



City of
Peterborough

To: Members of the General Committee

From: Sandra Clancy, Chief Administrative Officer

Meeting Date: September 9, 2019

**Subject: Report CAO19-010
Impacts to Children's Services Directly Operated Programs
and Expansion Plan**

Purpose

A report to recommend continuation of the expansion of childcare spaces and transition out of direct operation of childcare programs in the City and County of Peterborough.

Recommendations

That Council approve the recommendations outlined in Report CAO19-010 dated September 9, 2019, of the Chief Administrative Officer as follows:

- a) That the City, as the local child care and early years Service Manager in both the County and City of Peterborough, transition out of the operation of its Municipal Directly Operated child care programs including Pearson Child Care Centre, Peterborough Child Care Centre, Edmison Heights Public School – School Age Program and Westmount Public School – School Age Program by June 26, 2020; and
- b) That staff redirect the available municipal budget allocations created by the closure of the Directly Operated programs to current Expansion Plan child care spaces and those in the development stages, including associated fee subsidies, special needs resourcing, wage and operating grants.

- c) If required, staff be authorized to budget for a one-time draw on the Social Services Reserve to meet 2020 Expansion funding commitments and remain within the Council approved 2020 Operating Budget Guideline for the City.

Budget and Financial Implications

In June 2019, the province announced that changes to Children’s Services cost-sharing and administrative threshold amounts would be deferred until January 1, 2020. In mid-August, the province announced changes to the cost-share expectations for the Expansion Plan funding as well as delaying the implementation of the administrative funding changes to at least 2021. At the time of writing this report, staff are waiting to receive a formal communication from the Ministry of Education with additional details related to this announcement.

Chart 1 summarizes the potential financial impact on the 2020 City and County operating budgets, compared to the 2019 Children’s Services budget, should Council approve the recommendations, or alternatively, elect to continue current service levels in the same manner.

Chart 1
Total Municipal Costs

Children’s Services Budget Area	2019 Approved Budget	2020 Budget Status Quo Scenario	% Change	2020 Budget No DOP Eff July 1, 2020	% Change
Col 1	Col 2	Col 3	Col 4	Col 5	Col 6
Administration	\$194,099	\$165,680		\$165,680	
Directly Operated Child Care	\$511,653	\$570,962		\$285,481	
Expansion Funding (1)	-	\$435,909		\$435,909	(3)
Core Funding (2)	\$1,090,566	\$1,090,566		\$1,090,566	
Early Learning Child Care	-	-		-	
Municipal Share	\$1,796,318	\$2,263,117	26.0%	\$1,977,635	10.1%
Municipal Breakdown					
City	\$1,257,423	\$1,561,551	24.2%	\$1,364,568	8.5%
County	\$ 538,895	\$ 701,566	30.2%	\$613,067	13.7%

Total Municipal	\$1,796,318	\$2,263,117		\$1,977,635	
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Notes:

- 1) Expansion Funding – To increase access to licensed child care for 256 children aged 0-4 years.
- 2) Core Funding - To support the availability of licensed child care (0-12 yrs) for all parents and to assist eligible families with access to licensed/accredited child care and early years programs.
- 3) If there is a delay in the construction of any of the Expansion Plan spaces, this amount would be reduced.

For the 2021 budget, the cost of the Directly Operated child care will be zero, or a decrease of \$285,481.

The municipal breakdown is cost shared as City/County 70/30 in 2019 and 69/31 in 2020 based on projected child care licensed spaces. The closure of the Directly Operated programs could shift the City and County cost shares (based on projections for all 2020 current and intended licensed spaces) if no other agencies replace the two full day programs or the School Age programs. The net costs to the City and County if the Municipal child care spaces are not replaced by other child care agencies are \$1,390,740 (67%) and \$684,992 (33%) respectively.

Background

History of Child Care Programs

The City of Peterborough is the designated Consolidated Municipal Service Manager (CMSM) for the delivery of Child Care and Early Years, Housing and Homelessness, and Ontario Works (OW) in the City and County of Peterborough. Funding from the Ministry of Education supports the City’s mandated responsibility as the service manager for child care and early years to distribute fee subsidy, special needs resource funding, wage and operating grants.

The City also directly operates the following four child care programs:

- Pearson Child Care Centre
- Peterborough Child Care Centre
- Edmison Heights Public School – School Age Program
- Westmount Public School – School Age Program

The City entered into the direct delivery of child care in 1968 when it opened Pearson Child Care. Like many other municipalities of its size, the City was the first operator of some social and community services. Over time as the need for licensed child care increased, the provincial government entered into funding agreements with community-based service providers for the delivery of child care programs. In 2000, child care system administration responsibility was transferred to the municipality. Currently there

are 3,745 licensed child care spaces in our community, including 297 spaces directly operated by the City (88 Full Day spaces and 209 School Age spaces) The remainder of spaces are provided by community based non-profit and for-profit organizations.

As the Service Manager, it is the City's responsibility to consider the long-term sustainability of child care and early years programs in our community. All decisions must take into consideration the impact to the entire system, while continuing to deliver quality programs, value for money and minimal disruption to families and child care operators in the system.

Provincial Funding Changes

As detailed in General Committee Report CSSS19-004, funding and service impacts to Children's Services from the Provincial Budget of June 10, 2019, were proposed to increase local costs as follows:

1. The threshold for allowable administration funding for municipalities will be reduced from (10%) to (5%) and all administration funding for Children's Services, including Wage Enhancement administration funding, will now be cost-shared at a rate of 50/50. This was also previously funded (100%) by the Province. Altogether, staff estimate these impacts to be approximately \$366,058.
2. Municipalities will also be required to cost-share the operating portion of Expansion Plan funding at a rate of 80/20 provincial/ municipal. This funding was previously provided at (100%) by the Province. Staff estimate that if the municipality had to absorb the full impact in 2020, the cost would have been approximately \$518,000.

However, as announced in August, the Province provided further details on the new approach to the implementation of child care funding changes.

In response to feedback received, the funding changes will now be phased in over a three-year period starting in January 2020.

The phased implementation approach will be rolled out as follows:

- **On January 1, 2020**, CMSMs will be asked to cost-share Expansion Plan operating funding at a rate of 80/20 provincial/ municipal. The Province has indicated that while cost sharing continues to be encouraged, the ministry is committing to providing 80 percent of this funding regardless of the CMSM contribution.
- **The following year on January 1, 2021**, CMSMs will be asked to continue cost-sharing Expansion Plan operating funding at a rate of 80/20 and be required to cost share all administrative funding at a rate of 50/50; and finally

- **On January 1, 2022**, the threshold for allowable administrative funding CMSMs can spend on child care will be reduced from 10% to 5% in addition to the ongoing cost sharing requirements previously introduced.

The provincial government’s expectation is that ministries, agencies and transfer-payment partners, including municipalities, will drive innovation in programs and services delivery to improve sustainability, find efficiencies and maximize value for tax dollars.

Expansion Plan Funding

The Expansion Plan Funding was launched in 2017 by the Province to create 100,000 high-quality licensed childcare spaces for children aged 0-4 in Ontario and, at that time, required no municipal contributions. Funding was provided to municipalities to plan for expanded spaces to meet this target over 5 years. Municipalities now have the flexibility to decide how much to contribute representing (20%) of the allocation and the Province contributing (80%), up to the maximum.

Based on the former funding model, the Municipal Budget provided no municipal funds. The 2020 Municipal contribution is estimated to be \$435,909 shared 69% City 31% County (based on current projections for 2020 licensed spaces).

The chart below lists the programs supported by Expansion Plan funding for spaces that have opened or are planned. There are two projects currently under construction and one other that is on hold pending Council direction.

Chart 2
Expansion of Agency Sites

Agency Name	Completion Status	# of FD Spaces Pre Expansion*	# of Expanded FD Spaces	Total # FD* Spaces Post Expansion
Col 1	Col 2	Col 3	Col 4	Col 5
City Expansion Sites				
Centre Educatif Les Petits Curieux	2017	26	13	39
Municipal – Pearson	2017	26	13	39
Strath – Crestwood	Sep-19	0	25	25
Compass – Mc Rae**	2020	0	49	49
Trent Child Care – King George***	2020	31	18	49
Total City		83	118	201
County Expansion Sites				
Compass – Millbrook	2017	0	49	49
YMCA – Lakefield Child Care	2017	27	22	49

Trent – Bridgenorth	Apr-19	32	15	47
Hucklebug – Havelock	Sep-19	26	13	39
Hucklebug – Norwood	2020 Deferred	0	39	39
Total County		85	138	223
Total All Commitments		168	256	424

*Full day licensed spaces for children 0 – 3.8 years (numbers to not include school-age spaces)

**Project already under construction

***Project already under construction

Existing and Growing Need

The City oversees and supports the child care system comprised of approximately 3,745¹ licensed spaces (2,574 City/1,171 County) in 105 non-profit, municipal, commercial and home-based child care sites. The City provides fee subsidies and wage and operating grants to each of these programs. Financial supports help operators keep parent fees more affordable for families and keep their program financially viable.

With Expansion Plan funding, the City has expanded spaces in the city and county to help address the growing demand for licensed child care. While progress has been made, the demand for space continues to increase. Based on local data there are 1,104 children waiting for a child care space in our community. 58% of these children are 0 – 2 years old. There is no waiting list for fee subsidies.

A Way Forward

Continuing to operate the four directly operated programs is estimated to increase the municipal share a further \$59,309 from the 2019 budget of \$511,653 to \$570,962 in 2020. Continuing with the Expansion Plan and providing the 20% municipal share will cost \$435,909. The total impact to the 2020 budget is \$495,218.

If the CMSM transitions out of the direct delivery of child care and ceases operations of all Directly Operated programs, the municipality can avoid costs of \$570,962 annually. This amount could then be utilized to financially support the expansion projects (256 spaces) including those currently under construction or on hold pending further direction from Council.

A closing date of June 26, 2020 is being recommended to coincide with the school year end, resulting in a phase-in of the savings in ceasing to deliver the Directly Operating programs at the same time as the Expansion Plan funding is being phased-in as the new spaces open.

¹ 2019 Peterborough Early Learning System Overview

If approved, the cessation of the Directly Operated Programs will result in the following impacts:

- Closure of 297 licensed spaces that serve approximately 281 children
- Displacement of 30 employees currently working in four programs as well as some additional on-call staff;
- Reduction of staffing levels in the Children's Services program by 14.78 full-time and 10.69 part-time positions;
- Potential one-time costs associated with the hiring of relief workers in order to maintain legislated staffing ratios through the transition period;

It is possible that existing child care service providers will be interested in operating from the present locations and/or accessing available operating grants. However, there is the potential loss of licensed child care spaces to the community if no alternative service provider undertakes the available funding.

It is anticipated that some displaced staff will be able to secure employment in other child care programs. However, it is also recognized that staff compensation will be impacted given salaries paid to municipal child care staff are higher than salaries paid by non-profit agencies. There also may be some opportunity for employees to bump into other L 126 union jobs depending on their skills.

A prolonged implementation period will be difficult for staff and children and could result in challenges to sustain ongoing operations due to loss of staff and children. The operation of licensed childcare spaces requires maintaining legislated staff to child ratios at all times. If appropriate ratios cannot be maintained, the program cannot operate. To ensure continuity of service, staff will be given working notice. Displaced employees would be eligible for lay-off and recall rights as determined by the current Collective Agreement.

While this direction will impact the children, families and staff at the Directly Operated Programs, staff will:

- Realign the use of municipal funds to continue to support the expansion of spaces with Expansion Plan funding to build and operate new child care spaces;
- Redirect operating grants currently paid to the Directly Operated programs to support the child care system and sustain system services for families;
- Work with families to assist in the relocation of their children to other child care programs.

Due to the timing of these recommendations, this report could not go to the Joint Services Steering Committee prior to the General Committee meeting. The report will be presented at Joint Services on September 12, 2019.

Communications

Employees and families have been advised of this report. If the recommendations are approved, formal notices will be provided to all those impacted.

Summary

For the Expansion Plan for Children's Services to continue, a 20% municipal share is necessary. In addition, municipalities are expected to pay a greater share of the administration. The City has been in the business of Directly Operated Programs for 50 years but 90% of the spaces are delivered by third-party organizations. Other municipalities have also divested themselves of directly operated programs over the years. If the recommendations in this report are approved, the City would close the directly operated programs on June 26, 2020.

Submitted by,

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