

REGIONAL MUNICIPALITY OF OTTAWA-CARLETON
MUNICIPALITÉ RÉGIONALE D'OTTAWA-CARLETON

REPORT
RAPPORT

Our File/N/Réf.
Your File/V/Réf.

DATE 17 June 1997

TO/DEST. Co-ordinator
Community Services Committee

FROM/EXP. Social Services Commissioner

SUBJECT/OBJET **CHILD CARE CAPITAL FUNDING**

DEPARTMENTAL RECOMMENDATIONS

That Community Services Committee recommend Council approve:

1. a new regional child care capital grant funding policy;
2. the adoption of an annual allocation process for major capital requests based on established funding priorities for existing and new facilities;
3. the allocation under delegated authority of minor capital grants and health and safety related capital grants for projects that have received provincial approval;
4. the inclusion of a child care component in the new Regional Development Charge By-law in the Finance Department's Regional Development Charges review;
5. consideration of a contribution in 1998 to the Child Care Capital Reserve Fund based on a review of community needs and subject to budget approval;
6. the transfer of \$60,000 from the Child Care Contingency Fund to the Child Care Capital Reserve Fund to respond to community requests for minor capital grants in 1997 and consideration of the transfer of the balance of the funds in the Child Care Contingency fund to the Child Care Capital Reserve Fund after the full impact of changes in Provincial child care policy and funding are known;
7. a direction to the Department to pursue negotiations with the Province with regard to the inclusion in per diem rates of an allowance to provide for depreciation and maintenance of capital infrastructure.

PURPOSE

This report proposes a new Regional child care capital grant funding policy to respond to the freeze in provincial capital grant allocations and the expected provincial policy changes. The report recommends a policy framework, the establishment of broad funding criteria and an allocation process. The report also identifies revenue sources and recommends appropriate funding levels.

BACKGROUND

The system for funding child care capital needs is currently in transition in the Province of Ontario. In June 1995, the Ministry of Community and Social Services froze all child care capital grant funding, pending the outcome of the Provincial Child Care Review. The goals of the Provincial Child Care Review are to insure quality, affordable care, focused on those most in need, within a flexible system balanced between the private and non-profit sectors. In September of 1996, a discussion paper was released by the Minister, Janet Ecker, outlining proposed directions for reform.

Included in these proposals was a section on capital funding that suggested the Province provide 50% capital funding for health and safety related projects only. The report suggested that responsibility for capital expansion would be returned to the private and non-profit sectors with no Provincial contribution to funding. Regional Council and many other organizations in the child care community have expressed concern that this policy would limit expansion and jeopardize the ability of existing programs to expand or renovate existing facilities or to relocate programs. The RMOC, in its response to the discussion paper recommended that the Province maintain broad eligibility and project options in their capital funding policy. Instead of changing funding policy to respond to fiscal constraints, the RMOC suggested that funding priorities be restricted to health and safety related projects until the fiscal climate provides the opportunity for a broader range of projects to be considered. The RMOC recognized that "future capital funding will be required to protect existing infrastructure and support growth. Capital funding also provides an important tool in creating efficiencies through new centre development that provide economies of scale." The consultation phase is complete and the announcement of new provincial child care policies is anticipated by the end of 1997.

1. Provincial Role in Child Care Capital Funding

Historically, the provincial government has assumed the lead role in capital funding for child care centres, including assessing applications, approving actual plans, and determining capital priorities. Funding was first provided for capital expansion on a 50/50 basis between the provincial government and the child care program. This was subsequently increased to 80/20, and finally under the Jobs Ontario program capital expansion was 100% provincially funded. Through the Program Development Fund, one-time funding has been available on an 80/20 basis for program moving and related start-up and equipment costs.

Capital funding was also available in the past through the New Schools Program of the Ministry of Education and Training. This fund was designed to include child care centres in all new schools being built, but the program has been cancelled.

2. RMOc Role in Child Care Capital Funding

The Region has been a funding partner in meeting the child care capital needs of the community since 1987, when a policy on capital funding for child care centres was adopted. The policy responded to the challenges non-profit programs were facing in raising the balance of the project costs once provincial funding was secured. The intent of the policy was to enable the development of new child care spaces in under-served areas of the Region and to provide funding to existing centres where relocation or renovations were required to satisfy the Day Nurseries Act. A reserve fund was created and criteria established for the receipt of funds.

The criteria include the following:

- a requirement that centres receive financial support from the Province;
- a formula for cost sharing based on an 80% Provincial contribution and Regional contribution of up to 20%;
- provision for the allocation of funds available, based on a priority rating developed by the Social Services Department;
- a requirement for security arrangements to provide for repayment of the RMOc equity on a proportionate share basis should the centre be sold or cease to operate.

Since 1987, as a result of the implementation of this policy, funding has been provided to 13 different groups. These funds have been utilized to renovate three buildings and create 10 purpose built facilities, providing a total of 863 spaces.

RATIONALE FOR NEW REGIONAL CHILD CARE CAPITAL GRANT PROGRAM

Changes in Provincial policy have left a void in the capital funding area that has made it difficult for programs to address existing needs or to plan for the future. With the freeze in provincial capital funding the current RMOc capital policy no longer has appropriate criteria to assess community requests or allocate funds. The Region has exhibited their continued commitment to support capital infrastructure for community child care programs through the approval of recent allocations. These allocations have been approved on an individual, ad hoc basis to respond to external time constraints, without a policy framework to guide decisions.

In supporting these allocations, Committee and Council directed the Department to quickly develop a new child care capital grant policy to provide a consistent policy framework for future allocations. This will facilitate community planning and ensure the Region remains responsive to community needs in a systematic manner. The policy has been developed with the expectation that provincial legislation to implement the Provincial Child Care Review will be consistent with the proposed directions released in 1996. The Department also intends to do further work, in consultation with the community, on the expected capital requirements of child care programs in Ottawa-Carleton. This would include an assessment of the current infrastructure and result in the development of a strategic plan for capital protection and expansion. The policy framework has

been designed to be flexible and able to respond to these developments, with only funding levels requiring adjustments.

In the past 10 years, Ottawa-Carleton has been successful in attracting over \$20 million in provincial funding, augmented with regional funds, to develop its child care infrastructure. The protection of this valuable infrastructure should remain of the highest priority in the management of our child care system. A deterioration of our child care infrastructure would result without capital funding available to the community. Demand for child care services is increasing and expansion is dependent upon capital grants. It is estimated that only one in five children who need care and live in families who would qualify for subsidy are currently being served. Continued Regional commitment through a child care capital funding program is an important tool in maintaining program viability and protecting our assets. The Region should continue to assume a leadership role in the protection of existing child care infrastructure and the development of new programs.

The Megaweek announcements by the Province have shifted more responsibility to municipalities in the provision of child care services. Municipalities are expected to inherit program licensing responsibilities as well as funding responsibilities for child care programs outside of the fee subsidy system, such as wage subsidies, special needs resourcing and resource centres. There are 19 family resource centres in Ottawa-Carleton that provide services including training and education for parents and caregivers, child care information services, toy and equipment lending libraries, play group programs, and integrated parent/child programs for high need families. The new capital grant program outlined in this report would make capital funding available to these programs if they were included in a larger project where the majority of funds were for the provision of licensed child care spaces. The Region's role will need to be reassessed once the Provincial Child Care Review legislation is announced.

In the past the Region provided capital funding to provincially approved projects. With the Region assuming the leadership role in a capital grant program new opportunities exist to guide the development of the system. The Region will have more flexibility and control in determining capital priorities for Ottawa-Carleton. Capital funding policy can also be developed to complement and support the operational needs and priorities within the system. An integrated capital and operating system will enable more efficient planning and allocation of resources.

PROPOSED CAPITAL FUNDING PROGRAM

1. Program Goals

The child care capital grant program is intended to complement and support the operational needs of the child care system in Ottawa-Carleton. Two program goals have been determined for the child care capital funding policy. The first goal is to support and preserve existing child care programs and facilities in the region. The protection of existing programs and infrastructure will be the primary goal of the program.

The second goal is the development of new child care facilities to support the creation of new spaces in the operating system in the Region. New spaces will be designed to provide service in high priority under served areas of the Region or to under served populations. Capital grants for the development of new spaces will be allocated when the operating system can support growth.

2. General Policy

Three funding streams have been developed within the program that will be administered and funded differently. These streams have been designed to ensure a timely response to community needs for emergency and minor capital requirements. They have also been designed to maximize provincial funding and provide a more detailed review process for major capital projects for existing programs and program expansion. The following chart provides an overview of the three funding streams and contributions from the Region, Province and Operator.

Child Care Capital Funding Program

Funding Stream	Project Size	Level of Contribution		
		Region	Province	Operator
Health and Safety	under \$40,000	30%	50%	20%
Minor Capital	under \$40,000	50%	0	50%
Program Development and Expansion*	over \$40,000	50%	0	50%

*includes funds for business plans, feasibility studies etc. up to a maximum of \$10,000 cost shared at 80/20.

Requirements have been developed under the general policy that apply to all three funding streams as well as specialized requirements for each stream. General policy requirements will ensure the protection of regional investments, ensure any provincial funding available is utilized, and that Regional allocations are always contingent on the availability of funds. The continuation of a Departmental priority rating system for the allocation of funds through all three funding streams has been maintained from the current policy. The detailed policy for the RMOC Child Care Capital Grant Program is attached as Annex A to this report.

The Department, in its community consultations requested input regarding the provision of capital grants to commercial child care programs. Although community support was weak, the Department had initially designed the policy framework to make capital grants through two funding streams, available to existing commercial programs. The Legal Department has advised that under section 111 of the Municipal Act, the Region is prohibited from making grants to commercial entities. After examination, it is the Legal Department's opinion that no exemption is available in this matter. The Region's Child Care Capital Grant Program is therefore only available to non-profit programs.

3. *Funding Streams*

a) Health And Safety Related Projects

The Provincial Child Care Review proposal recommends the Province provide 50% capital funding for serious health and safety related projects to both non-profit and private programs. To take full advantage of the expected provincial funding a separate regional funding stream would be established that matched the provincial funding criteria. Regional funding would be available for provincially approved non-profit projects to a maximum of 30% of the total project costs. Allocations would be made under delegated authority by the Department as projects receive provincial approval, conditional on funds being available. This will allow the region to respond quickly to serious capital requirements and ensure safe, quality care is maintained in the program. An annual report would be prepared by the Department showing the disbursement of funds to the community.

The MCSS local area office in recent years allocated annually between \$110,000 and \$135,000 for minor capital projects that were predominantly health and safety related. The regional health and safety related funding stream would have \$40,000 available for allocation on an annual basis. With a Regional contribution of 30% of the total project costs this level of funding is expected to adequately meet the community needs.

b) Minor Capital Projects

Minor capital grants would be available to all non-profit child care programs in Ottawa-Carleton for small projects (under \$40,000) that do not qualify for health and safety related Provincial funding. These grants would be available to new and existing programs to assist with the cost of repairs and minor renovations and the purchase of furniture and equipment. A Regional grant would be available for up to 50% of the total project cost to a maximum project cost of \$40,000. Projects would be relatively small and in many cases, are expected to be time sensitive. Allocations would be made under delegated authority by the Social Services Department. Approvals would be made throughout the year as community needs emerge, based on the availability of funds. An annual report would be prepared by the Department showing the disbursement of funds to the community.

Regional funds in the amount of \$125,000 would be allocated annually to this funding stream.

c) Program Development And Expansion Projects

The program support, development and expansion funding stream would be the main component of the capital funding program. This funding stream most closely resembles the child care capital grant program the region has operated since 1987. Priorities for capital allocations would be established to support the operational needs of the child care system.

Eligible projects would include the renovation, replacement, moving, equipment and start-up costs for all existing non-profit programs in the Region. Program expansion, to

provide additional child care spaces in high priority under served areas of the Region or to under served populations would also be eligible for funding. Program expansion funds would be available to non-profit programs. A maximum regional contribution of 50% of the total project costs would be available through this funding stream.

Program expansion projects will be required to complete a feasibility study and business plan to demonstrate both program viability and program delivery to an underserved area or population of the Region targeted as an operational priority. The preparation of business plans and feasibility studies will be eligible for funding to a maximum of 80% of the total costs to a maximum total cost of \$10,000. This funding will ensure new programs are viable and meet the goals and objectives of the child care operating system through appropriate capital expansion.

4. Funding Allocations

Allocations for the program development and expansion funding stream will be determined based on current operating requirements and a priority rating system. As operational requirements change for capital development, priorities will be modified to reflect the new operational realities. A yearly application process will be undertaken by staff with allocation recommendations brought to Community Services Committee and Council for approval.

The Ottawa-Carleton child care community has clearly stated that the protection of the existing system should be of the highest priority. Community concern exists around the allocation of capital grants for new programs without the ability to extend new subsidized spaces and wage subsidies to the program. Creating new programs without more subsidized spaces could require future redistribution which may destabilize current programs. Issues were also raised regarding the creation of a two tiered child care system if some programs were established without wage subsidies or subsidized spaces.

The Department supports the primary focus of the program on the protection of the existing system and shares the community's concerns around new program development. The allocation of capital grants based on the operational needs of the child care system and the requirement that new program requests have accompanying business plans and feasibility studies should address these issues. The policy guidelines do not require that subsidized spaces must be available for allocation for new programs to receive capital grants, to allow for flexibility.

The program development and expansion funding stream would be implemented following the approval of the 1998 budget, including the required contribution to the child care capital reserve fund. Given the current operational realities funding priorities for the allocation of capital grants would focus on support and development to existing programs. Regional staff will undertake an assessment of existing child care infrastructure and develop a strategic plan for child care capital support, development and expansion to assist in the establishment of future priorities. As operational requirements change, staff will adjust in consultation with the community, the capital grant program funding priorities.

FUNDING SOURCES

The allocation of child care capital grants will be limited by the availability of funds in the child care capital reserve fund. Two potential funding sources have been considered: 1) the child care levy, and 2) Regional Development charges. The child care levy has been identified as the most appropriate source to provide the required contribution to the reserve fund when the program is implemented in 1998. The addition of a child care component to the Regional Development Charge (RDC) bylaw is a potential funding option for some growth related capital projects in the future. This option is explored further in the following two paragraphs.

Two types of expansion exist within the child care system, expansion to maintain service levels due to population growth and expansion to increase levels of service. RDC's may only be used as a funding source for growth related projects to maintain service levels. The new Provincial legislation on development charges is expected to require the Region to discount total planned spending by 10% in the calculation of the child care component of the charge. Funds collected through RDC's would be held in a reserve fund until such time as appropriate growth related expansion is required.

The Region's Finance Department is currently undertaking a review of the Region's RDC bylaw, which will include an examination of a child care component with the approval of this report. A new RDC bylaw will be completed for the consideration of Council in 1998. The review will include an assessment of child care service standards over the past ten years, population growth projections and the number of new spaces required to maintain the existing service level standard. Once the review has been completed the appropriate funding balance between the levy and RDC's can be established. It is expected that the levy would remain the primary source of funding for the provision of the child care capital grant program.

A possible option to provide for a portion of future funding of capital infrastructure would be through the purchase of service rates for subsidized spaces. In the past the Province has not allowed child care programs to include depreciation as an eligible expense or for the creation of reserve funds for capital needs. The Province has instead chosen to fund capital requirements through the allocation of grants. Including depreciation or reserve funds in the setting of subsidy rates would increase the operating costs of the child care system to both the Province and the Region, but it could attract provincial subsidies. The Department will pursue this funding option with the Province.

Any balance remaining at the end of the fiscal year from any of the funding streams would remain in the child care capital reserve fund for future allocation.

FINANCIAL IMPLICATIONS

RMOC capital grants are provided from the Child Care Capital Reserve Fund. When the original child care capital grant program was approved in 1987 an annual contribution of \$250,000 was included. Over the last few years no contribution has been made to this fund. With the approval of the new child care capital policy, the Social Services Department will include a contribution to the child care capital reserve fund in their 1998 budget recommendations for Committee and Council approval. The amount will be based on a preliminary review of the existing infrastructure and will include amounts targeted to all three funding streams.

To respond to community requests for minor capital requirements in 1997 the Department has identified a need for \$60,000 in the minor capital project funding stream of the grant program. Sufficient funds can be transferred from the Child Care Contingency Fund, which contains \$1,600,000 in uncommitted funds, with an additional \$1,200,000 in provincial subsidy expected, to provide for the 1997 requirements of the minor capital project funding stream.

PUBLIC CONSULTATION

Since the beginning of the Provincial Child Care Review the Region has been discussing with the child care community the impacts of reform and the best options for Ottawa-Carleton, including the capital requirements for the child care system. Regional staff have had many informal discussions and have attended meetings with the Ottawa-Carleton Child Care Council, the Ottawa-Carleton Child Care Association and Regroupement des services de garde de langue française d'Ottawa-Carleton.

As part of the development of a new policy for the child care capital grant program the Department designed a questionnaire, available in both English and French, that was distributed to all licensed child care programs in Ottawa-Carleton as well as community services such as child care resource centres. The Department distributed over 150 questionnaires and received 61 responses. There was some variation on specific items but the policy framework and recommendations in the new capital grant program are consistent with the input received.

Most responses came from individual programs including: day care centres, nursery schools and family resource centres. In addition, three umbrella groups including: the Child Care Council, Régroupement des services de garde de langue française d'Ottawa-Carleton and the Family Resource Services group, responded. Both the Child Care Council and Régroupement spoke to the need to link capital projects to priorities identified in a child care strategic plan or plans.

On the questionnaires on an individual basis, members of the child care community did not feel they had the skills or appropriate networks required to undertake major fund raising activities with the corporate sector. The Child Care Council, however, expressed an interest in pursuing joint fund raising activities possibly through the establishment of an Ottawa-Carleton Child Care Foundation.

The community supported continued regional participation and the protection of the current system as the highest priority. They also supported grants for expansion being tied to the operational needs of the system and careful review of expansion projects if operating subsidies are not available. Many respondents favoured higher regional contributions of between 80% and 100% of project costs.

CONCLUSION

The Provincial Child Care Review has recommended significant changes in the funding of child care capital, necessitating that the Region review its role in the provision of capital grants. The existing child care infrastructure in the Region is a significant asset that needs to be safeguarded. Child care capital funding also provides a valuable tool in the development of new programs to meet community needs.

The Department recommends the establishment of a new child care capital grant program to provide funding to the community for health and safety related projects, minor capital projects and program development and expansion projects. To accomplish this an annual contribution to the child care capital reserve fund will be required. Requirements in 1998 and subsequent years will be based on capital needs projections and subject to budget approval.

The Megaweek and subsequent announcements have resulted in the Provincial Government shifting both governance and funding responsibilities to the RMOC. While details are not yet complete from the Province, it is estimated that the shifts will result in an unmet requirement of approximately \$82M. Until we have more factual information on the impact of the Provincial decisions on Ottawa-Carleton, staff is only able to recommend interim policy approaches to address the needs of the child care community, similar to our ability to respond to the needs of other Regional responsibilities.

*Approved by
Dick Stewart*

FINANCE DEPARTMENT COMMENT

See Appendix 1.

Regional Municipality of Ottawa-Carleton
Child Care Capital Grant Program
(June 1997)

1. INTENT

The child care capital grant program is intended to complement and support the operational needs of the child care system in Ottawa-Carleton. This policy provides a framework for the allocation of capital funds to child care operators in the non-profit sector. Grants will be allocated to support and preserve existing child care programs and facilities and to develop new child care facilities in the Region.

Regional capital funding grants may be provided to existing child care programs to relocate and/or renovate existing facilities to continue to provide service and meet the requirements of the Day Nurseries Act.

Regional capital funding grants may also be provided for the development of new child care facilities to support the creation of new spaces in the operating system. Funding is specifically designed to provide additional spaces in high priority, under-served areas of the Region or to under-served populations.

The number and size of grants in any one year will be limited by the availability of funds in the reserve fund and subject to the conditions described in the policy.

It is not the intention of the policy to provide funds for the expansion of the Region's directly operated program.

2. GENERAL POLICY (Applicable to all Funding)

- a) Funds shall be provided through a combination of an annual contribution to the child care capital reserve fund and a Regional Development Charge Child Care Capital Fund.
- b) Should the child care centre cease to operate for its intended use, Regional funds shall be recovered from the sale of the total property (land and structure) in direct proportion of the grant to the total cost of the facility (land and structure).
- c) Funds that are provided to a child care centre which is within or to be constructed within of a multi-purpose facility shall be recovered on a proportional basis if the child care centre ceases to operate in whole or in part. The legal agreement reflecting this recovery shall be executed not only between the Region and the operator, but the property owner(s) as well if not one and the same as the operator.

- d) Capital projects that meet the criteria of the health and safety related funding stream must first exhaust all funding opportunities through that stream before applying for any additional capital assistance.
- e) Capital funding will be provided only if the request for funding is received prior to the development of final plans for the project. This will provide the Region with an opportunity for input at the planning stage.
- f) Capital funding will be provided for facilities where the majority of the activity is the direct provision of service through licensed spaces under the Day Nurseries Act.
- g) The Social Services Department must be satisfied that the capital project provides a cost effective use of resources that will ensure the economic viability of the child care program.

3. HEALTH AND SAFETY RELATED FUNDING

- a) Based on the Province of Ontario's Capital Grant Program of 50% funding for serious health and safety related projects; the Regional grant shall be a sum up to but not exceeding a maximum of 30% of the total provincially approved project costs.
- b) Funds will be allocated by the Social Services Department, under delegated authority, to non-profit projects as they receive provincial approval, subject to the availability of funds allocated annually for health and safety related projects.

4. MINOR CAPITAL GRANTS

- a) Funding under the minor capital grants program is available to all new and existing non-profit programs in the region for projects with a total maximum cost of \$40,000.
- b) Minor capital grants are available for projects that do not qualify for health and safety related capital grants, and would include assistance with the cost of repairs and minor renovations and the purchase of furniture and equipment.
- c) The Regional grant shall be a sum up to but not exceeding 50% of the total project costs.
- d) Funds will be allocated by the Social Services Department, under delegated authority, subject to the availability of funds allocated annually for minor capital projects.

5. FUNDING FOR EXISTING AND NEW FACILITIES

- a) The expenditure of funds shall be allocated based upon a priority rating, including a maximum cost per space developed by the Social Services Department. An annual application and allocations process will be undertaken for approval by Committee and Council based on established funding priorities.

- b) The Regional grant shall be a sum up to but not exceeding 50% of the total project costs.
- c) Funding under the existing and new facilities capital grant program is only available for major capital projects. The total cost of each project must exceed \$40,000.
- d) Costs or projects related to regular maintenance are not eligible for funding.
- e) Renovation, replacement, moving, equipment and start up costs for all existing non-profit programs in the Region are eligible for capital grants.
- f) The development of new facilities to address inequities in the system and maintain levels of service related to growth are eligible for capital funding upon completion of a feasibility study and business plan.
- g) Feasibility studies and the development of business plans for new child care facilities shall be eligible for up to but not exceeding 80% of the total cost to a maximum of \$10,000.
- h) Capital grant allocations for the development of new child care facilities are available to non-profit child care programs.

REGIONAL MUNICIPALITY OF OTTAWA-CARLETON

MEMORANDUM

MUNICIPALITÉ RÉGIONALE D'OTTAWA-CARLETON

NOTE DE SERVICE

DATE 24 June 1997

APPENDIX 1TO/DEST. Co-ordinator
Community Services Community

FROM/EXP. Finance Commissioner

SUBJECT/OBJET **SOCIAL SERVICES DEPARTMENT REPORT:
CHILD CARE CAPITAL FUNDING POLICY****PURPOSE**

This memorandum has been prepared for the information of the Community Services Committee and Council in response to Recommendations 4, 5 and 6 contained in the Social Services Department report on **Child Care Capital Funding**.

BACKGROUND

In 1987, Council adopted the Child Care Capital Grant Policy to enable the development of new child care spaces in high priority, underdeveloped areas or, in the case of existing facilities, to supplement a provincial grant being provided to relocate and/or renovate an existing facility. The original funding arrangements under the policy were 50% Provincial, 25% Regional and 25% Area Municipality.

In 1994 Council amended the policy by (1) removing the requirement for a matching contribution from the Area Municipality and (2) changing the Regional contribution to 20%, based on the Province's policy of funding 80% of child care capital costs.

A capital reserve fund was established to assist in the financing of child care capital projects approved under the policy. The reserve fund by-law allowed for annual appropriations by Council based upon the recommendations of the Finance Commissioner and the Commissioner of Social Services. Since 1991, no contributions have been made due to budget constraints. However, in various instances, funds for capital child care projects have been made available from the child care contingency reserve fund. A history of the child care capital grants paid or committed is attached as Annex A.

RECOMMENDATION 4

The departmental report recommends the inclusion of a child care component in the development of the new Regional Development Charge (RDC) By-law which is to be completed for the consideration of Council in 1998. The current by-law (By-law 210 of 1991) does not include a child care component within the RDC rate.

RDC's can only be used as a funding source for growth related projects to maintain service level standards. In conjunction with population growth projections, the RDC review will include an assessment of service standards for all regional services over the past ten years, including child care services, in order to determine the infrastructure requirements to maintain existing service levels.

RECOMMENDATION 5

The departmental report is proposing that the Community Services Committee recommend to Council in the development of the 1998 draft estimates the inclusion of a contribution to the Child Care Capital Reserve Fund based on a review of community needs and subject to budget approval.

As Committee and Council is aware, the provincial announcements made during "mega week" dealt with the transfer of service and funding responsibilities which were to be effective January 1, 1998. Based on the latest announcements, the funding shift to the Region is estimated to be \$82 million greater than the provincial offset in school mill rates. Details of the recent announcements were provided to Council in the May 1 report entitled "*Provincial Announcement - Transfer of Service and Funding Responsibilities*".

As a result, provincial funding for child care services is expected to remain at 80% of expenditures in 1998. However, the subsidy rate will now be applied to gross expenditures in contrast to the current system of netting user fees against gross expenditures. Based on the 1997 budget expenditures, this will result in additional subsidies of \$1.2 million in 1998.

Direct wage subsidies and special needs resourcing, programs currently funded 100% by the province, are expected to be cost shared on an 80% / 20% basis. Based on the information available to date, it is projected that additional regional funding of \$3.1 million will be required in 1998 to support these programs. As a result, the net funding requirement for child care services in 1998 will increase by \$1.9 million (\$3.1 million less \$1.2 million).

This additional requirement of \$1.9 million was not included in the \$82 million funding shift as presented to Council in the May 1 report. A report will be provided to update Council on the status of the funding shifts associated with the "mega week" announcements.

RECOMMENDATION 6

The department is recommending the transfer of \$60,000 from the Child Care Contingency Reserve Fund to the Child Care Capital Reserve Fund in order to provide grants for minor capital requests from the community. Funds are available for transfer from the Contingency Reserve Fund. The uncommitted balance in this reserve fund as of June 24, 1997 is \$1.6 million.

In addition, the department is recommending that the remaining balance in the Child Care Contingency Reserve Fund be transferred into the Child Care Capital Reserve Fund. The Contingency Reserve Fund was established in 1989 for the purpose of stabilizing future child care levies. Consolidation of the remaining funds in the Contingency Reserve Fund to the Capital Reserve Fund would reduce the administrative effort required to maintain two separate child care reserve funds and would be consistent with the reserve fund structure established for other regional funds. Future operating surpluses or deficits would however have to be contributed to or funded from the Child Care Capital Reserve Fund.

*Approved by T.Fedec
on behalf of the Finance Commissioner*

ANNEX A

History of Child Care Grants Paid or Committed

Year	Group	Grant Particulars		Regional Contribution	Other Cost Sharing (Conditional for a Regional Contribution)	
		Recipient	New (N) or Existing (E)	\$	Province	Area Municipality
		Grants Paid				
1987	1	Greenboro, Ottawa	N	250,000	yes	yes
1988	2	Bridlewood, Kanata	N	25,000	yes	yes
	3	Glebe Parents, Ottawa	N	108,700	yes	yes
1989	4	Barrhaven, Nepean	N	87,050	yes	yes
	5	Heritage, Gloucester	N	46,600	yes	yes
		Heritage, Gloucester - supp to 1988	N	5,265	yes	yes
	6	Cumberland Hub, Cumberland	N	181,250	yes	yes
	7	Centrepoinite Corp, Nepean	N	105	yes	yes
1990		none				
1991		none				
1992		none				
1993	8	Aladin, Ottawa	E	28,125	yes	yes
	9	Andrew Fleck, Ottawa	E	90,000	yes	yes
	10	Colonel By, Ottawa	E	93,750	yes	yes
	11	Heron Road, Ottawa	E	175,000	yes	yes
1994		Aladin, Ottawa - supp to 1993	E	134,375	yes	yes
		Heron Road, Ottawa - supp to 1993	E	30,000	yes	yes
	12	Woodroffe High, Ottawa	N	28,000	yes	yes
	13	Overbrook, Ottawa	E	7,500	yes	yes
		Total Grants Paid		1,290,720		

		Grants Committed			
1995		none			
1996		none			
1997	14	New Edinburgh, Ottawa	N	210,000	yes no
	15	Garderie Sunflower		125,000	no no
	16	New Centre, Kanata	N	225,000	no no
	17	Centre Coccinelle	N	50,000	no no
	18	Children's Centre	N	960,000	no no
		Total Grants Committed		1,570,000	
		Total Paid or Committed		2,860,720	