

7. FULL FEE RATES IN MUNICIPAL CENTRES

COMMITTEE RECOMMENDATIONS

That Council approve increases in the rates charged to full fee payers in child care centres operated by the Region, effective September 1, 1998, as outlined in report.

DOCUMENTATION

1. Commissioner, Social Services report dated 29 May 98 is immediately attached.
2. Extract of Draft Minute, Community Services Committee, 25 June 1998 to be distributed prior to the Council meeting and will include a record of the vote.

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

REPORT
 RAPPORT

Our File/N/Réf.
 Your File/V/Réf.

DATE 29 May 1998

TO/DEST. Co-ordinator
 Community Services Committee

FROM/EXP. Social Services Commissioner

SUBJECT/OBJET **FULL FEE RATES IN MUNICIPAL CENTRES**

DEPARTMENTAL RECOMMENDATION

That the Community Services Committee recommend Council approve increases in the rates charged to full fee payers in child care centres operated by the Region as indicated below effective September 1, 1998:

	Current Rate	Rate as of September 1, 1998	Percentage Increase
Infant	\$52.45	\$53.00	1%
Toddler	\$41.40	\$41.80	1%
Preschool	\$29.80	\$30.10	1%
Kindergarten	\$21.05	\$21.25	1%
School Age	\$12.50	\$12.65	1%

BACKGROUND

The Region currently operates 17 municipal child care centres that provide care on a daily basis for 759 children. The majority of these children are from families who qualify for subsidy, however, in 1997 an average of 148 spaces (21%) were occupied by full fee payers.

RATE SETTING POLICIES

The Day Nurseries Act of Ontario was amended on 1 January 1984 to ensure that municipal centres charge full fee paying parents sufficient fees to cover their portion of all actual operating costs.

Prior to January 1984, the Province had cost shared net expenditures in the centres regardless of fees charged to the public. This allowed municipalities to set fees at rates lower than actual costs and made spaces affordable for middle income families. At the same time, the lower rates ensured full utilization of the spaces and also generated significant revenue.

These "indirect subsidies", however, were contrary to the provisions of the Canada Assistance Plan. In order to maintain federal cost sharing, the Province eliminated the indirect subsidies by amending the Day Nurseries Act and issued a directive to municipalities to increase their fees to reflect actual cost by 1 January 1987.

In accordance with the Provincial directive, fees in the Region's centres were increased an average of 37% between September 1983 and September 1986. From 1986 to 1996, Council approved more moderate annual increases, setting the rates at an amount equivalent to the average rates charged in centres from which the Department purchases service. These decisions have enabled the Region to maintain a mix of full fee and subsidized children in the centres and also retain a significant source of revenue, projected at \$840,000 in 1998. At the same time municipal centres do not have an unfair advantage over private centres in attracting full fee payers. However, because fees are not at actual cost, an expenditure of 100% Regional dollars is required to make up the difference between the actual cost of care and the revenue from fees.

This expenditure, which is provided for in the Regional budget, varies annually depending upon the actual number of full fee payers enrolled in the centres. Estimated cost in 1998 is \$289,000. It should also be noted that this expenditure of 100% Regional dollars is comparable to the amount of funding non-profit centres receive under the Provincial Wage Enhancement and Pay Equity Grant programs for which the Region is not eligible.

Current rates charged to the public are 59% of actual cost for infants where there are no full fee payers. Actual costs in kindergarten and school age programs are 90% where almost two thirds are fee payers.

1998 MUNICIPAL CENTRE BUDGET

The 1998 budget for municipal centres is \$7,157,000. The chart below shows that expenditures in the centres have actually decreased since 1995 when the fees charged to full fee payers were last increased. At the same time the total licensed capacity as well as the number of full fee payers have increased. The increase in capacity results primarily from a decision made by Regional Council to phase out the infant program at St. Luke's and increase the toddler and preschool programs. The increase in full fee payers results from efforts by municipal centre staff to increase revenue. The 1998 increase in expenditures is due to salary increases as per the collective agreement and an adjustment to reflect the actual cost of benefits in the centres.

Municipal Centre Budgets			
Year	Approved Budget \$'000's	Licensed Capacity	# of Full Fee Payers
1995	7,236	722	126
1996	7,006	728	126
1997	7,130	732	148
1998	7,157	759	160

1998 FULL FEE RATES

The Department considered four options for setting full fee rates in 1998:

1. raising fees to reflect actual costs;
2. raising fees across the board by 1% to decrease the gap between actual costs and rates charged;
3. no increase in fees; or
4. setting fees equal to those paid for purchased services (based on the 1998 recommended rates without across the board salary increases.)

Raising fees to actual costs would probably result in the loss of most our current fee payers as well as the \$840,000 in revenue generated from this source. Since no new Provincial dollars are available to convert the empty spaces to subsidised spaces it would also be necessary to decrease capacity and possibly close some programs in order to live within the existing budget. This would result in a net loss in the number of licensed spaces available in the community as well as staff redundancies. One time severance costs for redundant staff would also be significant.

An across the board increase of 1% would probably not have a significant impact on our ability to attract fee payers, and would generate extra revenue. The resulting fees would be as follows:

Infant	\$53.00
Toddler	\$41.80
Preschool	\$30.10
Kindergarten	\$21.25
School Age	\$12.65

No increase in fees would mean that the rates charged would remain at 1995 levels and a potential opportunity to increase revenue would be missed. Setting rates at the average level paid for purchased services would result in a slight decrease in all but the infant rate and a corresponding decrease in revenue.

Given the above, the Department recommends that fees be increased across the board by 1%.

FINANCIAL IMPACT

Since the 1998 child care budget did not anticipate any increase in rates charged to full fee payers there should be a moderate increase in revenue if the fees are increased by 1%.

PUBLIC CONSULTATION

No public consultation was held on this issue.

Approved by Dick Stewart

GP/maw

FINANCE DEPARTMENT COMMENTS

Approval of this report's recommendation will require 100% Regional funding for 17% of the total cost of "full-fee payer" spaces in municipal centres.

Projected for 1998 - Assuming 165 Full Fee Spaces

		\$000	%
Full Cost	1,077	100	
Full-fee parent contribution		<u>896</u>	<u>83</u>
Regional Cost		<u>181</u>	<u>17</u>

Funding for the Region's share of the projected 165 full-fee spaces has been provided for in the 1998 Adopted Budget.

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