



CITY OF VANCOUVER

ADMINISTRATIVE REPORT

Report Date: November 28, 2006
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TO: Vancouver City Council
FROM: Director of Social Planning
SUBJECT: Report Back on Child Care Issues & Endowment Reserve

CONSIDERATION

- A. THAT Council receive for INFORMATION the project plan, at an estimated cost of \$135,000 (\$60,000 for consultancy fees and \$75,000 for a temporary staff position for one year) to complete the initial analysis, feasibility and planning for implementing the motions set out in the October 5th report and facilitate timely reports to Council in 2007 including the following:
- i. Conduct a feasibility study and impact analysis of a 5% increase in the number of child care spaces;
 - ii. Complete the supply and demand study including a consultation with community stakeholders with a view to setting priorities and costing;
 - iii. Confirm costs and revenue sources for implementing a universal approach to a sustainable Childcare Endowment Fund, including the development of eligibility criteria, consultation with stakeholders and identifying alternative mechanisms to administer and enhance this Fund; and
 - iv. Complete a cost/benefit analysis and recommendations to develop and fund a centralized child care wait-list system and delivery mechanism.

Approval and funding to be deferred to the 2007 Interim Operating Budget.

- B. i. That Council endorse the work of the Early Childhood Development, Learning and Care Memorandum Of Understanding between Vancouver public partners to address childcare matters;
- OR
- ii. That Council re-instate the Joint Childcare Council at a cost of \$50,000 with funding to be deferred to the 2007 Operating Budget.

GENERAL MANAGER'S COMMENTS

The General Manager of Community Services notes that this report responds to Council's request for a plan and resources to carry out various initiatives as requested by Council. These are put forward for Council's consideration with the understanding that the requested funding of \$135,000 would be considered as part of the 2007 operating budget decision-making process.

This report outlines an approach for each of the actions including: conducting cost/benefit analysis, assessing feasibility, preparing business/work plans with more detailed cost implications and developing reports and recommendations to address Council directions as set out in the October 5, 2006, motions.

Council should note that the current workload for the two staff working in childcare is based on approved initiatives with their own set of time-frames. There are a number of current priorities, many of which are time-sensitive, within the child care/development portfolio. Currently, there are 20 new facilities (design and/or development) projects underway, three major rezonings which include child care, playground redesign and development for two child care centres, five main Civic Childcare Grant categories administered annually between January and June, a number of key policy areas under consideration (e.g. securing amenity space, selection of operators, Design Guidelines review, etc.), lease development, various community committees and ongoing community inquiries. Given work priorities, there are no other Social Planning resources to reallocate to this work at this time.

If Council chooses to proceed with these initiatives, this report outlines an efficient approach which would use consultants to complete/conduct the research and feasibility studies to enable staff to develop timely recommendations. If Council wishes to proceed in all four areas in a timely way, an additional FTE is needed to develop and monitor the contracts, coordinate reports and engage the public, where required.

CITY MANAGER'S COMMENTS

The City Manager notes that childcare is a provincial responsibility. The focus of Council policy has been to complement the provincial mandate through grants and contributions that increase and enhance accessible quality childcare. Should Council wish to pursue expanding the City's commitment to childcare, the resource commitment is significant.

COUNCIL POLICY

The Civic Childcare Strategy, approved by Council in October, 1990, set out to:

- support the viability, accessibility and quality of existing child care services;
- assist child care initiatives in high need areas;
- encourage and support efficient, coordinated administrative services for a child care system in Vancouver and to lever other sources of funding, whenever possible.

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 1993, Council approved the City of Vancouver Child Care Design Guidelines for the creation of child care facilities as a condition of rezoning and conditions for approval of development permit applications.

In April, 2002, Council approved "Moving Forward-Childcare: A Cornerstone of Childhood Development", which set out a strategic plan for child care and child development services.

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 rezoning, 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 and established a Joint Council on Child Care.

In 2006, the City Manager advised Council and signed the operational policy "Advancing an Integrated, Neighbourhood Based System of Early Childhood Development, Learning and Care Service in Vancouver" - Memorandum of Understanding between Vancouver Public Partners.

PURPOSE AND SUMMARY

This report provides a general outline of the work involved to respond to and further assess the feasibility and cost of the October 5, 2006, motions. Should Council wish to proceed with all of the directions, staff would return to Council with in-depth reports throughout 2007, including options and costs for each priority area. The work plan presented in this report provides information and proposed action to assist Council decision-making and to develop partnerships with other levels of government and community stakeholders regarding:

- the Joint Council on Childcare and a new 5% expansion target;
- the supply and demand for child care, by neighbourhood;
- a universal approach to sustainable Childcare Endowment Reserve;
- a centralized waitlist model development.

BACKGROUND

The following section provides some background on the current Federal, Provincial and City context relating to child care, which is relevant to the City's present and future involvement in child care. While families pay the majority of the costs for child care through monthly fees, governments offset some costs through operational contributions and provide capital grants to cost-share in the creation of spaces.

Federal

In 2005, the Federal government committed an additional \$5 billion (\$633.3 M in BC) over five years, to create a national child care system. This agreement has been cancelled effective March 31, 2007, and will now provide only \$177.6M of the original commitment.

As of July, 2006, Federal funding for child care has shifted to a taxable benefit of \$1,200 per year for families with children zero to six, and families must apply for funds. These funds are paid directly to parents. The Federal Budget also committed \$250M per year for five years, starting in 2007/08, to create 25,000 child care spaces/year nationally. Details on this initiative are not yet available.

Provincial

The Provincial government has primary responsibility for child care policy and the regulation of child care services. This responsibility is spread across three ministries:

- Ministry of Children and Family Development (MCFD) - policy and grants;
- Ministry of Health (MoH) - regulation of child care; and
- Ministry of Employment and Income Assistance (MEIA) - the administration of subsidies.

The 2006/2007 Provincial budget for child development is approximately \$200M, with \$155M for child care, \$35M for early child education and \$10M for administration.

Over the past 15 years, Provincial funding has offset a portion of the operating costs of programs, provided parent subsidies to low income families, offered infrastructure support to child care resource and referral programs, and provided major and minor Capital Grants to non-profit societies. The level of funding to these initiatives has varied over the years, depending on Provincial priorities and Federal funding.

As a result of the cancellation of the Federal/Provincial agreement, the future level of operational and/or capital funding is unknown. The Province reports \$127M in Federal transfer funds from 2005/2006 and 2006/2007 is currently unallocated.

City of Vancouver

While the City of Vancouver has always recognized that the responsibility for the development of a child care system is primarily that of the Provincial government, it has participated in developing child care through capital, operational and program support. The City has supported the vision of child care development hubs and taken various initiatives to facilitate stable and quality child care.

The City has made a substantial contribution to child care and is currently committed to a \$4.8M Capital Plan 2006-2008, Development Cost Levies, \$6M in Childcare Endowment Reserve, \$1.1M in Operating grants, nominal lease rates, and maintenance for child care in City-owned facilities. In addition, developers in the City have provided a number of quality child care facilities through Community Amenity Contributions.

DISCUSSION

On October 5, 2006, Council directed staff to report back, prior to Christmas, on the resources required and a business plan to fulfil the following items. This section discusses each of the initiatives directed by Council and sets out general information, possible strategies and funding requirements to complete a first stage of inquiry.

- C. 1 THAT Council direct staff to reinstate the Joint Council on Childcare and renew its goals along with an objective of a further 5% increase in child care spaces in the next two years.**

Joint Council on Childcare

In 2004, Vancouver City Council, Park Board and School Board approved a protocol "*Child Care - A Commitment from Local Government*" to maintain and expand accessible, affordable, quality childcare. The protocol created the Joint Council on Childcare, which was to provide leadership in the planning, development and problem-solving for child care in publicly-owned facilities and/or land. It included one elected official from each of the City, Park and School Boards, one staff person with knowledge of issues related to children and their caregivers from the two Boards, the City Child & Youth Advocate, the Child Development Coordinator, three community members and a representative from UBC - Human Early Learning Partnership.

In 2006, a Memorandum of Understanding (MOU) was signed, establishing a forum for public sector officials called the "*Vancouver Early Childhood Development, Learning and Care Steering Committee*", for planning, development and issues resolution across local levels of government. The City of Vancouver, including Vancouver Park Board and Vancouver Public Library, Ministry of Children and Family Development (Vancouver Coastal Region), Vancouver Coastal Health and Vancouver School Board, were signatories. The Terms of Reference for this Committee set out a minimum of quarterly meetings. Funding for a part-time contracted coordinator has been provided by the Province for the first year.

The purpose of the MOU and Committee is to articulate a commitment of the Vancouver public partners to collaborate in advancing their vision of *Early Childhood Development - Learning and Care Services (ECDLC)*. By signing this MOU, the parties have agreed to build on existing strategic plans and frameworks developed for Vancouver, including *City of Vancouver - Moving Forward Childcare: A Cornerstone of Child Development Services*, and *Vancouver Windows of Opportunity Coalition, Community Consultation: A Call to Action*. It also commits to building on planning and implementation tables such as the *Windows Coalition*.

While the Committee has a different composition than the Joint Council on Childcare (e.g. no community, research or political representatives), it may address some of the issues originally

set out by the Joint Council on Childcare. Council may wish to consider a formal endorsement of the MOU, with the goals of planning, development, and problem solving to deliver quality childcare, and request staff to prepare an annual report of the Committee's work in 2008.

If Council chooses reinstating the Joint Council on Childcare, based on its previous budget, costs are estimated at \$50,000 (cost shared between City, Park and School Boards), and a minimum of twelve staff days per year.

5% Expansion over two years (New target - 482 spaces):

The previous 5% target - 460 spaces over three years - was set at a time of unprecedented development in the city, strong Federal/Provincial partnerships and the potential for capital cost sharing with the City and non-profit societies. The planned Federal commitment (\$633M over five years) provided an incentive for communities and local government to plan for expansion. However, this agreement was cancelled after the first two years of implementation and capital cost-sharing with the Province is now on hold.

The 5% target of 460 additional spaces was achieved - 406 spaces were approved, with an additional 201 new cost-shared spaces proposed in the 2006-2008 Capital Plan. While not all spaces have been developed in the target time frame, approvals to facilitate this development have been confirmed.

The ability to develop a further 482 new child care spaces depends on capital cost-sharing, and the availability of operating support and qualified staff to fill staff positions. At present, Provincial grants provide operational support through the Child Care Operating Fund (CCOF) to licensed child care. These grants help to make child care more affordable to parents and help to financially stabilize child care. As noted earlier, cancellation of the Federal/Provincial agreement represents the loss of \$455M in Federal funding to B.C. The Province has not indicated its future plans with respect to the CCOF. Reduction or elimination of these grants would result in parent fee increases and a negative impact on the ability to create new spaces. Finally, some operators, including the Vancouver Society of Children's Centres, have expressed difficulty recruiting qualified Early Childhood Educators (ECE) for new and existing programs. In part, this may be due to fewer ECE graduates throughout the Province and/or the high cost of living in Vancouver.

There are several factors that require further assessment when analyzing the feasibility and costs of setting a new target including:

- The uncertainty of the Federal/Provincial agreement and its impact on Capital cost-sharing between the Province and community partners;
- Continuing developer contributions - further assessment of development opportunities is required in the evolving Vancouver building environment;
- Operating support - with the uncertainty surrounding the Provincial Child Care Operating Fund, the viability of both existing and new spaces is an unknown;
- The City operational policy framework needs to be further developed to respond to the amount of growth and expansion (e.g. selection of non-profit operators outside of downtown, conditions under which facilities are turned over to non-profit society);
- Recruitment strategy for Early Childhood Educators to fill vacancies must be considered;

- Expansion will have an impact on Social Planning, Planning, Facilities, Development Services and Legal staff resources above the current assignments noted above in the Capital Plan.

If Council wishes to consider proceeding with a commitment to a 5% expansion of childcare spaces, a feasibility study to review and analyze the above-noted considerations would be undertaken. This review will consider:

- Upcoming development opportunities;
- Federal and Provincial contributions to both capital and operating costs;
- The capacity of the child care sector to accommodate expansion over the next three years; and
- The City's ability to allocate funding and land/space through its instruments (Capital Budget, CAC's, DCLs, etc.)
- A reasonable time frame in which to achieve the target.

C.2 THAT Council direct staff to undertake a rigorous supply and demand review of infant, toddler, 3 - 5 year old and out-of-school care spaces, and benchmark the data on a neighbourhood by neighbourhood basis.

A study on the supply and demand for child care and benchmarks for growth by neighbourhood was completed in 2005. The study suggests that, on average, Vancouver child care spaces serve about 14% of the demand based on women in the labour force, child population and estimated need for care. However, when demand and service levels for licensed and regulated child care were analyzed by age groupings, using the same variables, it was determined that existing Vancouver spaces serve:

- 6% supply for children age one-to-three;
- 16% supply for children aged three-to-six;
- 11% supply for children aged six-to-twelve.

If Council wishes to proceed with this initiative, staff time and \$10,000 in consulting costs would be required to:

- identify targets and benchmarks by neighbourhood;
- identify priorities;
- develop and cost an implementation plan; and
- facilitate community consultation on priorities.

Staff would report back to Council with recommendations in 2007. This work would assist staff in better planning for capital cycles, setting priorities for new facilities that are not developer-built, and provide greater transparency for community stakeholders in the City's plan for expansion.

C3. THAT Council direct staff to identify a mechanism and necessary funding options to implement a sustainable City Wide Childcare Endowment Grant (Universal Approach) while limiting impacts on existing services.

The Childcare Endowment Reserve was created in 1991 to ensure the availability of start-up and operating subsidies to sustain new child care facilities in high-density neighbourhoods as a result of rezoning negotiations or City-initiated projects. It was intended to offset the high costs of operating infant/toddler spaces. The Endowment Grant currently subsidizes 144 licensed group spaces. There are approximately 504 infant/toddler group spaces currently and/or planned for in the City that do not receive Endowment Grants.

The initial analysis previously conducted in 2005 found that:

- every 12 infant and/or toddler space requires an estimated \$507,000 contribution to the Endowment Reserve in order to pay a grant of \$1,650 per infant/toddler space per annum; and,
- fund would need to earn a 4% rate of interest to maintain the principle investment.

Based on this formula, initial estimates indicate a universal fund for 504 spaces would require an additional \$22M in addition to the \$6M currently in the Childcare Endowment Reserve and the additional \$6M to be negotiated with the Provincial government - a total of \$34M.

If the funding could be achieved, staff believe that an expanded Endowment Fund would be best run by a community foundation with the interest and capacity to manage and fund-raise for this initiative. It is anticipated that any foundation would charge at minimum 10% administration fee (\$3.4M) for services. Therefore an estimated total investment of \$37.4M would be required.

The benefit of a universal approach to the Endowment Fund is that all infant/toddler spaces would receive a subsidy to offset the high costs of operation and maintain affordable fees. However, the significant challenge of this initiative is the substantial investment required to create a universal Endowment Fund.

Should Council wish to proceed, consulting services would be required to confirm preliminary estimates, outline an approach to fund raising, develop a business plan outlining terms and conditions of the Endowment Grant, and develop the transition plan to a non-profit foundation for management. The following steps would be taken to develop this plan:

- Review all funding sources and opportunities to build the Endowment Reserve;
- Confirm the funding target (gap);
- Provide feasibility report on targets to Council and seek Council approval for the next steps:
 - Identify terms and conditions for eligibility of grant;
 - Consult stakeholders;
 - Develop Term of Reference for identifying and selecting a foundation, or other mechanism to administer the Endowment Reserve; and
 - Report back to Council in 2007 with recommendations and on-going resource needs to achieve the recommendations.

C4. Council instruct staff to identify a mechanism and necessary funding options to create a sustainable centralized child care wait-list system.

Currently, there is no mechanism for tracking the actual number of families on waitlists. Each child care operator maintains its own waitlist and parents must call individual centres to be placed on the waitlists. Often parents put their name on numerous lists in hope that something will become available. In 2003, the City funded Westcoast Child Care Resource Centre to conduct a feasibility study on creating a centralized waitlist. The feasibility study looked at existing models in North America and the operational challenges and requirements. Customized software, operational policies, public and caregiver education, and staff resources to manage were identified as key components to a successful model. Costs ranged widely from \$55,000 to \$450,000, depending on the model.

The feasibility study found that the benefits of centralized waitlists are that families can call one central number to access waitlists for a number of programs. For child care operators, there is significant administrative saving in reduced time to follow-up with parents each time an opening becomes available. A central waitlist would manage this administrative function, keep waitlists current, provide potential cost savings on marketing, and minimize the time vacancies occur.

The challenges identified with centralized waitlists were that operator participation is voluntary; fees to participate create a disincentive to the operator; and there is no one outstanding or self-sustaining model. Furthermore, the cost benefit of such a model(s) has not been well analyzed or documented.

Should Council wish to proceed, \$10,000 to \$15,000 for consulting services would be required to complete the following steps:

- Consult with key stakeholders on preferred model, including governance/administration, start-up and on-going implementation and management;
- Conduct cost/benefit analysis on preferred model;
- Identify potential funding sources;
- Report back to Council in late 2007.

C.5 Council directed staff to provide this information in a timely fashion that will allow for partnership and financial support from the Provincial and Federal governments.

A meeting with senior Officials of the Ministry of Children and Family Development, to begin exploration of possible funding opportunities has been scheduled. Staff anticipate that this will be the first in a series of meetings over the next twelve months to discuss and strengthen the City of Vancouver/ Provincial/Federal partnership.

RESOURCE AND FINANCIAL IMPLICATIONS

As detailed in this report, the October 5th motion of Council has significant financial implications to the City. These implications, without a detailed review, are difficult to estimate, however, an order of magnitude on estimates are noted:

- Joint Council on Childcare: \$50,000 (estimated)
- 5% Expansion of Childcare Space: \$12M Capital Plan (estimated minimal contribution by City)

- Establishing a universal Childcare Endowment Fund: \$28M (estimated minimal contribution by the Province)
- Centralized childcare wait-list system: \$55K to \$450K

NOTE: Estimated costs for achieving neighbourhood targets would be similar to expansion costs noted above.

This report presents the work required in order to give Council information for decision-making regarding on-going resources and staffing required to achieve the directions set out in Council's October 5, 2006, motion. If Council wishes to proceed with this work, staff recommend that items be reported back to Council as they are completed. Staff also recommend proceeding with the finalization of the needs analysis as a first step. If Council were to proceed with all this work, then an additional one FTE (temporary / one-year) @ \$75,000. would be required to oversee the work outlined in this report.

If Council proceeds with this approach, staff are recommending a consulting budget of up to \$60,000 to assist with further analysis and reporting back in a timely manner. On-going funding requests for full implementation of each initiative will be part of the report back to Council throughout 2007. The costs of re-instating the Joint Council on Childcare are estimated to be an additional \$50K.

Total funding required is \$135,000. plus \$50K for re-instating the Joint Council on Childcare. The funding request would be deferred to the 2007 operating budget finalization.

CONCLUSION

Council has given staff direction to further assess the role of child care within the context of a growing urban environment. This initial phase of work will examine and analyze the feasibility of options and/or create business plans for future work.

In summary, should Council wish to proceed, staff propose the following actions to respond to Council's directions of October 5, 2006, at a cost of \$60,000, plus \$75,000 for one temporary FTE, with several report backs throughout 2007:

- Up to \$15,000 to conduct a feasibility study and impact analysis of a 5% increase in the number of child care spaces;
 - Up to \$15,000 to further the supply and demand, consult with community stakeholders on benchmarks, with a view to setting priorities and costing;
 - Up to \$15,000 to confirm costs and revenue sources for implementing a universal approach to a sustainable Childcare Endowment Fund, including the development of an eligibility criteria, consultation with stakeholders and Terms of Reference for identifying alternative mechanisms to administer and enhance this Fund;
 - Up to \$15,000. to complete a cost/benefit analysis and recommendations to develop and fund a centralized child care wait-list system and mechanism to deliver it; and
 - Up to \$75,000 for one FTE to manage projects and prepare Council decision-making reports;
- plus*
- Up to \$50,000 to re-instate the Joint Childcare Council.

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