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| <b>TO:</b>     | <b>CHAIR AND MEMBERS<br/>COMMUNITY AND PROTECTIVE SERVICES COMMITTEE<br/>MEETING ON APRIL 8, 2013</b> |
| <b>FROM:</b>   | <b>LYNNE LIVINGSTONE<br/>MANAGING DIRECTOR,<br/>NEIGHBOURHOOD, CHILDREN AND FIRE SERVICES</b>         |
| <b>SUBJECT</b> | <b>CHILD CARE FUNDING FORMULA UPDATE</b>  |

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| <b>RECOMMENDATION</b> |
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That, on the recommendation of the Managing Director, Neighbourhood, Children and Fire Services, the following actions be taken with respect to the new Provincial Child Care Funding Formula:

- a) the Information Update contained in this report **BE RECEIVED**; and
- b) the attached proposed by-law (Appendix A) to **ESTABLISH and MAINTAIN** a Child Care and Early Childhood Development Reserve Fund **BE INTRODUCED** at the Municipal Council meeting on April 16, 2013.

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| <b>PREVIOUS REPORTS PERTINENT TO THIS MATTER</b> |
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- Provincial Modernizing Child Care Policy Direction and Funding Announcements – September 10, 2012
- Barriers and Challenges in Accessing Child Care in London – June 14, 2011
- Overview of Child Care in London and the City of London’s Role as a Consolidated Municipal Service Manager (CMSM) – February 15, 2011

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| <b>BACKGROUND</b> |
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In July 2012, the Ministry of Education released the discussion paper *Modernizing Child Care in Ontario*, in which it noted that the government intended to introduce a new approach to funding child care. In December 2012, the Ministry released the new Child Care Funding Formula which re-structures the way in which delivery agents under the Day Nurseries Act (hereafter referred to as Consolidated Municipal Service Managers or CMSMs) are funded and the manner in which services may be delivered.

The new child care funding formula is intended to replace the historical approach of funding allocations based on specific programs with a methodology similar in structure to the way in which School Boards are funded. The new funding formula is based on publicly available, third-party data elements drawn from Statistics Canada sources that more accurately reflect child care demand and program cost structure at a community level. According to the Province, the new funding formula strives to achieve an equitable funding allocation to child care service managers across the Province.

The following is a summary of the most significant changes associated with the new

child care funding formula methodology:

- Streamlined funding and allocation process - consolidation of 21 funding envelopes into 3 primary categories. These categories: are Core Funding (including Fee Subsidies, General Operating Grants to child care programs and Special Needs Resourcing), Special Purpose Grants and Capital Grants
- Elimination of Wage Subsidy funding to child care programs to be replaced by a new General Operating Grant
- Change in funding methodology from the traditional practice of renewing historical allocations to funding based primarily on population size and demographics. This has resulted in a redistribution of funding amongst municipalities across the Province
- Required municipal contributions are fixed for future periods. New funding (if any) will be 100% Provincial, not cost shared
- Much greater flexibility given to CMSM's to allocate funding based on each CMSM's unique needs and strategies. CMSMs now have the flexibility to determine (within limits) the amount of funding allocated to Fee Subsidy, General Operating Grants to child care centres and Special Needs Resources
- A base funding decrease to the London-Middlesex CMSM from \$28.4 million in 2012 to \$26.7 million for 2013, a reduction of \$1.7 million
- CMSMs whose funding is reduced are to receive one-time "Mitigation Funding", the purpose of which is to buffer the impact of the reduced funding on service delivery levels over the following 3 to 5 years

The changes to the funding formula will have the following implications for the London-Middlesex CMSM with respect to the geographical area of the City of London and the County of Middlesex:

- Increased focus on providing access to French Language Services, particularly for Fee Subsidy clients
- A possible reduction in the number of Fee Subsidy clients served. The actual impact on the number of children supported through Fee Subsidy is difficult to estimate at this time, as the impact of the funding reduction may be partially offset by business practice efficiencies implemented in 2012, the changing client demographic profile as more children leave child care to attend Full Day Kindergarten and the manner in which the mitigation funding is applied
- A need to develop policy and protocols with respect to funding child care centres through a new General Operating Grant. Requirement to replace all existing Wage Subsidy and Purchase of Service Agreements with child care providers with a new Purchase of Service Agreement that incorporates the new General Operating Grant
- A need to develop, in consultation with the child care sector, a Child Care Service Plan that includes, at a minimum, the proportionate allocation of available funding between Fee Subsidy, General Operating Grants, Special Needs Resourcing and other required (i.e. pay equity, administration) and discretionary (i.e. quality) funding supports. Two consultations with the child care community have been scheduled for May and June. A third session is planned for the fall to further develop the Child Care Service Plan. The Ministry of Education has not yet specified a date for the submission of the Service Plan, nor its contents. However, it is expected that the Service Plan will be required for 2014

As noted above, because the London-Middlesex CMSM’s historical funding allocation was reduced, the CMSM was eligible to receive one-time “mitigation funding” in 2013 of \$6,562,958 to support the transition to the new child care funding formula and framework over the next 3 to 5 years. This funding has been provided to the CMSM through an agreement separate from the regular Child Care Funding Agreement. The expectation is that CMSMs receiving the mitigation funding will hold and account for the funds separately from their regular Child Care Funding, and that they will apply the funds over the next 3 to 5 years.

The mitigation funding is to be used to enable the CMSM to support the development of sustainable child care and early childhood development services through investments in local priorities that address unmet child care services needs in the geographic area of the City of London and the County of Middlesex, as well as to mitigate the potential negative impact the reduced funding could have on the existing service delivery system.

As the Consolidated Municipal Service Manager for London and the County of Middlesex, the City of London is responsible for determining how to best use the mitigation funding to support the local child care and early childhood development sector. The Managing Director, Neighbourhood, Children and Fire Services will be responsible for the allocation of these funds and for reporting back to Municipal Council on an annual basis on the use of the funds.

**RECOMMENDATION**

Given the conditions noted above, it is recommended that a separate Reserve Fund be established for the mitigation funds, with the Managing Director, Neighbourhood, Children and Fire Services being authorized to determine how the funds are deployed.

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| <b>FINANCIAL IMPACT</b> |
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As the funding for the Child Care and Early Childhood Development Reserve Fund is 100% Provincial funding, there will be no direct financial impact to the City.

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| <b>SUBMITTED BY:</b>   | <b>RECOMMENDED AND CONCURRED BY:</b>   |
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| <b>IAN GIBB</b><br><b>MANAGER, CHILDREN'S SERVICES</b><br><b>NEIGHBOURHOOD, CHILDREN AND FIRE</b><br><b>SERVICES</b> | <b>LYNNE LIVINGSTONE</b><br><b>MANAGING DIRECTOR</b><br><b>NEIGHBOURHOOD, CHILDREN &amp; FIRE</b><br><b>SERVICES</b> |

C: Anna Lisa Barbon, Manager, Financial and Business Services.

Bill No. 174  
2013

By-law No. A.- \_\_\_\_\_

A by-law to establish the Child Care and Early  
Childhood Development Reserve Fund

WHEREAS section 9 of the *Municipal Act, 2001* as amended provides that a municipality has all of the rights, powers and privileges of a natural person;

AND WHEREAS subsection 10(1) of the *Municipal Act, 2001* as amended provides that a municipality may provide any service or thing that the municipality considers necessary or desirable for the public;

AND WHEREAS subsection 10(2) of the *Municipal Act, 2001* as amended provides that a municipality may pass by-laws respecting the financial management of the municipality (paragraph 3) and services or things that the municipality is authorized to provide under subsection 10(1) (paragraph 7);

AND WHEREAS the City of London is designated as the delivery agent for the geographic areas of the City of London and the County of Middlesex under the *Day Nurseries Act*, R.S.O 1990, Chapter D.2;

AND WHEREAS it is desirable to establish a child care and early childhood development reserve fund to provide a funding mechanism to meet the future operating and capital funding needs of the City of London's and the County of Middlesex's child care and early learning sectors;

AND WHEREAS the Council considers the establishment of such Child Care and Early Childhood Development Reserve Fund necessary and desirable for the public;

NOW THEREFORE the Municipal Council of The Corporation of the City of London enacts as follows:

1. A reserve fund is hereby established to be known as the Child Care and Early Childhood Development Reserve Fund (hereinafter called the "Fund").
2. The monies standing in the Fund shall be used by The Corporation of the City of London (the "Corporation") as the Delivery Agent responsible for the prescribed services as mandated under the *Day Nurseries Act*.
3. The Managing Director of Neighbourhood, Children and Fire Services or designate is authorized to allocate funds from the Child Care and Early Childhood Development Reserve Fund and will report back to Municipal Council on the allocations on an annual basis.
4. The City Treasurer shall deposit into the Fund all child care mitigation funds received by the Ministry of Education and any other funds received by the Ministry of Education approved for retention.
5. The City Treasurer may invest the monies standing in the Fund in such securities as are permitted under subsection 418(1) of the *Municipal Act, 2001* and in so doing, may consolidate the monies standing in the Fund with other funds that the Corporation may hold from time to time provided that any earnings derived from the monies standing in the Fund shall accrue to and form part of the Fund.

6. Notwithstanding that provision may not be made by the Council in the estimates of the current or any subsequent year for contributions to the Fund, it shall continue and be maintained, and the Council shall always be taken as considering the Fund as necessary so long as this by-law continues in force.

7. This by-law comes into force on the day it is passed.

PASSED in Open Council on April 16, 2013.

Joe Fontana  
Mayor

Catherine Saunders  
City Clerk

First Reading – April 16, 2013  
Second Reading – April 16, 2013  
Third Reading – April 16, 2013