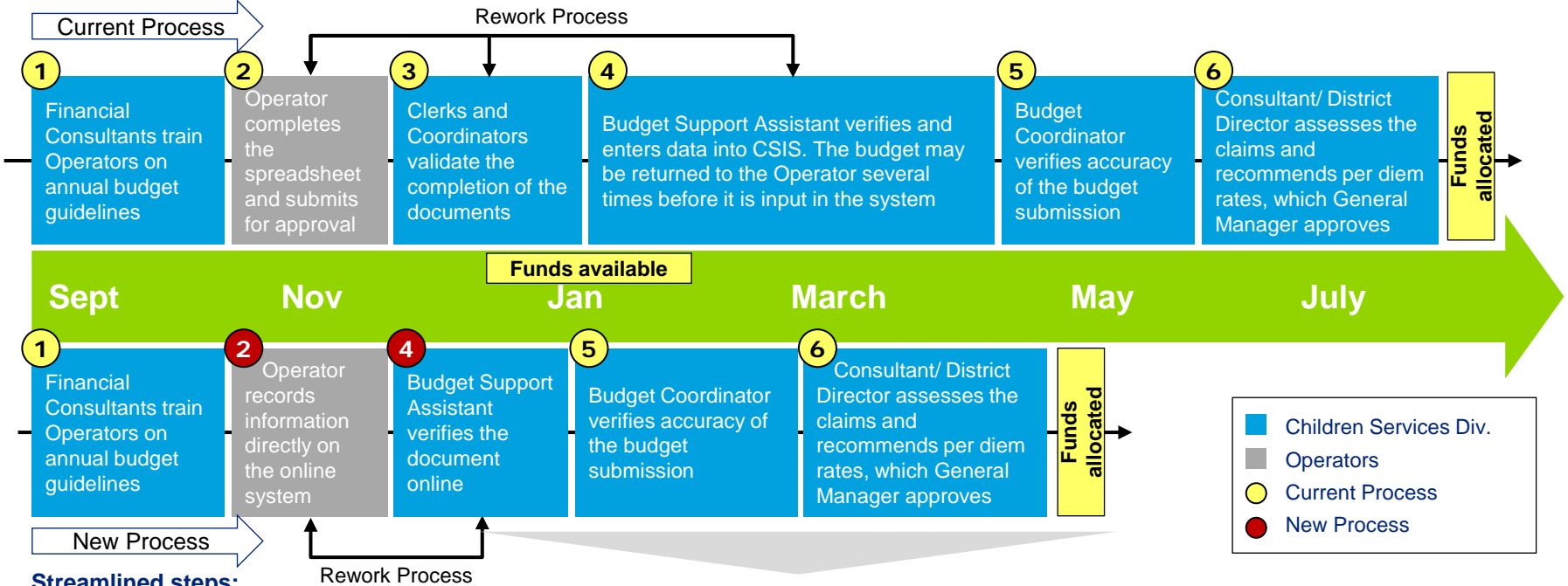
Objective of analysis: to identify anticipated and additional efficiency opportunities within the new operator budget process and to validate whether the estimated benefits of the process outweigh its costs

Methodology:



The release of the new CSIS 3 system is intended to streamline the current operator budget process

The release of the new CSIS 3 system (effective January 2013), which includes an automated online budget submission capability, is expected to reduce the operator budget process by approximately three months. Operators are being trained in order to smooth the transition to CSIS 3.0



CSIS 3 is expected to address inefficiencies and reduce effort for both City and operator staff

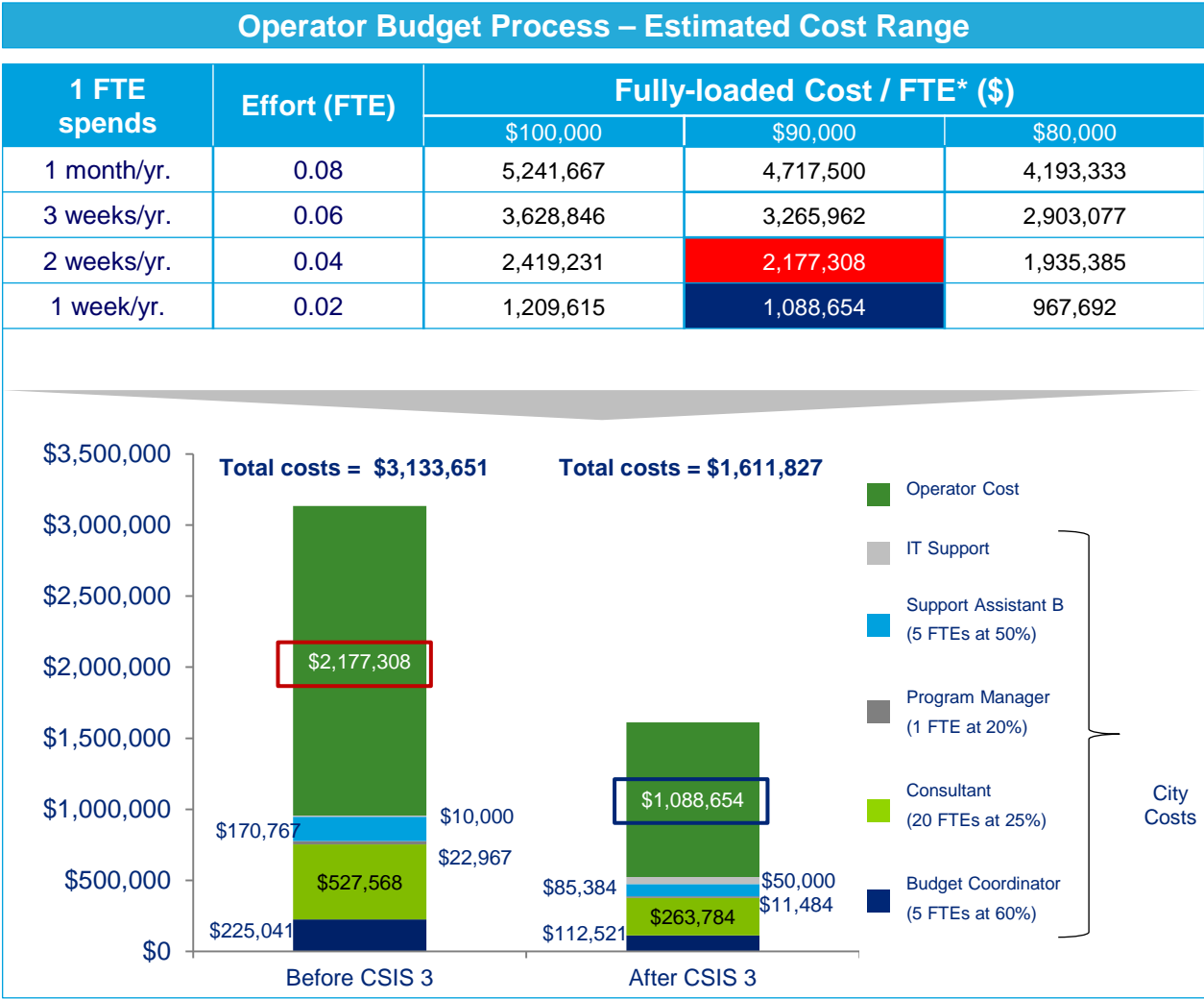
Children’s Services has also identified additional efficiencies which could be enabled in future releases of the CSIS system.

Anticipated efficiencies to be included in the release of the CSIS 3 system	Potential future efficiency improvement opportunities
<p>Anticipated efficiencies enabled by the new system include:</p> <ul style="list-style-type: none">• Ability to upload an Excel staff list (one-time efficiency)• Staffing information (e.g. name, positions, etc.) is carried over from year to year• City holidays are automatically input into the system• Variances between last year’s budget and actuals are automatically calculated• Hard stops and warnings are included in the system to identify potential data entry errors and budget submissions that violate the City’s budget guidelines, which will ensure consistent accountability	<ul style="list-style-type: none">• Once fully functional, the system could be expanded to include the Home Child Care centres, Special Needs Resourcing agencies, and Family Resource programs – <i>Planned for future release</i>• The system could be streamlined for multi-site operators (e.g. central admin costs, closure dates, service offerings, fees, etc.) – <i>Planned for future release</i>• The attendance module could be integrated with the budget module to automatically populate the paid revenue actuals from the previous year

The CSIS 3 system is expected to improve the efficiency of the operator budget process and decrease the time between budget submission and approval. Additional efficiencies are minor or have already been identified by Children’s Services for incorporation into future releases of the system.

Note: CSIS 3 process transformation opportunities were identified in consultation with the City.

Although the budget process has the potential to yield net savings, these are dependent on operators efficiently using the new CSIS 3 system



- Each year, the City estimates a savings of ~\$5 to 7M through the detailed operator budget process. This represents the difference between the budget submissions and approvals and may vary from year to year
- The total internal cost of the City administering the current budget operator process is \$956,344, excluding operator time
- When operator effort is added, the current process is estimated to cost ~\$3.1M, while the new one is estimated to be ~\$1.6 M (based on a City estimated 50% reduction in effort and an increase of \$40 k in IT support costs)
- The City has just begun to survey operators to determine the amount of time that operators spend on the new budget process. This analysis will need to be re-done when that data is available

Savings from new CSIS 3 system are expected to be approximately \$1.6 M, but could vary from year to year

Current State Assessment: Strategy for Transition to Full Day Kindergarten (FDK)

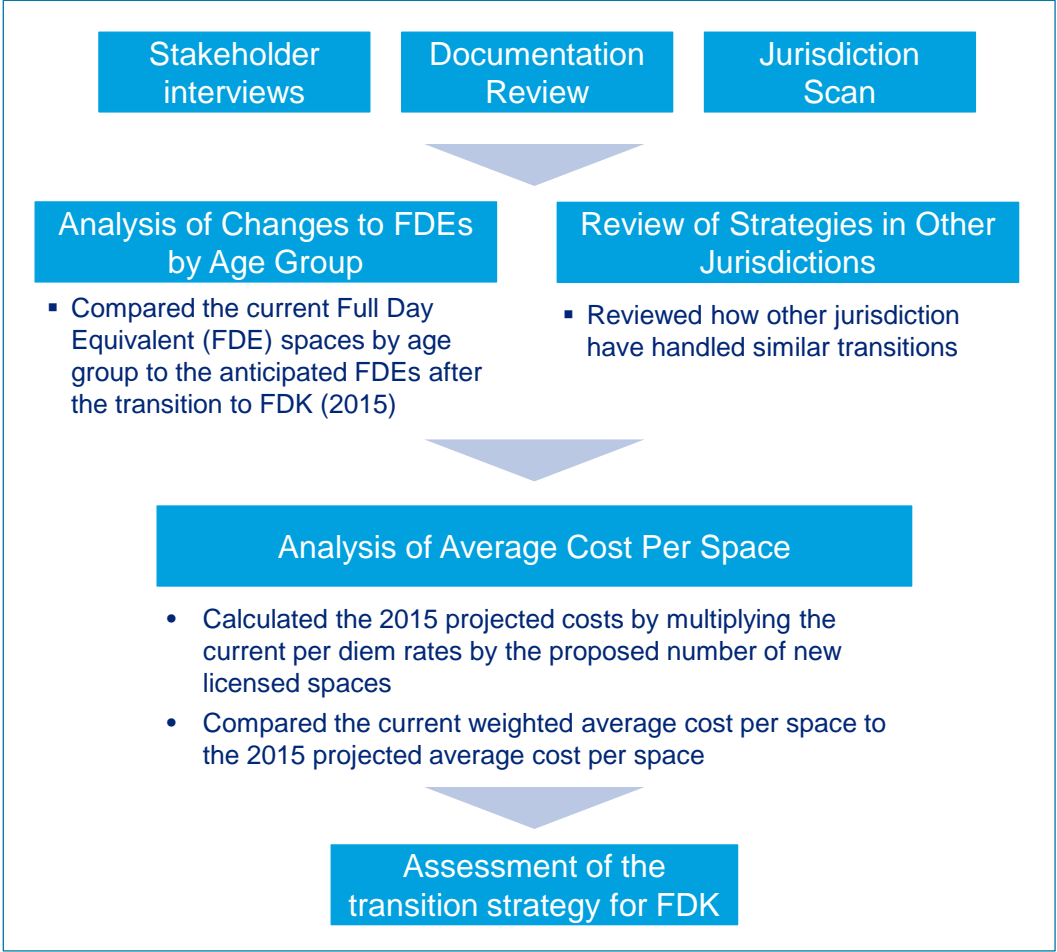
The transition to Full-day Kindergarten (FDK) is having an effect on the finances of operators across the City

Purpose	<ul style="list-style-type: none">• To ensure that the child care system remains financially viable and stable as 4 and 5 year old children transition to the FDK program in schools• To make the transition to the FDELK program as smooth as possible for families	Key issues
Process	<ul style="list-style-type: none">• The FDK program is being implemented in schools across the province over a period of 5 years ending in 2014	<ul style="list-style-type: none">• School boards have been reluctant to directly operate before and after school programs• As 4 and 5 year olds move out of the child care system, many centres will need to re-purpose existing classrooms for younger age groups, which may require additional investments• Due to the loss of cross-subsidization, child care fees are expected to increase as the older age groups with lower staff:children ratios are moved out of the child care system
Key roles and stakeholders	<ul style="list-style-type: none">• As the service system manager, the City is engaging child care operators, school boards, and the Ministry of Education in discussions about how to mitigate any risks related to the transition to FDK• The FDK program is being directly operated by school boards and funded by the Ministry of Education	

The assessment of the transition strategy considered both the impact and potential mitigations

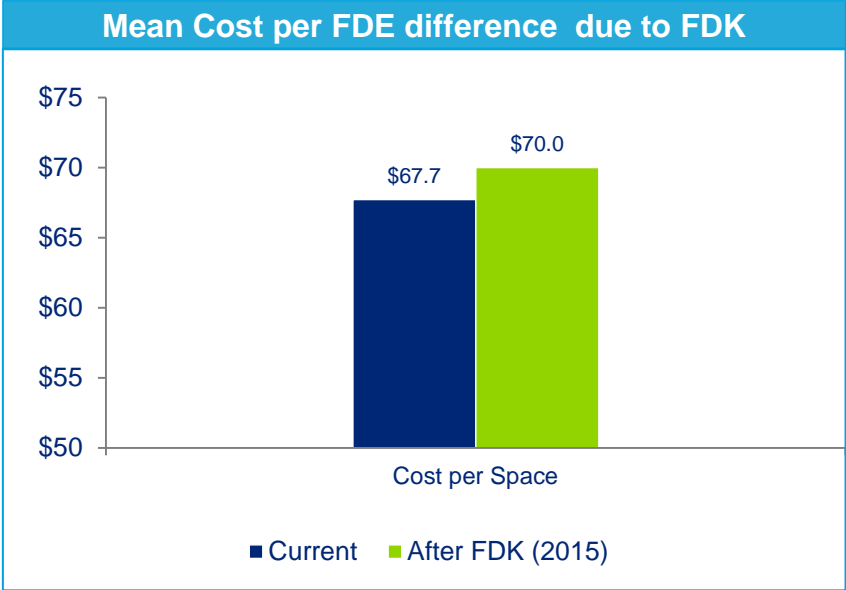
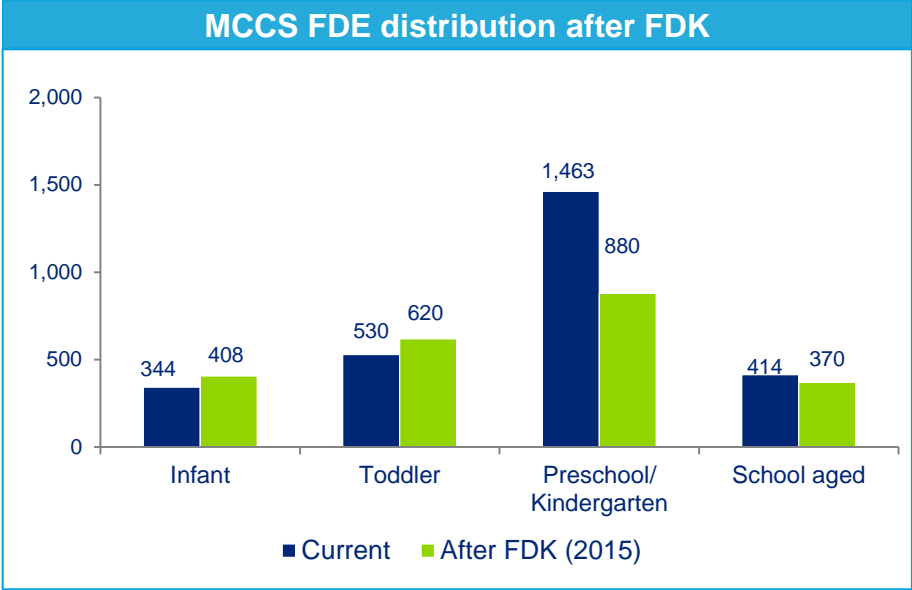
Objective of analysis: to assess the MCCS strategy and validate financial impacts of the FDK program

Methodology:



The transition to FDK is expected to drive up Full Day Equivalent (FDE) costs for municipal programs

The weighted average cost per full day equivalent (FDE) for the Municipal Child Care Services (MCCS) programs is expected to increase with the implementation of FDK.



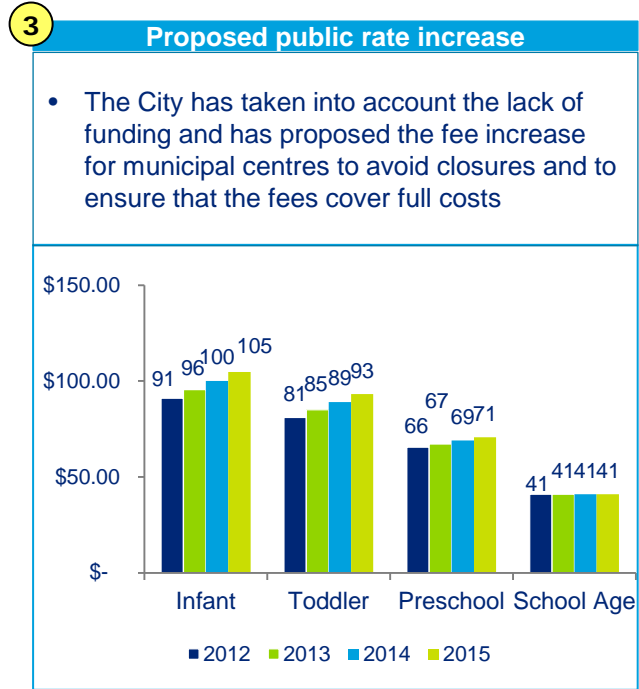
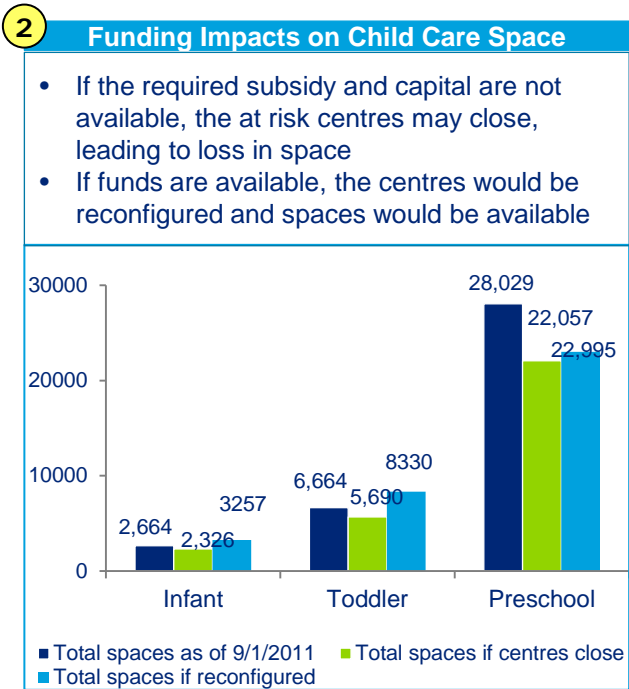
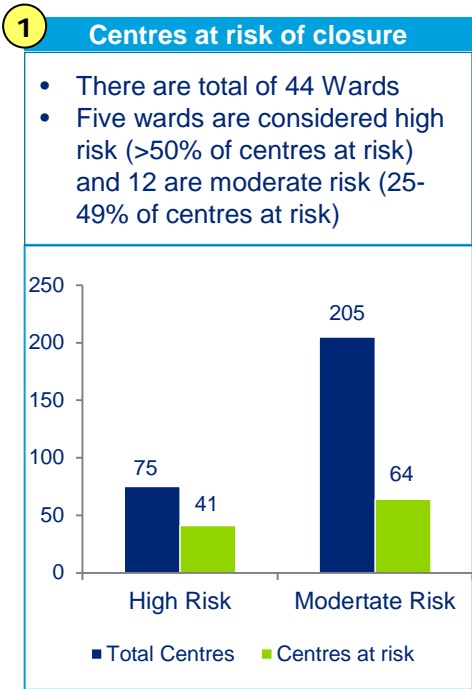
Key Observations

- The estimated FDE data for 2015 shows a significant, but anticipated, decrease in FDEs for Preschool/Kindergarten
- Total child care spaces in municipally operated centres is expected to fall from 2,751 to 2,278
- The average (mean) cost per FDE is going to increase due to the high cost of Infants and Toddlers
- This is expected to increase the MCCS per diems and fees for full-fee paying families

Notes: • Mean Cost per space is calculated assuming the current per diem remains constant.
• Per diem rates for Municipal centres were extracted from the following source - <http://www.toronto.ca/children/mccs/register.htm>
• Approved costs per space do not take into account the cross-subsidization that occurs across age groups
• (Please refer to Appendix C for details)
• Weighted average is based on the proportion of FDEs within each age group (i.e. FDEs are multiplied by the cost/day for each age group)

Overall, the City’s strategy is appropriately addressing the anticipated impacts

- Appropriate funding will be required to mitigate the risks associated with implementation of FDK. These include:
 1. Centres at risk of shutting down
 2. Loss of space due to lack of funding
 3. Increased fees
- As shown below, the City’s strategy appears to have appropriately addressed most of the anticipated impacts

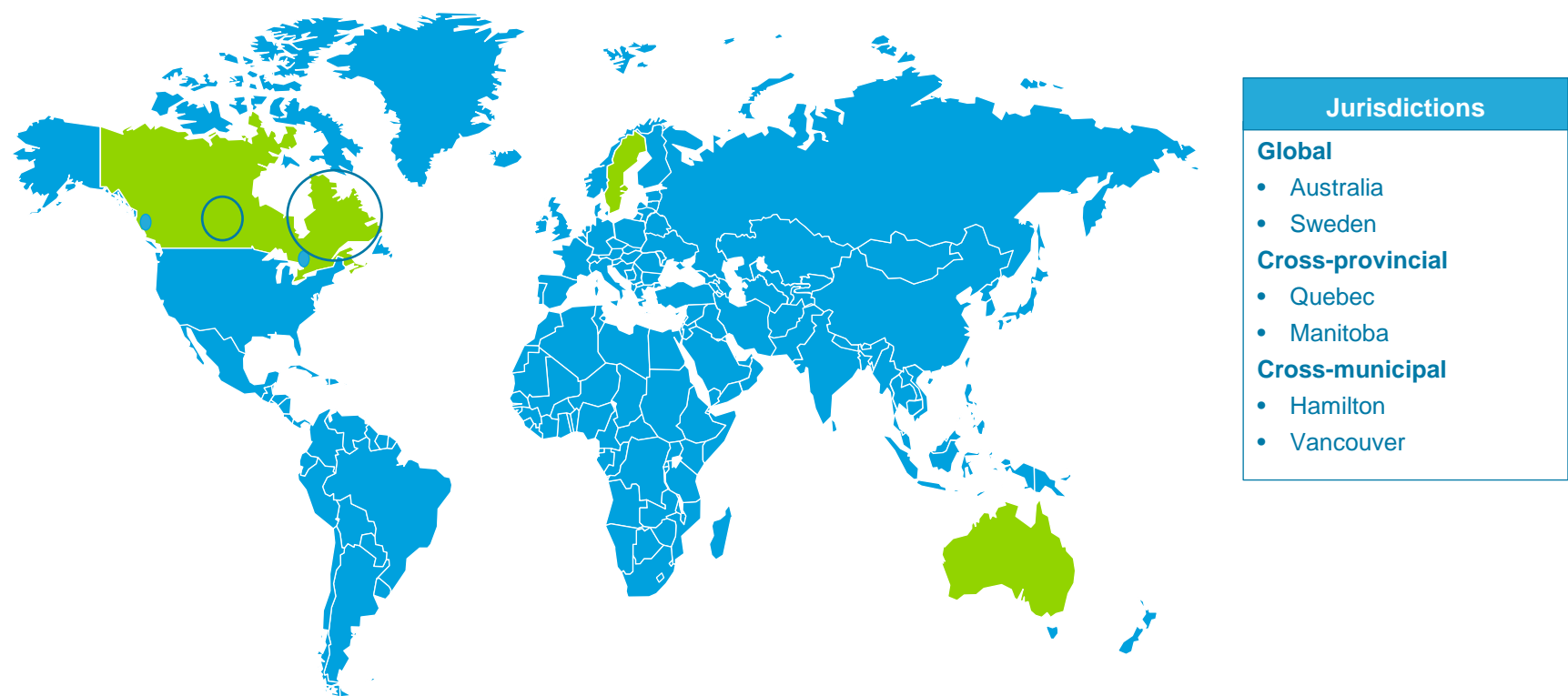


• The source of the data were

- Status of Community Child Care and Municipal Child Care Services Transformation related to Full day Kindergarten Implementation
- Transitional Issues Impacting Toronto's Child Care and Early Childhood Education, including CD of proceedings

Jurisdiction Review

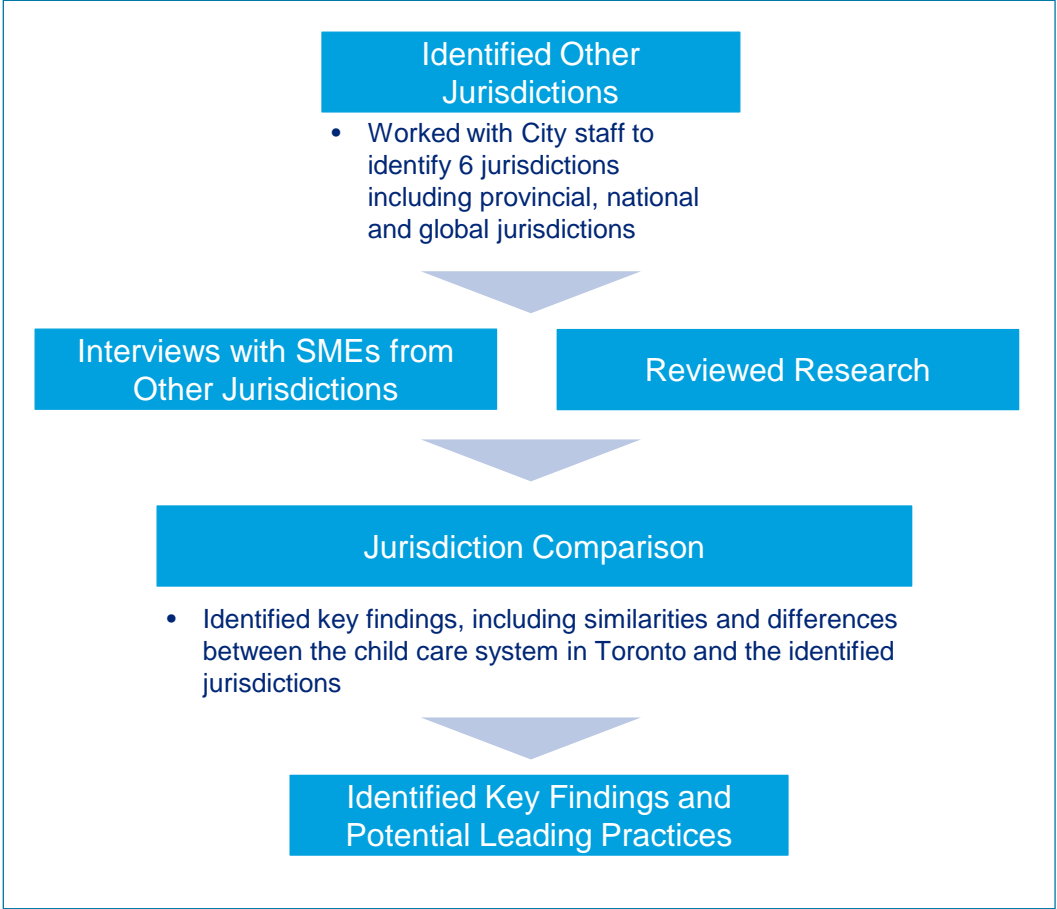
Children’s service delivery approaches were compared across six jurisdictions for insights into leading practices and trends



Assessments of and research into practices in child care service delivery were also considered as part of the analysis

Objective of analysis: to compare the Toronto child care system to other jurisdictions and identify potential leading practices

Methodology:



A number of key findings and themes were identified from the overall review

1. Risk-based approach to quality

- Australia has adopted a risk-based approach to quality assessments and accreditation
 - Centres that exceed the quality standards are reviewed every three years
 - Centres that do not meet the quality standards are reviewed every year
- Australia has also consolidated the licensing and accreditation processes across multiple levels of government and established quality criteria

2. Simplified funding models

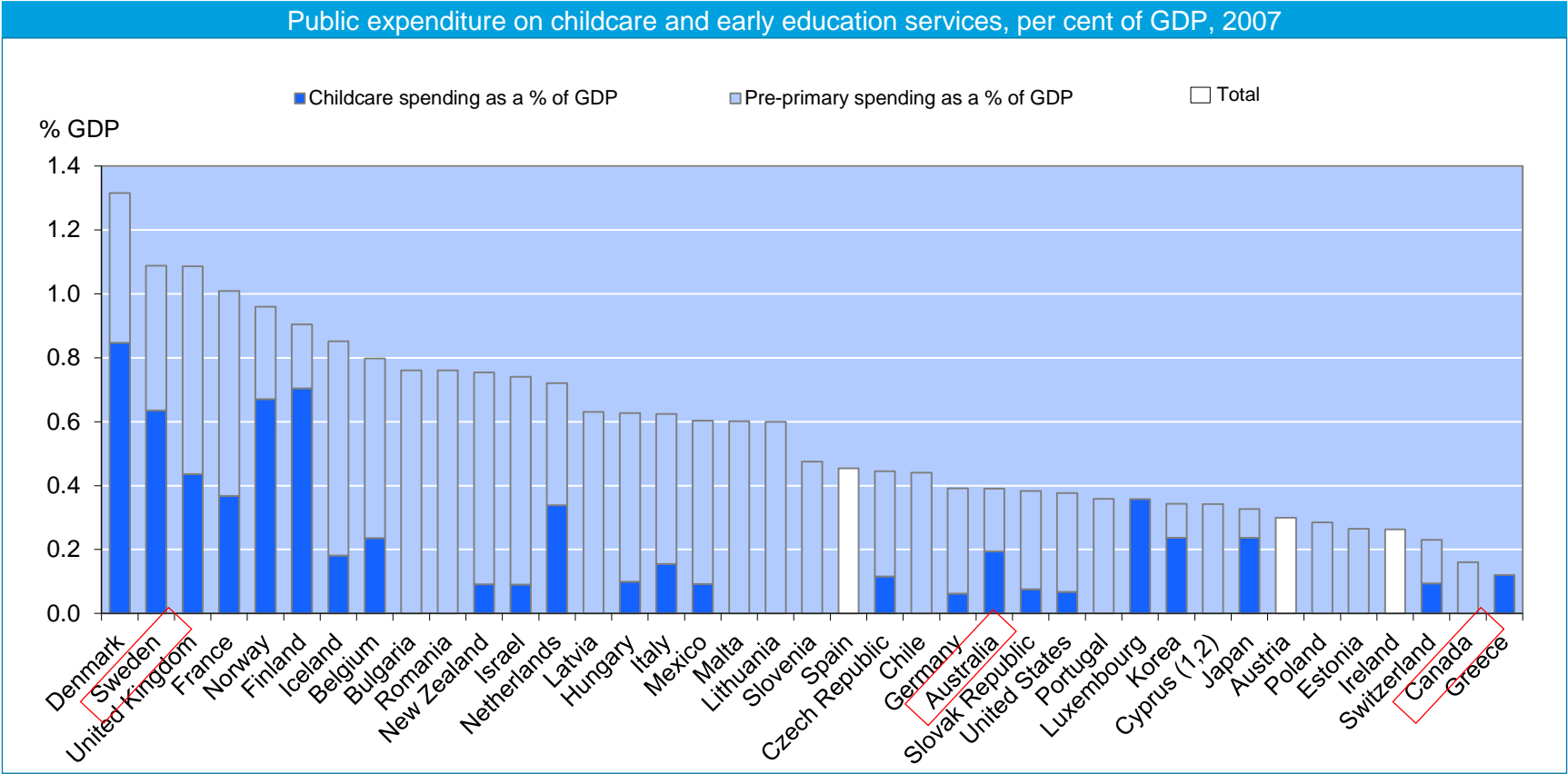
- Manitoba provides base funding to operators using a flat rate “unit” funding approach
 - Each unit is based on the age group ratios in order to ensure that centres receive the same funding for each “unit”
 - Manitoba also has a minimum recommended salary scale
- Manitoba also charges parents a flat fee based on age group
- Quebec charges a flat rate of \$7/day for all families, with the exception of families in receipt of social assistance

3. Role of the service system manager

- The municipal government plays the role of the service system manager in several other jurisdictions:
 - In Sweden, the municipal government is the service system manager, as well as directly operating the majority of child care centres
 - In Australia, some municipalities have taken on the role of the service system manager (varies by state)
 - In Vancouver, operational funding flows directly from the province to the operators, however the municipal government plays a systems planning and capital development role
 - The City of Hamilton also views increasing capacity and the quality of care as part of its service system manager role

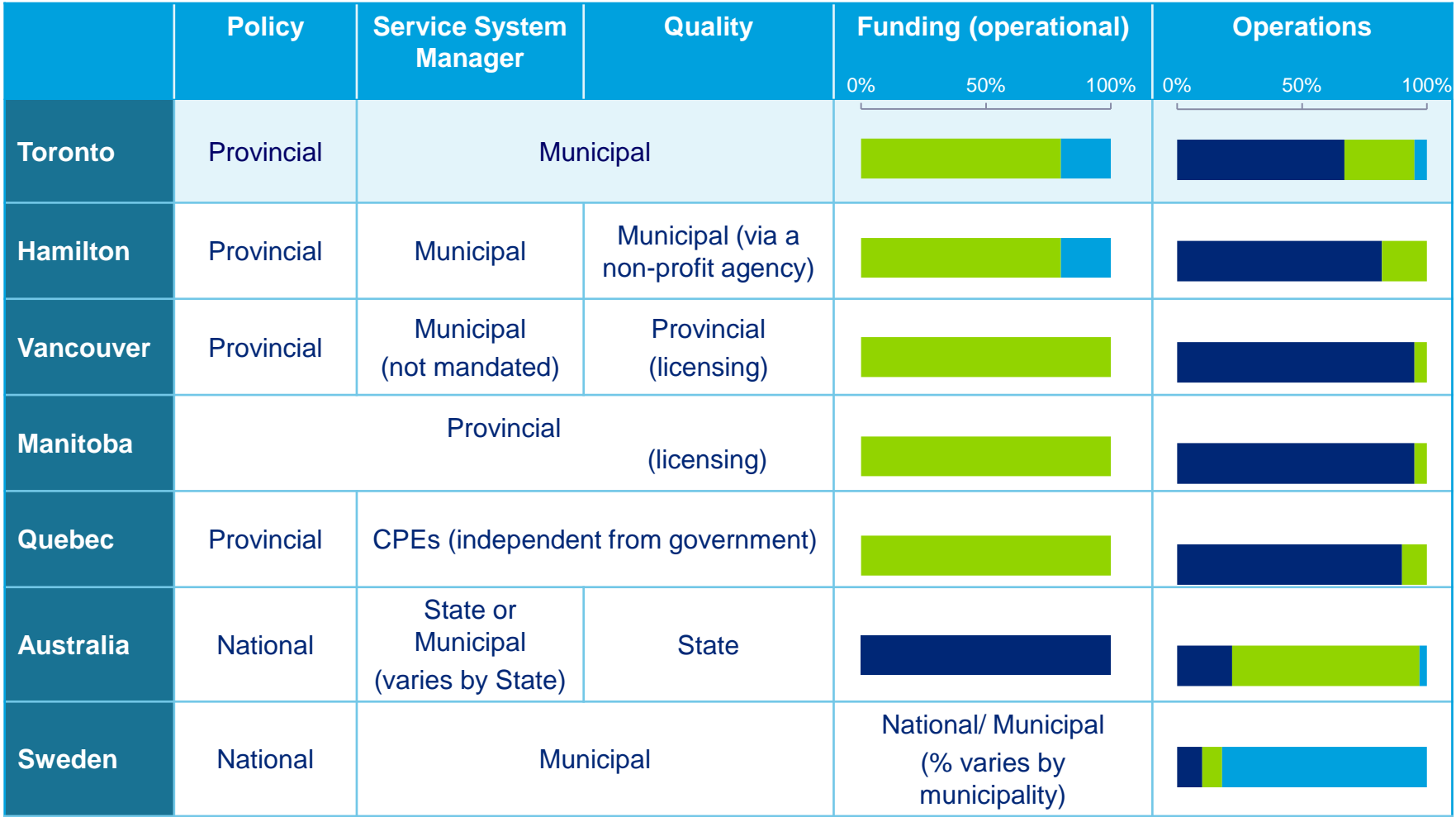
Given the prevalent underfunding of child care in Canada, it is important for the City to optimize available funds

Data from the Organization for Economic Co-operation and Development (OECD), shows that Canada spends a much smaller percentage of GDP on child care and early education services.



Source: http://www.oecd.org/social/socialpoliciesanddata/oecdfamilydatabase.htm#public_policy

The roles of each level of government vary across the different jurisdictions



Notes: -- The majority of centres in Sweden are operated by municipal centres, however an actual percentage was not available
- The City of Hamilton also operates one municipal centre, however the percentage of spaces was not provided

National

Provincial/ State

Municipal

Non-profit

Municipal

Commercial

Recommendations

Overall, the recommendations in this report address both small and large opportunities for consideration and further exploration

It is important to note that the recommendations that follow are based on an objective analysis of the available information performed within the limited time allocated for completing this efficiency study.

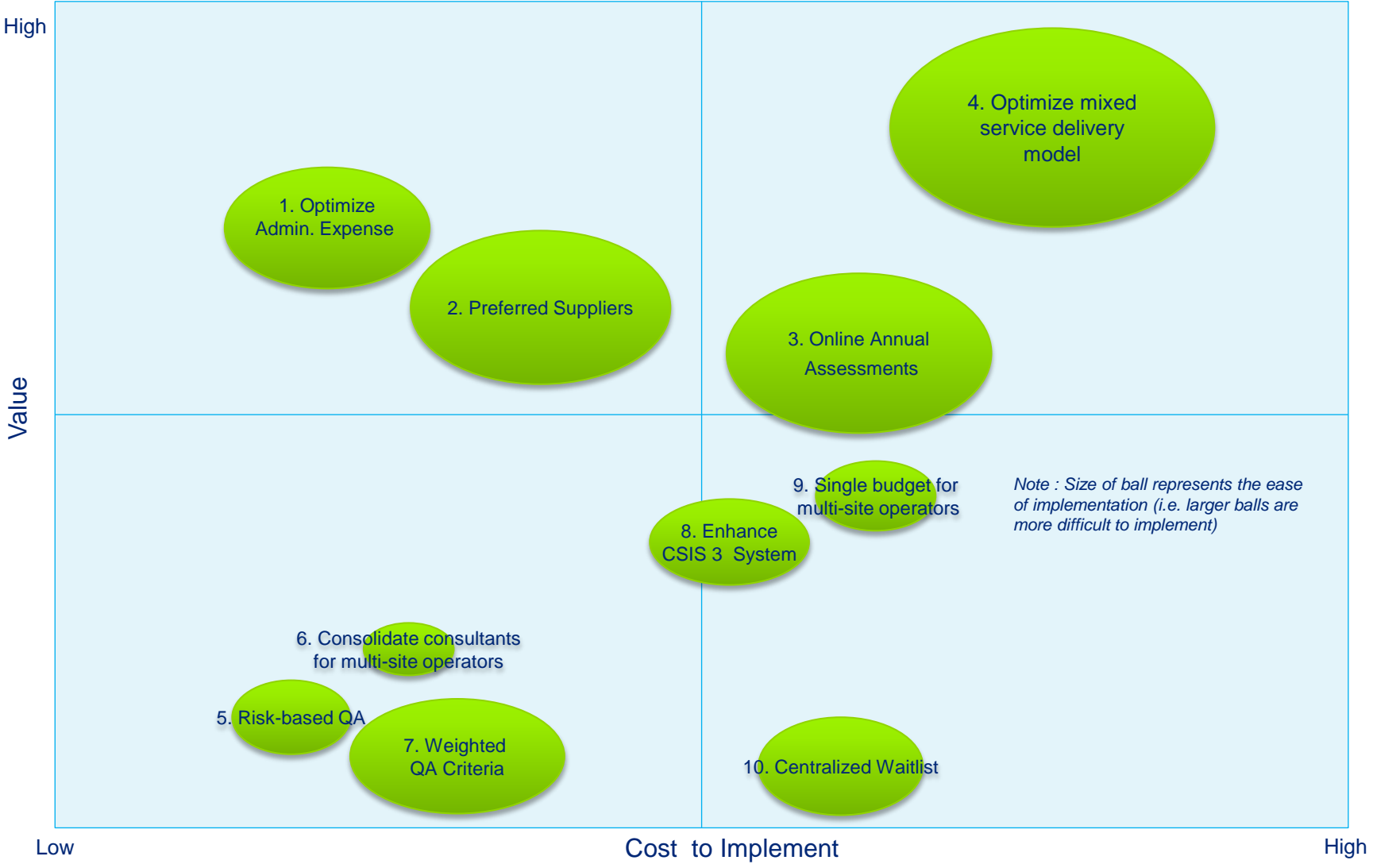
Consequently, several recommendations identify opportunities that may require further study before decision are made. The nature of any such analysis is described, as well as risks and considerations related to each recommendation.

Nevertheless, the existing analysis provides insights into potential inefficiencies or viable alternatives that are worth serious consideration by the City.

Recommendations have been categorized as high or low impact across all the focus areas

	Focus Area		Opportunity	Description
High Impact	Business Process - Operator Budget Process	1	Optimize administrative expenses	Reduce the highest amount an Operator can claim on their annual budget for admin expense and provide improved guidelines for allowable expenses
		2	Explore use of preferred suppliers	Establish a preferred supplier list and negotiate favourable pricing for toys and other commodity purchases. Encourage all contracted operators to use preferred suppliers. Begin with a pilot project administered by one of the District Child Care Advisory Committees
	Subsidy Assessment	3	Enable online fee subsidy assessments and explore opportunities to use provincial tax data	Enable online annual Subsidy Assessment for low risk families to reduce burden on administrative staff and enhance client experience
	Child Care Service Delivery Model	4	Optimize mixed service delivery model	Explore opportunities to optimize the mixed child care service delivery model by continually evaluating opportunities to increase non-profit sector capacity
Medium / Low Impact	Quality Assurance	5	Risk based approach to QA assessments	Conduct a Quality Assessment more frequently for poorly performing centres and less often for high performing centres
		6	Consolidate the number of ward-based consultants for multi-site operators	Explore opportunities to consolidate the number of ward-based consultants working with multi-site agencies depending on the size and location of the agency
		7	Weight criteria to enhance the QA tool	Explore opportunities to enhance the QA tool by considering different criteria weights (e.g. higher weights for child-teacher interactions and curriculum)
	Business Process - Operator Budget Process	8	Enhance CSIS 3 system	Link the attendance module to the budget module to eliminate the need for manual calculations and improve accuracy Expand CSIS 3 support to Home Child Care centres, Special Needs Resourcing, and Family Resource Planning
		9	Streamline budget for multi-site operators	Implement a single budget submission for multi-site operators Identify additional opportunities for efficiency, including approaches that consider a less detailed process for determining part or all of the per diem amounts
	Customer Service	10	Establish a centralized waitlist system for licensed spaces	Explore opportunities to consolidate the individual waitlists into one centralized wait list system for better information on vacancies and parents without child care services

The opportunities will require varying levels effort to implement and yield a range of efficiencies



Investments required to support implementation of each recommendation have been estimated at a high level

	Section		Opportunity	Estimated Investment
High Impact	Business Process - Operator Budget Process	1	Optimize administrative expenses	Low
		2	Explore use of preferred suppliers	Medium
	Subsidy Assessment	3	Enable online fee subsidy assessments and explore opportunities to use provincial tax data	Medium to High
	Child Care Service Delivery Model	4	Optimize mixed service delivery model	High*
Medium / Low Impact	Quality Assurance	5	Risk based approach to QA assessments	Low
		6	Consolidate the number of ward-based consultants for multi-site operators	Low
		7	Weight criteria to enhance the QA tool	Low
	Business Process - Operator Budget Process	8	Enhance CSIS 3 system	Medium
		9	Streamline budget for multi-site operators	Medium
	Customer Service	10	Establish a centralized waitlist system for licensed spaces	Medium

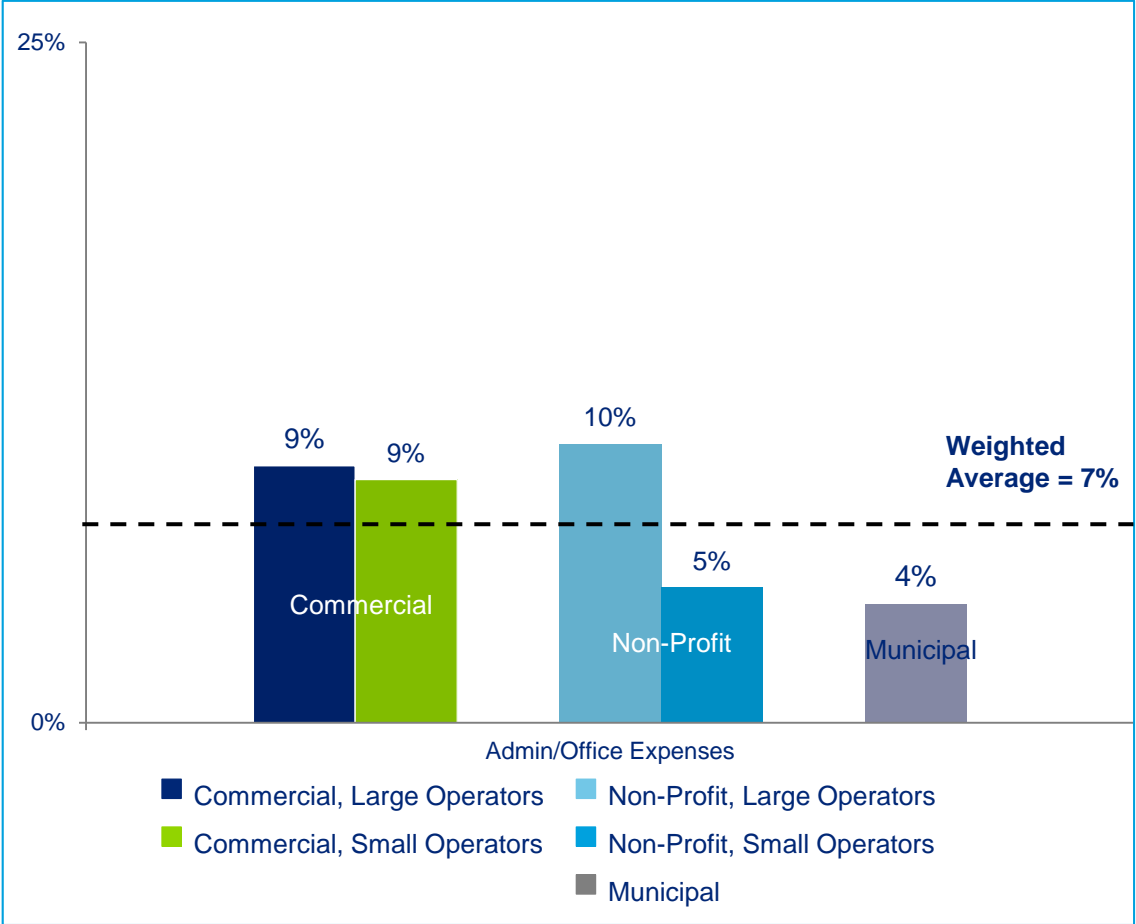
Estimates are preliminary and high-level. Low: <\$500k; Medium: \$500k to \$1 M; High: >\$1 M

**Likely to vary widely depending on extent of implementation*

Recommendation #1: Optimize administrative expenses

Administrative costs of larger operators could be capped at a lower level to curb the potential practice of claiming the maximum allowable amount

Operator Admin Costs as a Percentage of Total Costs

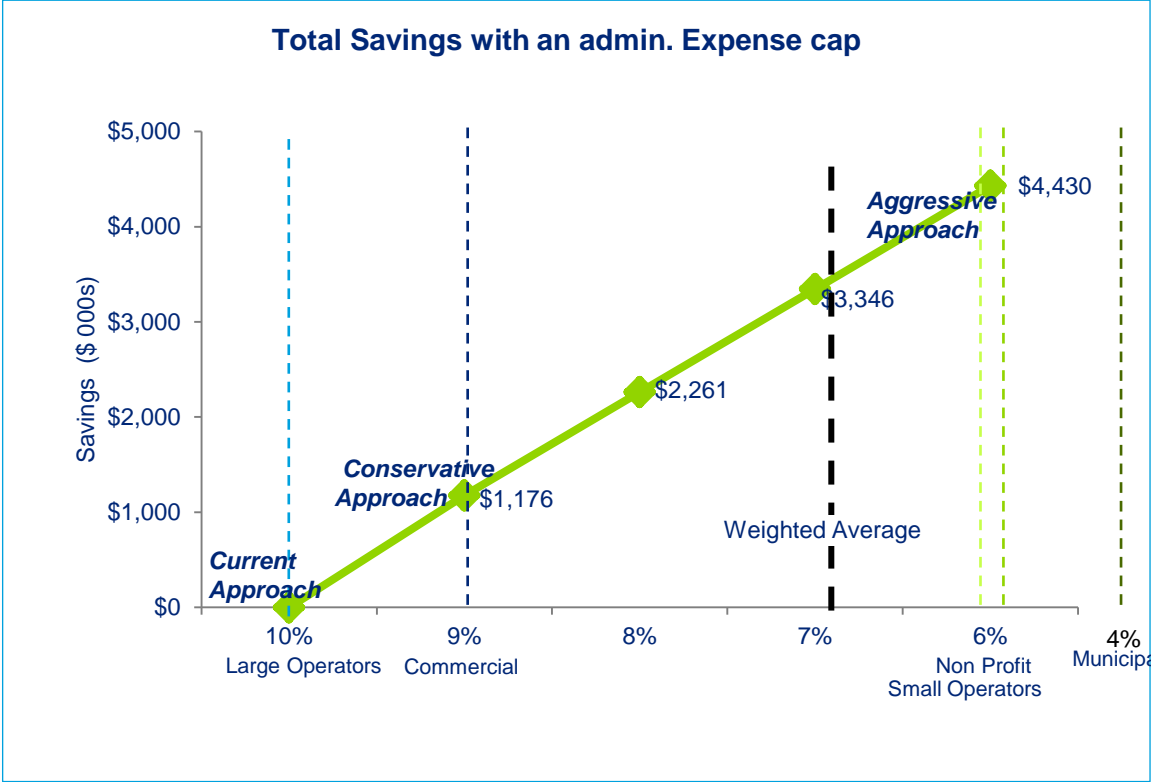


Rationale

- Currently, operators can allocate a maximum of 10% of their overall budget towards administrative costs
- Large operators (more than 5 sites) currently spend a bigger percentage of their overall budget on admin costs than smaller operators (10% vs. 6%)
- Large operators would be expected to have lower admin. costs due to economies of scale, yet the analysis shows otherwise
- This suggests that many large operators could be claiming the full amount of subsidy available for admin expenses
- There is an opportunity to achieve greater efficiencies, particularly within large operations by lowering the cap and providing more guidance on what constitutes allowable expenses

The cap could potentially be reduced to ~7%, which would bring all operator admin. expenses closer together

Financial Implications



Service Implications

- Reducing the allowable admin expense would have the greatest impact on large operators, which currently spend an average of 10% of their budgets on admin expenses
- However, a more detailed analysis of admin. expenses is necessary to understand the types of expenses that are being claimed under this category and whether or not these are appropriate
- Potential savings are based on gross savings. It is important to recognize that based on the cost-sharing arrangements with the province some of these savings may be attributed to the province

Total potential savings = \$1.18M - \$4.43M
(based on 6-9% administrative expense cap)

If a cap is implemented, it should be done so gradually to allow operators to adapt and to develop a better understanding of the impact and root causes

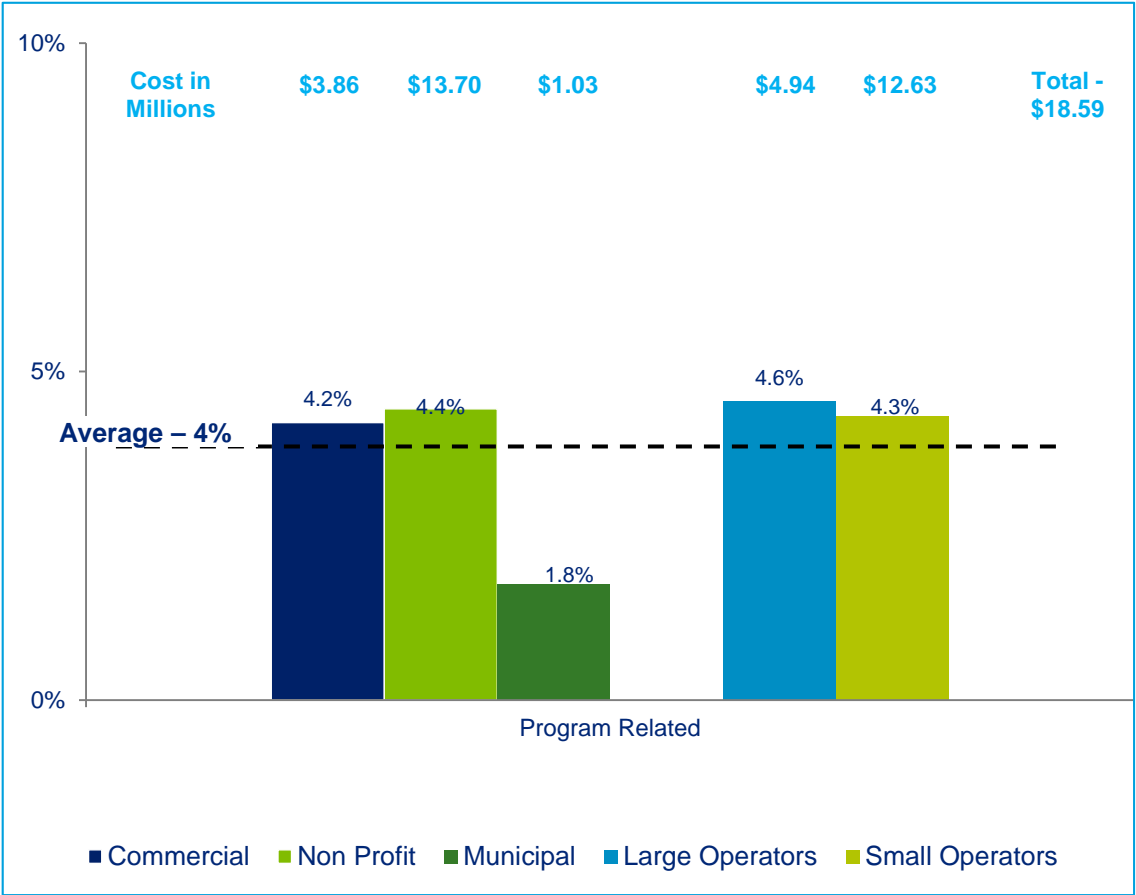
Risk	Mitigation Strategies
Some programs may not be able to reduce their admin expenses in line with the new guidelines. This could impact their financial viability or result in an increase in parent fees	<p>A phased in approach could help to mitigate this risk. For example:</p> <ul style="list-style-type: none">• 9% maximum in year 1• 8% maximum in year 2• 7% maximum in year 3

Considerations	Potential Additional Analysis
A detailed analysis of the number of programs that will be impacted by this change has not been performed	<p>Further analysis should focus on number of operators that will be impacted by the reduction in allowable admin expenses</p> <p>A plan should also be developed to work with these operators to reduce their admin expenses over a three year period.</p>
A detailed analysis of the type of administration expenses being claimed across centres has not been completed in order to determine why admin costs are higher for some operator types than others	<p>Further analysis should be performed to understand why there are differences in admin costs across operator types</p>

Recommendation #2: Explore use of preferred suppliers

Establish and encourage use of preferred suppliers to take advantage of volume discounts for commodity products

Operator Program Related Costs as a Percentage of Total Costs



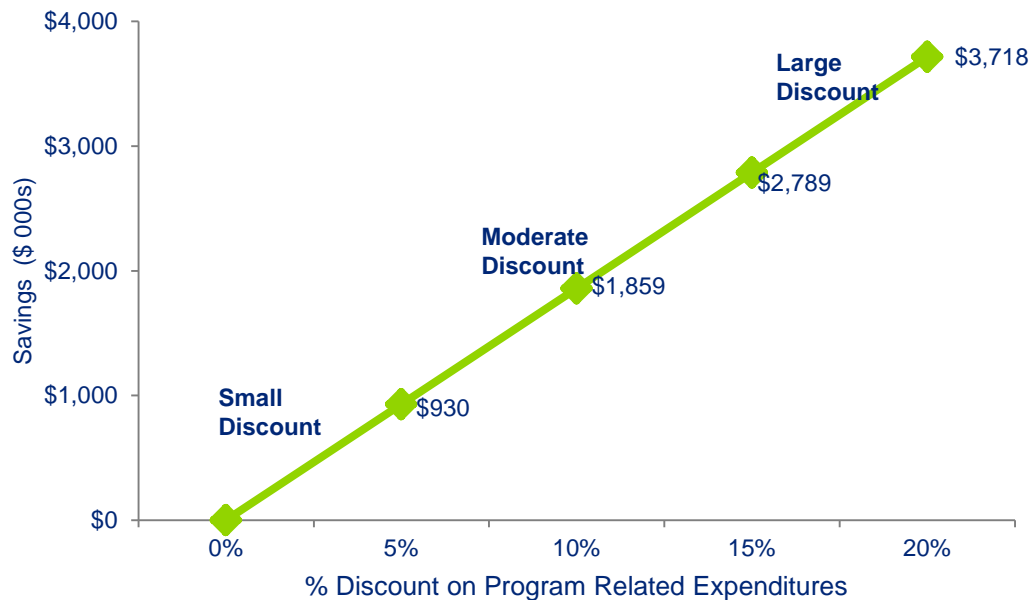
Rationale

- Operators have indicated that most expenses apart from rent and salaries costs are similar across programs
- Since approximately 75% of licensed child care spaces are operated by agencies with less than five locations, it would be difficult for most operators to negotiate large discounts from vendors
- By exploring the use of a preferred supplier through a pilot project, operators will have an opportunity to take advantage of volume discounts
- The potential savings are significant, as approximately \$18.59M is spent each year on program related costs

Negotiate an operator discount based on the total annual volume of purchases with a given supplier

Financial Implications

Potential Savings with increase in % Discount negotiated with Suppliers



Services Implications

- The use of preferred suppliers for program related expenses is not expected to have an impact on the quality of child care programs or the available subsidies

Total potential savings = \$0.93M to \$3.7M
(based on 5 to 20% discount once fully implemented)

• Savings are approximate and assume that all components of Program Related costs could receive a discount based on volume of purchase

While the degree of achievable savings may vary, the potential benefits of this opportunity will likely outweigh the risks

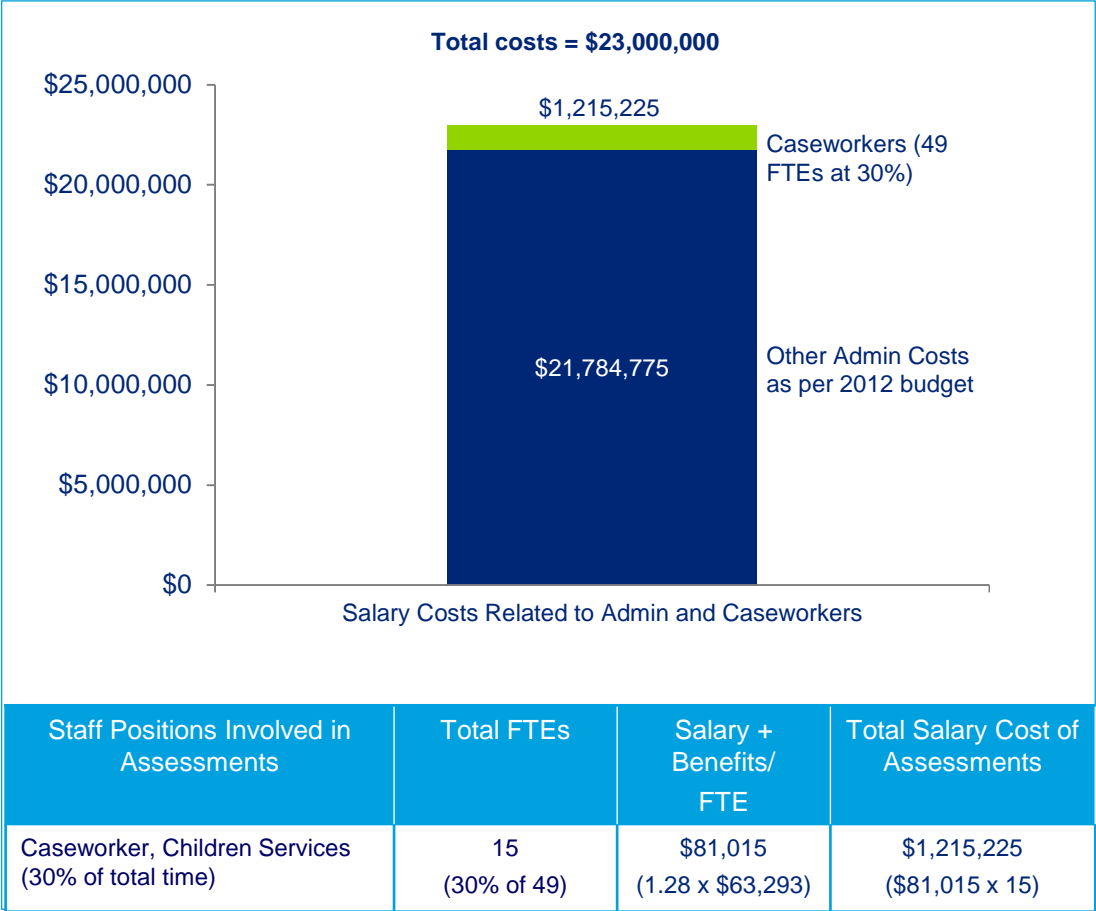
Risk	Mitigation Strategies
Perception of sole sourcing	Use a competitive bid process or take advantage of / build on existing City supplier agreements
Some child care operators may already have contracts in place with selected vendors for the purchase of toys and equipment	Recommend that all child care operators use the new preferred suppliers once existing contracts expire
Potential for addition effort / cost associated with contract management	Begin with a pilot project administered by one of the District Child Care Advisory Committees
There may be legal implications if the City of Toronto is viewed as the employer, rather than the individual agencies	Recommend that the local DCCACs establish preferred suppliers and manage the vendor relationship with City support

Considerations	Potential Additional Analysis
The size of the discounts that could be negotiated with the preferred supplier are not yet known	The City should request sample quotes from potential vendors before issuing the request for tender in order to estimate the expected discount/ rebate
Although the majority of the program related expenses are toys and equipment, there may be other expenses included in this expenditure line (e.g.). Also, 2013 toys and equipment projections are not yet available.	Ask a sample of child care operators to project their toys and equipment expenditures for the upcoming year in order to more accurately estimate the costs for 2013

Recommendation #3: Enable online assessments for low- risk families

The estimated ~\$1.2 M cost for the annual assessment of subsidy recipients could be reduced by adopting a risk-based, streamlined approach to some segments

Fee Subsidy Assessment Costs as a Percentage of Total Admin Costs



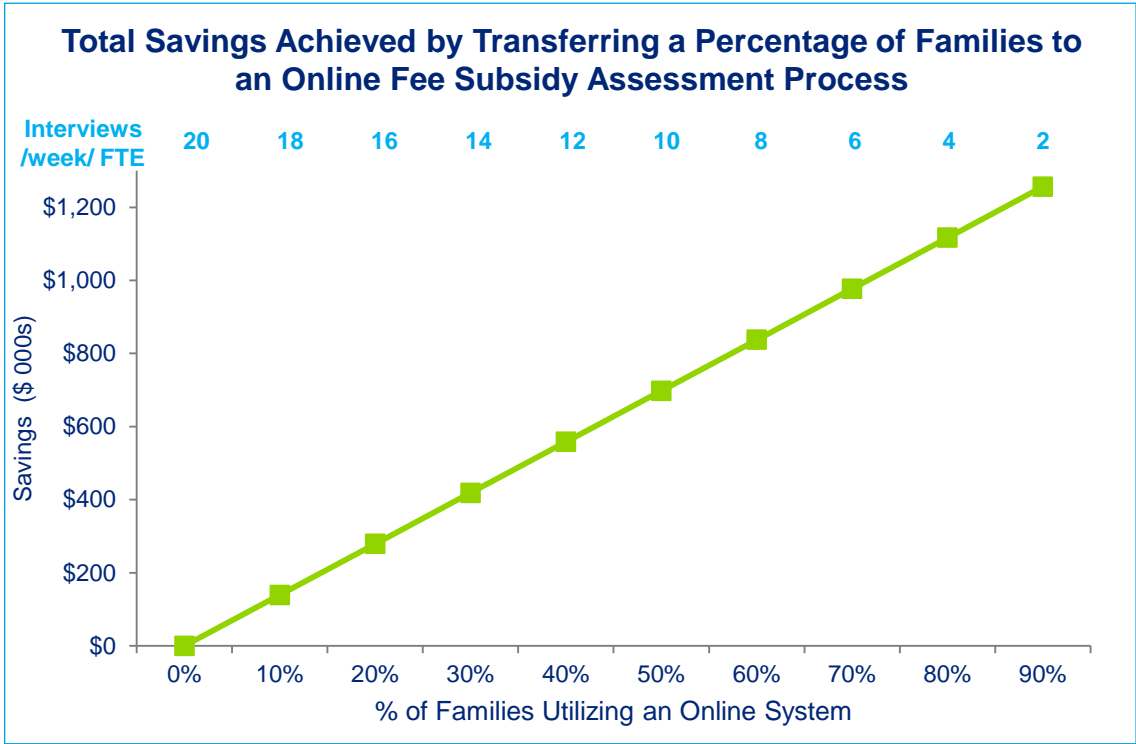
Notes: *Salary costs were multiplied by 1.28 in order to estimate the salary and benefits costs. This analysis does not include the corporate overhead costs as per City convention. Deloitte recommends that total staffing costs including corporate overhead, which typically results in fully-loaded costs in the range of at 1.5 – 2 x salary costs.

Rationale

- Each year, the City of Toronto spends approximately \$23 M on administration
- Of the total cost, ~\$1.2 M is spent on assessing and triaging fee subsidy applications
- On average, each caseworker spends approximately 2 hours per day conducting in-person interviews (~4 interviews/day)
- Recently, the City implemented an online fee subsidy application, however in-person interviews are still conducted to verify documentation and on an annual basis to verify income and confirm eligibility for fee subsidy
- Although the Ministry of Education requires that the City conduct an annual verification of income, it does not mandate the manner of verification
- Allowing low-risk families to use an online income verification process would significantly reduce the amount of time that caseworkers spend on this process
- The City should also investigate opportunities to access provincial tax data to further streamline this process

The potential efficiencies from a new approach would depend on the percentage of families that can be categorized as “low-risk”

Financial Implications



Services Implications

- Enabling an annual online fee subsidy assessment and income verification process for some families would
 - Increase convenience and enhance the overall client experience
 - Decrease personal client service
- There would be no service implications for high-risk families who would continue to meet in-person with a caseworker
- As time spend on in-person assessments falls, so would the required number of caseworkers

Total potential savings = \$465,000 - \$837,000
(based on 50-90% of families using the online system)

Moving assessment online will only be effective if clients if privacy concerns are addressed and clients are appropriately segmented

Risk	Mitigation Strategies
Families may have concerns about sharing personal information online	Undertake additional analysis to identify and address any privacy concerns and borrow best practices from other programs that use an online income verification process (e.g. Shelter, Support and Housing Administration division)
There may be fewer in-person opportunities for City staff to identify potential fraud cases	Review existing risk management approach to determine if any policies or approaches should be revised to address potential risks of online income verification and less in-person contact. Consider adapting risk framework to help determine which families are good candidates for the online vs. in-person process.

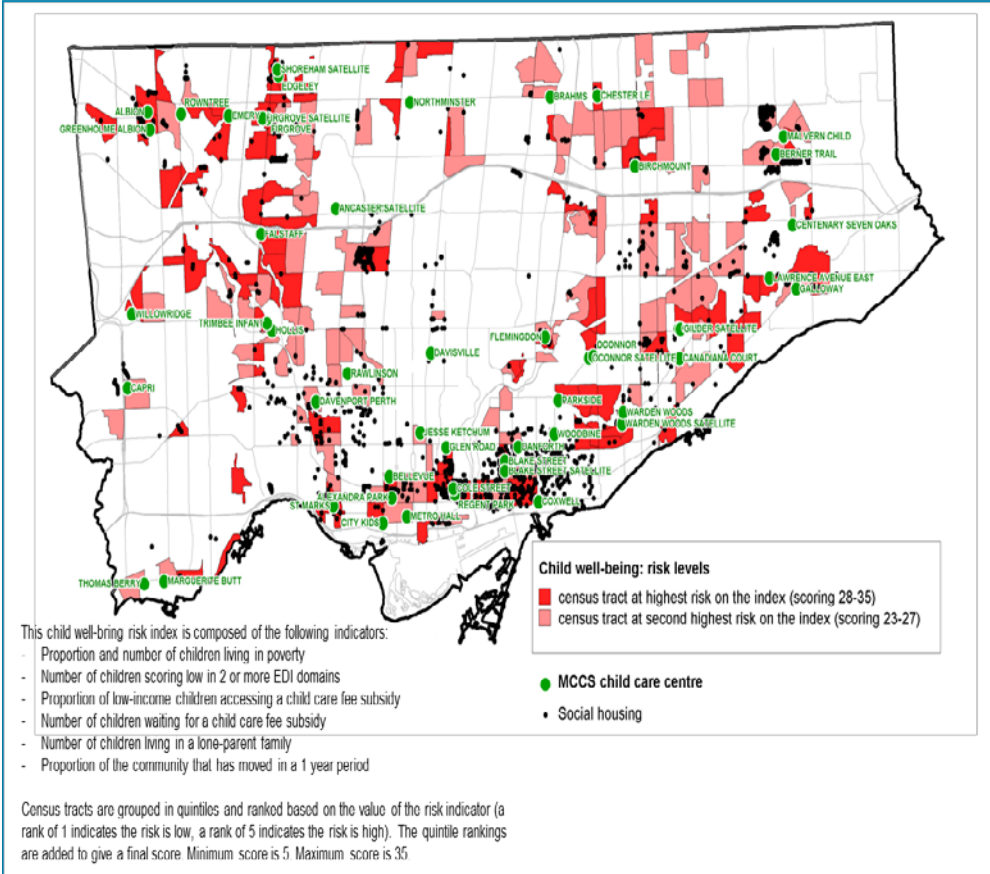
Infrastructure, such as a risk framework and unique identifier, will be needed to improve the success of an online assessment process

Considerations	Potential Additional Analysis
The City’s unique identifier strategy has not been fully implemented	Continue discussions with corporate IT to ensure that any annual online income verification system is aligned with the unique identifier project. Draw on practices adopted by existing online verification programs
There is as yet no criteria for assessing the risk profile of subsidy recipients	Develop criteria and an overall risk framework to help identify high-risk families (e.g. stability of employment). Once City staff have determined other criteria, the City should calculate the number of low- and high-risk families to determine the extent of potential savings
The costs of developing an online system for income verification have not yet been determined; nor have the ongoing support needs	Look to existing programs that already use online income verification and discuss potential costs with internal and corporate IT staff
Even if estimated savings are possible through a new process, they may be difficult to achieve given the constraints of the current collective bargaining agreement	Explore the potential of using natural attrition or staff reallocation to other high-need areas, once efficiencies have been achieved.

Recommendation #4: Explore optimized mixed service delivery model

The City’s directly operated child care centres play an important role in addressing system needs in high risk communities. However, the City should also continue to build non-profit provider capacity in these areas

Location of MCCS Child Care Centres



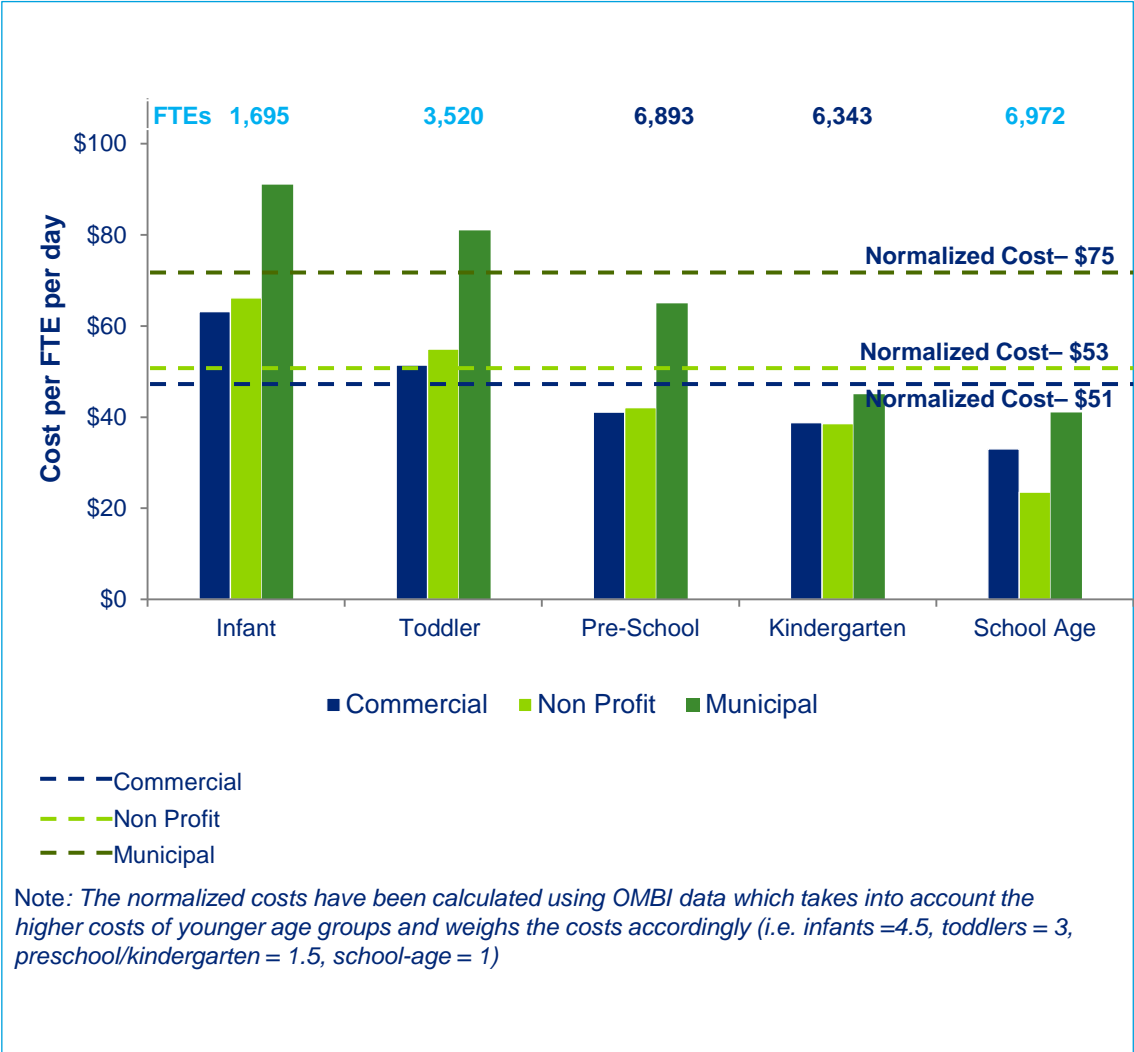
Source: MCCS Strategic Plan 2011-2015

Key Observations

- Most of the MCCS child care centres are located in high-needs neighbourhoods
- 95% of children who use MCCS' services have a fee subsidy, compared to 49% for the rest of the system
- 74% of families who use MCCS services are lone-parent families, compared to 30% of families with children in Toronto
- MCCS child care centres also serve a higher percentage of children with special needs
- Although the City plays an important role in delivering child care in high needs communities, as the Service System Manager, it also has an important role in building system capacity , particularly focusing on the non-profit sector, which could reduce the municipal role over time
- The City’s focus on building system capacity and increasing its leadership role within the child care community are reflected in the 2011-2015 Strategic Plan
- The City should continually assess and identify neighbourhoods and strategies to help enhance system capacity and shift the service delivery mix towards non-profit operators

Continually evaluate the service delivery mix to look for opportunities to develop more efficient service delivery through non-profit operators

Approved Daily Costs per FDE by Operator Type

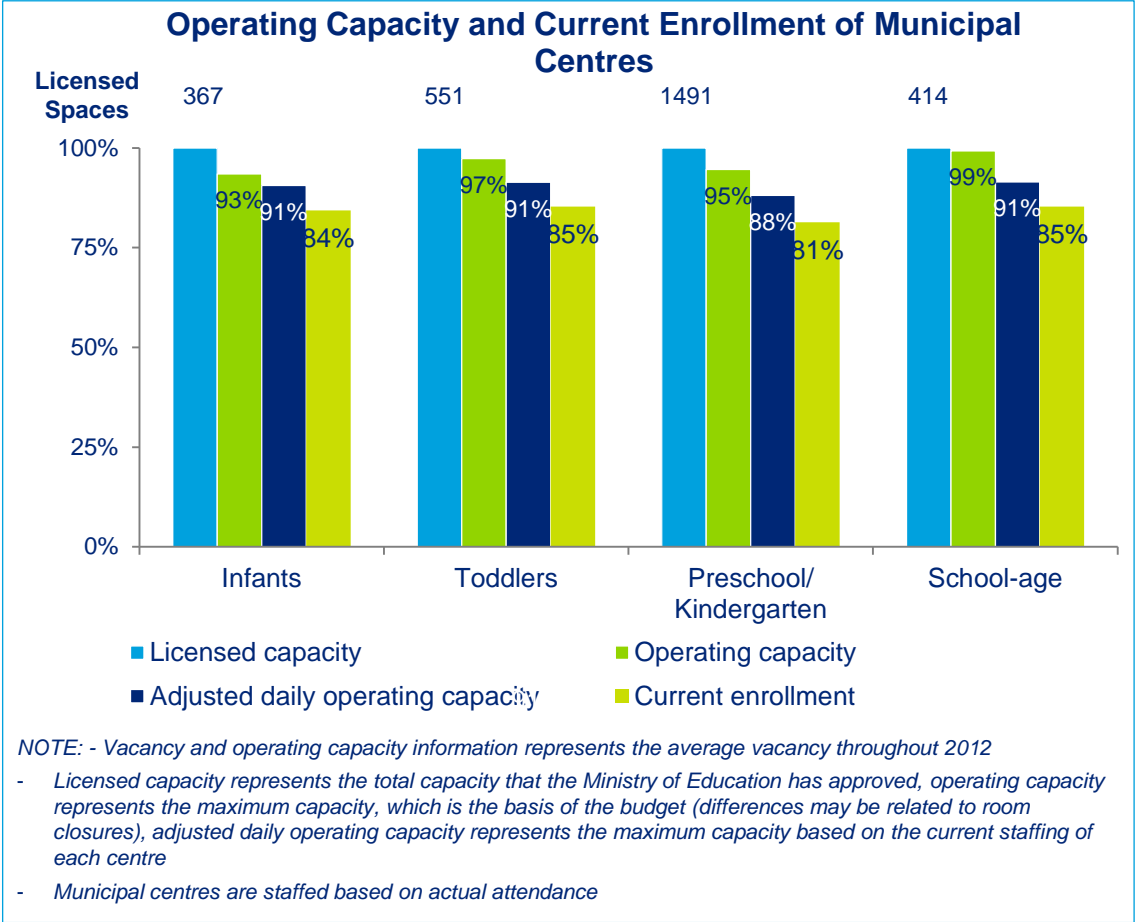


Rationale

- Municipally operated centres have a higher cost per space across all age groups when compared to non-profit and commercial centres
- Non-profit and commercial operators are able to provide child care at a cost which is approximately 30% lower than that of municipal centres (likely as a result of higher salary costs)
- Re-examine the current mix of operators and consider the best allocation of resources given the limited funding available for child care
- Other jurisdictions (e.g. Peel Region, City of Windsor) have also recently re-examined the service delivery mix and have closed municipal centres due to low enrollment, cost savings opportunities, proportion of Kindergarten children, and to reduce the subsidization of full fee paying parents
- As the need for direct operations changes, the City should determine the best way to allocate savings and future investments (e.g., to increase capacity and/or quality across the system)

Consider whether it is more effective to re-deploy the City’s resources to improve overall system quality and capacity

Vacancy Rates of Municipal Centres



Rationale

- Municipal centres are currently operating below their licensed capacity for all age groups and particularly within the Preschool/ Kindergarten one, likely because of FDK
- Vacancies are also impacted by lack of subsidies and transient accommodations and unstable employment among some MCCS families
- Re-focusing the City’s role may provide an opportunity to address vacancies and determine if some classrooms should be re-purposed for other age groups or vacant spaces made available to high priority candidates on the waitlist (e.g., emergency cases)
- There may also be an opportunity to optimize the location of centres (e.g., through relocation) to address demand more effectively
- Additionally, other means of reducing the cost and improving the efficiency of direct operations should be considered

Looking for and acting on opportunities to change the service delivery mix, will free-up resources for reinvestment in other parts of the service system

* For illustrative purposes only

	FDEs	Weighted Average Cost/space/day	Total Cost (000's)	% of FDEs Reallocated from Municipal to Non Profit						
				25% (000's)	30% (000's)	40% (000's)	50% (000's)	60% (000's)	70% (000's)	75% (000's)
Commercial	7,572	\$42	\$69,373	\$69,373	\$69,373	\$69,373	\$69,373	\$69,373	\$69,373	\$69,373
Non Profit	15,100	\$38	\$124,858	\$131,568	\$132,910	\$135,595	\$138,279	\$140,963	\$143,647	\$144,990
Municipal	2,751	\$68	\$40,614	\$30,461	\$28,430	\$24,368	\$20,307	\$16,246	\$12,184	\$10,154
Total			\$234,845	\$231,402	\$230,714	\$229,336	\$227,959	\$226,582	\$225,205	\$224,516
Potential Savings			\$0	\$3,443	\$4,131	\$5,509	\$6,886	\$8,263	\$9,640	\$10,329

- Savings could be generated from the difference in approved cost per space of non-profit and municipal centres if more spaces (existing or future) are reallocated to non-profit vs. directly operated centres
- It is important to acknowledge that due to pay equity obligations the cost to operate non-profit centres will increase over time by a minimum of 1% of salary costs each year
- Savings could potentially be used to strengthen the non-profit sector by increasing the number of available subsidies within non-profit centres, or be re-directed to improving the level of quality across the entire child care system by providing higher per diems to hire additional qualified staff and allocating more consultant time to work with lower quality centres
- The City could also take a more active role in promoting and facilitating consolidation of non-profit operators to improve scale and efficiencies
- Existing non-profit board capacity and capabilities could also be enhanced through a requirement for longer-term appointments and clearer qualification criteria
- Reconsideration of the service delivery mix should be based on factors such as current vacancy rates, impacts of FDELK, staffing impacts, profile of the community (e.g. low income), and the extent to which a neighbourhood is/could be currently served by other centres

Notes: The Cost per space of non-profit and commercial centres has been kept constant for the purpose of this analysis

- Successor rights within collective agreements and the resulting costs haven not been analyzed

Any type of transition poses risks to the stability of the system, which need to be addressed through effective change management strategies

Risk	Mitigation Strategies
Successor rights could prevent the achievement of cost savings if non-profits were to directly take-over any of the existing municipal operations	<p>Consider a gradual and phased approach to changing the service delivery mix, that leverage attrition and natural transition opportunities rather than a forced change.</p> <p>Fully understand the impact of collective agreements and develop appropriate strategies to address risks and concerns.</p> <p>Alternatively consider directing future system expansion investments to non-profit rather than municipal operations</p>
The number of licensed child care spaces could fall if non-profit agencies are not willing to open new centres in the affected neighbourhood or to assume the operations of existing municipal centres	<p>Consider a phased implementation, starting with areas that have the highest vacancy centres. Also, as an interim measure, consider consolidation opportunities among those centres that are operating below licensed capacity, and those most impacted by the transition to FDK.</p> <p>Consider short-term financial incentives to centres that expand in high-needs areas that are primarily served by municipal centres (e.g. capital support for expansion)</p>

Further analysis is necessary to understand fully the capacity and quality benefits of shifting the child care service delivery mix

Risk	Mitigation Strategies
<p>There may be one-time capital costs associated with building new child care centres/ expanding licensed spaces and re-purposing classrooms</p>	<p>Undertake additional analysis as needed to determine the one-time capital costs that would be associated with opening any new child care centres, expanding existing centres or re-purposing the classrooms. Based on these calculations, explore potential funding opportunities (e.g. using one-time FDK funding from the Ministry of Education, partnering with school boards, etc.)</p>
<p>Changing the service delivery mix may result in a reduction in service for children with special needs, as municipal centres have typically accepted a greater percentage of children with special needs</p>	<p>Work closely with non-profit centres to build their capacity to meet the unique needs of children with special needs. Encourage centres to share best practices regarding children with special needs. Consider directly additional funds as available to special needs resourcing</p>
<p>If savings from municipal centres were reinvested in continuing to increase quality in the non-profit sector, this may result in the costs of non-profit programs being driven up to levels similar to that of municipal centres</p>	<p>Conduct additional research to determine how the savings should be reinvested in order to maximize value for money (i.e. determine which investments result in the greatest increase in quality at the lowest cost)</p>

Further analysis would be supported by more detailed data, not available within the timeframe of this study

Considerations	Potential Additional Analysis
The current analysis does not take into account cross-subsidization across age groups, i.e., centres with a higher percentage of infants and toddlers, may show a higher approved cost per space for all age groups	Undertake additional financial analysis to determine the true cost of each age group, using the new CSIS 3 system to begin gathering this information on an ongoing basis
Average vacancy information for the municipal centres is not available, which makes it difficult to determine which municipal centres are candidates for reevaluation or consolidation	Undertake detailed analysis of each municipal centre to determine utilization and impact on families and staff (e.g. to identify centres with high vacancy rates, those operating in areas of the city where there are other child care options available, those more impacted by the transition to the FDK program, etc.)
The current analysis used average approved costs and did not take into account the range of costs by neighbourhood	Determine the range of costs within the impacted neighbourhoods, on a neighbourhood-by-neighbourhood basis (e.g. taking into account differences in rents)
The analysis of potential additional subsidies have been allocated using the existing age group ratios	Based on identified needs, the City may wish to reallocate the new subsidies to different age groups. Therefore, additional analysis should be conducted to determine the total number of potential new subsidies for each age group based on the Child Care Service Plan

Recommendations: Other opportunities

Beyond the high impact opportunities, there are a number of comparatively smaller opportunities that are nevertheless worth considering

	Opportunity	Rationale	Financial Impacts	Quality Impacts	Client Service Impacts (on Families)
5	Risk based approach to QA assessments	Conduct a Quality Assessment more frequently for poorly performing centres and less often for high performing ones	N	++	+
6	Consolidate the number of ward-based consultants for multi-site operators	Explore opportunities to consolidate the number of ward-based consultants working with multi-site agencies depending on the size and location of the agency	N	+	N
7	Weight criteria to enhance the QA tool	Explore opportunities to enhance the QA tool by considering different criteria weights (e.g. higher weights for child-teacher interactions and curriculum)	-	++	+
8	Enhance CSIS 3 system	Linking the two system to eliminate the need for manual calculations and improve accuracy Expand CSIS 3 support to Home Child Care centres, Special Needs Resourcing, and Family Resource Planning	+	N	N
9	Streamline budget for multi-site operators	Implement a single budget submission for multi-site operators Identify additional opportunities for efficiency, including approaches that consider a less detailed process for determining part or all of the per diem amounts	+	N	N
10	Establish a centralized waitlist system for licensed spaces	Explore opportunities to consolidate the individual waitlists into one centralized wait list system for better information on vacancies and parents without child care services	-	N	++

++ significant positive impact + moderate positive impact N neutral impact -- significant negative impact - moderate negative impact

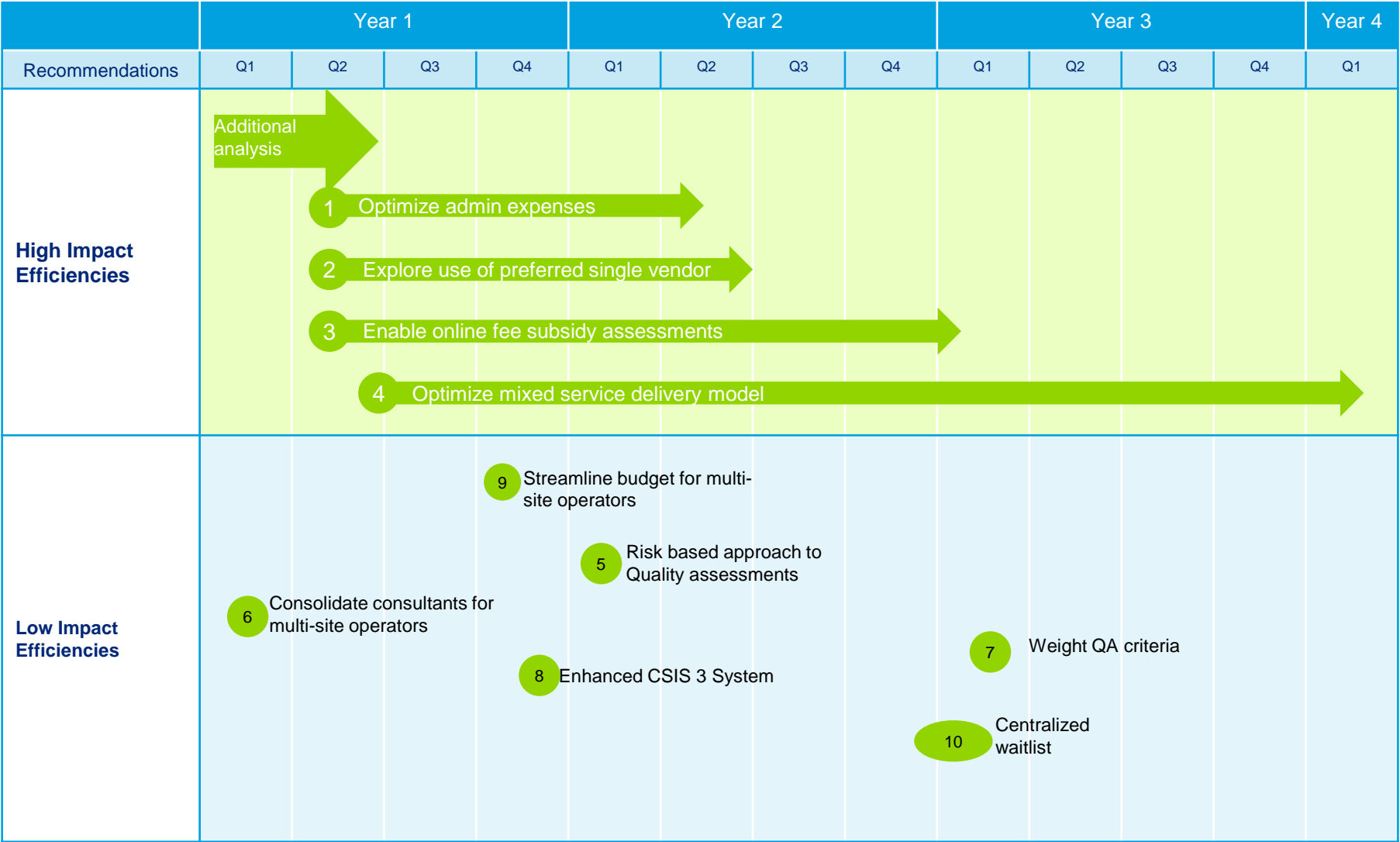
Implementation Plan

Implementation of the recommendations will depend on the completion of any additional analysis / consultations

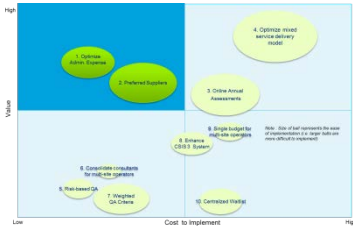
A preliminary and high-level implementation plan has been presented, which assumes that any necessary further analysis and consultations can be completed in the first quarter of 2013 and that approval is received to proceed. Additional analysis may also be required to detail the specific investments to support each initiative.

A more detailed implementation will need to be developed for each opportunity that is approved for implementation, and may lead to changes in the priority, sequence or duration of activities within the overall plan.

Low impact efficiencies could be implemented sooner to demonstrate “quick wins” even if the savings potential is low



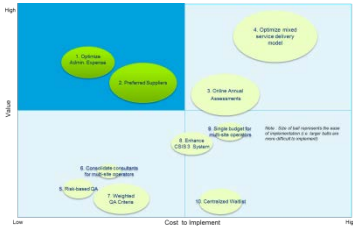
However, the highest value will come from implementing the high impact, medium / low effort opportunities



	Year 1				Year 2				Year 3				Year 4
Recommendations and Milestones	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Complete additional consultations / analysis of opportunities													
Optimize administrative expenses													
• Analyze impacts and identify which centres will be impacted													
• Validate new administrative guidelines													
• Develop communication and transition plans													
• Communicate changes to operators													
• Update CSIS 3 system to reflect the new admin rules													
• Implement new administrative guidelines													

• Implementation guidelines and timelines are approximate and further analysis needs to be conducted to determine the project cycle

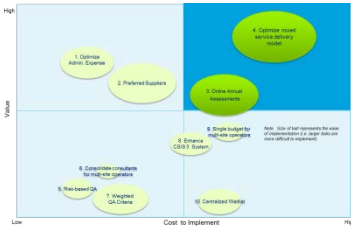
However, the highest value will come from implementing the high impact, medium / low effort opportunities



	Year 1				Year 2				Year 3				Year 4
Recommendations and Milestones	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Complete additional consultations / analysis of opportunities													
Explore use of preferred suppliers													
• Conduct preliminary analysis to estimate savings (e.g. request sample vendor quotes, ask sample of operators to provide toys/ equipment expenses)													
• Investigate which operators have existing contracts with suppliers to determine impacts													
• Work with DCCACs to determine which agency will administer the pilot project													
• Issue request for tender													
• Review and select vendor													
• Communicate changes to operators													
• Negotiate discount with selected vendor													
• Implement use of single vendor on a pilot basis													
• Monitor and evaluate pilot													
• Fully implement the use of a single vendor with all operators													

• Implementation guidelines and timelines are approximate and further analysis needs to be conducted to determine the project cycle

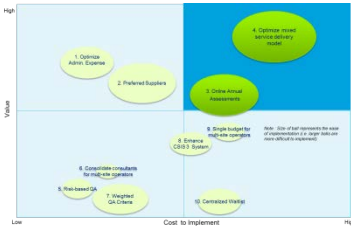
The more significant opportunities will take time to realize their full value



	Year 1				Year 2				Year 3				Year 4
Recommendations and Milestones	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Enable online fee subsidy assessments													
• Hold discussions with corporate IT to determine how an online system could link with a unique identifier													
• Analyze and identify risk factors													
• Validate risk factors with key stakeholders													
• Work with IT staff to determine the technical requirements of an online system													
• Develop the online system													
• Identify staffing impacts and potential FTE reductions													
• Work with HR to develop a transition plan (e.g. natural attrition strategies and timelines)													
• Communicate internal changes													
• Communicate changes to families													
• Implement new online system													

• Implementation guidelines and timelines are approximate and further analysis needs to be conducted to determine the project cycle

These high impact recommendations will also require greater levels of investments



Recommendations and Milestones	Year 1				Year 2				Year 3			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Optimize mixed service delivery model												
• Conduct analysis to determine true costs												
• Conduct analysis to determine best value for City investments (direct operations, quality improvements, capacity expansion)												
• Perform analysis to determine which neighbourhoods would be continue to best served by municipal centres and which neighbourhoods would be best served by non-profit child care centres												
• Analyze stakeholder impacts												
• Work with non-profit agencies to explore opportunities to consolidate / taken on additional operations												
• Develop investment options and strategy												
• Develop an multi-year implementation plan												
• Develop internal and external communication plans												
• Begin implementation of enhanced Service System Manager role												

• Implementation guidelines and timelines are approximate and further analysis needs to be conducted to determine the project cycle

Appendices

Appendix A

Stakeholder Consultations

Stakeholder consultations

A number of stakeholders were engaged throughout the review process. These stakeholder consultations informed the analysis and recommendations.

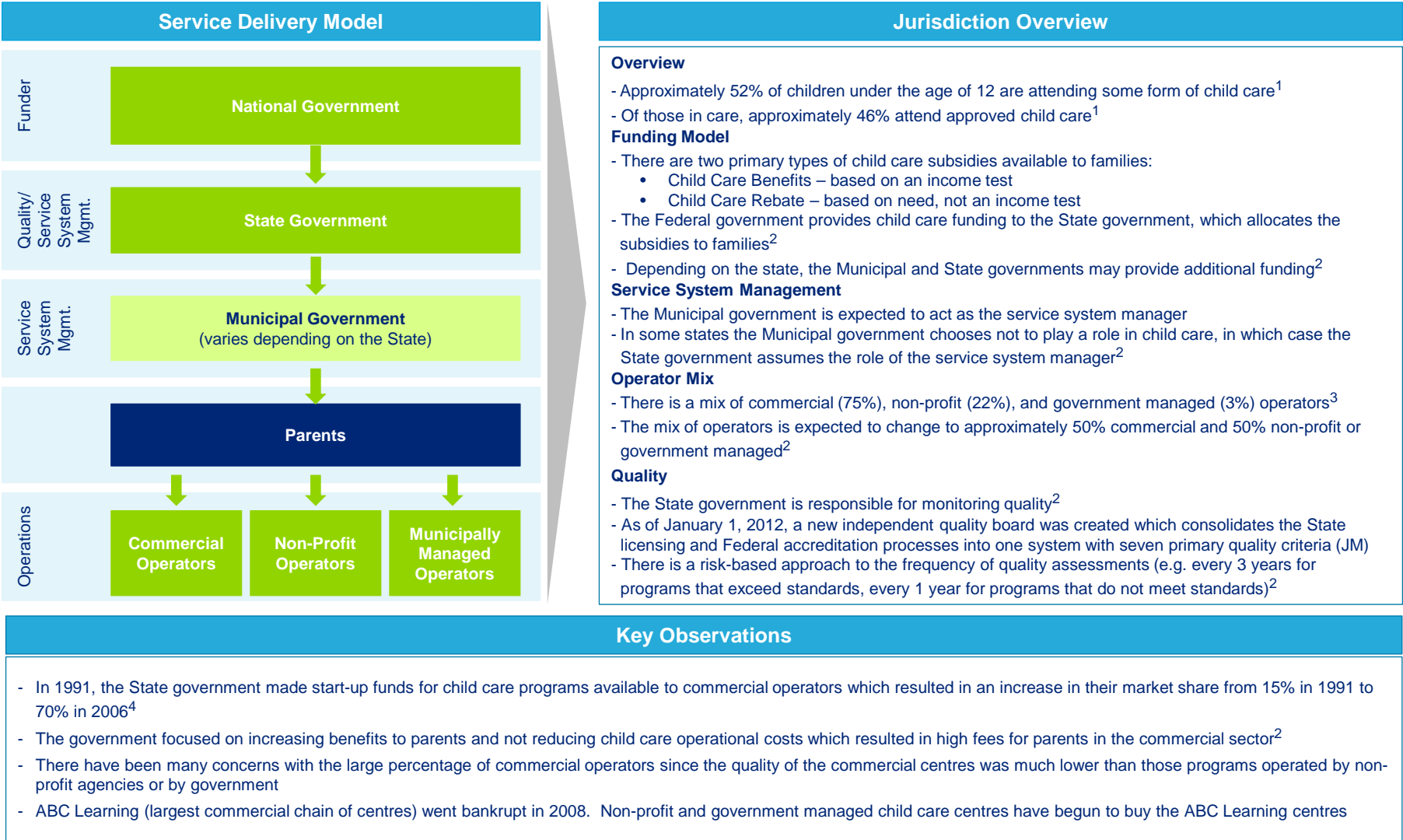
Project Leadership <ul style="list-style-type: none"> Joe Pennachetti, City Manager Brenda Patterson, Deputy City Manager Elaine Baxter-Trahair, General Manager Sandra Rodriguez, Senior Corporate Management & Policy Consultant Barbara Jordan, Policy Development Officer 	Division SMEs/ Management <ul style="list-style-type: none"> Adrienne Beke, Manager of Quality Assurance Bonita See, Manager of IT Sharon Lam, Manager of the Operator Budget Process Andres Hachard, Manager of Budget and Finance Alison Curtis, Administrative Supervisor, MCCS Birgit Maxseiner, MCCS Program Manager Nancy Roscoe, MCCS Program Manager Therese Damaso, MCSS Program Manager 	Service Providers <ul style="list-style-type: none"> June Hall, Supervisor, Main Square Marilyn Newman, Supervisor, Life Bridge Sharon Brayley, Supervisor, Finch Flyers Sharon Filger, Executive Director, Macaulay Peter Frampton Executive Director, LEF Sujit Sengupta, President, Tender Loving Care Sheryl Barton, Supervisor, Dublin Heights Azam Bhaloo, President Centres for Early Learning 	Ministry/ Board Partners <ul style="list-style-type: none"> Rupert Gordon, Director, Early Learning and Child Care Policy and Program Branch, Ministry of Education Pam Musson, Director, Early Learning and Child Care Implementation Branch, Ministry of Education Marilyn Rodrigues-Wright, Senior Manager, Child Care ARC & Nutrition Services. TCDSB Angie Sferlazza, Early Learning Program Coordinator, TCDSB Angela Gauthier, Associate Director of Education , TCDSB Shirley Chan, Central Coordinating Principal, TDSB
Key City/ Division Leadership <ul style="list-style-type: none"> Pam Roberts, Director, Strategic, Business, and Financial Services Elizabeth Moffat, Director, MCCS Karen Gray, Director, Service System Planning & Policy Development Kathy McGuire, District Director Shanley McNamee, District Director Eva Smerdon, District Director, North 	Key Committees <ul style="list-style-type: none"> Early Learning and Care Committee Petra Wolfbeiss, Director, Policy & Public Affairs, OMSSA 	Workplace Relations <ul style="list-style-type: none"> Tim Maguire, President, CUPE Local 79 Sandra Higginson, Unit B Part-Time Unit Officer, CUPE Local 79 	Service Recipients <ul style="list-style-type: none"> Customer Service Survey, 2012 (reviewed existing survey) Modernizing Child Care Survey, 2012 (reviewed existing survey)
	Academics <ul style="list-style-type: none"> Michal Perlman, Associate Professor, OISE 		

Appendix B

Jurisdiction Review Details

Australia

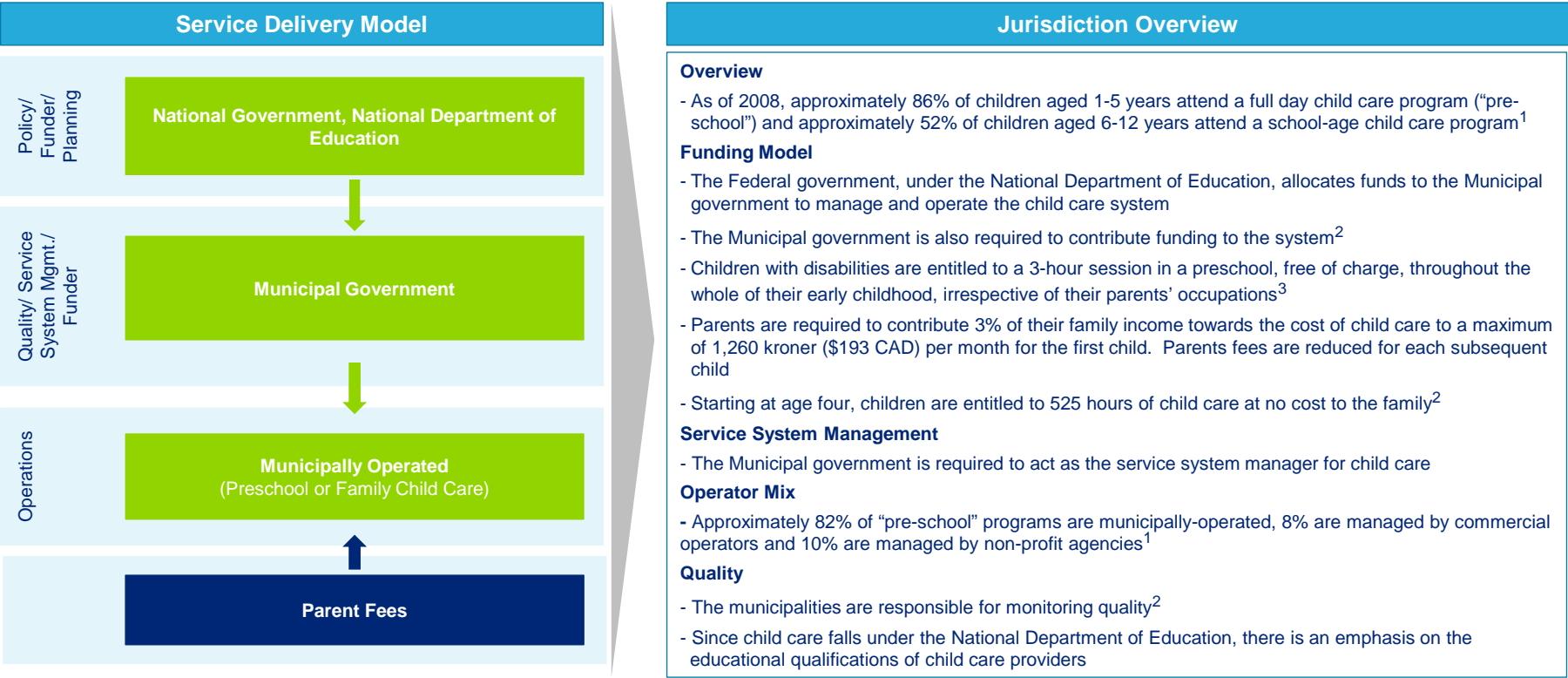
In Australia, there is a high proportion of commercial operators, however the system is beginning to shift back towards an increase in non-profit or government managed programs.



¹ <http://www.abs.gov.au/ausstats/abs@.nsf/mediareleasesbytitle/B80CB3BDAC6944AECA257601001B62F7?OpenDocument> , ² Conversation with June Loughlin; ³ <http://www.deewr.gov.au/EarlyChildhood/Resources/Documents/StateChildCareAus.pdf>, ⁴ http://www.toronto.ca/children/pdf/australian_child_care.pdf

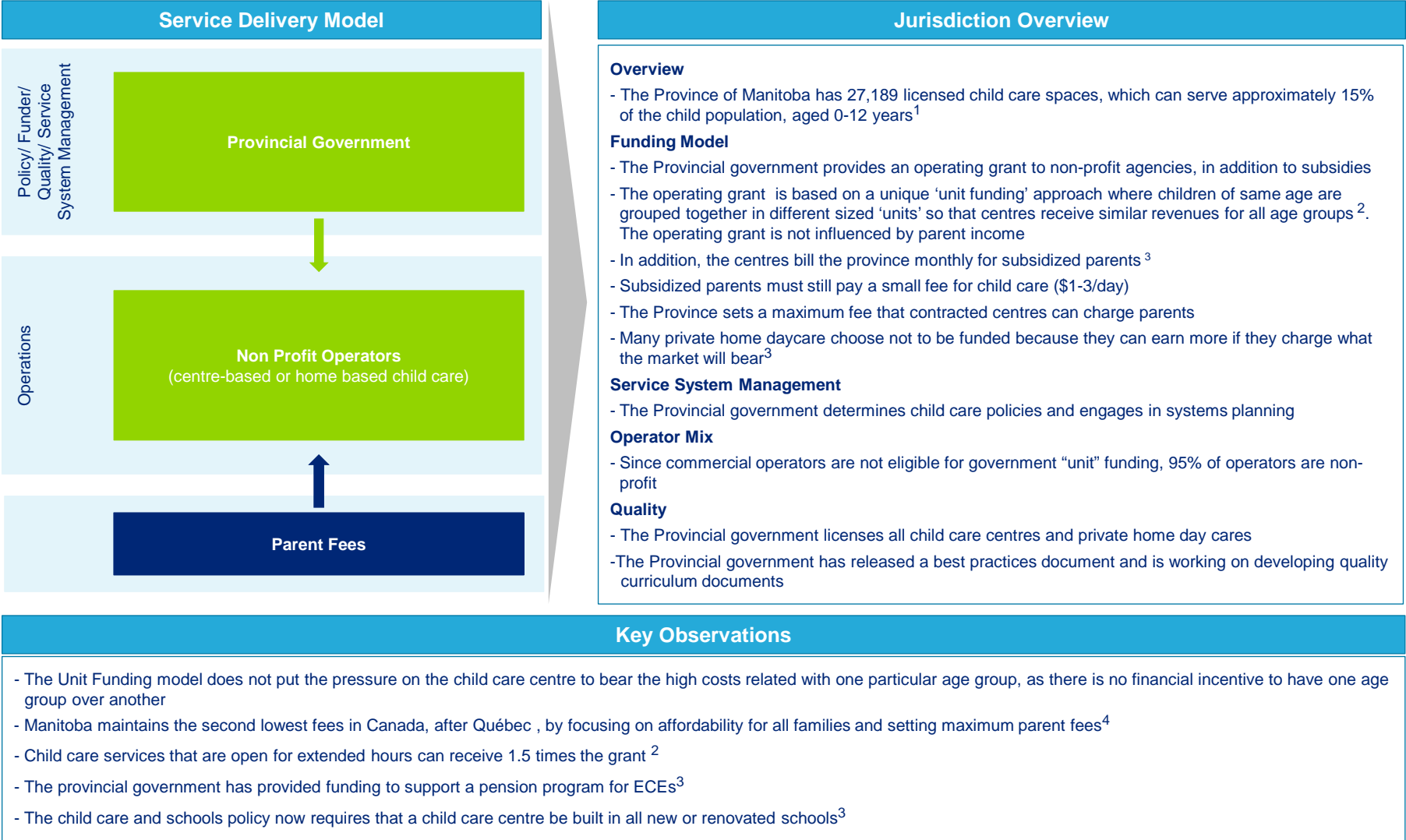
Sweden

In Sweden, child care falls under the National Department of Education which improves the integration with schools. The majority of child care programs are managed and operated by local municipal governments.



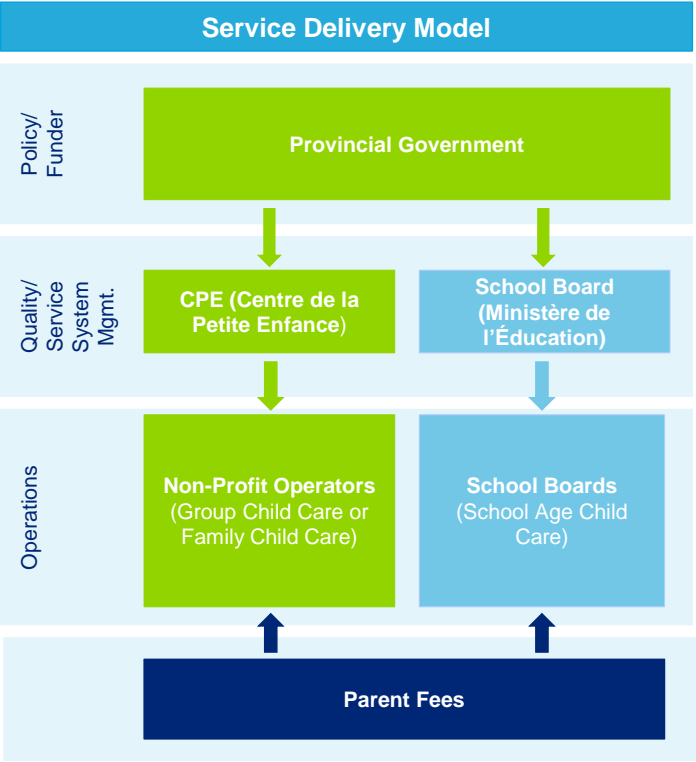
Province of Manitoba

The Province of Manitoba has provided Operating Grants to child care centres in order to increase the affordability and accessibility of child care to all families. The Province provides additional funding for subsidized families.



Province of Quebec

In Quebec, parents pay \$7/day for child care and the provincial government funds the rest of the child care system. CPEs monitor quality and manage the system of child care services.



Jurisdiction Overview

Overview

- In 2012, Quebec had 200,000 regulated and subsidized child care spaces, approximately half of which are provided through home based care¹

Funding Model

- The provincial government provides funding to CPEs, which are independent organizations governed by parent boards
- CPEs then operate group (centre-based) or family (home-based) child care
- The provincial government provides funding to the CPEs for the cost of child care
- School Boards also provide before and after care in elementary schools for children aged 5-12 years
- All families pay \$7/day for either home or centre based child care² which covers approximately 20% of the cost of care³. Families in receipt of social assistance are not required to pay the \$7 fee

Service System Management

- CPEs are the service system managers for both group and family child care
- Policies and regulations are determined by the provincial government⁴

Operator Mix

- Approximately 90% of group child care is provided by non-profit agencies⁴

Quality

- Provincial government regulations are primarily structural based, and not quality based
- There are fewer educational requirements for employees in home based care
 - 2/3 of educators in group child care programs must hold a college diploma⁵
 - Home based care employees must complete a 45 day training program and first aid certification⁴
- CPEs grant licenses based on provincial government regulations⁴

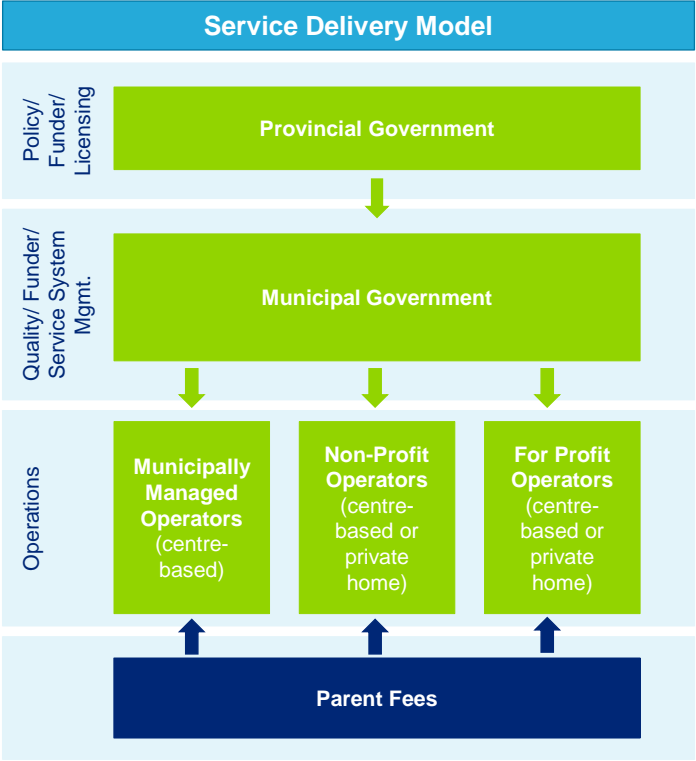
Key Observations

- Local CPEs, which are independent from the government and governed by parent boards, act as the service system managers for child care.
- Approximately half of the regulated child care spaces are provided by home child care providers. Home child care is significantly less expensive, however there are concerns that the quality of home child care is lower than centre-based care due to less stringent educational requirements
- Child care operators receive a flat subsidy rate based on the age of the child. The actual operational costs do not impact the subsidy rate
- Regulations are focused on educational requirements and health and safety issues, rather than other quality programming
- A Kindergarten Committee has been established under the Ministère de l'Éducation to ensure a smooth transition between child care and school
- Child care centres in low income neighbourhoods are required to reserve a minimum of 5% of their spaces for children living in that neighbourhood

¹Japel Quality Report; ²http://www.acpsge.ca/PDF/research/QUE_CHILDCARE.pdf ³http://www.toronto.ca/children/pdf/funding_the_future/eccec_in_to_full.pdf; ⁴Conversation with Christa Japel; ⁵<http://www.childcarecanada.org/sites/default/files/op17ENG.pdf>

City of Hamilton

In Hamilton, the municipality provides funding to a non-profit agency to support a peer-reviewed quality program with child care operators.



Jurisdiction Overview

Overview

- The City of Hamilton has 11,427 licensed child care spaces, which can serve approximately 15.6% of the child population, aged 0-12 years¹

Funding Model

- The Provincial government provides child care subsidies to the City to manage and distribute
- The Municipal government enters into service contracts with non-profit and commercial operators¹
- The Municipal government provides a per diem rate to operators based on actual costs¹

Service System Management

- The Municipal government is considered the service system manager for child care

Operator Mix

- Approximately 82% of spaces are non-profit and approximately 18% are commercial¹
- The City also directly operates one child care centre, which has a large proportion of children with special needs¹

Quality

- The Municipal government has provided funding to a non-profit agency to support the Raising the Bar on Quality program¹
- Raising the Bar is a peer-reviewed quality model¹
- The City has required that all new operators participate and be engaged in the Raising the Bar process¹
- The Child Care Information Line publishes the names of the centres that participate in the Raising the Bar program, but does not publish their ratings¹
- The approximately cost of the Raising the Bar program is \$45/child¹

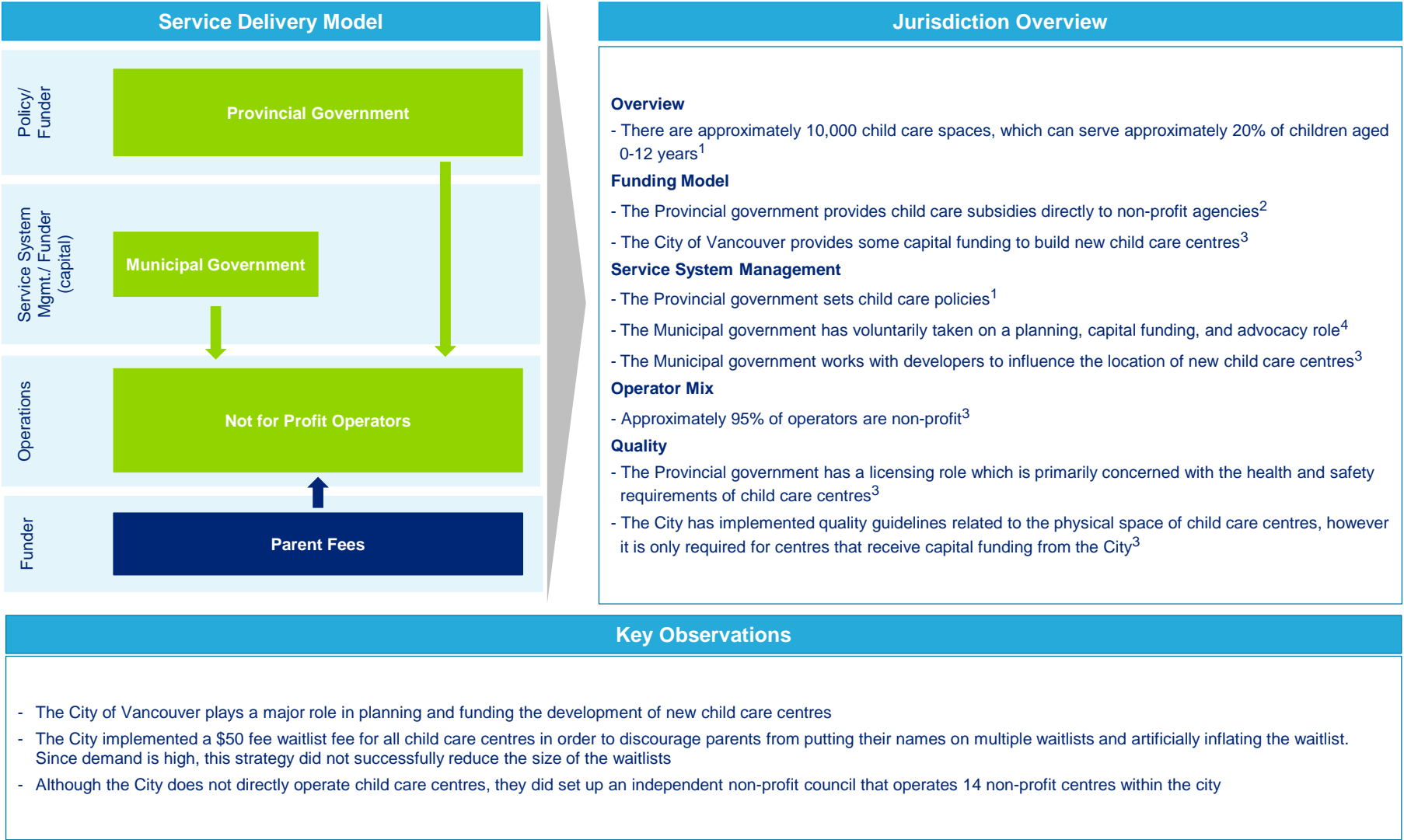
Key Observations

- The City has implemented a peer-review based quality model and provided funding to a non-profit agency to support the program
- The City has provided business resiliency and board development workshops to operators in order to strengthen business capacity in response to implementation of the FDK prog. ¹
- The City requires that all new operators attend an orientation session which is delivered jointly by the City and the Ministry of Education¹
- Multi-site operators receive a standardized per diem based on the actual cost of all programs, not the individual costs of each centre¹
- The City collects ongoing health and safety needs lists from operators in order to more equitably distribute health and safety funding¹
- The City has provided joint professional development sessions to ECEs and teachers in response to the implementation of the FDK program¹
- The public school board has a preferred operator and the Catholic school board has a sole operator for child care¹

¹Conversation with Jane Soldera and Brenda Bax

City of Vancouver

In Vancouver, the Municipal government has voluntarily taken on a major role in planning and funding the capital development of new child care centres.



Appendix C

Financial Analysis Details

Financial analysis – child care service cost distribution by operator

Expenses	Commercial	Non Profit	Large Operators	Small Operators	Municipality	Total
ADMINISTRATION/ OFFICE EXPENSES	\$8,307,463	\$19,891,370	\$10,938,116	\$17,260,717	\$2,550,345	\$30,749,178
AMORTIZATION/DEPRECIATION	\$88,207	\$650,200	\$254,055	\$484,352	\$0	\$738,407
BUSINESS TRAVEL	\$129,450	\$252,279	\$125,989	\$255,740	\$25,600	\$407,329
FOOD EXPENSES	\$6,216,743	\$22,014,992	\$8,967,534	\$19,264,201	\$2,164,626	\$30,396,361
CLEANING/HOUSEKEEPING	\$817,809	\$2,244,909	\$622,783	\$2,439,935	\$2,323,332	\$5,386,050
INSURANCE	\$631,713	\$1,767,634	\$478,003	\$1,921,344	\$676,355	\$3,075,702
PROFESSIONAL/ LEGAL FEES	\$951,633	\$2,147,267	\$587,182	\$2,511,718	\$0	\$3,098,900
PROGRAM RELATED	\$3,868,004	\$13,695,201	\$4,935,877	\$12,627,328	\$1,027,309	\$18,590,514
RENT + TAXES	\$8,984,626	\$6,697,669	\$4,083,943	\$11,598,352	\$1,757,484	\$17,439,779
SALARIES AND BENEFITS	\$59,139,430	\$233,207,413	\$74,951,082	\$217,395,761	\$47,258,395	\$339,605,238
TRAINING AND DEVELOPMENT	\$388,783	\$1,626,176	\$755,367	\$1,259,592	\$0	\$2,014,959
UTILITIES/MAINTENANCE	\$2,082,800	\$3,993,236	\$1,594,469	\$4,481,567	\$685,861	\$6,761,897
MISCELLANEOUS	\$36,604	\$744,607	\$169,369	\$611,842	\$0	\$781,211
Total	\$91,643,265	\$308,932,953	\$108,463,769	\$292,112,449	\$58,469,307	\$459,045,525

Expenses	Commercial	Non Profit	Large Operators	Small Operators	Municipality	Total
ADMINISTRATION/ OFFICE EXPENSES	9.07%	6.44%	10.08%	5.91%	4.36%	6.70%
AMORTIZATION/DEPRECIATION	0.10%	0.21%	0.23%	0.17%	0.00%	0.16%
BUSINESS TRAVEL	0.14%	0.08%	0.12%	0.09%	0.04%	0.09%
FOOD EXPENSES	6.78%	7.13%	8.27%	6.59%	3.70%	6.62%
CLEANING/HOUSEKEEPING	0.89%	0.73%	0.57%	0.84%	3.97%	1.17%
INSURANCE	0.69%	0.57%	0.44%	0.66%	1.16%	0.67%
PROFESSIONAL/ LEGAL FEES	1.04%	0.70%	0.54%	0.86%	0.00%	0.68%
PROGRAM RELATED	4.22%	4.43%	4.55%	4.32%	1.76%	4.05%
RENT + TAXES	9.80%	2.17%	3.77%	3.97%	3.01%	3.80%
SALARIES AND BENEFITS	64.53%	75.49%	69.10%	74.42%	80.83%	73.98%
TRAINING AND DEVELOPMENT	0.42%	0.53%	0.70%	0.43%	0.00%	0.44%
UTILITIES/MAINTENANCE	2.27%	1.29%	1.47%	1.53%	1.17%	1.47%
MISCELLANEOUS	0.04%	0.24%	0.16%	0.21%	0.00%	0.17%

Process

- Cost distribution for commercial, non-profit, large operators and small operators was provided by the City
- The costs of the municipal centres were mapped to the other operators in collaboration with City finance staff
- The percent distribution was calculated using the ratio of cost distribution

Financial analysis – approved cost per space

Approved Cost per space						
	AGE GROUP	TOTAL (\$)	DAYS	FDE	Cost/day/space (\$)	Cost/space (\$)
Commercial	ALL	\$ 69,373,330	1,650,733	7,572	\$ 42	\$ 9,162
Non Profit	ALL	\$ 124,857,543	3,291,710	15,100	\$ 38	\$ 8,269
Commercial	Infants	\$ 7,790,892	123,351	566	\$ 63	\$ 13,765
Non Profit	Infants	\$ 11,332,496	171,204	785	\$ 66	\$ 14,436
Commercial	Toddlers	\$ 13,370,718	260,217	1,194	\$ 51	\$ 11,198
Non Profit	Toddlers	\$ 21,508,334	391,626	1,796	\$ 55	\$ 11,976
Commercial	Pre-School	\$ 20,230,531	492,443	2,259	\$ 41	\$ 8,956
Non Profit	Pre-School	\$ 35,020,533	832,951	3,821	\$ 42	\$ 9,165
Commercial	SG	\$ 11,772,582	356,485	1,635	\$ 33	\$ 7,200
Non Profit	SG	\$ 25,256,813	1,073,229	4,923	\$ 24	\$ 5,130

	Infant	Toddler	Pre-School	School Age
Commercial	\$ 63	\$ 51	\$ 41	\$ 33
Non Profit	\$ 66	\$ 55	\$ 42	\$ 24
Municipal	\$ 91	\$ 81	\$ 65	\$ 41
Large Operators	\$ 71	\$ 56	\$ 43	\$ 24
Small Operators	\$ 62	\$ 52	\$ 41	\$ 27

Process

- $\text{Cost/day/space} = \text{Total \$} / \text{Days}$
- $\text{Cost/Space} = \text{Total\$} / \text{FDE}$
- Similar data was calculated for large operators, small operators, and municipal centres

- Average approved cost per space was calculated across different operator types

Deloitte.