



City of
Peterborough

To: Members of the Finance Committee

From: Sheldon Laidman, Commissioner of Community Services

Meeting Date: December 9, 2019

Subject: Report CSD19-019
Children's Services Directly Operated Programs

Purpose

To provide additional information regarding the Children's Services Directly Operated Program recommendations included in the Draft 2020 budget.

Recommendation

That Council approve the recommendation outlined in Report CSD19-019, dated December 9, 2019, of the Commissioner of Community Services, as follows:

That the report be received for information.

Budget and Financial Implications

The Province announced in August 2019 that funding and service impacts to Children's Services would 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, Consolidated Municipal Service Managers (CMSMs) will be required to cost-share Expansion Plan operating funding at a rate of 80/20 provincial/ municipal (was 100% provincial). 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 required 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
- On January 1, 2022, the threshold for allowable administrative funding CMSMs can spend on childcare will be 5% (was 10%) in addition to the ongoing cost sharing requirements previously introduced.

Chart 1 shows the municipal costs of all children's services programs from 2019 to 2022 with the provincial changes, as provided in the draft 2020 budget. The draft budget assumes the discontinuation of the directly operated child care programs as of June 26, 2020 and the inclusion of the expansion plan spaces as directed through Report CSD19-011. Total municipal cost share (both City and County) for all Children's Services will still increase in this period by 18.9% from \$1,796,318 to \$2,135,100, assuming the directly operated child care program is discontinued.

Chart 1
Municipal Costs of All Children's Services Programs 2019-2022 with Provincial Changes as Provided in Draft 2020 Budget

| | Approved 2019 Budget | 2020 Draft Budget with Expansion Plan Cost Share 80/20 | 2021 Estimated Budget with Admin Cost Share 50/50 | 2022 Estimated Budget with Admin Cost Share 50/50 and Change to 5% Threshold | % Increase from 2019 to 2022 |
|--|----------------------------|--|--|--|--|
| Administration | 194,099 | 165,680 | 306,623 | 418,849 | |
| Wage Enhancement Admin | - | - | 35,467 | 35,467 | |
| Directly Operated Child Care | 511,653 | 240,963 (1) | n/a | n/a | |
| Expansion Plan - Program | - | 435,908 | 435,908 | 435,908 | |
| Expansion Plan - Admin | - | - | 75,218 | 98,957 | |
| Core Funding | 1,090,566 | 1,090,565 | 1,090,565 | 1,090,565 | |
| EarlyOn Child and Family Centres | - | - | - | - | |
| Early Learning Child Care | - | - | 36,852 | 55,354 | |
| Total Municipal Cost | 1,796,318 | 1,933,116 | 1,980,683 | 2,135,100 | 18.9% |
| Previous Year's Budget | - | 1,796,318 | 1,933,116 | 1,980,683 | |
| \$ Increase from Previous Year | - | 136,798 | 3,049 | 154,417 | |
| % Increase over Previous Year's Budget | | 7.6% | 2.5% | 7.8% | |
| Municipal Cost Share | | | | | |
| City | 1,257,423 | 1,353,181 | 1,366,672 | 1,473,219 | |
| County | 538,895 | 624,453 | 614,011 | 661,881 | |
| Total Municipal | 1,796,318 | 1,977,634 | 1,980,683 | 2,135,100 | |

(1) Operating costs for six months in 2020.

Chart 2 provides the costs associated with amending the draft 2020 budget to continue the provision of the directly operated child care programs. Amending the budget to maintain this service will result in an overall 51.9% increase to the Children's Services budget between 2019 and 2022. It will add costs of \$329,999 (14.4%) in 2020 which will rise to \$582,381(29.4%) in 2021 and \$594,029 (27.8%) in 2022.

Chart 2 Cost Impact of Amending the Draft 2020 Budget to Include Directly Operated Child Care in the 2020-2022 Budgets

| | Approved 2019 Budget | 2020 | 2021 | 2022 | % Increase from 2019 to 2022 |
|--|----------------------|-----------|-----------|-----------|------------------------------|
| Costs as Shown in 2020 Draft Budget | 1,796,318 | 1,933,116 | 1,980,683 | 2,135,100 | |
| Additional Costs to Maintain Directly Operated Child Care | n/a | 329,999 | 582,381 | 594,029 | |
| Total Costs | 1,796,318 | 2,263,115 | 2,563,084 | 2,729,129 | 51.9% |
| Percentage Increase to Children's Services Draft Budget | n/a | 14.4% | 29.4% | 27.8% | |

The transitioning out of Directly Operated Child Care will allow for \$329,999 of total municipal savings in 2020 as the centres would continue to operate for half of the year. Anticipated cost savings of \$582,318 in 2021 and \$594,029 in 2022 would assist in covering 75% of the overall children's services municipal cost increase in 2021 and 63% in 2022 as a result of the Provincial funding changes.

Background

Report CAO19-010 Impacts to Children's Services Directly Operated Programs and Expansion Plan was reviewed by Council at the September 9, 2019 meeting. The following amended recommendation was approved:

That Report CAO19-010, Impacts to Children's Services Directly Operated Programs and Expansion Plan be deferred as follows:

- a) To Finance Committee for the City's 2020 budget deliberations

- b) To enable staff to report back at the October cycle of General Committee meetings on expansion spaces
- c) To enable staff to report to the Joint Services Committee on the matter
- d) To enable City Council to formally request MPP Dave Smith to attend the September 23rd Council meeting to respond to questions regarding provincial downloads and their affect on municipalities

The initial Report CAO19-010 reviewed two related but separate issues. The first being the consideration of transitioning out of directly operated child care at four locations and the second being the consideration of whether to continue with the approval of child care expansion spaces upon the Provincial decision to only contribute 80% funding to the program. The Expansion Plan funding decision was reviewed by Council at the meeting on October 15, 2019 through Report CSSS19-011. Council approved the continuation of the Expansion Plan spaces at all locations and the inclusion of the required 20% municipal funding portion in the 2020 budget.

Staff reported to the Joint Services Committee on this matter as directed in the above deferral recommendation at their meeting of September 12, 2019.

The 2020 Operating Budget being presented on December 9, 2019 includes the funding for Directly Operated child care programs until June 26, 2020. This report provides additional information regarding the recommendation and the further budget impacts for the child care programs known at this time.

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 the City and County, 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. Currently 92% of all spaces are provided by third party providers while 8% are operated by the City.

A 2015 report from the Ontario Municipal Social Services Association found that only 15 of 47 service managers across Ontario continued to provide any directly operated child care services. Since the publication of that report, it is known that additional service managers have discontinued directly operating child care (e.g. Region of Peel) and others are contemplating this change as part of their service system planning. While cost considerations are the primary reason cited for discontinuing this service, the issue of the appropriateness of competing with third party providers (either non-profits or private sector) is also cited as a determining factor. Non-profits and other third-party providers provide quality licensed child care which must meet the same Provincial standards as the municipally operated child care centres. All licensed child care providers receive operating funding from the service manager through an adopted formula based on number of children and the services provided. The municipally operated child care centres receive this operating funding but are then provided further operating funding as described in Chart 2 resulting in higher operating costs which is significantly above the funding formula provided to all other providers.

KPMG Audit

The audit of the Social Services Division, as described in Report CSD19-018 also dated December 9, 2019, identifies the directly operated child care programs as a nonessential service provided by the City. Child care itself is an essential service but directly operating this service is not considered essential. KPMG's analysis shows the same potential cost savings as identified in this report. It further indicates that as a comparison to third party providers, the City operated centres cost \$1240 per child per year compared to a cost of \$240 per child per year for third party providers. The costs are a comparison of operating subsidies only and do not include subsidies provided directly to parents. KPMG recommends that the City discontinue operating child care centres directly.

Impacts and Moving Forward

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 over 2020 and 2021. 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. To ensure continuity of service, staff would be given working notice. If approved, the cessation of the Directly Operated Programs will result in the following impacts:

- Closure of 297 licensed spaces that currently serve approximately 281 children;
- Reduction of staffing levels in the Children's Services program by 14.78 full-time and 10.69 part-time positions;
- Displacement of 30 employees currently working in four programs as well as some additional on-call staff;
- Potential one-time costs associated with the hiring of relief workers in order to maintain legislated staffing ratios through the transition period;
- Potential opportunity for employees to bump into other L126 union jobs depending on their skills. Displaced employees would be eligible for lay-off and recall rights as determined by the current Collective Agreement;
- Impacts to parents and families who will need to seek alternative child care arrangements. Income based subsidies provided directly to eligible parents are not affected by this decision. These income based subsidies are transportable to any licensed child care centre.

Replacement Options for the Affected Child Care Spaces

The City of Peterborough rents space as a third-party operator from Kawartha Pine Ridge District School Board for the provision of licensed child care at Peterborough Alternative Centre for Education, Edmison Heights and Westmount Public Schools. If the CMSM transitions out of the direct delivery of child care and ceases operations of all Directly Operated programs, it is anticipated that Kawartha Pine Ridge District School board will select another child care operator to operate in these three schools to ensure the continuation of care for families. Of the 297 spaces that the City directly operates, 248 are provided in these three schools. The remaining 49 spaces are operated in a City owned facility on Aylmer Street. Upon the decision of Council, staff would evaluate options for the use of this City owned facility including its continued use as a child care centre under a new third party provider.

While these programs would no longer be directly operated by the City, it is not anticipated that the total number of funded child care spaces in the city would be affected in the long term. The CMSM would be able to continue to provide the same core operating funding that all child care centres receive to a new operator at these various sites.

Expansion Plan

Report CSSS19-011 provided Council approval for the funding to allow for the full expansion plan of child care spaces to proceed despite the Province withdrawing a

portion of their committed funding. This approval will add 256 new full day spaces to the system. This represents a \$436,000 annual municipal contribution (plus additional administration costs in 2021 and 2022) to enable the creation and long term funding of these spaces.

Communications

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

Summary

The City has been in the business of Directly Operated Programs for 50 years however 92% of all child care spaces are delivered by licensed third-party organizations. Most 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. It is anticipated that a new operator would provide a similar number of spaces to the community.

Submitted by,

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