

Analyst Briefing Notes

Budget Committee

January 28, 2008

2008 OPERATING BUDGET

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2008 OPERATING BUDGET**Executive Summary**

- The 2007 year-end net expenditure of \$68.361 million is expected to be \$0.549 million or 0.8% under the 2007 Approved Budget. This under expenditure is attributable to cost containment measures implemented by Children's Services in the second half of 2007.
 - Cost containment measures implemented in 2007 of \$0.549 million include deferred spending for resource centres funded 100% by the City, delay in the implementation of the accessibility program of Municipal Child Care Centres, and discretionary savings mainly in equipment, furniture, advertising and printing. The deferred spending for the City's resource centres is recommended to continue into 2008 and combined with increased gapping will result in savings of \$0.571 million in 2008.
- Children's Services' 3-Year Budget supports the key strategic direction of achieving the service levels outlined in the City's Best Start and Child Care Service Plan. This plan includes maintaining the service growth already created under Best Start (24,000 subsidized child care spaces), providing an integrated system of services for children with activities that will promote early learning and development, delivering services to children with special needs, providing parent and caregiver support through the Family Resource programs, and supporting families by ensuring more available funding for child care fee subsidy by maintaining fee subsidy levels.
 - A major challenge for Children's Services for 2008 and beyond will be to develop strategies to maintain and stabilize the City's child care system in light of the reduced funding under the Best Start Initiative (as a result of the cancellation of federal/provincial agreements) and reduced revenues from parent fees as a result of the implementation of Income Testing.
 - The additional Provincial funding of \$32.2 million that the City will receive in 2008 will not fully address the Program's funding shortfall. The 2008 Recommended Operating Budget includes a contribution from the Child Care Expansion Reserve Fund (CCERF) of \$8.720 million in order to maintain current service levels.
 - The CCERF (unspent 2005/2006 Best Start allocation was transferred to this reserve in 2006) will be sufficient to fund 2008 and 2009 pressures. 2010 will be a challenge as the Program will require \$6.618 million to maintain service levels as the CCERF will be exhausted in mid-2010.
- The 2008 Recommended Operating Budget of \$68.910 million net is comprised entirely of base funding and is at the 2008 target. There are no recommended New /Enhanced Service Priorities for 2008.

Table 1: 2008 Recommended Budget

(In \$000s)	2007		2008 Recommended Operating Budget			Change - 2008 Recommended from 2007 Approved Budget		FY Incremental Outlook	
	2007 Appvd. Budget	2007 Projected Actual	2008 Base	2008 New /Enhanced	2008 Operating Budget			2009	2010
	\$	\$	\$	\$	\$	\$	%	\$	\$
GROSS EXP.	341,368.8	336,661.8	358,545.4	0.0	358,545.4	17,176.6	5.0	1,710.3	1,241.2
REVENUE	272,458.6	268,300.8	289,635.2	0.0	289,635.2	17,176.6	6.3	41.6	(6,618.4)
NET EXP.	68,910.2	68,361.0	68,910.2	0.0	68,910.2	0.0	0.0	1,668.7	7,859.6
Approved Positions	956.7	956.7	956.5	0.0	956.5	(0.2)	(0.0)	0.0	0.0
TARGET			68,910.2		68,910.2				
\$ Over / (Under) Program Target			0.0		0.0				
% Over / (Under) Program Target			0.0%		0.0%				

- The 2008 Recommended Operating Budget of \$358.545 million gross and \$68.910 million net represents a gross increase in expenditures of \$17.177 million or 5.0% and an increase in revenues of \$17.177 million or 6.3%, resulting in a 0% net increase over the 2007 Approved Budget.
 - The 2009 net incremental impact of \$1.669 million includes merit and step increases, and the reversal of the additional day in 2008 and cost containment measures, including increased gapping, implemented in 2008. The 2010 net increase of \$7.860 million includes merit and step increases and a projected funding shortfall of \$6.618 million as the CCERF (used to offset base funding pressures in 2008 and 2009) will be depleted by mid-2010.
- The 2008 Recommended Base Budget of \$68.910 million net is at the 2008 target. The base budget includes efficiencies resulting from increased gapping and cost containment savings totalling \$0.571 million net. 2008 key cost drivers include the following:
 - COLA, merit and associated fringe benefit increases of \$3.666 million; non-salary inflationary increase attributed mostly to purchased day care services of \$6.150 million; Ontario Works' Advance Child Care Start-up Benefit of \$5.0 million for 500 additional child care spaces (a mandatory financial benefit under Ontario Works (OW) that provides the first month of child care cost, in any 12 month period, to OW clients participating in an employment related activity); and, additional funding required to complete the Aboriginal Child Care Centre (Best Start) of \$1.4 million.
 - To offset these pressures, the 2008 Recommended Base Budget includes additional provincial Best Start funding of \$8.057 million and draws from the CCERF totalling \$8.720 million.
- The 2008 Recommended Base Budget also includes funding for two child care centre projects under Phase 2 of the City's Best Start Service and Infrastructure Transition Plans approved by City Council in October 2005. The two child care centres (not City-owned facilities), Regent

Park Child Care Centre with a total project cost of \$1.86 million and the Aboriginal Child Care Center with a project cost of \$2.7 million are to be fully funded from the CCERF.

- The Community Development and Recreation Committee at its meeting on January 14, 2008 adopted the recommendations stated in the report from the General Manager of Children's Service entitled "Development of Child Care Centres with the Toronto District School Board and Native Child and Family Services". The recommendations included a request for additional funding for four new child care centres in 2008. See Issues on Page 16.
- The 2008 Recommended Operating Budget will provide funding to maintain service levels of 24,000 child care fee subsidy spaces, 29 programs to support children with special needs, 46 Family Resource Centre programs to support families and caregivers and an additional 12 family resource centres in schools, summer programs for 6,356 children, and 16 Before and After School programs for 321 children.

Recommendations

The City Manager and Chief Financial Officer recommend that:

- (1) the 2008 Recommended Operating Budget for Children's Services of \$358.545 million gross and \$68.910 million net, comprised of the following services, be approved:

<u>Service:</u>	Gross <u>(\$000's)</u>	Net <u>(\$000's)</u>
Program Administration	23,119.8	7,989.1
Municipal Child Care	67,903.3	15,885.1
Purchased Child Care	267,522.3	45,036.0
	<hr/>	<hr/>
Total Program Budget	358,545.4	68,910.2
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Section A: 2007 Budget Variance Analysis

Table 2: 2007 Budget Variance Review

	2006 Actuals	2007 Approved Budget	2007 Projected Actuals*	2007 Appvd. Budget vs Projected Actuals Variance	
(In \$000s)	\$	\$	\$	\$	% Unspent
GROSS EXP.	329,547.2	341,368.8	336,661.8	(4,707.0)	(1.4)
REVENUES	262,061.5	272,458.6	268,300.8	(4,157.8)	(1.5)
NET EXP.	67,485.7	68,910.2	68,361.0	(549.2)	(0.8)
Approved Positions	967.7	956.7	956.7	0.0	0.0

Source: *Projected Actuals Based on the September 30, 2007 Variance Report

2007 Experience

Children's Services is projecting a favourable year-end expenditure variance of \$4.707 million (gross) and \$0.549 million (net).

The gross under expenditures of \$4.707 million are primarily due to delays in the construction of two child care centre projects (not City-Owned facilities) under Phase 2 of the Best Start Service and Infrastructure Transition Plans (approved by City Council in October 2005) of \$3.160 million with funding from the CCERF (Best Start). The Regent Park Child Care Centre project did not commence as scheduled as the Regent Park Revitalization Plan Phase 1 was delayed while the Aboriginal Child Care Centre was delayed as the project included a lengthy consultation process with the Aboriginal community to identify an appropriate site. The construction of both child care centres will commence in 2008.

The favourable net under expenditure of \$0.549 million net (\$1.5 million gross) is due to savings resulting from cost containment measures implemented during the second half of 2007.

The anticipated withdrawal from the CCERF to fund base funding pressures and to offset the expected reduction in revenues from parent fees due to the implementation of Income Testing is no longer required in 2007 due to the additional child care funding announced by the Province in June and July 2007. The City will receive \$24.1 million in additional funding in 2007 (annualized to \$32.2 million in 2008) which is sufficient to meet the financial pressures in 2007.

2007 Cost Containment Savings:

As reported in the 3rd Quarter Variance Report, Children's Services is projecting cost containment savings of \$0.549 million by year-end 2007, as detailed below.

Net Cost Containment Savings	2007 (\$000s) Savings	2008 (\$000s) Continued Savings	Comments
Hiring Freeze Savings:			
Sub-total	0.0	0.0	
Service Level Adjustments:			
Reduced spending in 100% City-funded Resource Centres in underserved areas	200.0	200.0	Reduction will result in reduced services such as parenting classes, playgroup experience for children, toy lending, public education materials and referral services including child care registries.
Delay increase in school rent paid to the Toronto Catholic District School Board	30.0		One-time in 2007
Defer implementation of accessibility program to Municipal Child Care Centres (delay in improvements to access ramps, accessible washrooms and specialized playground equipment).	200.0		One-time in 2007
Sub-total	430.0	200.0	
Discretionary Savings:			
Reduced consulting contracts, business travel, conferences and seminars	29.6		One-time in 2007
Reduced equipment, furniture and supplies	70.3		One-time in 2007
Reduced Advertising and Production of Print Materials	19.3		One-time in 2007
Sub-total	119.2		
TOTAL COST CONTAINMENT	549.2	200.0	

Impact of 2007 Operating Variance on 2008 Recommended Budget

The additional Provincial funding of \$24.2 million in 2007, annualized to \$32.2 million in 2008 is again expected to offset the provincial base funding shortfall and will partially offset a reduction in revenues due to income testing. It does not fully address the Program's funding pressures in 2008, however, it offsets the required draw from the CCERF which will continue to be used to meet base funding pressures to maintain service levels until 2010 when the reserve will be exhausted.

The construction of the Regent Park Child Care Centre (\$1.860 million) and the Aboriginal Child Care Centre (\$2.7 million) that was delayed in 2007 will commence in 2008. The two projects are fully funded by the CCERF.

One of the cost containment measures implemented in 2007, deferred spending for the City's resource centre, has been recommended to continue into 2008 and will result in savings of \$0.200 million.

Section B: 2008 Operating Budget Overview**3-Year Operating Budget Overview**

The 3-Year Operating Budget supports Children's Service's commitment to promote equitable access to high quality care of children and support for families and caregivers. Child care services are planned and provided in ways to promote early learning and development and to respond to families' needs and choices.

The Program's key strategic directions and priorities over the next 3 years include:

- Implement the service growth levels outlined in the City's 2005 – 2009 Child Care Service Plan updated to reflect the impact of income testing and the City's revised allocation of new Provincial Best Start Funding (funding under Best Start has created fifty-one new or expanded child care programs with 2,000 new subsidy spaces);
- Provide leadership in developing an integrated system of services for children that will provide high quality early learning and child care experiences, and promote healthy child development.
- In partnership with the community, increase equitable access to high quality child care services and support families in securing child care fee subsidies through eligibility assessments.

Children's Services, as the City's "child care service system manager" under provincial legislation, is responsible for planning and managing a broad range of child care services which include programs that are cost-shared with the Province (80% provincial share) such as licensed child care (centre-based and home child care), special needs resourcing to support children with special needs, and support for families and caregivers through the family resource centre programs. These child care services are delivered through directly operated municipal child care centres and purchased child care services. Children's Service also provides 100% City funded programs such as before- and after-school and summer day programs.

- *Municipal Child Care Services:* Municipally operated child care centres operate in high needs communities providing high quality early learning and child care programs that promote health child development and support parents. There are currently 57 directly operated child care centres throughout the City serving 2,850 children aged 0-12 year and an additional 980 children served through Municipal Home Child Care in 300 provider homes.
- *Purchase Child Care Services:* Many child care centres and home care agencies have a service contract with the City of Toronto for fee and wage subsidies. Both Licensed Child Care Centres which provide group child care and Private Home Day Care agencies which provide home day care services offer services to subsidized children aged 0-12 years. Special needs resource services are purchased to provide services for children with special needs (children with behavioural, physical and/or developmental disabilities or delay) while parent/caregiver support services (lending libraries, child care registry, playground and workshops/seminars) are purchased through Family Resource Centre Programs.

Children's Services' 2008 Recommended Operating Budget provides funding for the following services:

- 24,000 child care fee subsidy spaces;
- 29 programs to support children with special needs;
- 46 family resource centres and an additional 12 family resource centres in schools supported by the City's agreement with the Boards of Education; and,
- 6,356 children to attend funded summer day programs; and,
- 16 Before and After School programs for 321 children.

Challenges and Issues

The City's 2005 – 2009 Child Care Service Plan, adopted by Council in May 2005 and amended in October 2005 to incorporate Best Start funding, sets the direction to guide the child care system and forms the framework for service planning and resource allocation over a 5-year period. The Plan was amended again in July 2006 as a result of the reduced funding for Best Start due to the cancellation of federal/provincial agreements and to reflect the impact of Income Testing as the method of determining eligibility for child care subsidy on revenues from parent fees.

For 2008 and beyond, Children's Services key challenge is to develop strategies to secure and stabilize the child care system primarily in response to these financial pressures.

- *Reduction of Best Start Funding*

The changes to the funding of Best Start, had a significant impact on the City's Child Care Service Plan as it was based on an expectation of \$125 million in additional funding and a growth of 6,000 new licensed and fee subsidy spaces. The City's reduced Best Start funding of \$36.5 million has been used to fund 2,000 new child care fee subsidy spaces created under Best Start, improve wages to child care workers and increase services to children with special needs.

The additional funding announced by the Province in June and July 2007 of \$24.1 million, annualized to \$32.2 million in 2008 will primarily be used to support child care spaces, improve wages to child care practitioners, fund base budget operating pressures and partially offset loss revenues due to income testing. However, the additional funding is still not sufficient to maintain the service growth already created under Best Start. Thus, Children's Services will again be utilizing the Child Care Expansion Reserve Fund (unspent 2005/2006 Best Start allocation was transferred to this reserve in 2006) to address base funding pressures and maintain service levels.

The 2008 Recommended Operating Budget includes a draw of \$8.720 million to meet the financial pressures in 2008. The projected 2007 year-end balance of the CCERF is \$45.911 million (*See Appendix 4, Inflow/Outflow from Reserve/Reserve Funds on page 20*). The CCERF will be sufficient to address 2008 pressures as well as 2009 pressures estimated to reach \$17.5 million. In 2010, based on current service levels, the funding shortfall is expected to grow to over \$26.6 million. The CCERF's projected 2009 year-end balance of \$20.0

million will not be sufficient and the Program will require \$6.6 million to maintain service levels. Without additional funding from other sources, service reductions may be needed by early 2010.

- *Implementation of Income Testing*

The implementation of Income Testing has resulted in a reduction in revenues from parent fees of approximately \$15 million in 2008 and a significant growth of the City's waiting list for child care fee subsidy. The waiting list for child care fee subsidy is currently at 11,000, an increase of 53% since early 2007 when income testing was first implemented.

The waiting list is expected to continue to grow as more families are deemed eligible for subsidy however there are no more subsidized spaces available.

Vacant child care spaces threaten the full utilization of the new Best Start child care centres as they were built in communities with the highest level of poverty and depend on families receiving subsidies in order to access child care for their children.

Another contributing factor to the Program's financial pressure is the fact that the Province does not adjust base funding levels to reflect annual inflationary increases for child care operators, including pay equity obligations. Inflationary increases for purchased child care services have averaged 3% each year, creating an operating budget pressure of approximately \$8.0 million per year.

In addition to the issues already identified, the lack of ongoing capital funding to address service expansion is a significant barrier to achieving equitable access to high quality child care services for some of Toronto's most vulnerable communities. The City's Best Start Infrastructure Plan, prior to the reduction of Best Start funding, proposed a two phased approach to the development of child care in communities with the highest levels of child poverty and the lowest level of access to child care. The first phase of the Best Start Plan was completed however, 57 proposed Best Start Phase II Capital Projects intended to provide 3,621 additional child care spaces at a capital cost of \$106.58 million were cancelled with the exception of a very few high priority projects.

Strategic Priorities

Children's Services' 3-Year Operating Budget supports the strategic priority to "invest in the City's 13 Priority Neighbourhoods" through a number of initiatives.

- *After School Recreation and Care Program:*

Funding of \$1.436 million (gross), funded from the Social Assistance Stabilization Reserve Fund (SASRF) is included in the 2008 Recommended Operating Budget to continue the After School Recreation and Care Program that was approved by City Council in 2006. The program, through Parks, Forestry & Recreation, provides children and youth in the City of Toronto with the opportunity to participate in quality after-school programs to enhance their social, physical, educational and creative development.

The program was first implemented in September 2006 in the 13 priority neighbourhoods. An additional 24 sites were added in 2007/2008 and 23 more sites are to be added in 2008/2009. By 2009, the plan is to create 60 programs serving 3,600 children in priority neighbourhoods.

These programs provide inclusive, culturally appropriate, flexible, high-quality, safe environments, and will be based on current knowledge of child development. It will also provide opportunities for youth leadership development, job readiness and volunteering

- ***Regent Park and the Aboriginal Child Care Centres:***

Two child care centre projects (not City-owned facilities) with a total project cost of \$4.560 million are included in the 2008 Recommended Operating Budget as part of Phase II of the Best Start Service and Transition Infrastructure Plans, approved by Council in October 2005. Best Start Phase II Capital Projects are intended to develop child care services in community with the highest levels of child poverty and the lowest level of access to child care. Construction of these two capital projects, originally scheduled to commence in 2007, was delayed and will now commence in 2008.

- Regent Park Child Care Center (\$1.86 million fully funded from the CCERF) will be constructed in a Toronto Housing Corporation (TCHC) operated building. It will create 62 child care spaces and will serve both the tenants of this building and the nearby community.
- The Aboriginal Child Care Center (\$2.7 million fully funded from the CCERF) will create approximately 50 child care spaces that will serve specifically the aboriginal families in the Galloway area.

Section C: 2008 Recommended Base Budget

Table 3: 2008 Recommended Base Budget

	2007 Appvd. Budget	2008 Recommended Base	Change 2008 Recommended Base v. 2007 Appvd. Budget		FY Incremental Outlook	
					2009	2010
(In \$000s)	\$	\$	\$	%	\$	\$
GROSS EXP.	341,368.8	358,545.4	17,176.6	5.0	1,710.3	1,241.2
REVENUE	272,458.6	289,635.2	17,176.6	6.3	41.6	(6,618.4)
NET EXP.	68,910.2	68,910.2	0.0	0.0	1,668.7	7,859.6
Approved Positions	956.7	956.5	(0.2)	(0.0)		
NET TARGET		68,910.2				
\$ Over / (Under) Program Target		0.0			1,668.7	7,859.6
% Over / (Under) Program Target		0.0%			2.42%	11.41%

2008 Recommended Base Budget

The 2008 Recommended Base Budget of \$68.910 million net is at the 2008 target.

The increase in gross expenditure of \$17.177 million over the 2007 Approved Budget includes the following: COLA, merit and associated fringe benefit increases; non-salary inflationary increase attributed mostly to purchased day care services; funding for 500 additional child care spaces under the Ontario Works' Advance Child Care Start-up Benefit; and funding required in completing the Aboriginal Child Care Centre (Best Start). These pressures are fully offset by increased Provincial Best Start funding of \$8.057 million, increased gapping of \$0.371 million, cost containment savings of \$0.200 million and draws from the CCERF totalling \$8.720 million.

The 2008 Recommended Base Budget results in 956.5 approved positions, a reduction of 0.2 from the 2007 staff complement of 956.7 due to the mandatory staff to client ratio requirements in directly operated child care centres.

2008 Key Cost Drivers and Reduction Strategies

Key cost drivers for 2008 include the following:

- The cost of providing current service levels requires \$3.666 million for COLA, merit and step, job evaluation impact, additional one day in 2008 (leap year) and \$6.150 million for non-salary inflationary increases (mostly for purchased day care services of \$5.811 million).

- Funding for 500 additional child care spaces under the Ontario Works Advanced Child Care Start-up Benefits of \$5.0 million.
 - A mandatory financial benefit under Ontario Works (OW) that provides the first month of child care cost, in any 12 month period, to OW clients participating in an employment related activity will be used to fund 500 child care spaces with Children Services. Social Services and Children's Services have developed an automated process to ensure that all eligible OW recipients in Toronto are able to access this subsidy without creating a cumbersome manual process. It is estimated that in 2008 Social Services will transfer to Children's Service \$5.0 million (included in Social Services' base funding, funded by the Province at 80%), thus providing 500 child care spaces to OW clients involved in an employment related activity.
- Additional funds required to complete the Aboriginal Child Care Centre (not a City-owned facility) of \$1.4 million.
 - The Aboriginal Child Care Center has a total project cost of \$2.7 million with the initial cost of \$1.3 million included in the 2007 base budget and an additional \$1.4 million recommended in 2008. This project was delayed as the development included a lengthy consultation process with the Aboriginal community to identify an appropriate site.
 - The Community Development and Recreation Committee at its meeting on January 14, 2008 adopted the recommendation stated in the report from the General Manager of Children's Service entitled "Development of Child Care Centres with the Toronto District School Board and Native Child and Family Services". The recommendations include the request for additional funding for four new child care centres in 2008. (See Issues on Page 16.)

These base pressures are offset by the following:

- The annualized impact of the additional Provincial Best Start funding announced in June and July 2007 of \$8.057 million;
- Increased gapping and cost containment measure recommended in 2008 resulting in savings of \$0.571 million; and,
- Draws from the CCERF totalling \$8.720 million to offset the provincial base funding shortfall.

2009 and 2010 Outlook: Net Incremental Impact:

The 2009 net incremental impact of \$1.669 million includes merit and step increases, and the reversal of the additional day in 2008, increase in gapping and the cost containment measure implemented in 2008.

The 2010 net increase of \$7.860 million includes merit and step increases and a projected funding shortfall of \$6.8 million as the CCERF (Best Start) will be depleted in early 2010.

Both the 2009 and 2010 Outlooks do not include a provision for COLA, as the increase is subject to future negotiations.

Section D: 2008 Recommended Service Priorities

There are no new / enhanced service priorities recommended for Children's Services in 2008.

Section E: Issues for Discussion**2008 Operating Budget Issues**

The City's child care system is facing growing financial pressures due to inadequate provincial funding resulting from reduced allocation of Best Start and the impact on revenues due to the implementation of Income Testing. In addition, another contributing pressure to the Program's base funding is that the Province has not provided any additional funding to cover their share of inflationary increases averaging 3% per year for child care operators or approximately \$8.0 million operating budget pressure per year.

A report from the General Manager of Children's Services outlining the adequacy of funding current child care service levels will be submitted to the Community Development and Recreation Committee on February 21, 2008.

Best Start:

The Best Start Initiative was first introduced in November 2004. From 2004 – 2007 (as shown below), Best Start funding has resulted in significant impact on the City of Toronto's Child Care Service Plan for 2005-2009.

- | | |
|------|--|
| 2004 | The Provincial Best Start Strategy, first announced in November 2004, is a 10-year plan designed to give Ontario's children the base start in life and to help them achieve success in school by providing a comprehensive system of services that support children from birth to transition into school. The plan is aimed at increasing licensed child care spaces, access to subsidies and improving wages of child care staff. |
| 2005 | The federal government announced the termination of its bi-lateral Early Learning and Child Care Agreement with Ontario by March 31, 2007 and, as a result, the province announced reductions to Best Start allocations. The original plan was based on an expectation of \$125.0 million in additional funding and a growth of 6,000 new licensed and fee subsidy spaces. The reduced funding can only fund 2,000 new child care fee subsidy spaces under Best Start. |
| 2006 | Unspent funds from Children's Service' Best Start 2005/2006 allocation of \$32.676 were transferred to the Child Care Expansion Reserve Fund to supplement future operating requirements and to augment Provincial base funding shortfalls to maintain service levels. |

2007 Additional Provincial Best Start funding was provided in 2007. This additional funding includes \$24.173 million in 2007, annualized to \$32.230 million in 2008, to support child care spaces, improve wages to child care practitioners and offset loss revenues due to income testing. (Approved by City Council in July and September 2007 - see table on Best Start Additional Funding below.)

	2007	2008 Annualized
Best Start Additional Funding	\$000s	\$000s
June 2007	6,815.6	9,087.5
July 2007	17,357.1	23,142.8
TOTAL	24,172.7	32,230.3

2008 As the additional provincial funding of \$32.2 million is still not sufficient to maintain the service growth already created under Best Start, the 2008 Recommended Operating Budget includes a reserve contribution from the CCERF of \$8.720 million as shown in the table below.

	2008 Recommended Budget		
	Provincial Subsidy Required	Base Subsidy Approved	Shortfall (to be funded from CCERF)
In \$000s	\$	\$	\$
Administration	6,470.3	6,470.3	0.0
Programs:			
LEAP	327.2	327.2	0.0
Special Needs	6,446.9	5,610.8	836.1
Family Resource Programs	1,955.2	1,753.3	201.9
Wage Subsidies	31,504.3	33,680.7	(2,176.4)
Pay Equity	1,542.0	1,542.0	0.0
Subsidized Child Care - High Level	143,860.3	134,001.7	9,858.6
Ontario Works	9,646.0	9,646.0	0.0
TOTAL	195,281.9	186,561.7	8,720.2

The Provincial share of the 2008 Recommended Operating Budget (based on 80% for program expenditures) is \$195.282 million, \$8.720 million above the 2008 Provincial base subsidy of \$186.562 million to be received by the City, representing an actual cost sharing of 76%.

Implementation of Income Testing:

Income Testing has had a significant impact on the City's child care system. With income testing, more families are eligible for child care subsidies, resulting in the waiting list for child care subsidy growing by at least 53% since the beginning of 2007 when income testing was first implemented. Vacant subsidized child care spaces threaten the viability of many of the City's new Best Start child care centres because these centres were built in communities with the highest level of poverty and depend on families receiving subsidies in order to access child care for their children. Without additional fee subsidies and more licensed spaces, the City's waiting list will continue to grow.

The General Manager, Children's Services is participating on a Provincial-Municipal Working Group on Income Testing with representatives from the Ontario Municipal Social Services Association (OMSSA) and the Association of Municipalities of Ontario (AMO) to assess the financial implications of income testing and provide recommendations to the Minister of Children and Youth Services concerning a resolution to the impacts of income testing.

Children's Services will continue to advocate with the Province to increase the number of fee subsidies available for the growing waiting list of families eligible for subsidy.

Child Care Spaces:

Below is a breakdown of the number of child care spaces that can be provided from funds included in the 2008 Recommended Operating Budget. The increase of \$5.0 million under the Advance Child Care Start-up Benefits will fund an additional 500 child care spaces but this will be offset by a reduction of 344 spaces in other areas as a result of increased cost in 2008.

2008 Child Care Spaces		
Funding Source:	Spaces	Comment
Provincial Funding (including Best Start)	22,044	Funded by the Province and the City
National Child Benefit Supplement Reserve Fund	226	Funding of \$2.2 million approved by City Council in 2001.
Supports to Employment Program (STEP)	360	Funded as part of Ontario Works entitlement
Advance Child Care Start-up Benefit	500	Funded as part of Ontario Works entitlement
Child Care Expansion RF	870	Provincial Funding Shortfall
Total Child Care Spaces	24,000	

The Provincial shortfall in Subsidized Child Care of \$8.720 million, funded from the CCERF translates to 870 child care spaces that will not be funded once the Child Care Expansion Reserve Fund (Best Start) is exhausted in early-2010.

Issues Referred to 2008 Operating Budget Process

The Community Development and Recreation Committee at its meeting on January 14, 2008 adopted the recommendations included in a report from the General Manager of Children's Service entitled "Development of Child Care Centres with the Toronto District School Board and Native Child and Family Services". The recommendations stated that:

- 1) funds of up to \$2.9 million be approved for the construction of Ghesig House at 156 Galloway Road and Kiiwednong at 2784 Keele Street, two Aboriginal Child Care Centres to be developed by the Native Child and Family Services Toronto. The total project cost of \$2.9 million is to be funded from the Child Care Expansion Reserve Fund of \$2.4 million and from Provincial revenues of \$0.528 million. The 2008 Recommended Operating Budget for Children's Services be adjusted by \$0.228 million gross and revenue to reflect the additional funds required to complete the two Aboriginal Child Care Centres in 2008;
- 2) funds of up to \$2.0 million be approved to create three new child care centres at Highfield Junior School, Kennedy Public School, and Crescent Town Elementary School to be funded from the Child Care Capital Reserve Fund and that the 2008 Recommended Operating

Budget for Children's Services be adjusted by \$2.0 million gross and revenue to reflect the funds required for this project.

The Community Development and Recreation Committee referred this report to the Budget Committee for consideration.

- Aboriginal Child Care Centres (\$2.928 million):
 - As part of the additional funding announcement by the Province in June/July 2007, funding of \$0.528 million will be provided for two new Aboriginal child care centres with a total of 40 child care spaces. The Province has agreed to allow provincial funds to augment the City's Aboriginal Child Care Center project (not a City-owned facility) that is already included in the 2008 Recommended Operating Budget. The Aboriginal Child Care Centre project (\$2.7 million) will be combined with one of two Provincially approved Aboriginal Child Care Centre projects for a total revised project cost of \$2.928 million. These projects will be funded from the CCERF of \$2.4 million and from Provincial revenues of \$0.528 million.
 - The additional funds will create two new Aboriginal child care centres, a purposely build child care program that will have a licensed capacity for 50 children and will serve infants, toddlers and preschool children and another new Aboriginal child care centre that is expected to serve 16 children, for a total of 66 additional child care spaces specifically intended to provide aboriginal specific services.
- The expansion of three child care centres at three schools under the Toronto District School Board (\$2.0 million funded from the Child Care Capital Reserve Fund)
 - With the Toronto District School Board undertaking additions at three elementary schools, Children's Services was presented with the opportunity to build additional spaces for child care during construction. The total project cost to expand the child care spaces is estimated at \$2.0 million to be funded from the Child Care Capital Reserve Fund. The plan is to build two purpose build child care rooms at each site with a licensed capacity for each program of 44 preschool children and up to 25 school age children in shared school space.
 - These projects will be fully funded from the Child Care Capital Reserve Fund (CCCRF) which was set up to support growth of child care in communities that are significantly deficient and to support the growth of child care in accordance with the Child Care Service Plan. The CCCRF has uncommitted funds of \$3.457 million which is sufficient to fund this project.

The construction of these new child care centres will have no additional operating budget impact as these centres will be funded within the existing operating budget.

Appendix 1

Summary of Recommended Base Budget Changes

From 2007 Approved Budget

(In \$000s)	Summary of 2008 Base Budget Adjustments				Net Incremental Outlook	
	Approved Positions	Gross Expenditures	Revenues	Net	2009	2010
		\$	\$	\$	\$	\$
2007 Council Approved Operating Budget	956.7	336,738.5	267,713.7	69,024.8	0.0	0.0
In-year approvals and technical adjustments	0.0	4,744.9	4,744.9	0.0		
Corporate adjustments	0.0	(114.6)	0.0	(114.6)		
2007 Approved Operating Budget	956.7	341,368.8	272,458.6	68,910.2	0.0	0.0
Prior year impacts	0.0	4,750.7	1,442.4	3,308.3	1,141.3	1,241.2
Zero base items	0.0	(112.7)	0.0	(112.7)		
Economic factors	0.0	8,372.9	6,362.9	2,010.0	0.0	
Adjusted Base Budget	956.7	354,379.7	280,263.9	74,115.8	1,141.3	1,241.2
Other base changes	(0.2)	5,107.1	5,027.5	79.6	(43.3)	
Base revenue changes	0.0	0.0	4,714.5	(4,714.5)		6,618.4
Recommended Service Level Adjustments:						
Service efficiencies	0.0	(941.4)	(370.7)	(570.7)	570.7	
Revenue adjustments						
Minor service impact						
Major service impact						
Total Recommended Base Adjustments	(0.2)	4,165.7	9,371.3	(5,205.6)	527.4	6,618.4
2008 Recommended Base Budget	956.5	358,545.4	289,635.2	68,910.2	1,668.7	7,859.6
2008 Program Operating Target	N/A	N/A	N/A	68,910.2	0.0	0.0
% Over (Under) Program Target				0.0%	2.42%	11.41%
% Over (Under) 2007 Appvd. Budget				0.0%	2.42%	11.41%

Appendix 2
Summary of Service Level Adjustments

Appendix 4

Inflows / Outflows to / from Reserves & Reserve Funds

(In \$000s)

Reserve / Reserve Fund Name	Reserve / Reserve Fund Number	Projected Balance as of December 31, 2007 \$000s	Proposed Withdrawals (-) / Contributions (+)				
			2008 \$000s	2009 \$000s	2010 \$000s	2011 \$000s	2012 \$000s
Child Care Capital Reserve Fund	XR1103						
	Contribution from Operating Budget		320.0				
	Contribution to Operating for minor capital expenses to meet Health & Safety Standards		(400.0)	(400.0)	(400.0)	(400.0)	(400.0)
	Capital Projects		(1,626.0)	(2,500.0)	(1,500.0)	(500.0)	
	Balance by Year-end	11,263.3	9,557.3	6,657.3	4,757.3	3,857.3	3,457.3
Child Care Expansion/Pilot Project Reserve Fund	XR1101						
	Projected Interest		2,428.0	1,578.0	573.0		
	Regent Park Child Care Centre		(1,860.0)				
	Aboriginal Child Care Centre		(2,400.0)				
	Projected Provincial Funding Shortfall		(8,720.2)	(17,530.4)	(26,597.6)		
	Balance by Year-end	45,910.8	35,358.6	19,406.2	(6,618.4) *		
TOTAL RESERVE FUND BALANCE AT YEAR-END		57,174.1	44,915.9	26,063.5			

*Projected funding shortfall in 2010 once the Child Care Expansion Reserve Fund is exhausted