

Analyst Briefing Notes

Budget Committee

(February 10, 2009)

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PART I: 2009 OPERATING BUDGET**Executive Summary**

- 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 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. Toronto's child care system consists of centre-based and home child care, family resource programs, special needs resourcing before-and after-school programs and summer day programs. Over 900 child care centres and 21 home child care agencies operate in Toronto and together they provide over 55,000 regulated child care spaces for the city's children. The City has service contracts with 653 child care centres (including 57 directly operated municipal child care centres) and 10 home child care agencies (including one directly operated) which provide 24,000 that are subsidized through Provincial and City funding. Children's Service also provides 100% City funded programs such as before-and after-school and summer day programs. The 2009 recommended budget maintains the Council approved service levels of 24,000 child care subsidies and payment of actual costs.
- Beyond 2009, Children's Services faces a number of challenges and opportunities in its goal to provide equitable access to high quality care for children and to increase capacity in under-served areas, as outlined below:
 - Maintaining existing service levels with limited resources:
 - Children's Services requires a Provincial commitment to maintain the Best Start funding level beyond March 31, 2010.
 - The Child Care Expansion Reserve Fund is projected to be depleted by 2011, with a gap of \$32.4 million
 - The After School Recreation and Care Program, funded from the Social Assistance Stabilization Reserve Fund, is scheduled to end in 2009, concluding the recreational care provided in 28 locations across the City.
- Children's Services has established the following key service objectives over the next three years to address the challenges and opportunities outlined above:
 - ***Develop the 2010-2014 Child Care Service Plan:*** The Program will use public consultation to engage the stakeholders in developing its new Service Plan as part of the planning process that will continue to support the principles of the 2005-2009 Service Plan, and develop the City's position on the evolving Provincial funding and policy reforms as they affect the child care system.
 - ***Provide improved access to child care fee subsidies in high priority neighbourhoods:*** The Program will continue to improve geographic equity by 10% per year through planned

service growth of 1,500 child care spaces a year, and continue the capital development of the two Aboriginal child care centres and the two child care centres with the Toronto District School Board in support of growth in priority neighbourhoods.

- ***Increase integration of child care services with other early learning programs:*** The Program will continue to participate on Neighbourhood Action Teams and develop Regent Park Child Care Centre (with future planning for Lawrence Heights) as municipal child, youth and family hubs.
- ***Introduce climate change initiatives:*** The Program will work with the Toronto Environment Office in piloting strategies in 2009 to examine the implications of increasing the amount of locally grown food used to operate child care centres, where food is prepared.
- ***Implement changes to the CSIS system that increase public access to child care information:*** The Program will respond to the recommendations of the Auditor General, Children's Services is developing a module that will provide a Web based application that will allow direct access to the CSIS by clients that will provide greater efficiencies in the payment of subsidies to service providers.
- The 2009 Recommended Operating Budget provides base funding of \$7.429 million and new funding of \$0.204 million funding for a variety of programs and activities which address Children's Services challenges, opportunities and key objectives.
 - ***After School Recreation and Care Program:*** Funding of \$1.346 million gross, funded from the Social Assistance Stabilization Reserve Fund (SASRF) is provided in the 2009 Recommended Operating Budget to continue the After School Recreation and Care Program, a program delivered through Parks, Forestry & Recreation in the 13 priority neighbourhoods that provides children and youth with the opportunity to participate in quality after-school programs to enhance their social, physical, educational and creative development.
 - ***Capital grants to provide increased child care capacity:*** Four new child care centre projects (non City facilities) with a 2009 cash flow of \$6.083 million are included in the 2009 Recommended Operating Budget as capital grants that support growth in the 13 priority neighbourhoods. These centres will create up to 250 new spaces in high needs areas
 - ***Children's Services Information System (CSIS) Upgrades to Enhance Web Applications:*** Funding of \$0.189 million gross, \$0 net (funded from the Child Care Capital Reserve Fund, CCCRF) for 2 new permanent positions, is included in the 2009 Recommended Operating Budget in response to the Auditor' General's recommendations to upgrade to the CSIS information system so that the attendance processing between the Program and its operators can take place on the Web.
 - ***Pilot for Purchase of Locally Produced Foods:*** Funding of \$0.015 million gross and \$0 net to support the purchase of materials required for a joint pilot project that will establish local and sustainable food procurement targets, and identify the financial implications of increasing the amount of locally grown food used in directly operated child care centres
- For 2008, the year-end net expenditure of \$68.993 million net is projected to be at budget, resulting in a \$0 net variance. The Gross Expenditures of \$354.896 million is \$5.960 million

below budget, reflecting the delay in the construction of the four child care centres provided as operating grants from the Child Care Expansion Reserve Fund, due to ongoing negotiations with the local school boards and the actual service providers. The reduced spending of \$5.960 million is offset by a reduction in reserve fund revenue. These projects have been re-budgeted in 2009 and included in the 2009 Recommended Operating Budget.

Table 1: 2009 Recommended Budget

(In \$000s)	2008		2009 Recomm'd Operating Budget			Change - 2009 Recommended Operating Budget v. 2008 Apprvd. Budget		FY Incremental Outlook	
	2008 Appvd. Budget	2008 Projected Actual	2009 Base	2009 New /Enhanced	2009 Operating Budget			2010	2011
	\$	\$	\$	\$	\$			\$	\$
GROSS EXP.	360,855.9	354,895.9	369,250.3	203.6	369,453.9	8,598.0	2.4	7,213.9	7,430.4
REVENUE	291,863.2	285,903.2	301,637.5	203.6	301,841.1	9,977.9	3.4	0.0	(21,334.2)
NET EXP.	68,992.7	68,992.7	67,612.8	0.0	67,612.8	(1,379.9)	(2.0)	7,213.9	28,764.6
Approved Positions	956.5	956.5	956.5	2.0	958.5	2.0	0.2	0.0	0.0
TARGET			67,612.8		67,612.8				
\$ Over / (Under) Program Target			0.0		0.0				
% Over / (Under) Program Target			0.0%		0.0%				

- The 2009 Recommended Operating Budget for Children's Services of \$369.454 million gross and \$67.623 million net is at 2009 target, 2% less than the 2008 Approved Operating Budget.
- The 2009 Recommended Operating Budget for Children's Services is comprised of base funding of \$369.250 million gross and \$67.613 million net, a minor service level adjustment of \$1.380 million, and funding for enhanced priority actions of \$0.204 million gross and \$0 net. Approval of the 2009 Recommended Operating Budget will result in the Program's staff complement increasing by 2.0 permanent positions to 958.5 approved positions, required to implement CSIS upgrades.
 - The 2010 incremental net increase of \$7.214 million in operating costs includes merit and step adjustments of \$0.996 million; non-salary inflationary increase attributed to purchased child care services of \$6.218 million.
 - The 2011 incremental net increase of \$28.765 includes merit and step adjustments of \$1.026 million; and non-salary inflationary increase attributed to purchased child care services of \$6.404 million; as well as the reversal of \$21.334 million in revenues from the Child Care Expansion Reserve Fund, primarily used to fund the subsidy for the 24,000 child care spaces in high needs areas.
- The 2009 Recommended Base Budget of \$67.613 million net incorporates the Program's key cost drivers, including an inflationary increase of \$5.685 million, primarily for purchased child care services; an increase of \$1.494 million for merit, step, the impact of 2008 annualized COLA; and an increase of \$1.222 million for building maintenance costs in municipally operated child care centres. These pressures are offset by a contribution from the Child Care

Expansion Reserve Fund of \$7.206 million, and an increase in user fees of \$2.444 million, and a minor service level adjustment of \$1.380 million.

- The 2009 Recommended Operating Budget provides \$275.207 million in base and \$0.015 million in new funding for a broad range of priority actions for service and activities that advance the Mayor's Mandate and Council's policy agenda. They include:
 - ***Create Opportunity for All - Ensure Equitable Access by Developing Underserved Communities:*** Utilize all existing resources to maintain 24,000 subsidized child care spaces by providing funding of \$267.778 million gross, \$38.934 million net in the base to support the delivery of 24,000 subsidized child care spaces across the City to high-needs families. Provincial funding of \$186.015 million includes \$51.686 million from the Best Start Program to maintain 6,000 child care spaces.
 - ***Making a Safe City Safer - Invest in 13 Priority Neighbourhoods:***
 - The 2009 Recommended Operating Budget for Children's Services includes base funding of \$1.346 million for the After School Recreation and Care Program that provides 28 programs for 321 children in high needs areas aged 6-12 with the opportunity to enjoy subsidized recreational after school care in conjunction with Toronto Parks, Forestry and Recreation.
 - Base funding of \$6.083 million is also included in the 2009 Recommended Operating Budget for the construction of four new child care centre projects (non City facilities) to develop child care services in community with the highest levels of child poverty, with the lowest level of access to child care. The Aboriginal Child Care Centre will create approximately 50 child care spaces; the Regent Park Child Care Center will be constructed in a Toronto Housing Corporation (TCHC) operated building will create 62 child care spaces; Highfield and Crescent Town child care centres will provide up to 70 additional spaces at each site.
 - ***Climate Change Clean Air and Sustainable Energy Action Plan:*** Funding for a new/enhanced service priority of \$0.015 million gross, \$0 net (funded from the CCCRF) is recommended in the 2009 Recommended Operating Budget for Children's Services to pilot a project in conjunction with the Toronto Environment Development Office to develop strategies and examine the implications of increasing the amount of locally grown food used in Child Care Centres. As an initiative to reduce greenhouse gas emissions, the pilot will establish local and sustainable food procurement targets, and identify the associated financial implications for Children's Services.
- Children's Services 3-Year Plan is based on the assumption that Best Start funding will be maintained for 2010. The annual contributions from the Child Care Expansion Reserve Fund allow the Program to maintain the Council approved service levels of 24,000 subsidized child care spaces. As the Program's future year outlooks project the reserve will be depleted by 2011, without additional funding from the province, Children's Services will be left with a funding gap of \$68.5 million, with the potential loss of 6,000 spaces by 2011.
- The Children's Services 2009 Recommended Operating Budget provides for the funding of 24,000 child care fee subsidy spaces through 653 child care centres (including 57 directly

operated municipal child care centres) and 10 home child care agencies (including one directly operated). In addition, Children's Services provides 644 wage subsidy entitlement programs; 29 programs to support children with special needs, 46 Family Resource Centre programs to support families and caregivers; 37 summer programs for 6,356 children; 28 before and after school programs for 321 children, and provides capital funding for four child care centres

Recommendations

The City Manager and Acting Chief Financial Officer recommend that:

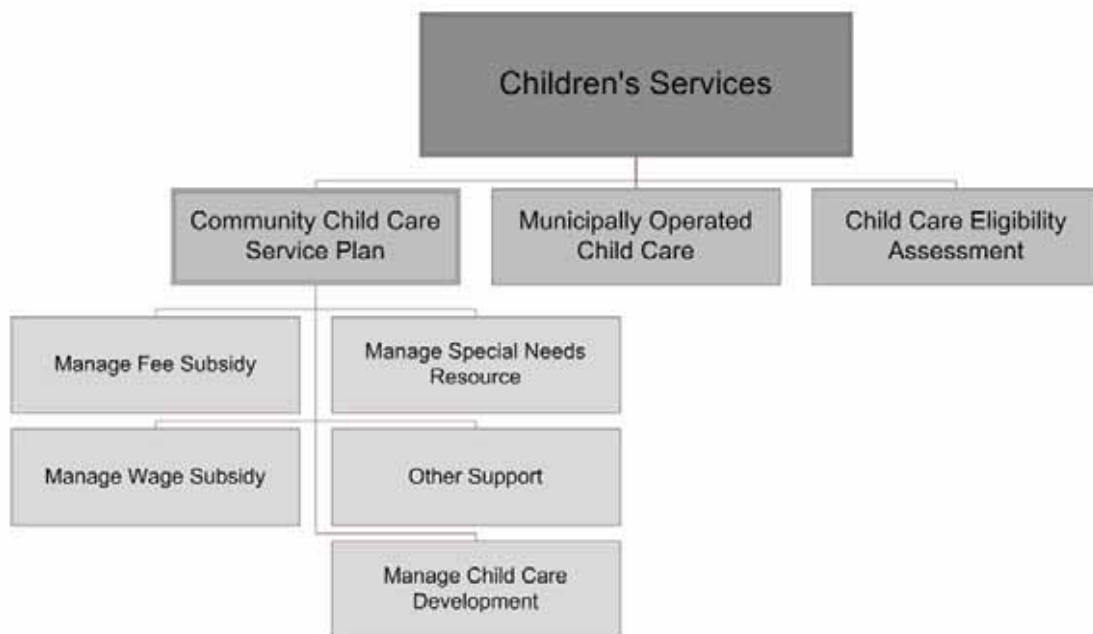
1. Council approve the 2009 Recommended Operating Budget for Children's Services of \$369.454 million gross and \$67.613 million net, comprised of the following services:

<u>Service:</u>	<u>Gross (\$000's)</u>	<u>Net (\$000's)</u>
Program Administration	24,835.7	9,572.9
Municipal Child Care	69,731.2	15,132.6
Purchased Child Care	274,887.0	42,907.3
	<hr/>	<hr/>
Total Program Budget	<u>369,453.9</u>	<u>67,612.8</u>

PART II: 3-YEAR SERVICE OVERVIEW AND PLAN

- Children's Services is the service system manager of childcare within Toronto in partnership with the community, the Program promotes equitable access to high quality care for children and support for families and caregivers. An integrated approach to planning and management ensures that services to children promote early learning and development, respond to families' needs and choices and respects the diversity of Toronto's communities.
- The Children's Services 2009 Recommended Operating Budget provides for the funding of 24,000 child care fee subsidy spaces through 653 child care centres (including 57 directly operated municipal child care centres) and 10 home child care agencies (including one directly operated).
- Children's Services delivers three key services as outlined below:

Program Map



Service Challenges and Opportunities

Children's Services faces a number of challenges and opportunities in its goal to provide equitable access to high quality care for children and to increase capacity in under-served areas.

Over the next three years, Children's Services will face the following external challenges: legislative changes; implementing Council's priorities to "Make a Safe City Safer" by investing in Toronto's 13 priority neighbourhoods, as the Program continues to add day-care capacity through partnering with local school boards and community service providers. Internal challenges include implementing changes to the CSIS to comply with the Auditor General's recommendations.

External service drives include:

- ***Legislated Changes - In 2008, Children's Services began developing the 2010-2014 Service Plan:*** The new Plan builds on 2005-2009 Service Plan goals and objectives, though future year funding and Provincial service requirements have not been announced. In the context of Best Start in 2010, and the development of Provincially planned integration of full day learning for four and five year olds (with increased cost estimates for these services estimated to be as high as 25%), at this point the Program can only seek Council and community support for the principles that will guide the development of its next 5-Year Service Plan.
- ***Investment in the City's 13 priority neighbourhoods:*** The Program is supporting the City's work in the 13 priority neighbourhoods by participating in Neighbourhood Action Teams. Activities include increased services through After School Recreation and Care programs and increased integration of services under Best Start. Improved access to child care in these communities will require additional funding to build child care centres, as well as increased operating funding to support new fee subsidies.
- ***Support for "a Strong City with a Strong Economy" Fix the Municipal Fiscal Imbalance:*** The City faces under-funding of the existing child care system as inflationary costs have not been recognized in Provincial funding. The Program is using funds from the Child Care Expansion Reserve to maintain service levels in 2009. The Reserve is expected to be exhausted by 2011. A further loss of \$10 million in revenue from parent fees resulting from the change to Income Testing has exacerbated the funding problem. Without additional Provincial funding service levels will need to be reduced by approximately 3,000 child care subsidies.

Internal service drivers include:

- ***Auditor General's recommendations to automate several Children's Services processes:*** As a means of improving risk management, the Auditor General recommended that improvements be made to the Children's Services Information System (CSIS) that would allow the direct exchange of information between the Program and its operators. At the same time the Program has identified a number of business supports that should be upgraded through converting the CSIS applications from Oracle to Java. In order to make these conversions, and in order to be in compliance with City's IT standards, the Program will need to have a separate development team to support new applications, requiring significant resources.

Service Objectives

The service objectives for Children's Services that address the challenges and opportunities as outlined above reflect, the Program's commitment manage the Program in accordance with the Council Approved Service Plan, and within Provincial guidelines.

Develop the 2010-2014 Child Care Service Plan

The Child Care Service Plan is a tool for guiding the funding and management of Toronto's children's services system over then next five years. It acts as a framework for action for the city's

role in managing the continuum of services that are provided to meet the early learning and care needs.

Children's Services will seek shareholder engagement in developing the new Service Plan through the use of public consultation as part of the planning process that will develop a child care system that will continue to support the principles of the 2005-2009 Service Plan, and set the basis for developing the City position on the Provincial funding and policy reforms that affect the child care system in Toronto.

Provide improved access to child care fee subsidies in high priority neighbourhoods

Children's Services plans to improve geographic equity at the ward level by 10% each year through service growth of 1,500 child care spaces each year so that each ward is within 10% equity by 2019. As part on-going program development, the program will develop a funding strategy to stabilize child care by replacing reserve funds with 80/20 cost shared funds; continue to report child care pressures and continue to develop public support for funding of child care to secure funding to support demand. The Program will continue its Capital development of the two Aboriginal child care centres and the two child care centres under development with the Toronto District School Board through capital grants included in the 2009 Recommended Operating Budget, as well deliver the Capital Plan that supports further growth in priority neighbourhoods by increasing licensed spaces in under-served wards.

Increase integration of child care services with other early learning programs

Provide quality child care services in high needs communities, including increasing sites operating as Best Start hubs through integration activities with other programs through joint governance, managing special needs resources; providing family resource centres; providing summer day programs and after school day and recreation care, and managing child care development.

Introduce climate change initiatives

As an initiative to reduce greenhouse gas emissions by purchasing and consuming locally grown food as opposed to food imports that are transported greater distances from the field to point of purchase, Children's Services will work with the Toronto Environment Office in piloting specific strategies in 2009 to examine the implications of increasing the amount of locally grown food used in directly operated child care centres where food is prepared.

Implement changes to the CSIS system that increase public access to child care information

In response to the recommendations of the Auditor General, Children's Services is developing a module that will provide a Web based application that will allow direct access to the CSIS by clients that will provide greater efficiencies in the payment of subsidies to service providers. At the same time, the Program needs to continue to convert other business applications to current IT standards and Web based applications that that will further increase program efficiencies. These changes will be costly and require additional resources.

Priority Actions

The 2009 Recommended Operating Budget for Children's Services provides \$275.207 million from the base and \$0.204 million in new funding for service and activities that advance the Mayor's Mandate and Council's policy agenda.

- ***Create Opportunity for All: Ensure Equitable Access by Developing Underserved Communities***

Utilize all existing resources to maintain 24,000 subsidized child care spaces: The Program's 2009 Recommended Operating Budget provides funding of \$267.778 million gross and \$38.934 million net to support the delivery of 24,000 subsidized child care spaces provided across the City to high-needs families. Provincial funding of \$186.015 million has been maximized, including the use of \$51.686 million from Best Start Program, to support the delivery of 6,000 child care spaces.

- ***Making a Safe City Safer: Invest in 13 Priority Neighbourhoods***

After School Recreation and Care Program: Funding of \$1.346 million gross funded from the Social Assistance Stabilization Reserve Fund (SASRF) is included in the 2009 Recommended Operating Budget to continue the After School Recreation and Care Program that was approved by City Council in 2006. The program, delivered 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.

Regent Park and the Aboriginal Child Care Centres: Two child care centre projects (non City-owned facilities) with a total project cost of \$4.560 million are included in the 2009 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, has been delayed until 2009.

- The Aboriginal Child Care Centers (\$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.
- Regent Park Child Care Center (\$1.260 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.

Highfield Junior School and Crescent Town Elementary School Child Care Centres: Two child care centre projects (not City-owned facilities) with a total cost of \$2.123 million are included in the 2009 Recommended Operating Budget. As the Toronto District School Board is undertaking additions at Highfield Junior School and Crescent Town Elementary School, the City and School Board have reached an agreement to build additional spaces for child care during the school re-construction. The licensed capacity for each child care centre will include 44 preschool children and up to 25 school age children. Construction of these two capital projects, originally scheduled to

commence in 2008, has been delayed until 2009. Funding for these projects is from the Child Care Capital Reserve Fund.

- ***Climate Change Clean Air and Sustainable Energy Action Plan***

Pilot for Purchase of Locally Produced Foods: Council approved the “Climate Change, Clean Air and Sustainable Energy Action Plan,” in July 2008, which included directions to promote the production and consumption of locally grown food. Following the recommendations in this report, Children's Services has included a new service priority for \$0.015 million gross \$0 net, with funding from the Child Care Expansion Reserve Fund to participate in a pilot to progressively increase the percentage of food being served at City owned facilities or purchased for City operations from local farms, which is grown in a sustainable manner

- ***Auditor General***

CSIS Upgrades to Enhance Web Applications: Funding of \$0.189 million gross and \$0 net is provided in 2009 for 2 permanent positions that will allow Children's Services to implement the changes recommended in the Auditor General's Report of June 30, 2007, for the upgrade to the CSIS information system that allows for the electronic exchange of information between the Division and its operators on the Web. This system change will provide improved efficiency in child care attendance processing, which in turn will enhance Children's Services ability to process subsidy payments to child care operators accurately, and in a timely manner. This enhanced priority action is fully funded from the Child Care Expansion Reserve Fund.

PART III: 2008 BUDGET VARIANCE ANALYSIS

Table 2: 2008 Budget Variance Review

(In \$000s)	2007 Actuals	2008 Approved Budget	2008 Projected Actuals*	2008 Appvd. Budget vs Projected Actuals Variance	
	\$	\$	\$	\$	% Unspent
GROSS EXP.	335,980.8	360,855.9	354,895.9	(5,960.0)	(1.7)
REVENUES	268,185.1	291,863.2	285,903.2	(5,960.0)	(2.0)
NET EXP.	67,795.7	68,992.7	68,992.7	0.0	0.0
Approved Positions	956.7	956.5	956.5	0.0	0.0

* Note: Source is the Children's Services 2008 Third Quarter Operating Variance Report

2008 Experience

Children's Services' is projecting a year-end favourable expenditure variance of \$5.960 million gross with an offsetting reduction in revenues, resulting in a \$0 net variance.

The gross under expenditure of \$5.960 million is primarily due to delays in disbursement of capital grant funding for construction of the four child care centres in the Children's Services Operating Budget: The two child care centres under Phase 2 of the Best Start Service and Infrastructure Transition Plans (approved 2005) funded from the CCERF (Best Start) total \$3.960 million and provides funding for the Aboriginal Child Care Centre at Galloway Rd for \$2.7 million, and the Regent Park Child Care Centre for \$1.260 million. As well, the two child care centres to be built with the Toronto District School Board in Highfield and Crescent Town schools for \$2.0 million, funded by the Child Care Capital Reserve Fund (approved 2007), are still in the design stage, with construction anticipated to begin in 2009. All four of these projects have been re-budgeted in 2009.

Impact of 2008 Operating Variance on the 2009 Recommended Budget

In July 2008, the Province announced an allocation of \$6.002 million for additional fee subsidies and French-language child care funding, with \$3.001 million to be used to offset the 2008 budgeted reserve contribution from Best Start, with \$3.001 to be used to fund 2009 operating pressures. As a result, the 2008 subsidy will be \$3.001 million higher than budget, resulting in a corresponding reduction in the 2008 budgeted withdrawal from the Child Care Expansion Reserve Fund. This funding has been utilized to offset 2009 pressures.

The construction delays at the Aboriginal Child Care Centre (\$2.7 million), the Regent Park Child Care Centre (\$1.260 million), and the delays in the construction of Highfield and Crescent Town schools (\$2.0 million) result in unspent funding of \$5.960 million in 2008. These project costs have been re-budgeted and included in the 2009 Recommended Operating Budget.

PART IV: 2009 RECOMMENDED BASE BUDGET

Table 3: 2009 Recommended Base Budget

	2008 Appvd. Budget	2009 Recommended Base	Change 2009 Recommended Base v. 2008 Appvd. Budget		FY Incremental Outlook	
					2010	2011
(In \$000s)	\$	\$	\$	%	\$	\$
GROSS EXP.	360,855.9	369,250.3	(8,394.4)	(2.3)	7,213.9	7,430.4
REVENUE	291,863.2	301,637.5	(9,774.3)	(3.3)	0.0	(21,334.2)
NET EXP.	68,992.7	67,612.8	(1,379.9)	(2.0)	7,213.9	28,764.6
Approved Positions	956.5	956.5	0.0	0.0	0.0	0.0
NET TARGET		67,612.8				
\$ Over / (Under) Program Target		0.0				
% Over / (Under) Program Target		0.0%				

2009 Recommended Base Budget

The 2009 Recommended Base Budget for Children's Services of \$369.250 million gross and \$67.613 million net is at the 2009 target of 2% less than the 2008 Approved Operating Budget of \$68.933 million, primarily due to the use of \$8.586 million from the Child Care Expansion Reserve Fund to offset pressures.

The increase in gross expenditures of \$8.394 million includes the following: annualization of 2008 COLA, merit and step with associated fringe benefit increases; non-salary inflationary increases attributed mostly to increased cost of purchased day care services; and the increased cost of maintaining facilities in the municipally operated child care centres.

These pressures are offset by a contribution from the Child Care Expansion Reserve Fund of \$7.206 million to fund the 2009 shortfall; an increase in parent fees of \$2.444 million, and a minor service level reduction of \$1.380 million from the Child Care Expansion Reserve Fund.

The 2009 Recommended Operating Budget does not include changes to the Program's approved complement.

2009 Key Cost Drivers and Reduction Strategies

The 2009 Recommended Operating Budget incorporates the following key cost drivers:

- Inflationary increases, primarily related to purchased services child care centres of \$5.685 million for the 653 child care centres providing 24,000 subsidized child care spaces based on 2% increase from 2008.

- Salaries and Benefits have increased by \$1.697 million to cover merit and step cost increases, and the impact of the 2008 annualized COLA, offset by the reversal of one extra day in 2008 (leap year) of \$0.203 million.
- Increased building maintenance costs in municipally operated child care centres, including rent increases of \$1.222 million.

These base pressures are offset by the following:

- The contribution from the Child Care Expansion Reserve Fund of \$7.206 million, reflecting the requirement to fund the ongoing shortfall through the Best Start Program; and an increase in parent fees of \$2.444 million, resulting from the implementation of income testing, and a service level reduction of \$1.380 million, as an additional contribution from the Child Care Expansion Reserve Fund required to meet the 2009 target.

2010 and 2011 Outlook: Net Incremental Impact

The 2010 and 2011 Outlooks for Children's Services maintain the 2009 service levels, while managing the cost of on-going programming. The 2010 and 2011 incremental impacts include an increase in salaries and benefits of resulting from merit and step increases of \$0.996 million and \$1.026 million respectively, as well as provide for increases in non-payroll inflationary increases, including purchased service child care centre costs of \$6.218 million in 2010 and \$6.405 million in 2011.

The 2011 incremental impact includes the reversal of \$21.334 million from the Child Care Expansion Reserve Fund, which primarily funds the subsidy for 24,000 child care spaces in high needs areas. The Child Care Expansion Reserve Fund will be depleted in 2011, leaving the Program with a funding gap that may result in the need to reduce service levels.

PART V: RECOMMENDED NEW SERVICE PRIORITY ACTIONS

Table 4
2009 New / Enhanced Service Priority Actions Summary
(In \$000s)

Description	2009 Recommended		Rec. New Positions	Net Incremental Impact	
	Gross Exp.	Net Exp.		2010	2011
	\$	\$		\$	\$
Enhanced Services:					
(a) Enhanced Service Priorities - Council Approved:					
CSIS Upgrades to Enhance Web Applications	188.6	0.0	2.0		
(b) Enhanced Service Priorities - Program Initiated:					
Sub-Total Enhanced Service Priorities	188.6	0.0	2.0	0.0	0.0
New Services:					
(a) New Service Priorities - Council Approved:					
Support Local Food Purchases	15.0	0.0			
(b) New Service Priorities - Program Initiated:					
Sub-Total New Services	15.0	0.0	0.0	0.0	0.0
Total New / Enhanced Services	203.6	0.0	2.0	0.0	0.0

2009 Recommended New / Enhanced Service Priority Actions**Enhanced Service Priority Actions – Council Approved***CSIS Upgrades to Enhance Web Applications*

In response to recommendations in the Auditor General's Report of June 30, 2007, funding for a system upgrade to Children's Services Information System (CSIS) is included that will allow the Program to develop a Web-based application that facilitates the transfer child attendance data used to calculate subsidy payments between the Program and its operators. This upgrade will improve efficiency in child care attendance processing, as the Program will now be able to receive child attendance records from service providers through the Web, allowing Children's Service to verify and process payments to the operators with greater accuracy and in a timelier manner. Two additional full-time staff are required to implement this upgrade, with full year funding of \$0.189 million gross and \$0 net from the Child Care Expansion Reserve Fund.

New Service Priority Actions – Council Approved*Pilot for Purchase of Locally Produced Foods*

In order to achieve the greenhouse gas emission reduction targets identified in the "Climate Change Action Plan", Council has directed that the City take action to promote the production and consumption of locally grown food as a way of helping reduce emissions associated with food transportation and production.

In accordance with the recommendations in the Council approved "Climate Change, Clean Air and Sustainable Energy Action Plan" October 2008, Children's Services has included full year funding of \$0.015 million gross and \$0 net to support the purchase of materials required for a joint pilot project that will establish local and sustainable food procurement targets, and identify the associated financial implications for Children's Services. Working with the Toronto Environment Office, Children's Services staff will develop specific strategies that identify the implications of increasing the amount of locally grown food used in directly operated child care centres where food is prepared on site. The Director of the Toronto Environment Office and the General Manager of Children's Services will report back prior to the 2010 budget process on the outcomes of the study.

PART VI: ISSUES FOR DISCUSSION**2009 Budget Issues****2009 Recommended Operating Budget vs. Guideline**

Children's Services 2009 Recommended Base Budget is \$67.613 million net is at target, which is 2% less than the 2008 Approved Operating Budget (\$68.993 million net), has been achieved by increasing the contribution from the Child Care Centre Expansion Reserve Fund by an additional \$1.380 million. If the additional contribution had not been taken, the Program may have faced service level reductions of approximately 138 subsidised child care spaces.

Best Start Strategy Funding

The 2005-2009 Child Care Service Plan was updated in October 2005, to incorporate proposed new funding under the new Best Start Strategy. Using funds from the now cancelled Federal Early Learning and Child Care Agreement, the Province introduced its Best Start Strategy in 2005. As a result of the cancellation of the federal contribution, in 2006 the Service Plan was amended to reflect the reduced funding for Best Start from the original \$125.0 million to \$60.0 million. The Best Start funds have been used to fund 2,500 new child care fee subsidy spaces created through the new program, improve wages to child care workers, increase services to children with special needs, and offset reduced parent fees due to income testing.

In 2008, the Program received an allocation of \$6.002 million for additional fee subsidies and French-language child care funding. These funds were used to maintain existing service levels and to fund base budget operating pressures. However, as noted in the following table, the additional funding is not sufficient to maintain the service growth already created under Best Start and absorb the annual incremental funding shortfalls that result from inflationary cost increases from the Child Care Expansion Reserve Fund (CCERF).

2009 Recommended Operating Budget			
	Provincial Subsidy Required	Base Subsidy Approved	Shortfall (to be funded from CCERF)
Administration	7,308.5	6,470.3	838.2
Programs:			
LEAP	327.2	327.2	0.0
Special Needs	6,493.8	5,610.8	883.0
Family Resource Programs	1,995.2	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	141,461.3	134,001.7	7,459.6
Ontario Works	9,646.0	9,646.0	0.0
Total Programs	192,969.8	186,561.7	6,368.1
Total Shortfall Requirement *			7,206.3

* The Shortfall excludes draw to of \$1.395 million meet target and new service priorities

As in 2008, funds from the Child Care Expansion Reserve Fund are required to absorb the annual operating increases, with the 2009 incremental funding shortfall requirement of \$7.206 million, as noted above.

Thus, Children's Services will again be drawing from 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 2008 service levels.

Sustainability of Child Care Expansion Reserve Fund

Children's Services' Operating Budget is based on the assumption that Best Start funding will be maintained beyond March, 2010. The annual contributions from the Child Care Expansion Reserve Fund allow Children's Services to maintain the approved level of service of 24,000 child care spaces.

Children's Services has been receiving Provincial subsidy increases for its ongoing programming for the past two years. In 2008, a contribution of \$3.508 million from the Child Care Expansion Reserve Fund was required to maintain service levels; in 2009 a shortfall in Provincial funding of \$7.206 million will require a corresponding contribution to maintain service levels. An additional contribution of \$1.395 million to meet the 2009 target and fund new service priorities is recommended for 2009, resulting in a total contribution of \$8.601 million. As well the 2009 Recommended Operating Budget for Children's Services includes funding for the capital grants of \$3.960 million for the Regent Park and Aboriginal child care centres that are funded through the reserve, leaving a projected 2009 year-end balance of \$33.208 million in the Reserve Fund.

Projections for 2010 assume \$9.151 million in inflationary increases and loss of the National Child Benefit Reserve Funding of \$2.2 million, creating an additional total pressure of \$11.351 million. As well, 2010 also takes into account the loss of the 2008 Provincial funding of \$3.001 million. In

2011, projections for inflationary increases total \$9.419 million, creating the need for funding of \$32.373 million in 2011 to maintain existing services, as noted in the following table:

Child Care Expansion Reserve Fund XR1101	Proposed Withdrawals (-) / Contributions (+)		
	2009	2010	2011
	\$000s	\$000s	\$000s
Balance December 31, 2008	44,406.9		
Interest on Fund Balance @2.75%	1,362.0	784.0	
2009 Requirement to maintain services, including shortfall of \$7.206 million	(8,601.2)	(8,601.2)	(8,601.2)
Capital Grant: Regent Park and Aboriginal Centre	(3,960.0)		
Loss of 2008 Funding		(3,001.0)	(3,001.0)
Loss of National Child Benefit supplement, funding 220 spaces *		(2,200.0)	(2,200.0)
2010 Inflationary increases to maintain services		(9,151.2)	(9,151.2)
2011 Inflationary increases to maintain services			(9,419.1)
Incremental funding requirement	(11,199.2)	(22,169.4)	(32,372.5)
Reserve Fund Balance at Year-End	33,207.7	11,038.3	(21,334.2)

*Approved by Council in 2001, funding expires 2009

At this time, future Provincial funding levels have not been announced. In the absence of any new/additional Provincial funding, future pressures will continue to be funded through reserve contributions to maintain current service levels. Without an extension of the Best Start Strategy funding (due to expire in March 31, 2010), Children's Services will be left with a \$68.5 million gap. In addition to this, by 2011 the Child Care Expansion Reserve Fund will be exhausted resulting in a further \$32.4 million shortfall.

User Fees

As part of its Best Start Strategy, the Province introduced income testing effective January 1, 2007 as a way to ensure that more families would be eligible for child care fee subsidy. By simplifying the method of determining eligibility for fee subsidy from a needs test to an income test, it was anticipated that the system would be less intrusive, simpler, and more transparent. Council positions endorsed and supported the move to an income test as a fairer means of determining parental contribution for child care fees. While the introduction of Income Testing initially resulted in decreased user revenue, the broader eligibility criteria are slowly being reflected in increased access by families who would not be previously eligible but are subject to payment of user fees. The actual experience indicates an increased proportion of families paying fees, although it is unclear if this trend will continue, especially in this period of economic downturn. Based on the actual experience, the 2009 Recommended Operating Budget reflects a 27.6 per cent increase in anticipated user fee revenue.

Issues Referred to the 2009 Operating Budget Process

Children's Services' 2010-2014 Service Plan

In 2008, Children's Services began developing the 2010-2014 Service Plan, the framework the City uses in defining its role in managing the continuum of services it provides. The Plan will build on the principles adopted by Council in the 2005-2009 Child Care Services Plan, and will maintain the current Council approved service levels.

The Plan will be set in the context of uncertainty, as the Province will be introducing new integrated early years services with the implementation of full day learning for four and five year olds in the spring of 2009. At the same time, the understanding is that Best Start Strategy funding will not be continued beyond 2010.

This uncertainty has a significant impact on child care delivery, as the implementation of full day programs include estimated increases in programming costs that could be as high as 25%. As well, the loss of Best Start Strategy funding will leave the Program with a short fall of \$68.5 million, with the potential loss of approximately 6,000 subsidized child care spaces by 2011 (as previously discussed).

While it is too early to know how Toronto's child care systems will be affected by these changes, the General Manager will report back on the financial implications of the full day learning program on existing child care programs, once the details of the new program are known.

Appendix A

2009 Recommended Base Budget Changes vs. 2008 Approved Budget

(In \$000s)	Summary of 2009 Base Budget Adjustments				Net Incremental Outlook	
	Approved Positions	Gross Expenditures	Revenues	Net	2010	2011
		\$	\$	\$	\$	\$
2008 Council Approved Operating Budget	956.5	360,773.4	291,863.2	68,910.2	0.0	0.0
In-year approvals and technical adjustments		30.0		30.0		
Corporate adjustments		52.5		52.5		
2008 Approved Operating Budget	956.5	360,855.9	291,863.2	68,992.7	0.0	0.0
Prior year impacts		(4,024.5)	(8,995.4)	4,970.9		
Zero base items		(131.6)	(36.5)	(95.1)		
Economic factors		7,157.0	7,153.9	3.1	7,213.9	7,430.4
Adjusted Base Budget	0.0	363,856.8	289,985.2	73,871.6	7,213.9	7,430.4
Other base changes		5,256.8	5,194.3	62.5		
Base revenue changes		136.7	5,078.1	(4,941.4)		
Recommended Service Level Adjustments						
Base changes						
Service efficiencies						
Revenue adjustments						21,334.2
Minor service impact			1,379.9	(1,379.9)		
Major service impact						
Total Recommended Base Adjustments	0.0	5,393.5	11,652.3	(6,258.8)	0.0	21,334.2
2009 Recommended Base Budget	956.5	369,250.3	301,637.5	67,612.8	7,213.9	28,764.6
2009 Program Operating Target				67,612.8		
% Over (Under) Program Target				0.0%		
% Over (Under) 2008 Appvd. Budget				-2.0%		

Appendix B

Summary of Service Level Adjustments

Appendix C

**Summary of 2009 Recommended New/Enhanced
Service Priority Actions**

Appendix D

Program Summary by Expenditure Category

CLUSTER: A PROGRAM: CHILDREN'S SERVICES							
	2008 Approved Budget	2008 Projected Actuals	2009 Recommended Budget	Change from 2008 Approved Budget		2010 Outlook	2011 Outlook
	\$	\$	\$	\$	%	\$	\$
Salaries and Benefits	67,822.0	67,822.0	70,270.0	2,448.0	3.6%	71,265.7	72,291.4
Materials and Supplies	3,962.9	3,962.9	4,082.4	119.5	3.0%	4,082.4	4,082.4
Equipment	635.5	635.5	845.2	209.7	33.0%	845.2	845.2
Services & Rents	281,987.5	276,027.5	287,773.5	5,786.0	2.1%	293,991.7	300,396.4
Contributions to Capital	0.0	0.0	0.0	0.0	n/a	0.0	0.0
Contributions to Reserve/Res Funds	1,191.7	1,191.7	1,191.6	(0.1)	(0.0%)	1,191.6	1,191.6
Other Expenditures	1,261.9	1,261.9	1,262.1	0.2	0.0%	1,262.1	1,262.1
Interdivisional Charges	3,994.4	3,994.4	4,029.1	34.7	0.9%	4,029.1	4,029.1
TOTAL GROSS EXPENDITURES	360,855.9	354,895.9	369,453.9	8,598.0	2.4%	376,667.8	384,098.2
Interdivisional Recoveries	8,400.0	8,400.0	10,216.9	1,816.9	21.6%	10,216.9	10,216.9
Provincial Subsidies	255,603.3	258,604.3	264,206.5	8,603.2	3.4%	264,206.5	264,206.5
Federal Subsidies	0.0	0.0	0.0	0.0	n/a	0.0	0.0
Other Subsidies	0.0	0.0	0.0	0.0	n/a	0.0	0.0
User Fees & Donations	8,843.6	10,843.6	11,287.7	2,444.1	27.6%	11,287.7	11,287.7
Transfers from Capital Fund	0.0	0.0	0.0	0.0	n/a	0.0	0.0
Contribution from Reserve Funds	19,016.3	8,055.3	16,130.0	(2,886.3)	(15.2%)	16,130.0	(5,204.2)
Contribution from Reserve	0.0	0.0	0.0	0.0	n/a	0.0	0.0
Sundry Revenues	0.0	0.0	0.0	0.0	n/a	0.0	0.0
TOTAL REVENUE	291,863.2	285,903.2	301,841.1	9,977.9	3.4%	301,841.1	280,506.9
TOTAL NET EXPENDITURES	68,992.7	68,992.7	67,612.8	(1,379.9)	(2.0%)	74,826.7	103,591.3
APPROVED POSITIONS	956.5	956.5	958.5	2.0	0.2%	958.5	958.5

Appendix E

Inflows / Outflows to / from Reserves & Reserve Funds

Reserve / Reserve Fund Name	Reserve / Reserve Fund Number	Projected Balance as of December 31, 2008	Proposed Withdrawals (-) / Contributions (+)		
			2009	2010	2011
		\$000s	\$000s	\$000s	\$000s
Child Care Capital Reserve Fund	XR1103				
	Minor capital expenses to meet Health & Safety Standards		(400.0)	(400.0)	(400.0)
	Capital Grant: Highfield and Crescent Town		(2,000.0)		
	2009- 2014 Capital Budget		(2,594.0)	(3,408.1)	(834.0)
	Balance by Year-end	13,180.7	8,186.7	4,378.6	3,144.6
Child Care Expansion Reserve Fund	XR1101				
	Projected Interest		1,362.0	784.0	
	Capital Grant: 2 Child Care Centres		(3,960.0)		
	Provincial Funding Shortfall		(8,601.2)	(22,953.4)	(32,372.5)
	Balance by Year-end	44,406.9	33,207.7	11,038.3	(21,334.2)
TOTAL RESERVE FUND BALANCE AT YEAR-END		57,587.6	41,394.4	15,416.9	(18,189.6)