REGIONAL MUNICIPALITY OF OTTAWA-CARLETON | REPORT
MUNICIPALITÉ RÉGIONALE D'OTTAWA-CARLETON | RAPPORT

Our File/N/Réf.
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DATE 23 March 1998

TO/DEST. Co-ordinator
Community Services Committee

FROM/EXP. Commissioner
Social Services Department

SUBJECT/OBJET **CAPITAL FUNDING**

DEPARTMENTAL RECOMMENDATIONS

That Community Services Committee and Council approve:

1. **That $750,000 be included in the 1998 budget to fund child care capital projects under the three components of the approved capital funding policy;**

2. **That an additional $40,000 be included in the 1998 budget to hire a consultant to work with operators that own their facilities to assist them in developing ten year plans for maintenance and repairs;**

3. **That the inclusion of $1.5 million annually for child care capital funding be considered in the 1999, 2000, 2001 and 2002 budget deliberations, and;**

4. **That the total of $790,000 requested in 1998 be funded from the child care contingency fund.**

PURPOSE

The purpose of this report is to provide a preliminary estimate of the funding needs over the next five years to maintain the infrastructure in the child care system in Ottawa-Carleton. This report will identify what is known to date about the capital funding needs for child care programs. In addition, it will outline future steps for planning for subsequent years once additional information is known about the impact that school board amalgamation and new funding may have on the child care programs located in Ottawa-Carleton schools.

This report focuses on the funding required to maintain the current infrastructure as this is seen as the highest priority need. In the current economic climate with no real potential for increased funding to provide additional subsidized spaces, major expansion (new programs) will be difficult if not impossible to achieve. The Department will, however, be working in conjunction with the child care community to develop a strategic plan for the development of the child care system in Ottawa-Carleton. This plan will include information on current service levels as well as potential need for growth in various areas.

BACKGROUND

Over the past two years, the provincial government has made some significant decisions about capital funding of child care programs. Although the provincial child care review has not yet been completed, the Ministry of Community and Social Services has announced their withdrawal from major capital funding for child care programs except for Health and Safety related projects. The Ministry, has not confirmed that it will continue to fund Health and Safety projects on an ongoing basis and has not indicated what level of funding will be available for those projects.

To respond to this change in provincial policy, the Social Services Department developed a capital funding policy in 1997. This policy has been approved by Committee and Council and includes the following three components.

1. Funding for projects that are required to meet Health and Safety requirements (under $40,000). Such projects will be cost shared 50% by the Province, 20% by the operator and 30% by the Region.

2. Funding for projects that are considered Minor Capital (under $40,000). Such projects will be cost shared 50% by the operator and 50% by the Region.

3. Funding for projects that are for Program Development and Expansion over $40,000. Such projects will be cost shared with a 20-50% contribution from the operator and the balance provided by the Region.

PROCESS FOR IDENTIFYING NEEDS

The Department has consulted with the Region’s Property Services Department on how to assess the future needs within the child care community. Agencies were surveyed about their plans for capital funding projects. Directly operated centres were not part of this exercise. These centres currently have maintenance and renovations work plans (done by Property Services) but would compete with all other programs for any capital funding initiatives.

Research was done on programs in four categories:

- operators that own their facilities;
- operators that lease space;
- operators that lease space in schools in Ottawa-Carleton; and
- operators that lease space in buildings owned by one of the school boards but are not currently operating schools.

It should be noted that most programs based in schools were not contacted during this survey. The reasons for this are detailed in the section on programs in Ottawa-Carleton schools.

Operators That Own Their Facilities

The Region has been actively involved in providing capital funding for child care programs since 1987. During this period funds have been provided for both expansion and renovation/replacement of existing facilities. As a result, expansion has occurred in several identified under serviced areas and the majority of programs that were housed in inadequate facilities have had major renovations or have relocated. Since the majority of these buildings are less than ten years old, they are in reasonably good condition, however it is important that efforts be taken to ensure that plans are developed for ongoing preventative maintenance.

A total of 32 operators own their facilities. This includes four agencies that are managed by three-party boards where one of the board members also owns the buildings. Technically, therefore, the premises are leased, but they are leased from one of the three board members. It is assumed, therefore there is an implied control over the building and the leasing arrangement, not normally found in a traditional landlord/tenant arrangement. The chart on the following page shows programs that own their buildings, and identifies those that have received funds from the region to implement capital projects. Some of these programs are in special purpose built facilities, others have purchased buildings and renovated them to meet the requirements under the Day Nurseries Act. The chart includes operators that have received capital grants from the region but have not yet re-located to the new facility (Children's Centre, francophone school in Bridlewood and New Edinburgh). The chart also identifies any capital projects that are planned by the agency.

The results show that this group does not have many firm plans for future development. It is important to note that some agencies may face unforeseen projects such as roof replacement, etc. during the five year period.

Of the agencies that own the buildings, 20 were constructed within the last ten years. Another ten are operating in older buildings that are likely to have more significant capital needs over the next five years. A small number of those who own their building indicated that they have small projects in the planning stages to repair or renovate their centres. Most believed that these could be managed under the Health and Safety or Minor Capital components of the policy. One agency has recently purchased their building and has requested some funds from the Region to assist with the purchase and renovations that will result in reduced operating costs in the future. Another operator has indicated their plans to buy and renovate a building that will replace their current one. This is a major capital project that will likely be officially proposed in 1998.

The capital funding policy approved in 1997 requires operators to contribute between 20 and 50% of the funding for the project. Of the agencies surveyed, only ten have indicated they have capital reserves for future projects. At the time this report was written, one agency has contacted the Region asking that they be able to use surplus funds they had accumulated as a result of court action to begin to build a reserve fund for future capital projects.

OPERATORS THAT OWN THEIR FACILITY

Operator	Age of Building (0-5, 5-10, 10+ years)	Previous Regional Capital Funding	Projects Upcoming & Approximate Date
ABC Oxford	10+		
ABC Pinehurst	10+		
Aladin	0 - 5	$162,500	Leaky basement and roof
Algonquin	5 - 10		
Andrew Fleck	10+ Major Reno 1993	$90,000	
Barrhaven - Kennevale	5 - 10	$87,050 and $25,000	
Bernadette	5 - 10		
Bridlewood	5 - 10		
Canadian Mothercraft	10+ Major Reno 1995		
Centre des Petits	10+		
Centrepointe	5 - 10	$105	
Centretown	10+		Want to buy a new building, request $1.1 Million
Children's Aid	0 - 5		
Children's Centre	To be constructed 1998	$960,000	Have requested an additional $200,000
Children's Village	5 - 10		
Coccinelle	0 - 5	$50,000	
Colonel By	0 - 5	$93,750	
Cornerstone	0 - 5	$205,000	
Cumberland Hub	5 - 10	$181,250	
Glebe	5 - 10	$108,700	
Gloucester	10+		Renovations done at time of purchase
Greenboro	5 - 10	$250,000	
Little School	5 - 10		

OPERATORS THAT OWN THEIR FACILITY

Operator	Age of Building (0-5, 5-10, 10+ years)	Previous Regional Capital Funding	Projects Upcoming & Approximate Date
New Edinburgh	To be constructed 1998	$210,000	Have requested an additional $40,000 dependent on actual costs
Overbrook	0 - 5	$7,500	
Pineview	5 - 10		
Providence	5 - 10		Problems with roof.
Renée Tassé	0 - 5		
St. Anthony’s	10+		
Sunflower	0 - 5	$125,000	
West End Co-op	10+		
YM/YWCA	10+		

Programs That Lease

This group was contacted to enquire about the terms of their lease, including whether their landlord shares in the cost of renovations. The Department also asked whether boards of these programs were exploring relocation including purchasing space.

Of the agencies in this category a number lease from churches or community organizations that have a long history of commitment to child care programs. In some cases, increases in rent are put toward future or past renovations.

Another four programs are in federal government buildings that assisted in the creation of work place child care programs. It is therefore believed that their current leases are relatively secure. Historically renovations have been made with no request from the Region for a contribution. Recently, however, some costs previously shared by the federal government have been passed down to the child care programs. None of these programs indicated any plans for moves or major renovations.

Of the agencies surveyed, only four indicated capital projects that would either be Health and Safety related or Minor Capital projects. Another four indicated they are exploring re-negotiating their leases, moving or in one case buying a building. Only two agencies indicated they have a capital reserve fund and a few others said they have begun fund-raising efforts to raise their portion of any future capital projects. It is important to stress that some of the programs that lease space may in fact face changes in their needs during the five year period that cannot be anticipated at this point. An example of this is if the current owner of the buildings should sell the property that could result in the programs having to relocate.

LANDLORDS OF CHILD CARE PROGRAMS THAT LEASE

NUMBER OF PROGRAMS	LANDLORD
4	Church
4	Federal Government
24	Other landlords including community organizations and private landlords

Programs Based In Currently Operating Schools

This section encompasses the largest segment of the child care community. Sixty-four child care programs operate in schools in Ottawa-Carleton including several municipal centres. Some assumptions had to be made with this group of programs. Over the past several years changes to fiscal realities in school boards and other government funded institutions have resulted in increases to rent being charged to child care programs and other tenants. Since the announcement of school board amalgamations in Ottawa-Carleton, there has been uncertainty among programs operating in Ottawa-Carleton schools. The recent funding announcements have not allayed these concerns. For the purpose of this research, however, it was assumed that most of these programs would stay within the schools they currently operate , as the majority of these programs serve children who attend the school and most are in special purpose built space. This may not be the case with some schools, but there was no way to accurately predict how many may face changes until local school boards make announcements about their facilities.

Analysis based on 1997 budgets indicates that all six previous school boards handled child care programs that are tenants in different ways. For example, the French school boards have previously not charged rent and operating costs to child care programs serving their schools, but in recent years have begun charging them for janitorial work being done in the summer months (if the programs are open in the summer). The English Public and Separate boards varied in their practices. They have tended to charge programs for rent or operating costs, but not usually both. There is also variation on whether janitorial costs are charged at all, separately or as part of the operating costs. Agencies in the English school boards have experienced a move to market rent or actual costs over the last year.

It is not clear whether amalgamation will result in a more consistent practice for charging rent and operating costs, and if so, which practice will be used. Using 1997 financial data, the total cost of rent and operating expenses being charged to child care operators in schools was $721,649. It is important to note that due to the variety of practices, this breakdown may be misleading as some boards include operating costs in rent, others do not Also, as mentioned above, some include janitorial costs in rent or operating, others do not.

If many of these programs faced relocation due to amalgamation/funding related changes, there would be an enormous need for relocation expense from the Region. Such changes would likely increase the per diems due to increases in rent and operating expense, particularly for those programs in the French Boards where few costs have been passed down to the agencies. For those programs in the English boards, the increase to more of a market rent and actual cost would not be as dramatic a change.

Programs Located In Non-Operational Schools

This group of programs was seen as the most vulnerable to negative impact as school boards are under increased pressure to dispose of the property they are located in. Contact was made with programs in this group to see whether they had long term leases or had any discussions with the school boards re: future plans. There are a total of five programs in this situation. Most indicated that they have no long term leases with the boards. Most have no plans to move or renovate, but are waiting for announcements about the future of the buildings they operate within. Youville Centre is in this group and has been actively fund raising and developing their plans to purchase a building that would bring all of their programs under one roof.

PROGRAMS BASED IN SCHOOLS

School Board	Capacity	Number Of Programs	Annual Rent And Operating Costs Charged To Programs
Ottawa-Carleton District School Board	1375	32	$340,853
Ottawa-Carleton Catholic School Board	737	17	$370,409
Conseil scolaire catholique de district centre est.	458	10	$8982
Conseil des écoles publiques de l'est	229	5	$1405
TOTAL	**2799**	**64**	**$721,649**

Note: This chart includes four Municipal Programs

FINANCIAL NEEDS OVER THE NEXT FIVE YEARS

The Department was requested to bring a plan to Committee and Council outlining the needs for capital funding in 1998 and the four subsequent years. As outlined above, it is a particularly difficult year to make such a plan, given the uncertainty that faces almost half of the child care operators. In order to ensure that funds are available for 1998, the Department recommends that $750,000 be put in the 1998 budget to deal with one or two large projects and some smaller projects under the Health and Safety and Minor Capital components of the policy. For 1998, these funds can be taken from the contingency fund.

Based on the research of projects known to date, we further recommend that $1.5 million be allocated in subsequent budget years to allow for one or two major projects, and a number of smaller Minor Capital and Health and Safety related projects. This amount would need to be verified by the research proposed below.

It is further recommended that $40,000 be budgeted to hire a consultant to work with the 32 operators that own their buildings to aid them in developing maintenance plans for their properties. The Property Service Department of the Region has been working with the directly operated centres to develop these work plans that require regular maintenance and replacement based on accepted industry standards. Such plans reduce the likelihood of higher cost projects occurring due to the deterioration of properties. These plans would be developed over the next year to allow for the next four years of budgets. They would encourage the operators to have a time frame in mind for fund raising the portion of costs not available from the Region.

It is anticipated that plans for school closures or disposal of school board owned properties will be known in 1998. The Department will work with the child care operators in these schools to plan any relocation that may occur. A more extensive plan could then be made available for the 1999 budget process.

FUNDING CHILD CARE CAPITAL PROJECTS

In July 1997 when the new Regional policy for capital projects was approved, Council also approved a recommendation to include a child care component in the Regional Development Charge (RDCs). Before funds can be accessed for this purpose a By-Law change would be required. In addition, the Province has also changed the legislation regarding development charges and as a result, the Finance Department will be conducting a major review of the RDC policy which will be coming before Council later in 1998. The Finance Department will include the issue of capital funding for child care programs in its review of RDC policy.

During the discussions on the new capital policy, concerns were raised by the child care community concerning their ability to raise large sums of money for capital projects. Some avenues regarding fund raising are being explored by individual operators and umbrella groups in the child care community. As directed by Committee, a letter was written to the Local Area office of the Ministry of Community and Social Services in September of 1997 concerning the ability of child care operators to include funds in their annual budgets to create a capital reserve fund. No response has been received to date. Notwithstanding a response from the Province, a one percent increase in per diem rates for this purpose could be imposed and would generate $289,097 in funds. Such a measure would require a corresponding increase in the 1998 child care budget without any guarantee of additional subsidy from the Province.

CONCLUSION

The above provides a preliminary estimate of funds required for child care programs that are planning capital projects in the next several years. It is important, however, to reiterate that some programs, particularly those in schools may be faced with additional unanticipated changes over the next couple of years. Until the plans of the local boards become clearer regarding space and programming, it is impossible to accurately predict which programs may be forced to move or absorb additional costs.

FINANCE DEPARTMENT COMMENT

Schedule A, attached, shows the uncommitted balances of the Child Care Contingency Fund and the Child Care Capital Reserve Fund for information purposes

Approved by
Dick Stewart

BRB

Schedule A

Status of Child Care Contingency Reserve Fund

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Cash Balance as at April 7/98 (no commitments)	2,584,000

Status of Child Care Capital Reserve Fund

Cash Balance as at April 7/98			2,019,930
<u>Council Approved Commitments:</u>			
1. Community Services Committee Report No. 41 (Jan 22/97)			
- Capital Grants to New Edinburgh Child Care Centre	*	(210,000)	
- Capital Grants to Garderie Sunflower Cooperative	**	(125,000)	
2. Community Services Committee Report No. 42 (Feb 12/97)			
- St. Luke's Municipal Child Care Centre	***	(53,400)	
3. Community Services Committee Report No. 46 (Apr. 9/97)			
- New Child Care Centre in Kanata		(225,000)	
4. Community Services Committee Report No. 49 (June 11/97)			
- The Children's Centre		(960,000)	
5. Community Services Committee Report No. 51 (July 9/97)			
- Minor Capital		(60,000)	
Total Commitments			**(1,633,400)**
Uncommitted Balance			**386,530**

* Conditional on provincial funding in the amount of $755,000.
** Up to a ceiling of $125,000 with the final amount to be determined by actual costs less any provincial contribution.
*** Original approved regional contribution for the project was $395,000. To date, the project has been funded $341,600 leaving a commitment of $53,400.