

COMMUNICATION 132006

Received from Trisa McConkey, CPA, CGA, Treasurer
 Addressed to Committee of the Whole
 Date December 8, 2020
 Topic 2021 Draft Childcare Budget

SUMMARY:

Staff recommends the acceptance of the 2021 Childcare Budget – Option #1.

BACKGROUND:

Childcare Services operating results have not been positive throughout 2020. During the COVID closure (March to August), the Town's centers lost \$275,314 despite Council's decision to lay-off the majority of Departmental staff for the duration of the shut-down and implementing other cost cutting efforts by staff. During the shut-down, the Province regularly communicated there would be funding to cover costs during the shut-down period. Town staff submitted the required reports to Lanark County who acts as the Service Manager for Childcare in Lanark County on the Province's behalf. As of the date of this report, the Town has received no confirmation of the amount of these funding allocations. County staff indicate that no word will be received prior to year-end.

In September, the Province allowed for Childcare centers to re-open provided they followed Health Unit guidelines. These guidelines and the decreased demand for before and after school care have resulted in an estimated loss for September to December of \$400,510. Under the Province's Safe Restart Funding for Childcare, the Town received only \$164,510 in funding. Lanark County continues to collect information and advocate with the Province for additional funding.

As illustrated in the below chart, our losses for the year are entirely related to direct services to children and COVID expenses. Staff are forecasting a \$78,000 reduction in net expenditures in December due to the timing of revenue receipts.

Service	2019	2020 (YTD to Nov)
Direct Services to Children		
Dietary	253,386.32	149,465.61
B/A RYP	(180,916.07)	(20,929.27)
Infant	24,340.68	24,336.25
Kinder	(180,249.99)	(24,837.97)
Nursery	35,091.42	11,507.02
Pre-Kinder	10,650.29	
Pre-School	(46,186.20)	306,794.04
Regular B/A	(211,309.85)	(590.05)
Specialty Project	(1,447.90)	(83.20)
Toddler	48,261.16	123,986.87
Camp	153.87	2,245.62

Direct Services to Children Total	(248,226.27)	571,894.92
Overhead		
Administration	568,153.61	495,054.54
Department Revenue	(954,839.98)	(843,918.72)
Building Maintenance	398,917.54	361,436.98
COVID-19		13,324.35
Overhead Total	12,231.17	25,897.15
(Surplus)/Deficit	(235,995.10)	597,792.07

Estimated 2020 Year-End Deficit	519,792.07
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Staff are hopeful funding will be received for the closure period, and that County staff are successful in advocating for additional funds from the Province and/or are able to reallocate funding not used for other purposes in 2020. In the absence of additional funding, there is a Childcare Operating Reserve with a balance of \$1,051,748 that will fund the 2020 deficit, leaving approximately \$531,956 for 2021.

Draft 2021 Budget – Option #1

In November 2020, the local health unit increased cohort sizes from 10 to 24. This means that staff can now work in up to three (3) rooms of eight (8) children rather than being limited to one (1) room only. Any further changes to Health Unit restrictions and/or Ministry guidelines will be reviewed immediately and a report outlining the impact to the Childcare budget will be brought forward to Council.

FRANCIS STREET LOCATION

With the completion of the expansion at the Francis Street Centre and the above recent changes to cohort sizes, this budget contemplates opening two (2) new rooms with a capacity of twenty-four (24) pre-school aged children in each. It is possible to do this without increasing staffing levels for the Centre and therefore results in a significant reduction in the anticipated deficit for the Centre. In addition, the following cost saving measures will be taken:

- Staff have been reduced through not replacing those who leave, retire, or take maternity leave. To cover the duties of those staff, supervisors and/or administrative staff will perform COVID screening and running and cover some breaks.
- Food costs have been reduced by \$50,000 over the 2020 budget.
- Programming materials budgets were reduced.
- The annual mortgage payment ended in 2020 saving over \$126,962 for 2021.
- Transfers to capital reserves will not be made in 2021.
- All capital and minor maintenance projects have been deferred.
- Fees increase by 2% beginning February 1, 2021.

CARAMBECK LOCATION

Carambeck houses before and after school care. Health Unit requirements still state that programs must maintain school-age cohorts according to a) their school and b) their core day class. Currently, children are separated in five (5) rooms each dedicated to a particular school. To comply with the requirement to separate classrooms, children are separated into groups and kept apart from each other though within the same room. Due to these requirements, staff are recommending that services not be provided for snow days, PD days or any other full day program at this time.

Demand for the program is down by over 35% from pre-COVID numbers further impacting the profitability of the Centre. In normal times these programs earn a profit that offsets the cost of infant and toddler programs at Francis Street and contributes significantly to balancing the overall Childcare budget. That being said, the Centre is providing critical services to 94 families allowing them to work and contribute to the economy.

The following cost saving measures have been taken:

- Staff have been reduced through not replacing those who leave, retire, or take maternity leave.
- Food costs have been reduced by \$20,000.
- Programming materials budget was reduced by \$25,000.
- Transfers to capital reserves will not be made in 2021.
- All capital and minor maintenance projects have been deferred.
- Fees increase by 2% beginning February 1, 2021.

The following table summarizes the Draft 2021 Budget – Option #1:

2021 Budget-Option #1	Francis St	Carambeck	Total	FTE
Fees	(1,572,000)	(394,944)	(1,966,944)	
General Operating Grant	(740,214)		(740,214)	
Administration Staff	252,000		252,000	2.64
Cleaning Staff	85,000		85,000	1.71
Direct Care Staff	1,572,285	511,572	2,083,857	30.52
COVID Screening Staff	68,592	143,214	211,807	3.57
Dietary Staff	104,242	26,349	130,591	2.43
Administration	78,900	53,976	132,876	
Building Maintenance	110,800	77,600	188,400	
COVID Supplies	17,000	7,000	24,000	
Food	60,000	15,000	75,000	
Insurance	11,000	4,000	15,000	
Program Expenses	27,200	25,000	52,200	
Shift Premium	300	4,500	4,800	
Training	4,000		4,000	
Total Deficit	79,104	473,268	552,372	40.9
Available Operating Reserves	(79,104)	(452,852)	(531,956)	
Unfunded Deficit		20,416	20,416	

Any additional funding received from either the Province or Lanark County will be used to offset this deficit. If no further funding is received, the Town would be “lending” the amount of the deficit to the Childcare Centre. This amount could easily be repaid the following year provided that COVID is over.

Draft 2021 Budget – Option #2

FRANCIS STREET LOCATION

No change from Option #1

CARAMBECK LOCATION

Close the Centre until COVID has passed and Health Unit restrictions are lifted. This would require laying-off 12 staff currently working at the Centre and will affect 94 families counting on these services. If lay-offs last longer than thirteen (13) weeks, there would be further costs related to severance pay.

The following table summarizes the Draft 2021 Budget – Option #2:

<u>2021 Budget-Option #2</u>	Francis St	Carambeck	Total	FTE
Fees	(1,572,000)		(1,572,000)	
General Operating Grant	(740,214)		(740,214)	
Administration Staff	252,000		252,000	2.64
Cleaning Staff	85,000		85,000	1.71
Direct Care Staff	1,572,285		1,572,285	22.67
COVID Screening Staff	68,592		68,592	1.00
Dietary Staff	104,242		104,242	1.71
Administration	\$78,900	\$9,500	88,400	
Building	\$110,800	\$77,600	188,400	
COVID	\$17,000		17,000	
Food	\$60,000		60,000	
Insurance	\$11,000	\$4,000	15,000	
Program Expenses	\$27,200		27,200	
Shift Premium	\$300		300	
Training	\$4,000		4,000	
Total Deficit	79,104	91,100	170,204	29.7
Available Operating Reserves	(79,104)	(91,100)	(170,204)	
Unfunded Deficit	0	0	0	

FINANCIAL IMPLICATIONS

Option #1 will require all funds in reserve leaving nothing for unforeseen circumstances and/or the continuation of COVID restrictions beyond 2021. It will also require a loan from the Town's reserves to cover the \$20,416 deficit.

Option #2 will leave \$361,752 in the reserve however more of the reserve may be required if the General Operating Grant from the County of Lanark is reduced due to the closure and the reduction of children served. County staff are not able to quantify the reduction at this time.

STAFF RECOMMENDATION

THAT Council approve the Childcare 2021 Budget-Option #1 as presented by the Treasurer; and

THAT further changes to Health Unit restrictions and/or Ministry guidelines be reviewed by staff immediately and a report prepared for Council's consideration outlining the impact to the Childcare budget.