



City Budget 2013

Children's Services Operating Budget Program Summary

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

2013 Operating Budget

2013 OPERATING BUDGET SUMMARY COUNCIL APPROVED JANUARY 16, 2013

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PART I: COUNCIL APPROVED BUDGET

**2013 Operating Budget
(In \$000s)**

| (In \$000s) | 2012 | | 2013 Operating Budget | | | Change - 2013 Operating Budget v. 2012 Appvd. Budget | | FY Incremental Outlook | |
|---------------------------|--------------------|---------------------|-----------------------|----------------------|----------------|---------------------------------------------------------------|--------|---------------------------|---------|
| | Approved Budget | Projected Actual | 2013 Base | 2013 New/Enhanced | 2013 Budget | \$ | % | 2014 | 2015 |
| | \$ | \$ | \$ | \$ | \$ | | | \$ | \$ |
| GROSS EXP. | 397,198.9 | 392,046.4 | 397,374.0 | 3,800.0 | 401,174.0 | 3,975.1 | 1.0% | 6,281.3 | 6,599.3 |
| REVENUE | 320,928.4 | 315,900.4 | 321,158.4 | 3,800.0 | 324,958.4 | 4,030.0 | 1.3% | (12,162.0) | 84.0 |
| NET EXP. | 76,270.5 | 76,146.0 | 76,215.6 | 0.0 | 76,215.6 | (54.9) | (0.1%) | 18,443.3 | 6,515.3 |
| Approved Positions | 936.8 | 936.8 | 931.4 | 0.0 | 931.4 | (5.4) | (0.6%) | | |

City Council approved the following recommendations:

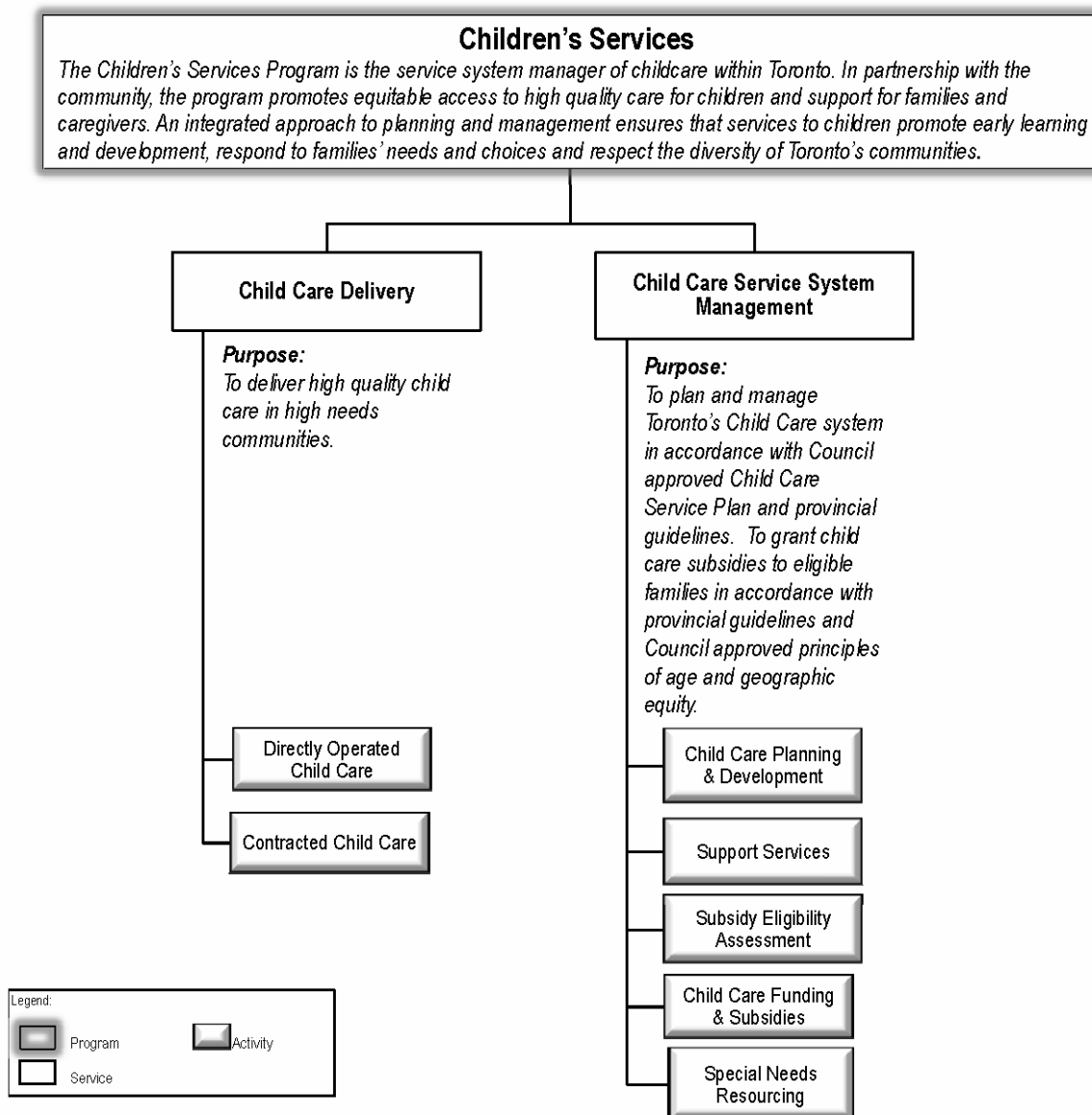
1. City Council approved the 2013 Operating Budget for Children's Services of \$401.174 million gross and \$76.216 million net, comprised of the following:

| <u>Service:</u> | Gross (<u>\$000s</u>) | Net (<u>\$000s</u>) |
|------------------------|----------------------------|--------------------------|
| Program Administration | 27,504.7 | 10,212.5 |
| Municipal Child Care | 69,607.1 | 16,279.7 |
| Purchased Child Care | 304,062.2 | 49,723.4 |
| Total Program Budget | <u>401,174.0</u> | <u>76,215.6</u> |

2. Children's Services' services and 2013 proposed service levels, as outlined on pages 3 and 4 and associated staff complement of 931.4 positions be approved; and.
3. City Council approve the 2013 user fee changes for Children's Services identified in Appendix 6 (iii) for inclusion in the Municipal Code Chapter 441 "User Fees and Changes."
4. City Council request the General Manager, Children's Services report to City Council through Community Development and Recreation Committee in 2013 on the impacts of the new funding formula on Toronto's child care system.

PART II: 2013 SERVICE OVERVIEW AND PLAN

Program Map and Service Profiles



Service Customer

Child Care Delivery

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

Child Care Service System Management

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

2013 Service Levels

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

Service Types and Service Levels

| Service | Activity | Sub-Activity | Type | Sub-Type | 2012 Service Levels | 2013 Service Levels |
|--------------------------------------|-----------------------------------|--------------|--------------------------------------|------------------------|-------------------------------------------------|-------------------------------------------------------|
| Child Care Delivery | Contracted Child Care | | School aged Children | | 110% of equity target ratio of 25% achieved | 110% of equity target ratio of 25% achieved |
| | | | Kindergarten aged Children | | 120% of equity target ratio of 20% achieved | 120% of equity target ratio of 20% achieved |
| | | | Pre-School Children | | 100% of the equity target ratio of 25% achieved | 94% of the equity target ratio of 25% achieved |
| | | | Toddlers | | 80% of the equity target ratio of 18% achieved | 85% of the equity target ratio of 18% achieved |
| | | | Infants | | 70% of the equity target ratio of 12% achieved | 75% of the equity target ratio of 12% achieved |
| | Directly Operated Child Care | | School aged Children | | 94% of the 98% occupancy target achieved | 94% of the 98% occupancy target achieved |
| | | | Kindergarten aged Children | | 98% of the 98% occupancy target achieved | 98% of the 98% occupancy target achieved |
| | | | Pre-School Children | | 99% of the 98% occupancy target achieved | 96% of the 98% occupancy target achieved |
| | | | Toddlers | | 98% of the 98% occupancy target achieved | 96% of the 98% occupancy target achieved |
| | | | Infants | | 100% of the 98% occupancy target achieved | 98% of the 98% occupancy target achieved |
| Child Care Service System Management | Child Care Funding & Subsidies | | Wage Subsidy | | annual | annual |
| | | | Special Needs Subsidy | | annual | annual |
| | | | Child Care Fee Subsidy | | annual | annual |
| | | | Family Resource Centre Subsidy | | annual | annual |
| | | | City funded Grants | | annual | annual |
| | Child Care Planning & Development | | Service Plan | Curriculum Development | 100% | 100% |
| | | | | Policy Development | 100% | 100% |
| | | | | | 100% | 100% |
| | | | Children's Report Card | | quarterly | Quarterly |
| | Special Needs Resourcing | | A Family Plan | | annual | annual |
| | Subsidy Eligibility Assessment | | Income Test (Provincially regulated) | | annual | annual |
| | Support Services | | Online Services | Customer Information | monthly | Monthly |
| | | | | Operating Criteria | annual | annual |
| | | | | Operator Services | monthly | monthly |
| | | | | | daily | Daily |
| | | | Family Resource Support | | annual | annual |

2013 Service Deliverables

The 2013 Operating Budget of \$401.174 million gross provides funding for the following:

- 55,858 licensed child care spaces under Service Management for the City of Toronto;
- 24,264 child care fee subsidy spaces through 636 child care centres (including 52 directly operated municipal child care centres) and 10 home care agencies, (including 1 directly operated);
- 711 wage subsidy programs and 22 agencies to support children with special needs;
- 45 Family Resource Centre programs to support families and caregivers;
- 34 summer programs for 5,175 children; and
- Capital funding for 2 child care centres, health and safety renovations, and minor capital to support transition to full-day kindergarten.

PART III: BASE BUDGET

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

| (In \$000s) | 2012 Budget | 2013 Base | Change 2013 Base vs. 2012 Appvd. Budget | | FY Incremental Outlook | |
|---------------------------|----------------|--------------|-----------------------------------------------|--------|------------------------|---------|
| | | | | | 2014 | 2015 |
| | \$ | \$ | \$ | % | \$ | \$ |
| GROSS EXP. | 397,198.9 | 397,374.0 | 175.1 | 0.0% | 6,281.3 | 6,599.3 |
| REVENUE | 320,928.4 | 321,158.4 | 230.0 | 0.1% | (12,162.0) | 84.0 |
| NET EXP. | 76,270.5 | 76,215.6 | (54.9) | (0.1%) | 18,443.3 | 6,515.3 |
| Approved Positions | 936.8 | 931.4 | (5.4) | (0.6%) | | |

2013 Base Budget

The 2013 Base Budget of \$397.374 million gross and \$76.216 million net is \$0.055 million or 0.1% lower than the 2012 Approved Budget of \$76.271 million net.

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

**2013 Staff Complement
Base Budget Summary**

| Changes | Staff Complement |
|---------------------------------------|---------------------|
| 2012 Approved Complement | 936.8 |
| - 2012 In-year Adjustments | |
| 2012 Approved Staff Complement | 936.8 |
| 2013 Staff Complement Changes | |
| - 2013 Service Change Adjustments | (5.4) |
| Total 2013 Complement | 931.4 |

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

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

2013 Service Change Summary (In \$000s)

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

2013 Service Changes

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

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

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

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

Reduction to Expenditures to Reflect Actual Experience:

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

Base Revenue Changes: *(Revenue of \$0.083 million)*

Increase in Family Fee Revenues:

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

2014 and 2015 Outlook (In \$000s)

| Description | 2014 - Incremental Increase | | | | | 2015 - Incremental Increase | | | | | Total Net % Change from 2013 |
|--------------------------------------------------------------------|-----------------------------|------------|-------------|------------------------|-------------|-----------------------------|---------|-------------|------------------------|-------------|------------------------------|
| | Gross Expense | Revenue | Net Expense | % Net Change from 2013 | # Positions | Gross Expense | Revenue | Net Expense | % Net Change from 2014 | # Positions | |
| Known Impacts | | | | | | | | | | | |
| Salaries and Benefits (Progression Pay, Step COLA) Progression Pay | 1,145.6 | | 1,145.6 | 1.5% | | 1,360.9 | | 1,360.9 | 1.4% | | 3.3% |
| Non-Labour Economic Factor (POS) | 5,135.7 | | 5,135.7 | 6.7% | | 5,238.4 | | 5,238.4 | 5.5% | | 13.6% |
| Fee Increase to Full Fee Clients | | 83.0 | (83.0) | (0.1%) | | | 84.0 | (84.0) | (0.1%) | | (0.2%) |
| Sub-Total Known Impacts | 6,281.3 | 83.0 | 6,198.3 | 8.1% | | 6,599.3 | 84.0 | 6,515.3 | 6.9% | | 16.7% |
| Anticipated Impacts | | | | | | | | | | | |
| Depletion of Program Reserve | | (12,245.0) | 12,245.0 | 16.1% | | | | | | | |
| Sub-Total - Anticipated Additional Impacts | 0.0 | (12,245.0) | 12,245.0 | 16.1% | | | | | | | |
| Total Incremental Impacts | 6,281.3 | (12,162.0) | 18,443.3 | 24.2% | | 6,599.3 | 84.0 | 6,515.3 | 6.9% | | 32.7% |

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

The 2013 Base Budget for Children's Services will result in a 2014 incremental net increase of \$18.443 million and a 2015 incremental net increase of \$6.515 million to maintain 2013 service levels.

Future year incremental costs are primarily attributable to the following:

2014 Outlook

Known Impacts

- Salary and benefits increase of \$1.146 million gross and net are required to cover COLA, progression pay, step increases, and increased cost of fringe benefits;

- Non-labour inflationary increase of \$5.136 million is required, mainly for purchase services of Child Care Centres; and
- Increased revenue of \$0.083 million will be generated from rate increases from full-fee paying families whose children attend a municipal child care facility.

Anticipated Impacts

- The ongoing Program shortfall will require a draw of \$18.443 million from the Child Care Expansion Reserve Fund in order to maintain 2013 service levels.

2015 Outlook*Known Pressures*

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

Anticipated Impacts

- The ongoing Program shortfall will require a draw of \$24.959 million from the Child Care Expansion Reserve Fund in order to maintain 2013 service levels, which will result in a pressure on the City's tax base if current service levels are to be maintained. If Provincial funding to offset this pressure is not forthcoming, a reduction in child care spaces would be necessary to alleviate the pressure.

PART IV: NEW/ ENHANCED SERVICE PRIORITY ACTIONS

2013 New / Enhanced Service Priority Actions
(In \$000s)

| Description | 2013 | | | Net Incremental Impact | | | |
|------------------------------------------------|----------------|------------------|---------------|------------------------|-------------|------------------|-------------|
| | Gross Expense | Net Expenditures | New Positions | 2014 | | 2015 | |
| | | | | Net Expenditures | # Positions | Net Expenditures | # Positions |
| Enhanced Service Priorities | | | | | | | |
| - Increase in Provincial Subsidy | 3,800.0 | | | | | | |
| Sub-Total - Enhanced Service Priorities | 3,800.0 | | | | | | |
| New Service Priority Actions | | | | | | | |
| Sub-Total New Service Priorities | - | | | | | | |
| Total New / Enhanced Service Priorities | 3,800.0 | | | | | | |

2013 New / Enhanced Service Priority Actions

Enhanced Service Priorities

Increase in Provincial Subsidy

- The Province of Ontario has announced a new funding framework, effective January, 2013. The new framework provides the City of Toronto an additional \$8.392 million, with \$7.821 million earmarked for operating expenditures and \$0.571 million to assist operators in capital retrofits.
- Council has approved a service level expansion of 264 child care subsidies, increasing the gross by \$3.800 million \$0 net, with \$4.021 million of the increased funding allocated to reducing the Program shortfall.
- While details on the new funding framework and the financial impact will be reported to Community Development and Recreation Committee in the summer of 2013, the additional funding allows Children's Services to increase the child care subsidies to 24,264 from 24,000.
- The \$0.571 million for capital retrofits represents a partial contribution of the Provincial share of the \$5.000 million Health and Safety Program, included in the 2013 Operating Budget.

PART V: ISSUES FOR DISCUSSION

2013 and Future Year Issues

2013 Issues

2013 Provincial Shortfall:

- Children's Services receives Provincial funding through a cost sharing agreement that provides funds on a 50/50 for administration, 80/20 for programming and 100% for special needs programming, resulting in the total available subsidy. The Program has an on-going shortfall in those areas of its budget that are cost shared on a 50/50 and 80/20 basis, since the Provincial funding for the base program has not been indexed for inflation, with funding levels frozen at that established in 1995. As a result, cost sharing ratios today are 39/61 and 72/28.
- For 2013, the funding shortfall based on the existing cost-sharing ratio agreement is \$9.962 million, with the shortfall offset by a contribution from the Child Care Expansion Reserve Fund (CCERF). This contribution allows the Program to maintain existing service levels.
- The following table provides the details of the shortfall allocation:

| 2013 Operating Budget | | | | | |
|------------------------------------------------------|----------------------------------------|------------------------------------------|-----------------------|-------------------------------------|-----------------|
| | Provincial Base Subsidy Required | Provincial Base Subsidy Funded (*) | Shortfall | Legislated Cost Sharing Ratio | Actual Ratio |
| Administration | 7,625.2 | 6,555.5 | 1,069.7 | 50% | 39% |
| Programs: | | | | | |
| Special Needs | 7,127.7 | 5,623.7 | 1,504.0 | | |
| Family Resource Programs | 1,949.2 | 1,700.4 | 248.8 | | |
| Wage Subsidies, inc Pay Equity | 35,401.6 | 37,788.1 | (2,386.5) | | |
| Subsidized Child Care - High Level | 144,009.4 | 134,483.4 | 9,526.0 | | |
| Ontario Works | 9,646.0 | 9,646.0 | 0.0 | | |
| Total Programs | 198,133.9 | 189,241.6 | 8,892.3 | 80% | 73% |
| Portion of Shortfall Funded From Reserve Fund | | | <u>9,962.0</u> | | |

(*) A new funding formula and framework has been recently approved by the Province, and discussions on the City of Toronto allocation to programs are currently in progress.

- Increased costs associated with the City's on-going base programming accumulate at approximately \$7.0 million per year. Without additional funding, the shortfall will reach \$18.443 million by 2014, resulting in the need to begin reducing spaces, with a total loss of 2,500 spaces in 2015. The Early Learning Program will further exacerbate these pressures, as the shortfall calculations excludes the impact of FDK, which will require additional service level adjustments as 4 and 5 year olds move to the before and after school program.

Depletion of Child Care Expansion Reserve Fund:

- The City is required by legislation to cost share fee subsidies for child care with the Province. The cost of providing child care is subject to annual inflation. The Province has capped a portion of its funding at 1995 levels, therefore creating a shortfall in the base of approximately \$20.0 million, which is equivalent to approximately 2,000 subsidized spaces.
- The City has been able to maintain the existing service level of providing 24,000 subsidies through annual contributions from the Child Care Expansion Reserve Fund and the Children's Services base operating budget.
- Budget Committee, at its meeting of January 8 2013, considered BU37.1ao, "New Provincial Child Care Funding for 2013", which advised that as a result of a new provincial child care funding formula and framework, the Program has received an additional \$7.821 million for operations. Of this amount, Council approved an increase of 264 child care subsidies, (increasing the number of subsidies to 24,264) and has allocated \$3.800 million to operations for that purpose.
- Until such time as the new funding formula and framework has been integrated into Children's Services operations, the anticipated shortfall will remain at the level projected prior to the new funding announcement. The balance in the reserve fund at the end of 2012 is anticipated to be \$36.168 million, with the 2013 budgeted contribution recommended at \$9.962 million. As identified in the Outlook, Children's Services is projecting an incremental pressure of \$24.959 million to maintain the 24,264 spaces, as the Child Care Expansion Reserve Fund will be depleted by the end of 2015.
- Should the Province fail to provide additional funding to maintain the existing service level of 24,264 child care fee subsidies, there will be a need to gradually reduce subsidized spaces by 2,500 through 2015 (equivalent to \$25.000 million). Further reductions of approximately 700 subsidized spaces per annum (equivalent to \$7.0 million) will be required until the annual Provincial funding contributions are indexed for inflation.

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

- The Ontario government introduced FDK for all JK and SK children with a corresponding extended day option for families in response to the Provincially commissioned report, "With Our Best Future in Mind – Implementing Early Learning in Ontario." Implementation is occurring incrementally, with the third phase of FDK commencing in September, 2012. As of September 2013, 49% of Ontario's 4 and 5 year-olds will have access to FDK, with all children having access in September 2014.
- As reported by the General Manager of Children's Services in "New Provincial Funding for Child Care Modernization and Response to Provincial Discussion Paper on Modernizing of Child Care" CD15.7, the Program has received \$5.661 million as a one-time funding allocation for 2012, comprised of operational funding of \$4.239 million and a capital grant of \$1.422 million. In addition, during the year, the Province provided \$1.550 million for capital upgrades, bringing the transitional capital funding to \$2.972 million for 2012.
- In accordance with Provincial guidelines, the operational funding of \$4.239 million will be used to assist child care operators address the financial impacts associated with

implementation of FDK. This funding will provide grants that assist providers to reconfigure their operations into centres that can accommodate a greater number of younger children, as 4 and 5 year olds move into FDK programs.

- The Province of Ontario has announced a New Funding Framework to take effect in January, 2013. The 2013 funding allocations based on the New Funding Framework results in an increase of provincial funding of \$8.392 million, with \$7.821 million earmarked for operating expenditures and \$0.571 million to assist operators in capital retrofits (BU37.1ao). Council has approved a service level expansion of 264 child care subsidies, increasing program's the gross by \$3.800 million \$0 net, with \$4.021 million of the increased funding allocated to reducing the program shortfall. Details on the new funding framework and the financial impact will be reported to Community Development and Recreation Committee in the summer of 2013.

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

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

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

* Per diem based on average cost of purchased child care

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

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

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

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

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

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

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

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

Core Service Review and Efficiency Study Implementation:

The final report on the Core Service Review was considered by City Council at its September 26 and 27, 2011 meeting. City Council referred the KPMG opportunities related to child care for inclusion in broader organizational and service studies. The Community Development and Recreation Committee received CD13.3 "Terms of Reference – Service Review of Children's Services and Long-Term Care Homes and Services" at its meeting of May 23, 2012. In keeping with Council direction, the Service Review study focus for Children's Services includes:

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

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

Appendix 1

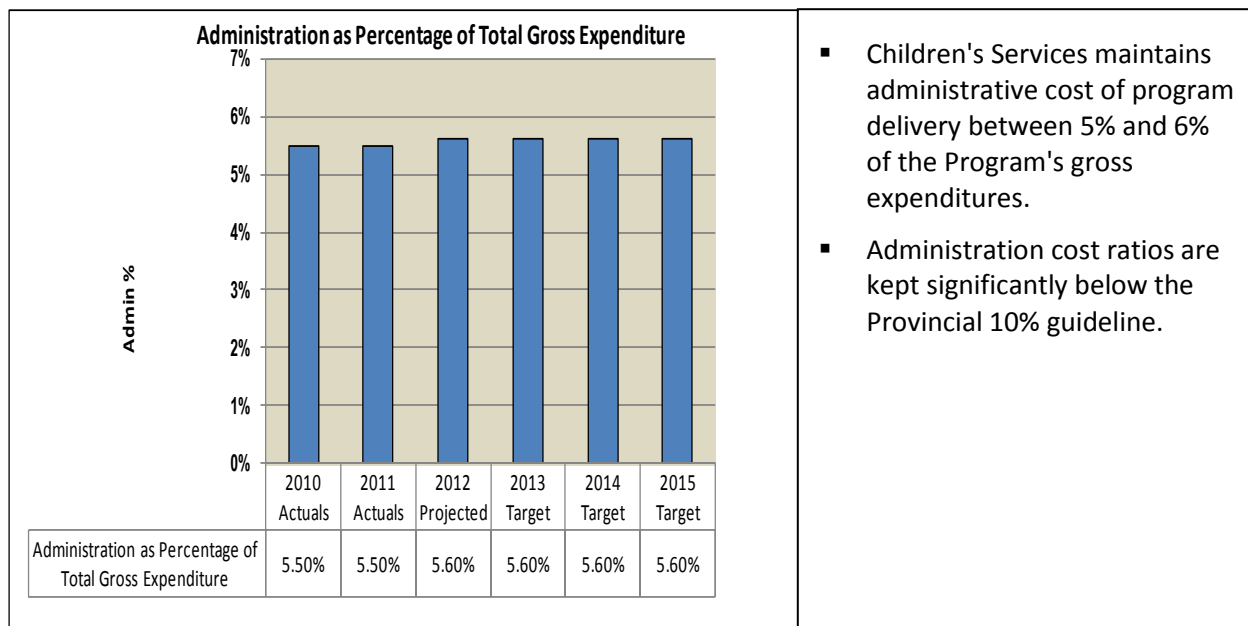
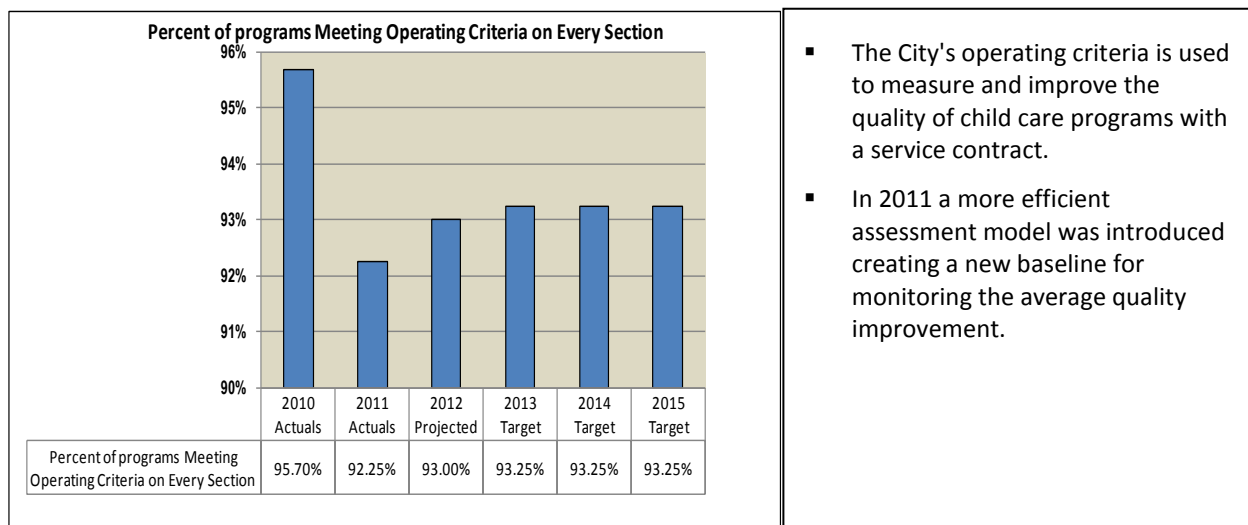
2012 Performance

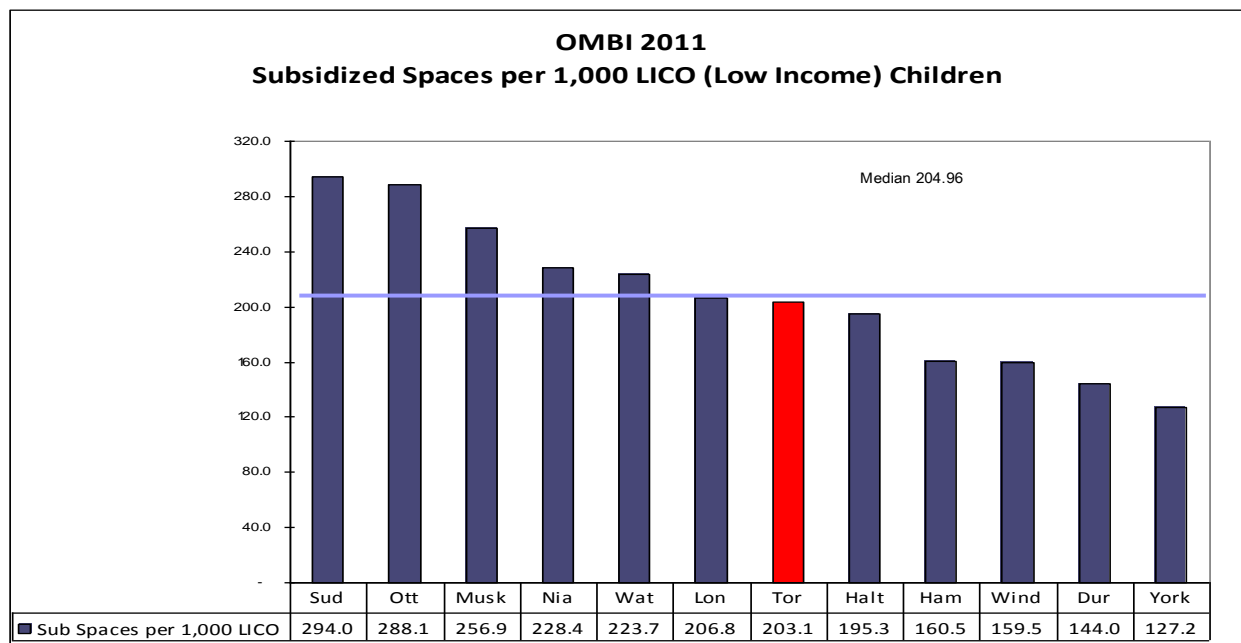
2012 Key Accomplishments

In 2012, Children's Services achieved the following results:

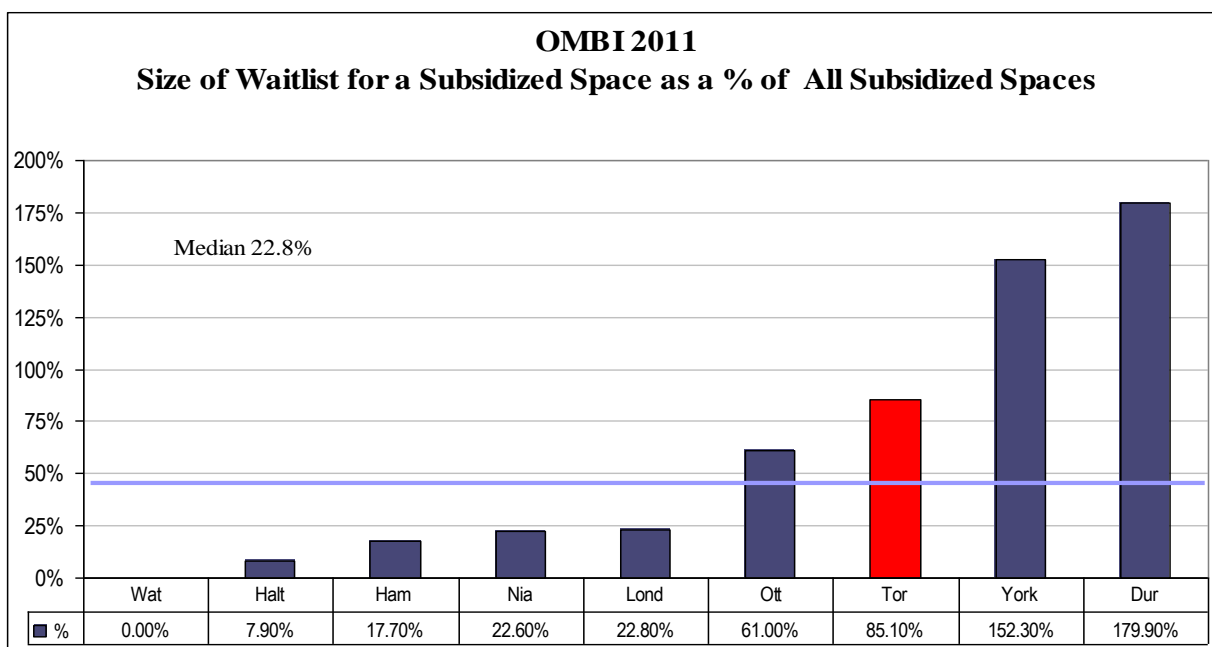
- ✓ Supported Toronto Children's Service – Ontario Ministry of Education Staff Table to address ongoing fiscal pressures and impacts of the Province's new Early Learning Program (ELP) on Toronto's child care system, and participated in a working group to revise the Provincial funding formula.
- ✓ Launched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

2012 Performance

Efficiency: Administration as a Percentage of Total Gross Expenditure**Effectiveness: Percent of Programs Meeting Operating Criteria on Every Section**

Benchmark: *Subsidized Spaces*

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

Benchmark: *Waitlist*

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

2012 Budget Variance Analysis

2012 Budget Variance Review (In \$000s)

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

* Based on the Third Quarter Operating Budget Variance Report.

2012 Experience

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

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

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

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

Impact of 2012 Operating Variance on the 2013 Operating Budget

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

Appendix 2

2013 Operating Budget by Expenditure Category and Key Cost Driver

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

| Category of Expense | 2010 Actual | 2011 Actual | 2012 Budget | 2012 Projected Actual | 2013 Budget | 2013 Change from 2012 Approved Budget | | 2014 Outlook | 2015 Outlook |
|------------------------------------|------------------|------------------|------------------|-----------------------------|------------------|---------------------------------------------|---------------|------------------|------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | % | \$ | \$ |
| Salaries and Benefits | 72,178.4 | 72,703.5 | 75,167.9 | 75,167.9 | 75,689.1 | 521.2 | 0.7% | 76,834.7 | 78,195.6 |
| Materials and Supplies | 3,648.0 | 3,172.7 | 3,249.4 | 3,249.4 | 3,160.9 | (88.5) | (2.7%) | 3,175.8 | 3,175.8 |
| Equipment | 357.8 | 440.3 | 714.0 | 714.0 | 699.0 | (15.0) | (2.1%) | 699.0 | 699.0 |
| Services & Rents | 288,468.8 | 291,264.8 | 312,425.2 | 307,396.4 | 316,049.5 | 3,624.3 | 1.2% | 321,115.4 | 326,353.8 |
| Contributions to Reserve/Res Funds | 1,331.4 | 1,184.8 | 1,178.9 | 1,178.9 | 1,031.2 | (147.7) | (12.5%) | 1,178.9 | 1,178.9 |
| Other Expenditures | 889.7 | 68.8 | 1,034.5 | 910.8 | 1,178.9 | 144.4 | 14.0% | 1,031.2 | 1,031.2 |
| Interdivisional Charges | 2,462.3 | 2,700.6 | 3,429.0 | 3,429.0 | 3,365.4 | (63.6) | (1.9%) | 3,420.3 | 3,420.3 |
| TOTAL GROSS EXPENDITURES | 369,336.4 | 371,535.5 | 397,198.9 | 392,046.4 | 401,174.0 | 3,975.1 | 1.0% | 407,455.3 | 414,054.6 |
| Interdivisional Recoveries | 9,887.6 | 7,777.2 | 10,200.0 | 10,200.0 | 10,200.0 | 0.0 | 0.0% | 10,200.0 | 10,200.0 |
| Provincial Subsidies | 264,345.3 | 264,866.1 | 273,215.5 | 271,986.7 | 279,722.6 | 6,507.1 | 2.4% | 279,722.6 | 279,722.6 |
| User Fees & Donations | 20,330.6 | 21,233.7 | 17,871.5 | 17,871.5 | 17,954.5 | 83.0 | 0.5% | 18,037.5 | 18,121.5 |
| Transfers from Capital Fund | 0.0 | 253.6 | 1,027.4 | 1,028.2 | 1,014.0 | (13.4) | (1.3%) | 1,014.0 | 1,014.0 |
| Contribution from Reserve Funds | 3,950.7 | 3,057.8 | 18,614.0 | 14,814.0 | 16,067.3 | (2,546.7) | (13.7%) | 3,822.3 | 3,654.3 |
| Contribution from Reserve | 34.9 | 69.3 | 0.0 | 0.0 | 0.0 | 0.0 | n/a | | |
| TOTAL REVENUE | 298,549.1 | 297,257.6 | 320,928.4 | 315,900.4 | 324,958.4 | 4,030.0 | 1.3% | 312,796.4 | 312,712.4 |
| TOTAL NET EXPENDITURES | 70,787.3 | 74,277.9 | 76,270.5 | 76,146.0 | 76,215.6 | (54.9) | (0.1%) | 94,658.9 | 101,342.2 |
| APPROVED POSITIONS | 950.5 | 955.5 | 936.8 | 936.8 | 931.4 | (5.4) | (0.6%) | 931.4 | 931.4 |

2013 Key Cost Drivers

Services and Rents are the largest expenditure category and account for 78.8% of total expenditures; followed by salaries and benefits at 18.9%; interdivisional charges at 0.8%; materials and supplies at 0.8%; and other expense groupings at 0.7%.

Salaries and Benefits

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

Services and Rents

- The 2013 Operating Budget for services and rents of \$316.050 million is \$3.624 million or 1.2% higher than the 2012 Approved Operating Budget. In addition to Program operational costs, services and rents are comprised of capital grants to third party providers, health and safety grants, and include the cost of purchased child care.

- The 2013 increase of \$3.624 million is impacted by the increases in purchased child care, including 2013 COLA increase for purchased services of \$5.035 million, , and \$2.105 million due to the change in case mix, offset by the reduction in capital grants of \$3.322 million, reflecting the completion of the Aboriginal and Churchill child care centres, as well as other program saving.

Revenue Changes

- Provincial subsidies are the largest revenue category, and account for 86.2% of total revenues; followed by user fees and donations at 5.5%; contribution from reserve funds at 4.9%; interdivisional recoveries at 3.1%; and, transfers from capital at 0.3%.

Provincial Subsidies

- The 2013 Recommended Operating Budget for Provincial subsidies of \$279.722 million is \$6.507 million or 2.4% greater than the 2012 Operating Budget, and includes \$3.800 million in new Provincial funding; and \$2.707 million in transitional funding to support the transition to FDK.

Contribution from Reserve Funds

- The 2013 Operating Budget for contribution from reserve funds of \$16.067 million is \$2.547 million or 13.7% less than the 2012 Operating Budget, and reflects the increase of \$0.775 million to fund the Provincial shortfall, and the reduction of \$3.322 million in capital grants.

User Fees

- The 2013 Operating Budget for user fees of \$17.954 million is \$0.083 million or 0.5% more than the 2012 Operating Budget, and reflects the increase in fees for full-fee families required to be in compliance with Provincial guidelines, approved by City Council July 11-13, 2012 (CD14.5), as identified in Appendix 6 (iii).

Appendix 4

Summary of 2013 New/ Enhanced Service Priority Actions



2013 Operating Budget - Approved New and Enhanced Services Summary of Council (CN) Approved

| TYPE | PRIORITY | CITIZEN FOCUSED SERVICES "A" Children's Services | Adjustments | | | | 2014 Net Incremental Outlook (\$000s) | 2015 Net Incremental Outlook (\$000s) |
|-----------|----------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------|-------------------------------------|---------------------------|------------------------------------|------------------------------------------------|------------------------------------------------|
| | | | Change in Gross Expenditure (\$000s) | Change in Revenue (\$000s) | Net Change (\$000s) | Change in Approved Positions | | |
| N2 | 1 | Increase of 264 Additional Child Care Subsidies | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| (CS-N001) | | Service / Activity: Municipal Child Care / N/A | | | | | | |
| | | Description: | | | | | | |
| | | The Province of Ontario has announced a new funding framework, effective January, 2013, which provides the City of Toronto with an additional \$8.392 million, with \$7.821 million earmarked for operating expenditures and \$0.571 million provided to assist operators in capital retrofits. | | | | | | |
| | | On January 16 2013, Council approved a service level expansion of 264 child care subsidies, increasing the gross by \$3.800 million \$0 net, with \$4.021 million of the increased funding allocated to reducing the Program shortfall. | | | | | | |
| | | While details on the new funding framework and the financial impact will be reported as part of the 2014 Operating Budget process, the additional \$3.800 million will allow the Program to increase child care subsidies from 24,000 to 24,264. | | | | | | |
| | | Service Level Change/Efficiency: | | | | | | |
| | | ADMIN: N/A | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | | BC: N/A | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | | EC: N/A | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | | CN: Approved | 3,800.0 | 3,800.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | | Total Council Approved: | 3,800.0 | 3,800.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | | Summary: | | | | | | |
| | | Total ADMIN Recommended New / Enhanced: | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | | Total Budget Committee Recommended New / Enhanced Changes: | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | | Total Executive Committee Recommended New / Enhanced Changes: | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | | Total Council Recommended New / Enhanced Changes: | 3,800.0 | 3,800.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | | Total Council Approved New / Enhanced: | 3,800.0 | 3,800.0 | 0.0 | 0.0 | 0.0 | 0.0 |

Category Legend - Type

- N1 - Enhanced Services - Operating Impact of 2013 Capital
- N2 - Enhanced Services - Service Expansion
- N3 - New Service - Operating Impact of 2013 Capital
- N4 - New Services
- N5 - New Revenues
- N6 - New User Fee Revenue

Appendix 5

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

Program Specific Reserve/Reserve Funds

| Reserve / Reserve Fund Name | Reserve / Reserve Fund Number | Projected Balance as at December 31, 2012 \$ | Proposed Withdrawals (-) / | | |
|-------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------|-------------------------------------------|----------------------------------|----------------------------------|
| | | | 2013 \$ | 2014 \$ | 2015 \$ |
| Child Care Capital Reserve Fund | XR1103 Capital program requirements Minor Health and Safety capital expenditures Capital Grants* Contribution Projected Interest | 11,129.0 | (1,400.0) (4,245.0) 1,320.0 72.0 | (1,400.0) 1,320.0 56.3 | (1,400.0) 1,320.0 56.2 |
| | Balance by Year-end | 11,129.0 | 6,876.0 | 6,852.3 | 6,828.5 |
| Child Care Expansion Project Reserve Fund | XR1101 Projected Interest Provincial Subsidy Shortfall | 36,167.6 | 225.0 (9,962.0) | 94.3 (18,443.3) | (24,958.6) |
| | Balance by Year-end | 36,167.6 | 26,430.6 | 8,081.6 | (16,877.0) |
| Total Reserve / Reserve Fund Balances Year-end | | 47,296.6 | 33,306.6 | 14,933.9 | (10,048.5) |

* Thorncliffe Park Child Care Centre for \$3.8 million and Eatonville for \$0.455 million

| Reserve / Reserve Fund Name (In \$000s) | Reserve / Reserve Fund Number | Projected Balance as of \$ | Proposed Withdrawals (-) / Contributions | | |
|-----------------------------------------------------------|-------------------------------|-------------------------------|------------------------------------------|--------------|--------------|
| | | | 2013 \$ | 2014 \$ | 2015 \$ |
| Sick Leave Reserve Fund | XR1007 | | 162.0 | 162.0 | 162.0 |
| Insurance Reserve Fund | XR1010 | | 697.0 | 697.0 | 697.0 |
| | | | | | |
| | | | | | |
| | | | | | |
| Total Reserve / Reserve Fund Draws / Contributions | | | 859.0 | 859.0 | 859.0 |

Appendix 6 (iii)
2013 User Fee Rate Changes
Inflation & Other Adjustments

| Ref # | User Fee Description | Fee Category | Fee Unit/Basis | 2012 Fee (A) | Inflationary Adjusted Fee (B) | Other Adjustments (C) | 2013 Fee (D) | 2013 Incremental Revenue |
|-------|-----------------------------------------------------------------------------|--------------|------------------------|-----------------|----------------------------------|--------------------------|-----------------|--------------------------|
| | CHILDREN'S SERVICES | | | | | | | \$83,000 |
| 1.1 | Infants - Birth to 18 months | Full Cost | Rate per day/per child | \$91.00 | \$91.00 | \$4.60 | \$95.60 | |
| 1.2 | Infants-Birth to 18 months Early Intervention Program** | Recovery | Rate per day/per child | \$45.00 | \$45.00 | \$2.30 | \$47.30 | |
| 2.1 | Toddlers - 18 to 30 months (CHILD CARE CENTRE) | Full Cost | Rate per day/per child | \$81.00 | \$81.00 | \$4.10 | \$85.10 | |
| 2.2 | Toddlers - 18 to 30 months (CHILD CARE CENTRE) Early Intervention Program** | Recovery | Rate per day/per child | \$45.00 | \$45.00 | \$2.30 | \$47.30 | |
| 3.1 | Preschool- 2 1/2 years to 6 years | Full Cost | Rate per day/per child | \$65.50 | \$65.50 | \$1.70 | \$67.20 | |
| 3.2 | Preschool - 2 1/2 years to 6 years Half Day Rates* | Recovery | Rate per day/per child | \$37.61 | \$37.61 | \$0.99 | \$38.60 | |
| | CHILDREN'S SERVICES - TOTAL | | | | | | | \$83,000 |