

Adopted as per M469-2013 in the Council Minutes
by Council at its meeting held December 16, 2013

RB

Windsor, Ontario, December 16, 2013

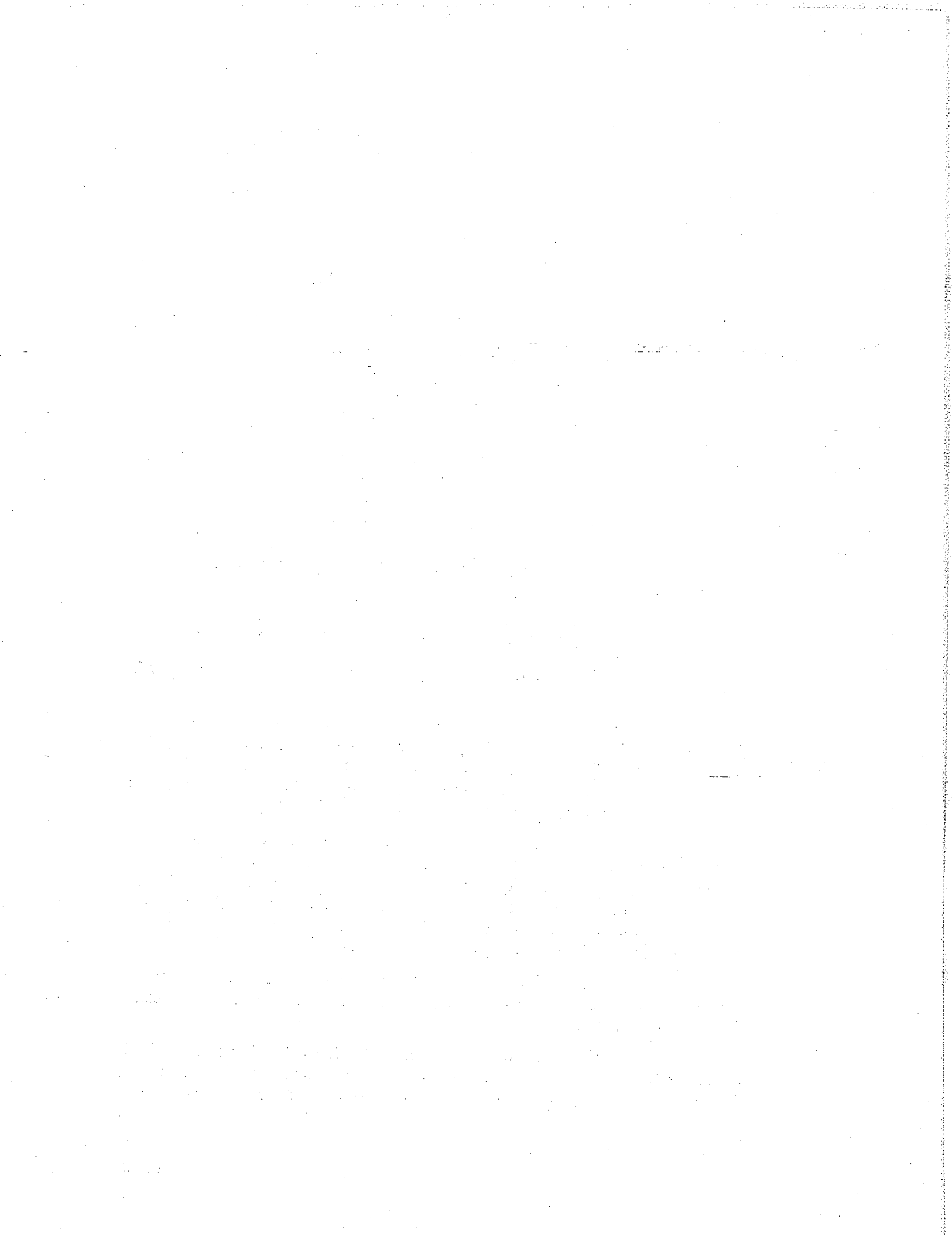
**REPORT NO. 194 of the
SOCIAL DEVELOPMENT,
HEALTH & CULTURE STANDING COMMITTEE**
of its meeting held November 6, 2013

Present:
Councillor Ed Sleiman, Chair
Councillor Jo-Anne Gignac
Councillor Alan Halberstadt
Councillor Fulvio Valentinis

That the following recommendation of the Social Development, Health and Culture Standing Committee **BE APPROVED** as follows:

Moved by Councillor Gignac, seconded by Councillor Valentinis,

1. THAT Council **APPROVE** this report on the Child Care Funding Formula and Funding Framework; and further
2. THAT the City **ENTER INTO** an agreement with the Ministry of Education for the delivery of child care programs for in accordance with the City's legislated obligations under the *Day Nurseries Act*, R.S.O. 1990, c. D.2; and further
3. THAT the City Clerk and the Chief Administrative Officer **BE AUTHORIZED** to execute the MEDU Service Agreement on behalf of the City subject to **APPROVAL** as to technical content by the Community Development & Health Commissioner, as to legal form by the City Solicitor and as to financial content by the City Treasurer and Chief Financial Officer; and further
4. THAT the following schedules to the MEDU Service Agreement, namely, Service Description Schedules, Budget Schedules, Contractual Service Target Schedules, Reporting Schedules, and/or amendments **BE APPROVED** as to technical content by the Executive Director of Housing Services & Children's Services, as to legal form by the City Solicitor and as to financial content by the City Treasurer and Chief Financial Officer; and further
5. THAT the City **ENTER INTO** Purchase of Service agreements with qualified agencies as determined by the Community Development & Health Commissioner; and further
6. THAT the Community Development & Health Commissioner **BE AUTHORIZED** to sign, amend, or terminate agreements with Purchase of Service agencies on behalf of the City in accordance with the criteria established



by the MEDU Service Agreement and mitigation funding where the net city contribution does not exceed \$150,000 or \$1,000,000 gross. For Purchase of Service agreements that exceed a \$150,000 net city contribution or a \$1,000,000 gross contribution, that in addition to the Community Development & Health Commissioner that the Chief Administrative Officer be required to sign as a secondary authority; and further

7. THAT the Purchase of Service agreements **BE APPROVED** as to technical content by the Executive Director of Housing Services & Children's Services, as to legal form by the City Solicitor and as to financial content by the City Treasurer and Chief Financial Officer, or designate. As long as the agreements conform to the standard format reviewed and pre-approved by the City Solicitor, the City Solicitor is not required to approve each individual as to form; and further

8. THAT the Community Development & Health Commissioner/designate **HAS THE DISCRETION** to terminate any Purchase of Service agreement upon the grounds as set out in the agreement and without the need to obtain Council approval, except as provided herein.

Carried.

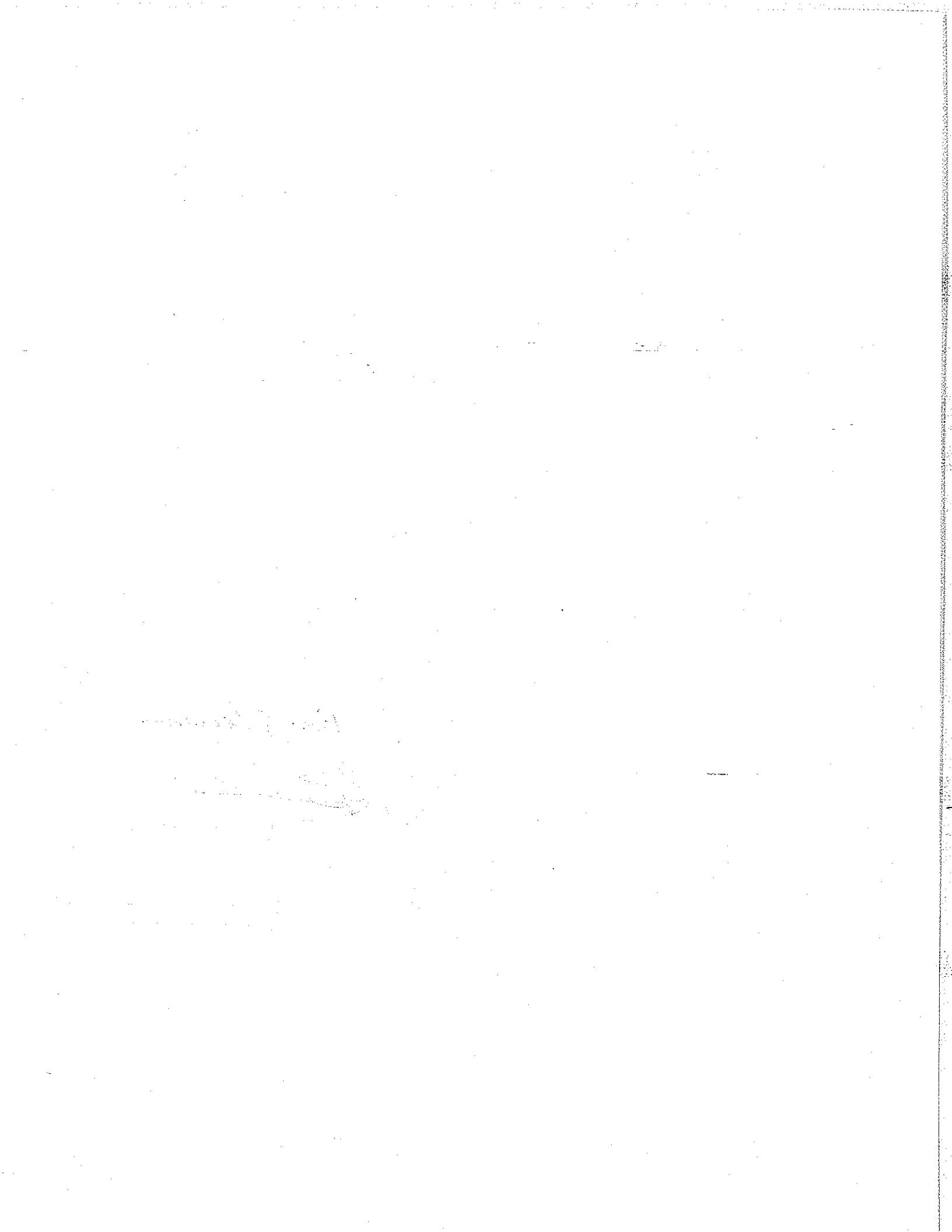
Livelihood 16742, SSD2013

Clerk's Note: The administrative report authored by the Manager of Children's Services dated September 16, 2013 entitled "*Child Care Funding Formula and Funding Framework*" is **attached** as background information.


CHAIRPERSON


COUNCIL SECRETARIAT

NOTIFICATION :				
Name	Address	Email Address	Telephone	FAX
See notification in report				



**THE CORPORATION OF THE CITY OF WINDSOR
Social Development, Health and Culture Standing Committee-
Administrative Report**



MISSION STATEMENT:

"The City of Windsor, with the involvement of its citizens, will deliver effective and responsive municipal services, and will mobilize innovative community partnerships"

LiveLink REPORT #: 16742 SSD2013	Report Date: September 16, 2013
Author's Name: Shannon Hyatt, Manager of Children's Services	Date to Standing Committee: November 6, 2013
Author's Phone: 519- 255-5200 ext. 5290	Classification #:
Author's E-mail: shyatt@city.windsor.on.ca	

To: Social Development, Health and Culture Standing Committee

Subject: Child Care Funding Formula and Funding Framework

1. RECOMMENDATION: City Wide: X Ward(s): _____

1. THAT Council **APPROVE** this report on the Child Care Funding Formula and Funding Framework; and further
2. THAT the City **ENTER INTO** an agreement with the Ministry of Education for the delivery of child care programs for 2014 in accordance with the City's legislated obligations under the *Day Nurseries Act*, R.S.O. 1990, c. D.2; and further
3. THAT the City Clerk and the Chief Administrative Officer **BE AUTHORIZED** to execute the 2014 MEDU Service Agreement on behalf of the City subject to **APPROVAL** as to technical content by the Community Development & Health Commissioner, as to legal form by the City Solicitor and as to financial content by the City Treasurer and Chief Financial Officer; and further
4. THAT the following schedules to the 2014 MEDU Service Agreement, namely, Service Description Schedules, Budget Schedules, Contractual Service Target Schedules, Reporting Schedules, and/or amendments **BE APPROVED** as to technical content by the Executive Director of Housing Services & Children's Services, as to legal form by the City Solicitor and as to financial content by the City Treasurer and Chief Financial Officer; and further
5. THAT the City **ENTER INTO** Purchase of Service agreements with qualified agencies as determined by the Community Development & Health Commissioner; and further
6. THAT the Community Development & Health Commissioner **BE AUTHORIZED** to sign, amend, or terminate agreements with Purchase of Service agencies on behalf of the City in accordance with the criteria established by the 2014 MEDU Service Agreement and mitigation funding where the net city contribution does not exceed \$150,000 or \$1,000,000 gross. For Purchase of Service agreements that exceed a \$150,000 net city contribution or a

\$1,000,000 gross contribution, that in addition to the Community Development & Health Commissioner that the Chief Administrative Officer be required to sign as a secondary authority; and further

7. THAT the Purchase of Service agreements **BE APPROVED** as to technical content by the Executive Director of Housing Services & Children's Services, as to legal form by the City Solicitor and as to financial content by the City Treasurer and Chief Financial Officer, or designate. As long as the agreements conform to the standard format reviewed and pre-approved by the City Solicitor, the City Solicitor is not required to approve each individual as to form; and further
8. THAT the Community Development & Health Commissioner/designate **HAS THE DISCRETION** to terminate any Purchase of Service agreement upon the grounds as set out in the agreement and without the need to obtain Council approval, except as provided herein.

EXECUTIVE SUMMARY:

N/A

2. BACKGROUND:

In July 2012, the Ministry of Education (MEDU) released a discussion paper entitled "Modernizing Child Care in Ontario", in which it noted the government intended to introduce a new approach to funding child care. As part of Ontario's Modernizing Child Care initiative, the Province undertook to update the funding formula and framework for child care. By funding formula, the Province means the method of allocating provincial funds for child care among Municipalities. By funding framework, they mean the rules associated with how those funds may be spent, reporting requirements for expenditures and service levels, and the tracking of results achieved. The Ministry of Education convened a table of municipal representatives from the Association of Municipalities of Ontario (AMO), and the City of Toronto to provide advice on the development of the new funding formula and framework.

In December 2012, the Ministry released the new Child Care Funding Formula and Funding Framework which re-structures the way in which Municipalities are funded and the manner in which services may be delivered. The previous funding formula was outdated, based on historical allocations and was unreflective of demand. In addition, the historical approach was complex and administratively burdensome, with multiple overlapping funding categories. It had limited flexibility, making it difficult to meet the needs of local communities. The Ministry designed the new funding formula with the intent of better meeting the needs of children, families and child care operators by responding to the changing population and demographics across the province. It is based on publicly available, third-party data elements drawn from Statistics Canada sources that more accurately reflect child care demand and the program cost structures at a community level, rather than historical allocations.

The data elements used to develop the funding allocations for Municipalities include:

1. Child Population (0 to 12 year olds), from Statistics Canada and the Ontario Ministry of Finance, which assesses the demand for licensed child-care services across the province.
2. Demographic changes to measure demand for fee subsidies, such as low-income cut off, level of education attainment and Ontario Works caseload data.

3. Demographic changes to measure demand for other childcare cost drivers, such as cost-of-living indicators; Aboriginal population data; French speaking population, and populations that have no knowledge of either official language; and measures related to rural and remote communities.

The new funding formula/framework increases flexibility for Municipalities to use funding to meet provincial objectives, consistent with their local service plans and community needs. Overlapping funding lines have been eliminated, and reporting between the Province and Municipalities is being simplified and streamlined. Funds will be provided in three main allocations: Core Services Delivery, Capacity Building, and Capital. The Cores Service Delivery allocations include allocations for child care fee subsidies, special needs resourcing, and General Operating Grants. The Capacity Building funding is intended to support professional development opportunities that build capacity in the child care system. Capital funding including retrofits is provided to allow operators to serve younger age groups as four and five year olds move to Full Day Kindergarten (FDK).

Year 2013 is slated as a transition year to the new formula/framework allowing Municipalities the ability to utilize prior funding allocations, rules and guidelines to assist in the calculation of funding supports to child care operators, while developing new local policies for 2014 to align with the changes.

3. DISCUSSION:

Transition to General Operating Grant

Under the new funding formula, dedicated wage subsidy and wage enhancement funding has been eliminated along with the supporting guidelines, and this funding has been rolled into the Core Service Delivery funding envelope. Although flexibility to determine fee subsidy and special needs resourcing funding allocations exists, the guidelines associated with these funding envelopes have not been impacted; therefore it only is the previous wage subsidy/wage enhancement funding that must be re-profiled into an annual General Operating Grant (GOG). The purpose of the GOG is to support the costs of licensed child care programs in order to reduce fees for services, and improve access to high quality, affordable child care services that allows for parental choice.

As the Consolidated Municipal Service Manager (CMSM), we value the input received through consultation with community partners; however the City of Windsor is ultimately responsible for the leadership, planning and management of child care services for the broader combined geographical area of Windsor and Essex County. We strive toward the provision of quality programs and services by exercising ingenuity, innovation and fiscal responsibility as strategies for ensuring efficient and cost-effective program delivery.

With the increased flexibility afforded to Municipalities, as the Service Manager for child care for Windsor and Essex County, the City of Windsor must determine how it will flow the previous wage subsidy/enhancement funds to child care operators. This was an opportunity for the City, in partnership with stakeholders, to look at how child care dollars can be allocated to better meet local needs in a sustainable and equitable way.

In developing a new funding model for the General Operating Grant funding, the City of Windsor has been committed to engaging with child care operators in a transparent process. In an effort to provide information to child care operators in a timely fashion, an over-view of the

new funding formula/framework was presented to child care operators on February 25, 2013. A Child Care Network was established to provide input and advice to the City on the new funding formula for the General Operating Grant with all child care operators being encouraged to participate. All operators receive agenda and meeting notes whether they are able to attend the meetings or not.

The task for the Child Care Network was to develop a process that ensures the General Operating Grant funding is allocated in a sustainable, transparent, fair and equitable fashion while creating a stable, affordable, high quality child care system that provides parental choice. The GOG allocation will initially consist of the re-profiled of wage subsidy/wage enhancement funding. Should any in-year funding surplus occur within the Core Services Delivery allocation, it will be allocated on a one-time, fiscal basis under the same methodology as the General Operating Grant.

- A) In order to achieve the goal of stabilizing the 0 to 3.8 age groupings that will remain after full implementation of Full Day Kindergarten in September 2014, an incentive will be applied to operating spaces for infants, toddlers and preschoolers.
- B) A point system based on the care types (age groups) within child care centres will be assigned to the operating spaces associated with each program. It should be noted that not all centres provide care to all age groups. A dollar value will be assigned per point which will be based on the General Operating Grant Funding budget and the total number of points in the system. The allocation for each centre will be based on the number of points relative to their centre.

Mitigation funding of \$3,319,502 is available to support operators that will experience a funding reduction when the General Operating Grant formula is implemented. Child care operators will be required to develop a transition and implementation plan that is agreed upon by Children's Services as the Service Manager, in order to transition to a plan that enables the operator to live within their new funding allocation. In addition, some operators that may see an increase of 20% or more of their current wage subsidy/wage enhancement funding will need to submit a plan to be approved by Children's Services outlining how the increased funding will directly benefit children and families in their program.

Our fee subsidy pressure has been significantly decreased due to declining child population (64,780 in 2006 to 58,485 in 2011) and migration of four and five year olds to Full Day Kindergarten. Historically, JK/SK children were in child care a full day every other day but with the introduction of FDK their need for child care is reduced to only before and/or after school which significantly reduces the cost of care for this age group.

In order to remain viable it is imperative that child care operators develop a plan to enhance and/or diversify their existing businesses in order to attract more families into the licensed child care system. The City of Windsor is willing to work with the Child Care Network to develop this plan with a focus being on attracting families with children ages 0 to 3.8 years of age. The City of Windsor does not have a wait list for child care fee subsidy and the budget could accommodate additional fee subsidy request if the demand increased. Even with the provincial funding reduction of \$840,289, fee subsidy surplus dollars have been allocated this year to child care operators in the form of funding for repairs and maintenance as well as play-based material and equipment.

4. RISK ANALYSIS:

Service Agreements are negotiated on an annual basis with the MEDU with budget submissions and setting of target due by the 1st of April. In compliance to the Transfer Payment Accountability Directive, service targets are tied to the service agreement to support accountability. Should CMSMs not meet all three service targets, (which are the total average monthly number of children served for Fee Subsidy, Special Needs Resourcing, and Ontario Works Child Care program areas) in the service agreement by 10% or more in the aggregate, the CMSMs entitlement and cash flow will be reduced by 1% for every 10% missed to reflect the underachievement of contractual service targets.

Mitigation funding (100% Provincial) of \$3,319,502 is available to support operators that will experience a funding reduction when the General Operating Grant formula is implemented. Children's Services will work with child care operators to develop transition plans in relation to their lower funding allocation.

5. FINANCIAL MATTERS:

New Funding Formula

The introduction of the new provincial funding formula has resulted in a re-distribution of funding across the province. Some Municipalities saw increases and others saw reductions in their annual funding allocations. As outlined in the table below, the City of Windsor's 2013 provincial funding allocation for child care is \$25,066,620 with the municipal contribution being shared with the County using the arbitrated assessment formula.

The new funding approach moves away from funding allocations that are restricted to specific types of expenditures to a new framework of flexible funding allocations that can be spent on a range of expense categories. The Core Services & Special Purpose component is intended to support child care operating costs. The Capital allocation is to be used exclusively for capital expenditures.

The total funding allocation also includes an allocation to fund child care administration. The Ministry has capped 2013 administration expenditures to the lower of either 10% of the total 2013 subsidy allocation (approximately \$2.5 million) or the 2011 level of administrative expenditures \$2,208,165. Any administrative expenditure above our \$2,208,165 benchmark is to be funded municipally.

2013 Child Care Delivery Program	Gross Expenditure	MEDU Subsidy	Municipal Share
Core Service Delivery – Administration (Cost Shared 50/50)	1,286,800	643,400	643,400
Core Service & Special Purpose (100% MEDU)*	9,545,460	9,545,460	0
Core Service Delivery (Cost Shared 80/20)	18,263,676	14,610,941	3,652,735
Total Core Service & Special Purpose Funding	29,095,936	24,799,801	4,296,135
Child Care Capital	266,819	266,819	0
2013 Total MEDU Allocation	\$29,362,755	\$25,066,620	\$4,296,135
2012 Total Annualized Allocation	\$30,352,253	\$25,906,909	\$4,445,344
Change in Funding – Increase/(Reduction)	(\$989,498)	(\$840,289)	(\$149,209)
<i>*Includes up to \$921,365 for Administration for total capped gross administration at \$2,208,165</i>			

Our declining population of children ages 0 to 12 years from 64,780 in 2006 to 58,485 in 2011 had a direct impact on our new funding allocation resulting in the City of Windsor experiencing an annual provincial funding reduction of \$840,289. In recent years, fee subsidy pressure has been significantly decreased due to declining child population and migration of four and five year olds to Full Day Kindergarten. The transition to the General Operating Grant Model will not impact the municipal contribution

In order to allow the City of Windsor and child care operators the ability to transition to a lower funding allocation, the Province has provided one-time (100%) mitigation funding in the amount of \$3,319,502. This funding was flowed to the City of Windsor in its entirety, and is to be drawn down on to support the child care community as additional business planning/marketing strategies are developed. The City must annually report details of the spending associated with the mitigation funding to MEDU until the funding envelope is depleted. In 2014, it is estimated that \$621,000 (100% MEDU) will be withdrawn from the mitigation funding envelope to support operators that will see a funding reduction based on the implementation of the new General Operating Grant funding formula.

2014 MEDU Funding

The 2014 MEDU funding allocation and administrative cap has not yet been announced. Administration is recommending no change to the child care municipal (City and County) contribution budgeted as it is anticipated that the cost of administration funding pressure will continue in 2014. Council will be advised if any significant municipal budget impact occurs as a result of the 2014 MEDU funding allocation.

In keeping with the principles of the Provincial-Municipal Fiscal Service Delivery Review agreement (PMFSDR), the new funding formula/framework is designed to not increase costs nor transfer financial risk to the municipal sector. All new/future funds will be invested in the formula as 100% provincial contributions. The changes do not alter the current cost-share arrangements between the Province and Municipalities.

6. CONSULTATIONS:

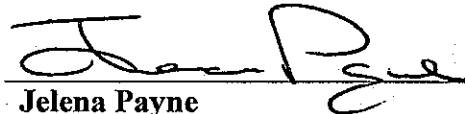
Child Care Operators through the avenue of the Child Care Network.

7. CONCLUSION:

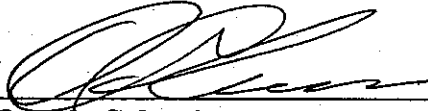
A General Operating Grant will be provided to child care operators in a sustainable, transparent, fair and equitable manner while creating a stable, affordable, high quality child care system that provides parental choice. Mitigation funding is available to transition child care operators that will experience a funding reduction under the new model to their new funding allocation. Children's Services will work with child care operators to develop a transition plan in relation to their lower funding allocation. Children's Services will work with child care operators that are entitled to an increase in funding of 20% or more to ensure that a plan is in place to utilize the funds in a way that benefits children and their families. Finally, we are committed to working with child care operators on a plan to transition to a child care system that supports children under the age of 3.8 years which includes strategies that would attract more children whose parents require child care as a support to their employment and educational needs.



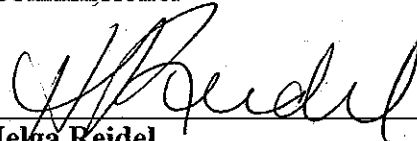
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Executive Director of Housing and
Children's Services



Jelena Payne
Community Development and Health
Commissioner



Onorio Colucci
Chief Financial Officer/City Treasurer
Corporate Leader Finance & Technology



Helga Reidel
Chief Administrative Officer



Shannon Hyatt
Manager of Children's Services

jh

APPENDICES:

DEPARTMENTS/OTHERS CONSULTED:

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