



REPORT TO

CORPORATE SERVICES, STRATEGIC PLANNING AND PROPERTY COMMITTEE

CITY OF TORONTO CHILD CARE FINANCIAL SUPPORT AGREEMENT (ALL WARDS)

“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
April 20, 2017	May 11, 2017	Click here to enter a date.
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<h4>RECOMMENDATION REPORT</h4>		

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

In the recent City of Toronto Budget Committee deliberations Toronto Children's Services had made a recommendation, to the City of Toronto Budget Committee, to cancel the child care occupancy cost Financial Agreement with School Boards, which would have a significant negative impact on TCDSB and other School Boards operational budgets. School Boards would be required to charge rent/occupancy cost recovery directly to the child care operators. That would have resulted 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.

On February 6, 2017 Mayor John Tory announced, during a press conference, that the City of Toronto has rejected the proposal to eliminate occupancy grants in 2017.

This report recommends that child care operators be advised of the potential increase in rent, effective January 1, 2018, in accordance with the terms of the existing lease.

B. PURPOSE

To review the impact of the proposed City of Toronto cancellation, effective December 31, 2017, of 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. 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 2015-2016 average operating occupancy cost was \$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.
3. 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 as the City did not want to include them to the Financial Agreement. All child care tenants have entered into lease agreements with TCDSB.
4. 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 1st 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.
5. 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.
6. 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 would have been effective July 1, 2017. Toronto Children's Services indicates that the child care operators would have to assume the responsibility for the occupancy costs, as determined by each School Board, and directly pay the School Boards these costs.
2. On February 6, 2017 Mayor John Tory announced, during a press conference, that the City of Toronto has rejected the proposal to eliminate occupancy grants in 2017.
3. In a recent conference call with Toronto Children's Services and TDSB City Staff reminded both School Boards that Toronto City Council recommended, at their Executive Committee meeting of February 7, 2017, to reinstate, **for 2017 only**, the grant funding for occupancy costs in child care centres located in the 4 district school boards to enable the City to enter into discussion with the Province on the inclusion of childcare occupancy costs in the Provincial funding formula. Toronto Children's Services advised that the occupancy cost funding to school boards will end December 31, 2017. Relevant Minutes of that City Council meeting are attached to this report as *Appendix "A"*.
4. City of Toronto conveyed its decisions to the Minister of Education and recommended that the City Manager start discussions with Provincial counterparts to review and develop a funding formula in order to fully fund the occupancy costs of child cares operating in Schools. A Committee representing an expert panel was established to review school boards occupancy costs and have met just once in March 2017. No representatives from TDSB or TCDSB were included in this Committee. It is not known if a new Provincial funding formula, to cover the occupancy costs of childcares operating in schools, will be in effect prior to the City of Toronto terminating the occupancy cost Financial Agreement with School Boards effective December 31, 2017.

5. 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.
6. 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.
7. Should TCDSB charge full cost recovery for 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, in an amount of approximately \$277,966.00 annually.
8. Board staff were informed that the City of Toronto Children's Services Manager will be reporting back to City Council regarding this matter and status of the Provincial discussions in June of 2017.

E. ACTION PLAN

- Prepare a communication to TCDSB child care tenants and parent community, City Councillors and the City Mayor.
- Prepare communication advising child care operators of the potential increase in rent, effective January 1, 2018, in accordance with the terms of their existing lease.
- Amend Current child care Lease Agreements when renewed to reflect full cost recovery.

F. STAFF RECOMMENDATION

That child care operators be advised of the potential increase in rent, effective January 1, 2018, in accordance with the terms of the existing lease.