



REPORT TO

## CORPORATE SERVICES, STRATEGIC PLANNING AND PROPERTY COMMITTEE

### PROPOSED CANCELLATION CITY OF TORONTO CHILD CARE FINANCIAL AGREEMENT WITH TCDSB

*“Start children off on the way they should go, and even when they are old they will not turn from it.” Proverbs 22:6 (NIV)*

Created, Draft	First Tabling	Review
January 10, 2017	January 19, 2017	Click here to enter a date.

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### RECOMMENDATION REPORT

#### Vision:

*At Toronto Catholic we transform the world through witness, faith, innovation and action.*

#### Mission:

*The Toronto Catholic District School Board is an inclusive learning community uniting home, parish and school and rooted in the love of Christ.*

*We educate students to grow in grace and knowledge to lead lives of faith, hope and charity.*



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## **A. EXECUTIVE SUMMARY**

Toronto Children's Services recommendation, to the City of Toronto Budget Committee, to cancel the child care occupancy cost Financial Agreement with School Boards, will have a significant negative impact on TCDSB and other School Boards operational budgets. School Boards will be required to charge rent/occupancy cost recovery directly to the child care operators. This will result in increased child care fees to parents who pay full and partial fees, and destabilize childcare centres. A letter signed by the Chair of the Board and the Director of Education, dated January 11, 2017, was sent to the Chair of the City Budget Committee expressing concerns and opposition of the proposed cancellation of the child care occupancy cost Financial Agreement with School Boards. This report recommends sharing the January 11, 2017 letter with TCDSB child care centre tenants and parent community encouraging them to express and forward their concerns on to the City's Budget Committee and to their respective City Councillors.

The Board receives, from the City of Toronto, quarterly child care occupancy cost payments, for an annual total of \$736,245.96, based on \$6.11 per square foot. The Board's 2016 average operating occupancy cost is \$10.50 per sq.ft. If that rate is applied to those child care tenants, currently included in the City Financial Agreement, it would result in an annual operating cost recovery of \$1,014,212.00. Therefore the Board is currently subsidizing the operational costs of child care centres, with educational dollars, in an amount of approximately \$277,966.00 annually.

*The cumulative staff time dedicated to developing this report was 20 hours.*

## **B. PURPOSE**

To review the impact of the Toronto Children's Services recommendation, to the City of Toronto Budget Committee, to cancel the child care occupancy cost Financial Agreement with TCDSB and other School Boards.

## **C. BACKGROUND**

1. The City of Toronto and TCDSB entered into a Financial Agreement, dated September 1, 1998 and amended January 1, 2000, whereby the City agreed

to pay directly to TCDSB, the occupancy costs owing, by child care tenant operators, in specified TCDSB schools.

2. There are currently 43 child care tenants/school locations included within the City Financial Agreement and 4 child care tenants/school locations that pay the occupancy costs directly to the Board. All child care tenants have entered into lease agreements with TCDSB.
3. The current occupancy costs (additional rent) paid by the City under the Child Care Financial Agreement is \$6.11 per square foot. That rate has remained unchanged since 2006. Under a provision in the Financial Agreement the Board may make a formal request to the City of Toronto, for consideration of an occupancy cost increase, prior to September 1<sup>st</sup> in any given year. In accordance with an August 23, 2006 Board resolution a request was submitted to the City of Toronto Children's Services to increase the child care occupancy costs, from \$6.11 per square foot to \$6.88 per square foot, to more accurately reflect actual operating expenses at that time. The City advised that it lacked sufficient funds to increase the child care occupancy cost rate.
4. Under the terms of the Financial Agreement with the City the Board can not apply a rental surcharge to those Child Care operations, included in the Agreement, in order to recover the Board's actual average operating cost per square foot.
5. The Board receives, from the City of Toronto, quarterly child care occupancy cost payments, for an annual total of \$736,245.96, based on \$6.11 per square foot.

#### **D. EVIDENCE/RESEARCH/ANALYSIS**

1. In a letter, dated December 6, 2016, Toronto Children's Services advised the Board that due to significant funding pressures, in its 2017 operating budget, Children's Services was recommending, to the City of Toronto Budget Committee, to cancel the child care occupancy cost Financial Agreement with School Boards. If approved by Council the termination will be effective July 1, 2017. Toronto Children's Services indicates that the child care operators will assume the responsibility for the occupancy costs, as

determined by each School Board, and directly pay the School Boards these costs. (*Appendix “A”*).

2. Under the terms of the child care Financial Agreement between the City and TCDSB the City is entitled to terminate the agreement upon providing 120 days prior written notice to TCDSB.
3. The standard lease agreement, between TCDSB and the various third party child care tenants, acknowledges the City of Toronto Financial Agreement, and if terminated by the City the child care tenant would be responsible for the payment of all rents/additional rents (operating costs). TCDSB is obligated to provide the child care tenants with 120 days prior written notice of any rent/additional rent increases.
4. The Board, at its meeting of June 6, 2016, approved the following resolution:

*“That the Board approve the leasing rate for 2016 of \$10.50 per square foot for the three outside agencies identified in TCDSB Policy B.R.01, Rental of Surplus School Space, as the Catholic Church, Non-Profit Child Care and Non-Profit Charitable Organizations.”*

5. Should TCDSB download the operating occupancy costs, directly to those child care tenants currently included in the City Financial Agreement, and apply the \$10.50 per square foot, the 2016 average occupancy cost recovery rate, it would result in an annual operating cost recovery of \$1,014,212.00. The Board currently receives from the City an annual total operating cost of \$736,245.96. Therefore the Board is currently subsidizing the operational costs of child care centres, with educational dollars, in an amount of approximately \$277,966.00 annually.
6. Downloading the operating occupancy costs directly to the child care tenants may result in the following:
  - Significant financial hardship which may result in some child care operators being forced to cease operations leaving parents to find alternative child care.
  - Child care operators may attempt to recoup the operating costs by further downloading those costs to parents by increased child care fees.

- Should a child care operator default in their lease agreement, with the Board, by entering into arrears or unable to pay the operating cost recovery rates, Board remedies to address this matter could reflect negatively on the Board's public perception.

7. A review below, of two sample child care centres within TCDSB schools, shows the potential financial impact of the cancellation of the Financial Agreement:

School	Child Care Operator	Annual Occupancy Costs Child Care to Pay Directly to Board. (\$10.50 per sq.ft.)	Annual Increase Per Child/Family in Child Care Centre	Additional Cost per Day per Child
School A	Operator A	\$67,196.65	52 children \$1,292.00 per child/family	\$4.40
School B	Operator B	\$42,623.96	32 children \$1,332.00 per child/family*	\$4.53

\*Majority of families in this particular centre are paying partial child care fees as they receive subsidies from the City.

8. The Toronto Coalition for Better Child Care is proposing to release the Call for Action Notice to Parents attached to this report as (*"Appendix B"*). The notice indicates that if the Financial Agreement is cancelled that it will be *"exposing Parents and the City Taxpayers to soaring costs at the mercy of the school boards. We know that once this agreement is opened-school boards will hike occupancy costs for child care in schools-and that will have a fast moving ripple effect on parent fees across Toronto and destabilizing child care programs."*
9. The Toronto District School Board, at its meeting of December 7, 2016, considered the City of Toronto's Children's Services recommendation to the City Budget Committee to cancel the child care occupancy cost Financial Agreement with the School Boards and approved the following resolution:

*"Whereas, the City's draft budget proposed to eliminate direct payment to the Toronto District School Board of over \$4.1 million annualized for school-based child care centre occupancy costs; and*

*Whereas, the proposed cut will require school boards to charge rent directly to child care operators through leases to recover these costs; and*

*Whereas this cut will result in increased fees for parents who pay full or partial fees and would destabilize childcare centres;*

*Therefore, be it resolved:*

*(a) That the Chair make a written submission to the City of Toronto Budget and Executive Committees in opposition to the proposal as outlined above;*

*(b) That the coterminous boards, the members of the Early Years Community Advisory Committee, the Parent Involvement Advisory Committee and the Board's child care centre tenants be copied on the submission reference at Part (a), and encouraged to echo the concerns to the City's Budget Committee and their respective City Councillors;*

*(c) That a communications plan be developed for trustees and that trustees reach out to their City Councillors to highlight the significance of the change."*

10. Opposition against the proposed cancellation of the child care occupancy cost Financial Agreement, with the School Boards, would be strengthened should TCDSB also provide the City of Toronto Budget Committee and City Councillors with a written communication expressing concerns and opposing the proposal. In turn that communication should be shared with TCDSB child care centre tenants and parent community encouraging them to express and forward their concerns on to the City's Budget Committee and to their respective City Councillors.
11. Due to time constraints a letter signed by the Chair of the Board and the Director of Education, dated January 11, 2017, was sent to the Chair of the City Budget Committee expressing concerns and opposition of the proposed cancellation of the child care occupancy cost Financial Agreement with School Boards. The letter is attached to this report as *Appendix "C"*.

## **E. ACTION PLAN**

- Arrange to forward the January 11, 2017 letter, addressed to the Chair of the City Budget Committee, to TCDSB child care tenants and parent community.
- Prepare communication advising child care operators of the potential increase in rent, effective July 1, 2017, in accordance with the terms of their existing lease.

## **F. STAFF RECOMMENDATION**

1. The communication provided to the City of Toronto Budget Committee and City Councillors be shared with TCDSB child care centre tenants and parent community encouraging them to express and forward their concerns on to the City's Budget Committee and to their respective City Councillors.
2. That child care operators be advised of the potential increase in rent, effective July 1, 2017, in accordance with the terms of the existing lease.