DATE: June 15, 2018

TO: City Council

FROM: Melvin E. Gaines, Principal Management Analyst

SUBJECT: Low-Income Child Care Subsidies

PURPOSE

In response to the June 12, 2018 Council request, this memo provides an update on the City’s low-income child care subsidies.

BACKGROUND

The City has a long-standing commitment in support of making child care available to families in Mountain View. The City Council and staff have actively engaged in addressing Mountain View child care needs and access for over two decades. The process began with the development of the Mountain View Los Altos Child-Care Task Force and eventually led to the City’s Child-Care Center, a City-owned building at 260 Escuela Avenue, behind the Senior Center.

On January 15, 2008, the Council adopted child-care policy direction, and approved the following recommendations for the operation of the Center:

1. Named the new Child-Care Center the “City of Mountain View Child-Care Center.”

2. Established a priority list for enrollment in the Center as follows: first priority — low-income City of Mountain View residents; second priority — all other Mountain View residents; third priority — employees of the City of Mountain View; fourth priority — nonresidents.

3. Established the definition of low-income family for qualifying for the first priority of enrollment as consistent with the State/County child-care subsidy income-level guidelines.
4. The Council set an operational goal to have 30 percent of the Center’s enrollment allotted for low-income families.

The City has contracted with two private child care providers to operate the Child Care Center: Children’s Creative Learning Center (CCLC) from 2008 through 2013, and Community Gatepath/Learning Links (Learning Links) from 2014 to the present. The City selected each operator through competitive Request for Proposals (RFP) processes.

**Low-Income Enrollment Targets and Requested Modifications**

Neither CCLC nor Learning Links met the 30 percent low-income enrollment goal from 2008 through 2016. CCLC had approximately 8 percent low-income enrollment with an average of five to eight children per year receiving subsidies over their term of operations. During the course of their operating agreement, CCLC served 56 children in their first year of operation, 68 in their second, 83 in their third, and 84 in their fourth and final year.

CCLC expressed financial concerns with meeting the business terms and requested modifications in late 2012; these concerns were formally submitted in writing to the City in January 2013. CCLC sought an operator payment reduction to $100,000 annually, and a reduction in the low-income subsidy they provided from $50,000 to $25,000 per year. The Council directed staff to pursue alternate providers after a review of the proposed changes to operator agreement terms by CCLC.

After a competitive RFP process, staff recommended the selection of Learning Links, who the Council deemed best able to meet Council’s financial and operational goals, as the new operator of the Center. Learning Links demonstrated in its proposal that it had a history of collaborating with local school districts, social services, and private foundations to serve the needs of children. They also felt their nonprofit status would make it easier to attract funding for low-income subsidies.

Despite their efforts, Learning Links was unable to meet the 30 percent low-income enrollment goal from 2014 through 2016. Learning Links was only able to maintain enrollment of six students (6 percent) from low-income families at subsidized rates. In 2016, Learning Links approached the City to discuss modifications to the low-income enrollment goal. Learning Links estimated that it would need to commit to as much as $590,000 annually to accomplish 30 percent low-income enrollment at the Center, which would prevent their operations from being financially viable. They also estimated that a $100,000 subsidy from the City would allow them to provide subsidies for up to 15 students from low-income families.
Current Low-Income Enrollment at Learning Links

On December 6, 2016, Council approved using up to $100,000 per year from the Child-Care Commitment Reserve for low-income subsidies from January 2017 through the end of the agreement with Learning Links (June 30, 2019).

Depending on the subsidy that Learning Links provides to low-income families, the City reimburses Learning Links from 20 to 50 percent of the tuition cost. Learning Links bases the subsidy they provide on family income; using the Community Child Care Council of Santa Clara County (4Cs) child care program criteria as the first low-income bracket of five ranges (e.g., a family of three making $5,270 per month would be eligible for an 80 percent tuition subsidy).

Shortly after the Council approved the tuition subsidy support to Learning Links, Learning Links increased the number of subsidies provided to low-income families from 6 to 15 (or 13.5 percent of the students). In Fiscal Year 2017-18, the City provided $37,500 to Learning Links in tuition subsidy support. The City provided $50,000 in tuition subsidy support for the first half of Fiscal Year 2017-18, and is in the process of providing an additional $50,000 to Learning Links for subsidies provided to low-income Mountain View families from January through June 2018.

Five students received 80 percent subsidies, five students received 60 percent subsidies, four students received 40 percent subsidies, and one student received a 20 percent subsidy. The full tuition cost for these 15 students from January through June 2018 is $135,815. The families collectively pay $27,163; the City pays $50,000; and Learning Links absorbs the remaining $58,652.

ANALYSIS

Child-Care Commitment Reserve

The City funded construction of the Center through a combination of City dollars and a $2.8 million loan from the David and Lucile Packard Foundation (Packard). The Council established the Child-Care Commitment Reserve to manage funds for repayment of the Packard loan. Both Child-Care Center operating agreements required annual operator payments of $201,084 to the City, which have funded the Child-Care Commitment Reserve.

The City repaid the Packard loan with seven annual payments of $201,947, and a balloon payment of $1.56 million in year eight. The City completed repayment of the Packard loan in 2016. Learning Links continues to pay the City $201,084 per year to
operate the Center, and that money currently goes into the Child-Care Commitment Reserve.

The projected balance of the Child-Care Commitment Reserve on July 1, 2018 is $520,000. The Fiscal Year 2018-19 Proposed Budget recommends that the Operator payments go into the General Fund, so there are no projected revenues to the Child-Care Commitment Reserve in Fiscal Year 2018-19. Projected expenditures for the Reserve include $100,000 in low-income subsidy assistance and $5,000 in building maintenance costs for the Child-Care Center. The Child-Care Commitment Reserve has a projected balance of $415,000 at the end of Fiscal Year 2018-19.

**Potential to Increase Subsidies**

Learning Links is at full enrollment capacity and anticipates being near capacity for fall 2018. There are currently 111 enrollment slots filled (15 low-income) and a waitlist of 114 students (25 low-income). Learning Links filled most enrollment spots for fall 2018 during their March 2018 Open House. All 15 of the spots for low-income subsidies are anticipated to be filled. Learning Links anticipates they will have two to three openings for full tuition families in fall 2018. With additional funding for subsidies, Learning Links could fill these openings with students from low-income families.

According to the City’s agreement with Learning Links, the City provides a maximum of 50 percent of tuition for each subsidy given. In Fiscal Year 2018-19, Learning Links’ maximum tuition is $1,760 per month (five days per week full-time), so the City could pay up to $10,560 in subsidy assistance per student annually under the existing terms of the agreement. Staff would need to discuss specific details and modify the agreement with Learning Links to determine a definite funding amount and resulting increase in number of subsidies provided to low-income Mountain View families.

**Recreation Preschool**

The Community Services Department operates a part-time preschool for children ages three to five years old. This preschool differs greatly from that at Learning Links, as it is not available to children younger than three years old, and is only available to families for two- to three-hour sessions on two to three days per week. The City preschool is not a feasible option for families who need full-time care, but it provides a robust part-time option for learning.

The costs of the City preschool to families ranges from $1,054 per school year for two days per week (two and one-half hours per day) to $1,880 per school year for three days per week (two and one-half hours per day). The school year runs from September 4 to
June 1. Summer sessions are also available for six weeks at weekly rates of approximately $80 per week.

The City preschool has 85 percent cost recovery from tuition paid. The City provides eligible, low-income Mountain View families limited financial assistance to register children for recreation classes, including preschool, through the Recreation Class Financial Assistance Program (FAP). To qualify, applicants must be a Mountain View resident and qualify through the Community Services Agency (CSA) screening process (subject to Santa Clara County HUD guidelines). Upon eligibility, recipients will either receive a 90 percent financial assistance waiver up to $500 per child or a 75 percent financial assistance waiver up to $400 per child. Six preschool students received FAP assistance in Fiscal Year 2017-18.

The City preschool has a capacity of 60 students per morning session (30 students age three to four, and 30 students ages four to five), and 40 students per afternoon session (20 students ages three to four, and 20 students ages four to five). The morning sessions are normally at capacity, and the afternoon sessions have an average of 15 students. Enrollment requests and waitlists suggest demand for additional morning sessions; however, additional sessions cannot be provided due to space restrictions. Furthermore, most families who cannot enroll in morning sessions enroll in afternoon sessions.

CONSIDERATIONS

The City’s agreement with Learning Links expires June 30, 2019. Staff plans to return to Council in late 2018 or early 2019 to discuss a child care strategy and determine next steps for operation of the Mountain View Child-Care Center. The Child-Care Commitment Reserve is projected to have a balance of $415,000 at the end of Fiscal Year 2018-19.

If Council desires:

1. Additional funds from the Child-Care Commitment Reserve could be allocated, and staff can explore amending the existing agreement with Learning Links in an effort to provide additional low-income families with tuition subsidies.

2. Council can delay decisions on alternative uses of Child-Care Commitment Reserve funds until staff returns with a larger discussion on the City’s Child care Strategy. Should the Council be interested in a broader program of general child care subsidies, staff would need to study the development of such a program. This
could be discussed as part of the larger discussion on the City’s Child care Strategy.

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