

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

REPORT
RAPPORT

Our File/N/Réf.
Your File/V/ Réf

DATE 8 January 1997

TO/DEST. Co-ordinator
Community Services Committee

FROM/EXP. Commissioner
Social Services Department

SUBJECT/OBJET **STRATEGIES FOR ACHIEVING EFFICIENCIES IN THE
CHILD CARE SYSTEM**

DEPARTMENTAL RECOMMENDATIONS

That the Community Services Committee recommend Council approve the following strategies to achieve savings to be used to maintain all of the JobsOntario spaces and create additional spaces. During the 1997 rate determination process, the Department will finalize which of the following strategies will be applied to each individual program. Savings of \$1,039,000 will be achieved by:

- 1. Applying savings from the changes to the Employer Health Tax (EHT);**
- 2. Adjusting group sizes to maximize the child/staff ratio with programs where this potential exists;**
- 3. Reducing the number of employees over and above the Day Nurseries Act (DNA) regulations in programs where this exists;**
- 4. Within three months of Council approval, developing plans with agencies who have indicated their willingness to phase out their infant spaces and convert them to spaces in other programs;**
- 5. Closing or reducing the capacity of most child care programs attached to educational institutions for six to eight weeks over the summer;**

6. **Maintaining a reduction of up to 2.1% of per diem and administrative rates in community based and Municipal programs that have not been affected greatly by the above strategies for reducing costs;**
7. **Investigating in more detail the opportunities for savings and improved efficiency offered by developing automated links between child care agencies, MCSS Area Office and Social Services and creating an automated centralized waiting list for licensed child care programs and;**
8. **Using approximately \$170,000 from the Child Care Contingency fund to offset the cost of phasing in strategies 2, 3 and 4 in 1997.**

BACKGROUND

In Ottawa-Carleton prior to 1 October 1995, there were 5,520 subsidized child care spaces cost shared 80/20 by the Province and the Region and an additional 707 JobsOntario spaces funded 100% by the Province. On 1 October 1995, the provincial government reduced their level of funding for the JobsOntario spaces from 100% to 80%. This meant that in order to maintain the existing level of service, Ottawa-Carleton had to find funding for its 20% share of the cost of the 707 spaces. In 1996, this amounted to \$1,031,000.

Provincial Review

When the Province announced the reduction in their share of funding, they also indicated their intention to review the child care system in Ontario. The Department had hoped that the direction of the Provincial Child Care Reform initiative would be known before making final decisions for 1997. At this point, however, the Province has released a set of proposals for consultation, but final directions have not been determined.

There are several proposals under consideration by the Province which would provide savings, notably a possible change to the preschool staff/child ratio. The most significant proposal, however, is the reduction of the wage subsidy. The proposal is to re-invest savings from the wage subsidy by setting up a program stabilization grant for all programs, at the level that private operators currently receive and using these savings to create 12,000 new spaces across the Province. This proposal would mean that non-profit programs would have to absorb significant decreases in funding of approximately \$5,000 per year, per full time employee, while home child care providers would see their income decrease by approximately 20%. The impact of this decrease could be devastating. Many believe that there would be an exodus of many trained staff from the system. The potential cuts to wage subsidy funds also limits the ability of programs to absorb other uncontrollable cost increases in 1997 and beyond, such as rent, catered food and janitorial costs. This would also limit the ability of programs to sustain the reduction of 2.1% in per diem and administration costs implemented in 1996.

Strategies Approved for 1995-6

To date, Regional Council has approved several strategies to accomplish the goals of maintaining all of the JobsOntario spaces on a long term basis and also achieving permanent efficiencies. These strategies include:

1. using funds from the Child Care Contingency fund to cover increased municipal costs in 1995;
2. reducing the per diem and administration rates in all purchased child care and municipal programs by 2.1% in 1996 and increasing the minimum user fee charged to some parents. These measures, in addition to a contribution of \$159,000 from the Child Care Contingency fund achieved the required savings in 1996;
3. the development of long term strategies by the Social Services Department in consultation with the child care community to achieve the required savings for the 1997 budget year.

During the first six months of 1996, the Department worked with the child care community to identify several options for cost savings. Because of the diversity in programs including their financial status, no clear consensus resulted from this exercise. In July, Regional Council approved a report on Long Term Strategies for Efficiencies in the Child Care System (approved recommendations can be found in Annex 1), which proposed that the Department focus its efforts on three areas:

1. a program by program review to find efficiencies;
2. a feasibility study on reducing the number of infant care spaces purchased from centres; and
3. a preliminary analysis of the cost benefit of developing centralized links between programs, RMOC and MCSS and centralizing some services including a centralized waiting list.

This report contains the results of that work.

The Department continues to work on a review of policies related to students, parents looking for work and a review of the distribution of subsidized spaces. It is not expected that these initiatives will result in large savings, but will provide increased service for the same dollars. Results of those areas will be the subject of a future report to Committee and Council in early 1997.

METHODOLOGY

The following section describes how the Department worked with the child care community to discuss the various strategies for savings as directed by Council.

Guiding Principles

In undertaking the work outlined in the Long Term Strategies for Efficiencies in the Child Care System, the Department has stated its commitment to maintain the following principles in the child care system:

1. quality of care;
2. program stability; and
3. accessibility to families.

To support the work of the Department throughout this process, two steering committees were formed. The membership of these committees can be found in Annex 2. The role of the steering committees was to share information and provide ideas and comments on proposed activities. Each committee met a minimum of three times.

Community Consultation

Four information/consultation sessions were organized, three in English and one in French. A total of 14 Board members, 26 parents and 102 child care staff took part in the sessions. The purpose of the sessions was to present the options for achieving savings and to get feedback on the impact the proposals would have on individual programs, parents, children and the system in general. During these sessions, participants also suggested another option, that is to have a one week closure for all centre based programs during the summer months.

In addition to the scheduled consultation sessions, child care committees and umbrella groups discussed the strategies at their meetings, often with Departmental staff.

PROGRAM BY PROGRAM REVIEW

To gather the required data for the reviews, profile documents were created for each group/home child care program. The profiles were created using the 1996 budget submission, financial statements and billing data for each program. As well, each program was asked to complete the following surveys: Cost Reduction, Infant Group Review (if applicable) and a Communication, Technology and Administration survey. In addition, further information was solicited from MCSS and /or the program to complete the profiles. All of this information was analyzed and formed the basis of a consultation document on potential options for cost savings.

PHASING OUT OF INFANT GROUP CARE

In September 1996, there were 278 subsidized and 30 full fee spaces in infant group care programs in Ottawa-Carleton. In licensed home care, there were 209 subsidized infant spaces and 154 full fee spaces for infants. This represents a proportion of 10% full fee paying families in infant group care as opposed to 42% in infant home care. The daily fees in infant group care range from \$38.80 to \$63.47 and from \$22.23 to \$26.00 in home care.

As the statistics indicate, few full fee paying families can afford infant group care. Phasing out the purchase of infant group care to home care would have a significant impact on the viability of many of programs currently offering this type of care, but this option would maintain access to service for parents, albeit in a different setting. Savings from this change have been estimated at \$1,600,000 annually.

A recent review of literature on infant care revealed that very few research studies that compare the effects of group care versus licensed home care on infants, (the report, entitled Background Paper on the Current Situation and Implications of Modifying the Proportion of Infant Care in Group and Home Settings is available by request). Many experts in the child development field believe that either setting can offer excellent care. Many parents, however, prefer one option over the other for varying reasons. During the consultation process, this proposal prompted the strongest response from people. For those parents and staff who are directly involved in infant group care, there was a strong desire to maintain the current number of spaces in centres. Others saw this option as a way of achieving significant savings in the system. A consensus was not reached on this issue.

Some programs have expressed the willingness to phase out their infant care, if they are given a comparable number of subsidized toddler or preschool spaces in their programs. This would reduce the hardship on the financial viability of programs currently offering group care, although it would still result in some job loss. Because of the difficulty in attracting full fee paying parents, two programs have voluntarily decided to phase out their infant programs. They have expanded their toddler programs and requested an equal number of spaces be transferred there. Other programs may be willing to make this change as well.

COST BENEFIT ANALYSIS OF AUTOMATION, CENTRALIZATION OF SERVICES AND CENTRALIZED WAITING LIST

In July 1996, Council approved the Department's recommendation to use \$25,000 from the contingency fund to hire consultants to investigate potential savings from creating a number of centralized services and automation of administrative processes. Price Waterhouse conducted the review.

The consultants were asked to investigate the feasibility of:

1. developing automated links between MCSS, RMOC and individual child care programs;
2. centralizing services for purchasing, payroll, janitorial services, etc.; and
3. introducing an automated centralized waiting list for licensed child care program in the region.

As mentioned earlier, a steering committee made up of staff from the Department, MCSS and child care programs was struck to guide the work of the consultants. The consultants recommended that the study focus on one set of processes, attendance/billing, as they thought that this process had the greatest potential for savings. The findings demonstrated that there were indeed savings to be found in using technology to assist in this area. They believed that savings could be found by automating and/or redesigning other processes within the child care division, but these savings would need to be balanced against the operating and maintenance costs of the hardware and software required to do so. Additional work is required in this area to examine the costs of upgrading and launching the technological and training requirements of such changes.

The examination of centralized services generated both enthusiasm and caution among the people interviewed by the consultants. Centralizing services such as, payroll, benefits and janitorial services, etc. would be readily acceptable if lower costs could be realized while maintaining quality. The consultants cautioned, however, that centralizing services would require a coordinator and it may be difficult to find the funds and structure to manage such a resource.

The consultants found that an automated, centralized waiting list would provide parents with improved service. As well, they thought such a list would save a time and frustration on the part of the program staff, who must spend a great deal of time trying to fill spaces. There would, however, be a cost associated with the set up and implementation of the list. Although the concept of a centralized waiting list appealed to many programs, there is still significant resistance to giving up the management of individual lists.

Many of the initiatives outlined above have some potential for savings. All have costs associated with the set up and implementation. The Department recommends that further investigation, costing and consultation in these areas be undertaken.

RATIONALE FOR RECOMMENDATIONS

The results of the program by program reviews, consultations and discussions with individual programs have underlined the need to develop a series of strategies to achieve the \$1,039,000 savings required in 1997 to sustain the 707 JobsOntario spaces. The following list was presented to participants of the consultation sessions for their reaction. Several of the strategies will not be included in the recommendations, as it was thought that many of them would create undue hardship for both parents and agencies or challenge the viability of many programs.

The strategies considered included:

1. a 2.1% permanent reduction for community child care programs;
2. a monthly minimum user fee of \$25 for families with incomes below the poverty line;
3. the closing of child care programs attached to educational institutions for six to eight weeks during the summer;
4. adjusting group size to maximize child/staff ratio (for example 48 or 40 preschoolers instead of 44) except for Head Start programs;
5. reducing the number of employees if over and above the minimum number of employees required to meet the regulations of the DNA;

6. phasing out of subsidized infant group care and creating of an equal number of toddler spaces; and
7. phasing out of subsidized infant group care and creating of an equal number of home child care spaces.

A brief discussion of the preceding points will be given below. In addition, the cost of savings from the changes to Employer Health Tax (EHT) will be outlined.

Permanent 2.1% Reduction For Community Child Care Agencies

A number of programs have indicated their ability to sustain the 2.1% reduction. Others have stated that they could sustain a lesser reduction of 1%. Many programs expressed concern about their ability to absorb this cut given the potential provincial changes, or any unforeseen increases in other areas. The OBE programs, for example, are facing significant rent increases this year. Several programs indicated that they would consider closing for one week during the year to achieve a 2.1% reduction. Municipal programs and administration will maintain many of the reductions from 1996, but will also identify savings in other ways such as the closing of one of the infant programs, (see separate report). It was determined that if all programs maintained the reduction, approximately \$780,000 would be saved. Instead, the recommendation is to maintain reductions of up to 2.1% from community programs and Municipal programs and services of approximately \$429,000.

Monthly Minimum User Fee Of \$25 For Families Below The Poverty Line.

This item concerns extending the monthly user fee to families who are currently fully subsidized. It is believed that this would create tremendous hardship for families who have limited financial resources. It is also expected that staff in programs would have difficulty collecting these fees, and therefore the estimated revenue of \$600,000 would likely be difficult to achieve.

Closing Of Child Care Programs Attached To Educational Institutions For Six To Eight Weeks During The Summer.

Many parents have expressed concern about how the current subsidy policy deals with students. Presently, if a parent takes a leave from school their space would be given to someone else in order that the centre could maintain their full capacity. In some cases, parents with subsidies must engage in activities (like summer courses, part-time work, etc.) simply to maintain their child care subsidy. Many families would prefer to spend the summer together, but this choice could jeopardize their ability to have subsidized care during the next school year. On the other hand, some parents either choose to take courses or are required to continue their studies during the summer months. Therefore total closure for all programs would create new challenges. It is expected that savings could be achieved by reducing capacity in the summer months and/or closing these programs for six to eight weeks.

The Department believes that for parents who may be detrimentally affected by this change, alternative arrangements could be made in other centre based programs or in home child care. This strategy would have impact on staff in these programs who would be laid off for some period during the summer. One program closed for the whole summer in 1996, while five other programs closed for up to one month. The estimated savings for this option are between \$100,000 and \$160,000 per year.

Adjusting Group Size to Correspond with Child/Staff Ratios as Stated in the Day Nurseries Act(DNA)

Ratios of staff to children are determined in the Day Nurseries Act. (DNA) For example, preschool programs require one teacher for each group of eight children. The addition of one child beyond the eight means that another teacher is required. The most cost effective manner of operating is with full groups of eight children (Annex 3 illustrates the financial impact of altering group size). Most programs in Ottawa-Carleton operate with cost effective group sizes, however in the past (for various reasons), some programs were set up with group sizes that were different from the staffing ratio. One common example is where a new program is set up based on the number of children that could be accommodated in a particular physical space, as opposed to the capacity that would maximize the group size. The Department has identified more than 20 programs in this situation with a potential savings of between \$130,000 and \$150,000 annually if all programs were adjusted to correspond with staffing ratios. This change could result in some job loss to individual programs if spaces were reduced in a given program. It is estimated that across all programs potential staff loss could be five full time equivalents. Further exploration of available physical space is required as programs could require additional subsidized spaces to be able to implement the most cost effective changes.

Reducing The Number Of Employees If Child Care Centre is Over The Minimum Number Required To Meet The Regulations Of The Day Nurseries Act(DNA)

This change would mean that some programs who have operated with enhanced staff/child ratios would lose staff. The large majority of programs do not have staff in excess of the ratio and do not sacrifice quality in doing so. Many programs do have unique circumstances (such as bi-lingual programs, extended hours, programs on different floors, etc.) that have resulted in additional staff hours being approved. It is recommended that a plan to reduce the number of employees/staff hours above the regulations be undertaken. This proposal could affect up to nineteen people (ten full time equivalent positions). Savings in this area are estimated to be between \$60,000 and \$152,000.

Infant Group Care

The issue of phasing out infant group care was the most contentious one during the consultation process. In some cases, however, programs have voluntarily chosen to phase out their programs. One program phased out its infant care during the 1996 year. Two others have indicated their willingness to do so and others have said they would consider the option in 1997. As well, another report being considered by Committee outlines plans to phase out one of the two infant group care programs operated by the Department. Estimated savings for this option are approximately \$70,000 per annum for community programs and \$80,000 for the Municipal program. These costs would need to be phased in to allow for attrition. The original recommendation to phase out all subsidized infant group care indicated possible savings of \$1,600,000.

Reduction in Employer Health Tax (EHT)

The provincial government announced changes to the EHT to be phased in over the next three years. In 1997, the exemption will apply to the first \$200,000 of payroll and this amount will increase to the third year when payroll up to \$400,00 will be exempted. In the first year, 1997, these savings across all programs will amount to \$170,217. In 1998, an additional \$59,981 will be saved and a further amount in the third year.

CONCLUSIONS

During the program by program review, staff from the Department and the child care agencies worked extremely hard to try to find solutions that would achieve the required fiscal restraint while minimizing the impact on quality of care. The strategies presented attempt to share the burden of the restraint among programs, while implementing solutions that have the least detrimental impact on the organizations themselves and the level of quality of service they are able to provide.

Although the consultations on many of these options were challenging, most programs recognize the need for all programs to make a contribution to trying to keep the JobsOntario spaces in the Ottawa-Carleton community. The advantage of using this type of approach as opposed to maintaining the 2.1% reduction, is that there is an attempt to recognize the individual circumstances of programs and communities. Methods of reducing cost such as reducing extra ratio staff that most programs operate without and adjusting group size, result in lower costs for both full fee paying and subsidized spaces. As well, some of these options result in creating more spaces in a centre.

The majority of the budgets in all centres are in salaries and benefits, therefore many of these options will have an impact on staff working in child care programs. In many programs, the impact would be a reduction in hours as opposed to whole positions. The Department recognizes the hardship created by job loss and job uncertainty, as this reality is affecting all community agencies and the Department itself. In the case of job loss, we would encourage programs to enter into a voluntary process of considering applications from staff from other programs during their hiring process. This process is currently being used in portions of the health sector.

Potential Savings

The following chart outlines potential savings from a number of the recommendations listed above.

STRATEGIES FOR SAVINGS

STRATEGY	1997 SAVINGS	ANNUAL SAVINGS
1. Adjusting group size	\$65,000*	\$130,000
2. Reducing staff over DNA	\$30,000*	\$60,000
3. Closing/reducing educational institution based programs	\$100,000	\$100,000
4. Voluntary infant closures including two community and one Municipal program	\$75,000*	\$150,000
5. EHT reductions	\$170,000	\$170,000
6. Reduction of up to 2.1% in community programs and reductions in Municipal programs and Administration	\$429,000	\$429,000
7. Contingency Fund	\$170,000	
TOTAL	\$1,039,000	\$1,039,000

* based on six months savings

As mentioned earlier, many of these strategies, particularly those that change group size numbers or staffing ratios require further research to ensure that regulations according to the DNA are maintained and that health and safety issues are addressed. Many of these strategies require phasing in during 1997. In some cases, infant programs need to be phased out through attrition. In other cases, programs would be converting some spaces from one program to another. Finally, some proposals result in staffing reductions and suitable notice would be required. Because the rate setting process will not be final until the spring, options that require phasing in have been based on achieving 50% of annual savings in 1997. Through the rate setting discussions with individual programs, further savings could be identified.

FINANCE DEPARTMENT COMMENTS

To be provided under separate cover.

*Approved by
Dick Stewart*

ANNEX A

Regional Council,
10 July 1996.

2. LONG TERM STRATEGIES FOR EFFICIENCIES IN THE CHILD CARE SYSTEM

COMMITTEE RECOMMENDATIONS AS AMENDED

That Council approve that the Social Services Department proceed with the following:

1. A program by program review to be completed in the next three months to identify opportunities and recommend steps to restructure programs in a more cost effective manner; to review the sustainability of the 2.1% rate reduction and to determine the potential for closure of group child care programs at Christmas and for one week in the summer.
2. The use of funds in the amount of \$25,000 from the Child Care Contingency fund to undertake within the next three months a cost-benefit analysis of the following:
 - (a) developing automated links between child care agencies, MCSS Area Office and Social Services;
 - (b) setting up or linking with existing centralized services for payroll, janitorial services, purchasing etc. for individual child care programs;
 - (c) developing an automated central waiting list for licensed child care programs.
3. A review of policies related to the provision of subsidized child care for students, for parents looking for work and for parents requiring part time care to be completed by early winter.
4. A review of the distribution of all subsidized child care spaces including Jobs Ontario spaces in consultation with the child care community to be completed by the end of 1996.
5. That the child care community be actively involved in the preparation of these options and that the report to Committee on this matter include a section outlining the views of the (child care) community.

Regional Council,
10 July 1996.

MOTION NO. 215

Moved by Councillor D. Pratt
Seconded by Councillor M. Bellemare

RESOLVED THAT with respect to Item 2 of Community Services Committee Report No. 31, a feasibility study be completed within the next three months, looking at modifying the current proportion of infant group care provided in group centres, and that which is provided in family child care.

BE IT FURTHER RESOLVED THAT staff, when setting the terms of reference of the feasibility study, include but not limit themselves, to the following:

- a) the impact of the recommendations on the financial viability of the programs;
- b) the impact of the recommendations on the target population served by the program.

“CARRIED” with Councillor Cullen dissenting.

MOTION NO. 216

Moved by Councillor A. Munter
Seconded by Councillor D. Holmes

RESOLVED THAT Item 2 of Community Services Committee Report No. 31 be amended to provide that infant group care programs designed to allow teenage mothers and other young parents to complete their education, not be eliminated without suitable alternate arrangements being made.

“CARRIED”

Item 2 of Community Services Committee Report No. 31, as amended by Motion Nos. 215 and 216 was then put to Council and **“CARRIED”** on a division of 17 yeas to 1 nays as follows:

YEAS: Councillors Munter, Beamish, Holmes, Hill, McGarry, Hume, Pratt, Hunter, Davis, Legendre, Stewart, van den Ham, Kreling, Loney, Bellemare, Cantin and Chair Clark...17

NAYS: Councillor Cullen...1

ANNEX B**Steering Committee Members****re:****Program By Program Review And Modifying The Proportion Of Infant Care Spaces**

Nancy Campbell	CUPE 2204
Suzanne Gagnon	RMOC-facilitator
Danielle Galipeau	ASPOC
Mary Lou James	Community Child Care Consultants
Susan Myers	MCSS
Charlyne Monahan	OBE
Armande Poirier	Centre éducatif Beausoleil
Gayle Preston	RMOC
Kathy Yach	City View Day Care Centre

Steering Committee members**re:****Automation and Centralization of Services**

Janet Fredette	Centretown Parents' Day Care
Glen Ford	RMOC
Jane Joy	RMOC-facilitator
Les MacIver	Children's Place
Erin McBride	Gloucester Home Child Care
Anne Marie Muldoon	MCSS
Sandra Patenaude	RMOC
Diedre Sterling	RMOC
Lyne Tremblay	Child Care Information
Carol Warwick	Woodridge Court

ANNEX C

Impact of Adjusting Group Size and Maximizing Staff/Child Ratio**Example: Preschool Centre, staff/ child ratio of 1:8**

Capacity	46	48	49
# of teachers required	6	6	7
<u>STAFFING COSTS</u>			
Teachers	\$162,000	\$162,000	\$189,000
Other Staff	\$115,319	\$115,319	\$115,319
All Other Costs	\$62,969	\$63,761	\$64,157
TOTAL COST	\$340,288	\$341,080	\$368,476
<u>UNIT COSTS</u>			
Per child/year	\$7,398	\$7,106	\$7,520
Per child/day	\$28.34	\$27.23	\$28.81