



CITY OF VANCOUVER

ADMINISTRATIVE REPORT

Report Date: September 19, 2006
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Meeting Date: October 5, 2006

TO: Standing Committee on City Services and Budgets

FROM: Acting Director of Social Planning

SUBJECT: Report on Sustainability of the Childcare Endowment Reserve

RECOMMENDATION

- A. THAT Council direct senior management to enter into negotiations with the Province of British Columbia for a matched contribution of \$6M by 2009 to the Childcare Endowment Reserve to facilitate the sustainability of the fund at the current rate of \$1,650 per year for infant and toddler spaces in high-density non-profit City-owned facilities, and report back in Spring, 2007.
- B. THAT Council direct staff to review the terms and conditions of the Childcare Endowment Reserve, should the Province provide matched funding and report back in spring 2007.

GENERAL MANAGER'S COMMENTS

The General Manager recommends approval of A and B.

COUNCIL POLICY

The Civic Childcare Strategy, approved by Council in October, 1990, recognized the need to ensure the availability of start-up and operating subsidies to sustain those new group licensed non-profit childcare facilities being opened in high-density neighbourhoods as a result of rezoning negotiations or City-initiated projects.

In May, 1991, Council approved the creation of the Childcare Endowment Reserve to ensure the availability of start-up and operating subsidies to sustain those new child care facilities being opened in high-density neighbourhoods as a result of rezoning negotiations or City-initiated projects.

In December, 1994, Council approved the terms and conditions of the Childcare Endowment Reserve, including eligibility criteria and the process for accessing these funds.

In April, 1996, Council clarified that the City Childcare Endowment Reserve was to be established as an interest-bearing fund.

On January 10, 2000, Council approved a strategy, in principle, of winding down the existing City Childcare Endowment Reserve over the next ten years. Council has approved the maximum rate for the infant/toddler operating/endowment subsidy at \$1,650 per licensed infant/toddler space, per year since 2001 from the Childcare Endowment Reserve.

In 2003, Council approved the financing growth policy specific to Community Amenity Contributions (CAC), which states: "as the purpose of CACs is to secure amenities through rezonings, and rezonings are localized changes to land use, the amenities provided should serve the immediate site and/or community in which the rezoning occurs."

In March, 2004, Council signed the Joint Civic Childcare Protocol, which committed to maintain and expand child care spaces by 5% within two years. In a subsequent report, Council directed staff to report back on a plan for sustaining the Childcare Endowment Reserve.

SUMMARY

This report recommends that the City seek a Provincial matching contribution of \$6M to the Childcare Endowment Reserve. The Reserve is generated from developer contributions and currently stands at \$5.8M, with both principle and interest being drawn on to provide start-up and operating support to infant/toddler centres in high-density Vancouver neighbourhoods.

A matching Provincial contribution of \$6M would stabilize the fund and allow subsidies to continue indefinitely at current rates for 144 existing infant/toddler spaces and for up to an additional 132 spaces not yet built.

Endowment funds are provided only to City-owned facilities, operated by non-profit organizations and offering licensed group infant/toddler child care. The three organizations which receive support from the Reserve are the Vancouver Society of Children's Centres, YWCA and Collingwood Neighbourhood House.

The Childcare Endowment Reserve was targeted to infant/toddler spaces because these are costly to operate and are in very short supply relative to other forms of child care. A contribution from the Province would build on a private/public/community partnership to strengthen the affordability and viability of existing spaces in high density City-owned facilities.

The recommendation to seek Provincial matching funding was developed as a result of a recently completed assessment of the structure and capacity of the Childcare Endowment Reserve.

If Council is not prepared to support staff negotiations with the Province, or should the negotiations not be successful, staff should be directed to develop a strategy for winding down the Childcare Endowment Reserve, with a report back to Council in the next twelve months.

PURPOSE

This report:

- Provides an overview of the Childcare Endowment Reserve.
- Outlines current Federal/Provincial arrangements respecting child care, indicating that there is an opportunity to seek Provincial support to assist in supporting highly needed infant/toddler care in Vancouver through a private/public/community partnership.
- Recommends that the City negotiate with the Province of British Columbia in order to sustain the Childcare Endowment Reserve for on-going support for existing 144 infant/toddler child care spaces and up to 132 additional spaces not yet built.
- Recommends a review of the terms and conditions of the Childcare Endowment reserve, should the Province provide matched funding and report back in spring, 2007.

BACKGROUND

Availability and Cost of Childcare

There are 2,402 full-time licensed group childcare spaces in the City of Vancouver. Of the 2,402 spaces, 504 or 20% are licensed group infant/toddler spaces. Currently the Childcare Endowment Reserve provides subsidies for 144 infant/toddler spaces in City-owned facilities and has an additional 132 spaces to be built and potentially funded.

The Vancouver Society of Children's Centres, the YWCA and Collingwood Neighbourhood House are the three non-profit organizations that receive funding. There are a number of infant/toddler spaces in non-profit City-owned facilities which currently do not receive Childcare Endowment Reserve funding.

The actual cost of child care, per space per year, in the programs which receive Childcare Endowment Reserve funding, ranges from \$16,920 to \$21,444 per annum, per space or \$1,410 to \$1,787 per month, per space. The monthly parent fee ranges from \$900 to \$1,155. Parents pay the majority of the child care costs. (APPENDIX A)

The difference between the actual costs of care and the parent fee is made up, in part, by a Provincial Child Care Operating Fund (CCOF) of \$300 per space, per month, on average. The

other revenues are provided through various other provincial grants, municipal grants, including the Childcare Endowment Reserve, and fund-raising by the operator.

Federal/Provincial Context

In 2002/03, a number of provincial child care policy changes were implemented. These included: a \$40M reduction to the Provincial budget, consolidation of child care grants, elimination of wage lift for early childhood educators and more limited access to the child care subsidy for low income families.

These changes impacted the overall operation of infant/toddler programs. To ensure that there was no further destabilization of the infant/toddler programs in Vancouver, Council approved the current Childcare Endowment Reserve rates, with the start-up grant at \$2,000 per space and an endowment subsidy of \$1,650/infant/toddler space, per annum.

In 2004, Council approved the Joint Civic Childcare Protocol, which committed to maintain and expand child care by 5% within two years. As part of this commitment, staff was directed to report back to Council with a plan for sustaining the Childcare Endowment Reserve.

In 2005, the Federal/Provincial bilateral agreements were signed with a promise of \$633.3M for child care in British Columbia (2005-2010). This was in addition to the previous Early Childhood Development Agreement and Multilateral Framework Agreements (2003-2008), which are providing combined Federal funding transfers of \$560M. Provincial consultations were underway to determine what priorities would be set for the spending of these funds and how they would strengthen and expand child care in BC.

New policy directions emerged with a new Federal government, and announcements were made indicating that the previously negotiated agreements would be cancelled March 31, 2007. However, over the past two years, 2005/06 and 2006/07, the Province received \$92M (05/06) and \$85.6M (06/07) under the bilateral agreements to assist in creating a national child care system. By carrying over funds from 2005/2006, the Provincial budget for 2006/2007 indicates that the Province has an additional \$127M in Federal transfers specifically dedicated to child care, available to invest this year. To date, the Province has not indicated how these funds are to be spent.

In the Fall of 2005 to January 2006, Provincial consultations were held with community organizations across the Province. The consultation findings confirmed that accessible, affordable, quality child care and early childhood learning is a priority, and that community planning is essential. No Provincial plan has been presented. This offers an opportunity for the City of Vancouver to approach the Province with a recommendation.

DISCUSSION

The Childcare Endowment Reserve was first introduced to support licensed non-profit child care in City-owned high-density buildings. During the past five years, as a result of significant growth and development in the city and the subsequent opportunities to enhance the Endowment Reserve, the fund has grown from \$1.4M to \$5.8M.

Three organizations, the Vancouver Society of Children's Centres, the YWCA and Collingwood Neighbourhood House receive endowment funding for 144 infant/toddler spaces. The City continues to extract endowment contributions from new developments, where possible, and continues to expand the number of licensed non-profit child care spaces in City-owned facilities, particularly for infant/toddler spaces.

However, as it currently exists, the Childcare Endowment Reserve has limitations:

- It is not sustainable beyond 2025 for the existing 144 spaces and 132 proposed additional spaces.

As well, some infant/toddler spaces are not eligible for the endowment grant either because: the City-owned child care facility was built prior to the establishment of the Endowment Reserve; or the value of the development was not sufficient to generate the construction of the space and endowment contribution for the full operating subsidy and start-up grant; or the facility is City-built, not developer-built, and does not have an amenity contribution to contribute to the Endowment Reserve.

Despite these limitations, the Endowment Grant is beneficial to those facilities that receive it as it offsets the high cost of operating infant/toddler programs and the additional costs of delivering service in high density buildings. These costs would otherwise have to be passed on to parents through higher fees.

Childcare Endowment Reserve: An Analysis

Lynell Anderson, B. Comm, CGA, was contracted to do an analysis of the Childcare Endowment Reserve and to develop a model for monitoring and tracking endowment payments and contributions.

This model enables the Reserve funding to be monitored and to predict sustainability of the Reserve. Sustainability means to maintain the current grant of \$1,650 per infant/toddler per space for the existing 144 infant/toddler spaces and up to an additional 132 spaces not yet built.

Additional developer contributions or other funding would be required to create new funded spaces or to extend funding to spaces in City-owned facilities not currently supported. To fund additional spaces, \$507,000 for every 12 new infant/toddler spaces is required.

Based on this model and the community's need for access to quality child care, the following recommendations are made after consultations with the three organizations that receive the endowment grant.

Recommendation 1:

That the City enter into negotiations with the Province for a matched contribution of \$6M by 2009 to the Childcare Endowment Reserve to facilitate the sustainability of the Reserve at the current rate of \$1,650/year for infant/toddler spaces in high -density, non-profit City-owned facilities and report back in Spring, 2007.

Recommendation 2:

That the terms and conditions of the Childcare Endowment Reserve be reviewed based on the growth of the Reserve, the introduction of new programs, and the potential for new investments, with a report back to Council in Spring, 2007.

FINANCIAL IMPLICATIONS

The City needs to continue to negotiate Community Amenities Contributions. Because of the cancellation of the previous bilateral agreements, there may be an opportunity for the City to negotiate a one-time contribution to the Childcare Endowment Reserve. The Provincial budget for 2006-2007 indicates that an additional \$127M is available to the Province of British Columbia to support child care and early learning.

If the City is successful in negotiating a \$6M matched contribution to the Childcare Endowment Reserve, it would ensure that operating costs would be offset for programs in high-density buildings, minimizing the impact on parent fees. The fund would be sustainable at the current rate, and the goal of private/public/community partnerships would be achieved.

This would ensure that both the Province and the City achieve the overall goal to maintain and improve accessible, affordable, quality infant/toddler child care spaces.

CONCLUSION

Staff recommend that senior management be directed to negotiate a matched contribution to the existing \$5.8M Childcare Endowment Reserve to ensure the ongoing support of 144 existing and 132 proposed new infant/toddler spaces in City-owned child care facilities. Such a contribution would help offset the high cost of operating infant/toddler spaces and parent fees.

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Current Costs

Cost to Deliver Infant/Toddler Programs in Endowment Programs

The table below sets out the costs of care in relation to parent fees and the impact of the City's child care endowment on operations from the 2005 Endowment Grant reports. Council should note that revenues from other programs and fundraising offset operating deficits.

Program	Spaces	Expense s	Cost Per Space*	Parent Fee	Revenue With no Endow.	Deficit W/o End.	Endow & Start 2006	Diff.
Leslie Diamond	24	514,700	1787. per month	\$1155	391,600	(123,100)	36,900	(86,200)
Collingwood	24	406,253	1410. per month	\$900	323,827	(82,425)	36,900	(45,525)
Dorothy Lam	24	497,955	1729.	\$992	383,570	(114,385)	36,900	(77,485)
Library Sq.	12	234,606	1629.	\$992	183,135	(51,471)	19,800	(31,671)
Quayside	24	453,290	1573.	\$992	377,232	(75,967)	36,900	(39,067)
Shaw (4mth)	12	81,736	1702.	\$992	61,428	(20,308)	22,015= 6600 endow. + 15,416 start up	1707.

- Variation in staff salaries primarily drives costs.