



CITY OF VANCOUVER

ADMINISTRATIVE REPORT

Report Date: April 17, 2008  
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Meeting Date: May 1, 2008

TO: Standing Committee on City Services and Budgets  
FROM: Director of Social Planning  
SUBJECT: Report Back on Child Care Issues and Endowment Reserve

**CONSIDERATIONS:**

Council directed staff on October 5, 2006, to develop a project plan for activities, set out below for consideration. Total estimated cost to complete the analysis, feasibility and planning to implement the motion as previously set out by Council for all activities is \$135,000 - \$60,000 for consultancy fees, and \$75,000 for a temporary staff position for one year. Staff propose for consideration:

- A. THAT a feasibility study and impact analysis of a 5% increase in the number of child care spaces be conducted - estimated cost \$15,000;
- B. THAT the supply and demand study be completed, including a consultation with community stakeholders with a view to setting priorities and costing - estimated cost \$15,000;
- C. THAT costs and revenue sources for implementing a universal approach to a sustainable Childcare Endowment Reserve be confirmed, including the development of eligibility criteria, consultation with stakeholders and identifying alternative mechanisms to enhance this Fund - estimated cost \$15,000; and
- D. THAT a cost/benefit analysis and recommendations be completed to develop and fund a centralized child care wait-list system and delivery mechanism - estimated cost \$15,000.

- E. THAT a one year planner position be created to manage project work - estimated cost \$75,000. The position is subject to review and classification by the General Manager of Human Resource Services.

Funding for the \$135,000 is to come from the 2008 Contingency Reserve.

### 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 at an estimated total cost of \$135,000 with funding to come from the 2008 Contingency Reserve.

This report came before Council on December 6, 2006, and was referred to the Standing Committee on City Services and Budgets because a member of the public requested to speak to Council. The report was forwarded to the March 1, 2007, meeting and postponed further until a report back on Child Care Design Guidelines was completed. Staff provided a preliminary report back to Council in a workshop on the Design Guideline Review to provide information and seek input on recommendations in June 2007.

The General Manager advises that the Social Planning staff work plan includes the following:

- Design/development of 28 child development facilities
- Development of lease and license agreements for operation
- City of Vancouver Design Guidelines review process
- Management of various grant programs including the child care endowment
- Community liaison and capacity building
- 2009 - 2011 Capital Planning

### CITY MANAGER'S COMMENTS

The City Manager notes that child care 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 child care. Should Council wish to pursue expanding the City's role and commitment to child care, the resource commitment will be significant. As a result, the workplan outlined in this report is put forward for CONSIDERATION.

### 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.

## SUMMARY

This report provides a general outline of the work involved to respond to and further assess the feasibility and cost of activities set out in a previous Council motion. Should Council wish to proceed with any or all the directions, staff would return to Council with detailed reports in 2008, including options and costs for each priority area.

## PURPOSE

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:

- I. feasibility and impact analysis of expansion of licensed child care spaces by 5%;
- II. a comprehensive supply and demand study for child care, by neighbourhood with priority targets for growth, timelines and costs;
- III. cost and revenue sources for a universal approach to sustainable Childcare Endowment Reserve and options for revised mandate and eligibility for the grant.
- IV. Development of a centralized waitlist model.

## 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. Families pay the vast majority of the costs for child care, approximately 80%-85%. However, governments make contributions to help keep costs affordable through operational contributions and capital grants.

### Federal

In 2006 the Federal government implemented a taxable benefit of \$100 per month (\$1,200 per year) for families who qualify with children ranging in age from birth to six years old. These funds are paid directly to parents. The Federal Budget also committed \$250M per year for five years, starting in 2007/2008, to create 25,000 child care spaces per year nationally. This initiative is intended to contribute up to \$10,000 per space created, however, details 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 program operating costs (approx. 13%), 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.

### 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 primarily through community amenity contributions from development, capital and program support in high need areas, nominal lease rates and some maintenance. The City has supported the vision of child care development hubs and has taken various initiatives to facilitate access to stable and quality child care.

## DISCUSSION

Council directed staff to report back on the resources required and project plans to fulfil the following items. This section discusses each of the initiatives and sets out general information, possible strategies and funding requirements to complete a first stage of inquiry.

### i) Conduct feasibility study and impact analysis of a 5% increase in child care spaces

(Note: 5% Expansion over two years = New target of 500 spaces)

The planned Federal commitment (\$633M over five years - cancelled in 2006) provided an incentive for communities and local government to plan for child care expansion, along with unprecedented growth in the City, creating opportunities to secure child care public amenities. The ability to develop 500 new licensed child care spaces would depend considerably on the City's ability to secure additional child care amenities and capital cost-sharing with the province.

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

- The willingness of the Province to cost share capital to the extent necessary to secure additional space in Vancouver;
- Continuing developer contributions - further assessment of development opportunities is required in the evolving Vancouver building environment;
- Operating support - as families pay the majority of costs (average infant \$1069 per month), the threshold of families ability to pay for child care must be considered given the limitation of provincial operating funds and the cost of operating quality child care programs;
- 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; and
- 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 would take an interdepartmental approach and will consider:

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

- ii) THAT Council direct staff to undertake a rigorous supply and demand review of infant, toddler, three-to-five year old and out-of-school care spaces, and benchmark the data on a neighbourhood by neighbourhood basis.

A preliminary study on the supply and demand for child care, and benchmarks for growth by neighbourhood, was completed in 2005. At that time 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 \$15,000 in consulting costs, would be required to:

- identify realistic targets and benchmarks by neighbourhood;
- identify priorities and geographic locations for growth;
- develop and cost an implementation plan; and
- facilitate community consultation on priorities.

Staff would report back to Council with recommendations in 2009. 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.

- iii) 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 care in City-leased spaces and currently provides a grant to 144 infant and toddler spaces. There are approximately 900 infant/toddler group spaces existing and/or planned in the City over the next few years. Many of these spaces are not in City-leased facilities nor located in high density neighbourhoods and do not have a developer contribution to the Endowment Reserve.

The initial analysis previously conducted in 2005 found that:

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

The benefit of a universal approach to the Endowment Fund is that all infant/toddler spaces would receive a City grant 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, estimated at \$40M.

At Council's direction, staff engaged in discussions with the Provincial government to seek a \$6M match to the endowment to sustain the existing grant of \$1,650 for those spaces currently identified in the endowment and were advised that funding was not available.

Subsequently, staff explored the feasibility of having the fund managed by an external agency with a view to increasing the funds principle and interest, but concluded such an initiative may be beyond the scope of the City's powers.

Given these limitations, it is recommended that staff prepare an options paper on how to proceed with the current endowment, confirming costs and revenue sources for implementing a universal approach to a sustainable Childcare Endowment Reserve and examine other options for the reserve including:

- Changes in the purpose and mandate of the fund;
- Review terms and conditions for eligibility of grant;
- Consult stakeholders;
- Identification of other uses of the endowment funds; and
- Report back to Council in late 2008 with recommendations.

**iv) Council instruct staff to identify a mechanism and necessary funding options to create a sustainable centralized child care waitlist 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. The Vancouver Society of Children's Centres reports over 1,500 families on their waitlists.

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 at any one location. 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, \$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 2008.

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. As such, staff reported back on the outcome of the Provincial negotiations of child care endowment contribution of \$6M in 2007. In addition, staff brought a report back to Council December 6, 2006, which was referred to the Standing Committee on City Services and Budgets at the request of a speaker. It was then put on the March 1, 2007, meeting and postponed until a report back on Child Care Design Guideline was completed by June 2007. Staff provided a preliminary report back to Council in a workshop on the Design Guideline Review to provide information and seek input on recommendations. The Design Guideline report has been scheduled with this report.

## FINANCIAL IMPLICATIONS

This report presents the work plan and resources required to provide Council the ongoing staffing requirements and Operating and Capital Budget implications in order to achieve the directions set out in Council's motion on October 5, 2006:

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| • Feasibility study and impact analysis of a 5% increase in childcare spaces | \$15,000         |
| • Supply and demand study to set priorities and costing                      | \$15,000         |
| • Study to enhance sustainability of the Childcare Endowment Reserve         | \$15,000         |
| • Cost/benefit analysis of a centralized childcare waitlist system           | \$15,000         |
| • One (1) year of staff salary for a TFT Planner I to manage the project     | <u>\$75,000</u>  |
|  | <u>\$135,000</u> |

If Council wishes to proceed with the work plan, total funding of \$135,000 will be required; source of funds to be the 2008 Contingency Reserve.

Results of the above studies as well as their implementation plan, ongoing staffing requirements, Operating and Capital Budget implications, and funding strategies will be reported back to Council in 2008 and 2009. Based on previous studies, presented below is an order of magnitude on available cost estimates on two of the initiatives:

Establishing a universal Childcare Endowment Reserve	\$40M
Implement a centralized childcare wait-list system	\$55,000 to \$450,000



## 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 \$135,000 (\$60,000 consulting budget, plus \$75,000 for one temporary FTE) with report backs throughout 2008 on the following:

- conduct a feasibility study and impact analysis of a 5% increase in the number of child care spaces;
- further the supply and demand study, consult with community stakeholders on benchmarks, with a view to setting priorities and costing;
- confirm costs and revenue sources for implementing a universal approach to a sustainable Childcare Endowment Reserve and examine options for revised mandate and eligibility for the grant, and
- complete a cost/benefit analysis and recommendations to develop and fund a centralized child care wait-list system and mechanism to deliver it.

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