SUBJECT: Best Start Initiative Reserve (ECS07055) (City Wide)

RECOMMENDATION:

(a) That a Best Start Initiative Reserve be established and that it be funded in the amount of $9,155,250.58, to be transferred to the Best Start Initiative Reserve from the Deferred Revenue account #12683-000100.

(b) That any future refunds of Best Start capital dollars from the Hamilton-Wentworth District School Board also be directed to the Best Start Initiative Reserve.

(c) That the Best Start Initiative Reserve be utilized to offset Provincial shortfalls in the cost sharing of the City of Hamilton’s Best Start and Child Care administrative costs and to sustain the Best Start Initiative in accordance with the Best Start Network’s annual work plans.

(d) That in keeping with Council’s reserve-use policy, that staff be directed to seek Council’s approval for the use of these funds either through the Budget Process or through a specific report to Council.

(e) That $1.5 million from the Best Start Initiative Reserve be approved for expenditures in 2007.
EXECUTIVE SUMMARY:

The Province of Ontario’s Best Start Initiative is a comprehensive, evidence-based early learning and care strategy designed to help give Ontario’s children the best possible start in life and help them achieve success in school. The City of Hamilton as the consolidated Municipal systems Manager (CMSM), for child care, is accountable for playing a lead role in planning for and implementing the expansion of child care and related services. The City of Hamilton is responsible for ensuring the implementation of the plan, as it relates to its role as child care system manager, and advocating for Hamilton’s vision for its children. In March 2005, Hamilton’s east-end was selected by the Ministry of Children and Youth Services (MCYS) as one of three Ontario communities to serve as a demonstration site under the Province’s Best Start initiative, which aims to provide child development opportunities, more access to child care and early-learning opportunities for families.

The preliminary allocation of Provincial Best Start funding (2005/06) was forwarded to municipalities as an unconditional grant in order to provide as much flexibility as possible to support Best Start program planning and implementation by local communities. A total of $9,155,250.58, from the $15,890,000 allocation remains unspent at this time. A refund of up to $1,238,107 from two capital projects may be forthcoming from the Hamilton-Wentworth District School Board (HWDSB), pending their receipt of funds from the Ministry of Education (MOE). This may increase the total unspent dollars from the 2005/06 unconditional grant.

Staff are recommending that a reserve be established and utilized in order to sustain the gains already made by Best Start in our community. The reserve would also:

- provide the flexibility to respond to emerging (unfunded) priorities in the Best Start Network’s annual work plans;
- meet obligations the City has already committed to under the Best Start Plan;
- sustain the City of Hamilton’s Best Start and Child Care administrative infrastructure; and,
- position the City and the Network to be ready to respond to potential changes to federal and/or provincial policy and funding decisions.

In 2007, $1.5 million will be required from the reserve to meet obligations identified above.

BACKGROUND:

Context for Establishment of Reserve

In 2005, the federal government announced $5 billion, Canada-wide, for Early Learning and Child Care funding over a period of five years. Ontario was to receive $1.9 billion over that period. In May 2005, a bilateral agreement signed between the province and the federal governments outlined Ontario’s plan for Best Start with the province
choosing three locations to be demonstration sites for the Best Start Initiative. The east-end of Hamilton was selected as the urban centre.

Hamilton’s Best Start Implementation Plan was approved by Council on October 12, 2005, (Report SPH05005(a)). The Province of Ontario committed to funding 100% of the cost of the initiative for five years.

The first year of funding (2005/06) was received by the City of Hamilton in December 2005 and staff began work with boards of education and other community partners to undertake capital projects and other work necessary to support the planned expansion of child care spaces and implementation of the broader vision of the Best Start Plan. It should be noted that these funds were provided to the City exclusively for the launch of Best Start, but came as an unconditional grant, thus allowing for greater flexibility in program planning and implementation. This also eliminated the need for the full expenditure of the funds by the fiscal year-end (March 1st).

On February 22, 2006, the new federal government advised the province of its decision to terminate the bilateral agreement, effective March 31, 2007. In the absence of any formal provincial announcement of funding levels beyond March 31, 2006, the City of Hamilton suspended further expansion of child care spaces pending receiving confirmation from the Province of the funding for 2006/07 (Best Start Update Report SSC06006). Continued expansion of child care spaces in the absence of assurances of future operating dollars from the province was not considered a prudent plan given the degree of uncertainty at that time.

Later that spring, the Province advised municipalities that it would use the final year of federal funding to sustain the Best Start Initiative, which would include:

- the child care spaces opened by September 2006 over the next four years;
- support of the program integration in the demonstration community hub sites;
- the provision of funding for wage improvements; and,
- support of quality initiatives related to early learning and child care.

The implementation of other key components of Best Start that will be supported include:

- enhanced 18-month well-baby visits;
- enhanced preschool speech and language and infant hearing program services; and,
- post-partum mood disorders strategy. This signalled a shift from further capital expansion.

As a result, Council approved a staff recommendation that the expansion of child care spaces be limited to those proposed to be open by September 2006 (Best Start Update Report SSC06006). While significant uncertainty remained about the ongoing and future funding of the initiative, it was determined that the 2006/07 allocation of $8,308,564 and the unspent 2005/06 funds provided enough assurance to sustain that level of child care expansion.
The Province has continued to introduce new components of the Best Start Initiative in 2007 and has recently announced the 2007/08 allocation of $10,206,639 for Hamilton's Best Start, including $2.4 million, which has been allocated to address emerging Best Start Child Care fee subsidy pressures. Staff anticipates that there may be additional Best Start funding announcements made by the Province over the upcoming weeks. It will be important to monitor these announcements as well as the outcome of the upcoming provincial election for signs of sustained funding commitments to Best Start.

ANALYSIS/RATIONALE:

Utilization of Best Start Initiative Reserve

The City of Hamilton is the System Manager of the Best Start Initiative and Child Care in our community. The Best Start budget has been approached in such a way as to: (a) ensure that funds flowed from the Province for Best Start are allocated in such a way to support the Best Start Network’s annual work plans; and, (b) ensure that the City is not at risk of assuming costs for unfunded mandates.

Staff are recommending that the approach to utilizing reserve funds be based on the following principles: (a) sustaining the gains already made by Best Start in our community; (b) meeting obligations the City already committed to under the Best Start Plan; (c) providing the flexibility to respond to emerging (unfunded) priorities in the Best Start Network’s annual work plans; (d) sustaining the City of Hamilton’s Best Start and Child Care administrative infrastructure; and, (e) positioning the City and the Network to be ready to respond to potential changes in federal and/or provincial policy and funding decisions.

Therefore, the following areas of focus for utilization of reserve funds are recommended:

- Current Best Start/Child Care City of Hamilton administration costs are not fully cost shared by the Province through annual budget allocations; the reserve will offset any provincial shortfalls to sustain adequate administrative support while the City continues to negotiate appropriate levels of cost sharing through annual budget negotiations.

- The Best Start Network annual work plans may identify priorities and/or emerging needs that cannot be supported through the annual provincial funding allocation; the reserve will allow for the support of these costs.

ALTERNATIVES FOR CONSIDERATION:

If the Provincial or Federal Governments make significant changes to their early learning and child care policy frameworks and funding models, the Best Start Reserve will provide the municipality and the Best Start Network flexibility and capacity to respond and/or manage impacts of those changes at the local level.
**FINANCIAL/STAFFING/LEGAL IMPLICATIONS:**

In accordance with Canadian generally accepted accounting principles for local governments, professional judgment is required to assess the substance of the events surrounding government transfers rather than the form of the agreement or funding pattern. Generally, receipts of government transfers are recognized as liabilities (deferred revenue) until revenue recognition criteria are met. Hence, the unspent 2005/06 allocation from the Province for the Best Start Initiative of $9,155,250.58, was recorded in a deferred revenue account in the City’s 2006 financial statements. Refunds that may be due to the City for Best Start capital grants made to the HWDSB of $1,238,107 have not been reflected in the deferred revenue account at fiscal year-end 2006. The school board is still negotiating with the MOE regarding the possibility that the MOE may reimburse the school board for the capital expenditures thereby enabling the HWDSB to return the Best Start capital funds to the City of Hamilton. The ongoing discussions between the City and the Province on the Best Start Program have provided information that suggests that the City has met all of the criteria for the 2005/06 Best Start funds. The unspent funds as at December 31, 2006, including any 2007 adjustments for refunds of capital transfers made to the HWDSB, can be recognized as operating revenue and transferred to the newly established “Best Start Initiative Reserve” to meet the requirements outlined in Report ECS07055.

Beginning in 2007, any shortfalls in provincial cost sharing of City Best Start and Child Care administrative costs and additional funding required to sustain the Best Start Initiative in accordance with the Best Start Network’s annual work plans will be funded from the “Best Start Initiative Reserve”. A total of $1.5 million will be required from the reserve for these purposes in 2007. Projections on the use of this reserve for 2008 and beyond will be reported to Committee and Council as additional information becomes available.

**POLICIES AFFECTING PROPOSAL:**

Not applicable.

**RELEVANT CONSULTATION:**

Consultation has occurred with the Corporate Services Department (Budgets and Finance and Financial Services Divisions).

Report ECS07055 has been reviewed by the Chair of the Best Start Network.

**CITY STRATEGIC COMMITMENT:**

By evaluating the “Triple Bottom Line”, (community, environment, economic implications) we can make choices that create value across all three bottom lines, moving us closer to our vision for a sustainable community, and Provincial interests.
Community Well-Being is enhanced. ☑ Yes ☐ No
A high quality early learning and child care system will contribute to the healthy development of children while simultaneously ameliorating the negative affects of poverty.

Environmental Well-Being is enhanced. ☐ Yes ☑ No

Economic Well-Being is enhanced. ☑ Yes ☐ No
Research and evidence has demonstrated the positive long-term economic impact benefit of investment in children during the early years.

Does the option you are recommending create value across all three bottom lines? ☐ Yes ☑ No

Do the options you are recommending make Hamilton a City of choice for high performance public servants? ☑ Yes ☐ No