



COUNCIL REPORT

DATE: December 6, 2022

CATEGORY: Consent

DEPT.: City Manager's Office

TITLE: **Mountain View Child-Care Center
Operator Agreement Modifications**

RECOMMENDATION

1. Authorize the City Manager or designee to execute an amendment to the Mountain View Child-Care Center Operating Agreement with Ability Path to waive the Consumer Price Index increases in operator payments in the aggregate amount of \$41,507 for Fiscal Years 2020-21, 2021-22, and 2022-23 to provide the operator with flex time days for seven days at the Center with early closure/half-days and to include the addition of Juneteenth as a holiday when the Center will be closed.
2. Authorize the City Manager or designee to execute future minor amendments to the Operating Agreement as appropriate that do not affect the financial terms, including compensation.

BACKGROUND

On November 27, 2018, the City of Mountain View provided an update on the City's current contributions to meeting child-care needs in Mountain View and discussed the Child-Care Center, operated by a contract agency at the City facility adjacent to the Senior Center, and the City of Mountain View Preschool, operated by the Community Services Department (Attachment 1). The 2018 report also considered alternative options the City may pursue to contribute to child care in Mountain View, options for low-income subsidies, as well as the ramifications of the City ceasing to contract for operations of the Child-Care Center.

At this meeting, the City Council authorized the renewal of the agreement with Learning Links, now known as Ability Path, for the operation of the Child-Care Center at 260 Escuela Avenue for five years. Council also authorized that five months of the lease revenue, approximately \$80,000, be allocated to the Child-Care Commitment Reserve in Fiscal Year 2018-19, to bring the estimated balance to \$500,000; authorized using \$100,000 in the Child-Care Commitment Reserve for child-care subsidies for the next five years, totaling \$500,000; and approved \$30,000 in the Fiscal Year 2019-20 CIP for building repairs.

ANALYSIS

Since the agreement's renewal, Ability Path has collaborated with City staff on child-care efforts, and staff has monitored the terms of the agreement. In 2021, Ability Path communicated to staff its financial challenges and outlook resulting from the COVID-19 pandemic, which included periods of closure and/or operating at a lower capacity. The organization anticipated asking for modifications to the contract but continued to monitor the still-fluid pandemic impacts while continuing to pay its base payment without inclusion of the proscribed Consumer Price Index (CPI) adjustments. In 2022, Ability Path formally requested that the CPI adjustment to the operator payments for the past three fiscal years be waived due to the pandemic and associated challenges. Ability Path believes it has survived the worst of the pandemic with enrollment stabilizing, and it is able to absorb CPI increases beginning July 1, 2023.

During the pandemic, City staff who oversee the City's agreement with Ability Path were focused on a wide range of COVID-19 relief efforts for vulnerable populations, such as enhancements to the City's safe parking programs; support for hygiene services, food, and other basic needs; and development of the LifeMoves Mountain View interim housing program. As a result, the request for Council approval of a waiver of the 2020, 2021, and 2022 CPI adjustments to Ability Path's base operator payment is coming to Council at this point.

Further detail is provided by Ability Path's request for modifications due to the lasting impacts of the COVID-19 pandemic (Attachment 2). Ability Path experienced an economic impact in which annual revenue decreased by 35%, or \$700,000, from approximately \$2.0 million to \$1.3 million from 2019 to 2021, while overall expenses remained relatively flat. This was due, in part, to the strict guidelines the local health department placed on child-care providers, limiting their group sizes for most of 2020, and some families withdrawing their children from school or deferring their start dates due to COVID-19. Being mindful of the hardships many families in Mountain View were facing, Ability Path decided not to pass on the projected Center shortfall to families in the form of higher fees.

Operator Payments

The operator has continued to make its base payments to the City of \$201,084 for use of the City facility that Ability Path uses to operate the Center. Under the agreement, the operator payment shall be annually adjusted by the CPI beginning July 1, 2020. The CPI annual adjustment was 1.30% in July 2020, 4.30% in July 2021, and 7.60% in July 2022. The aggregate impact of the CPI increases amounts to \$41,507.04, as summarized in the table below. This amount was not paid by Ability Path when it paid its base payment, and staff is seeking Council approval of a waiver of this amount. If the waiver is not approved, Ability Path would be required to make the payment retroactively.

Effective	CPI-W Adjustment Month	CPI-W (Urban Wage Earners and Clerical Workers)	Monthly Payment	Annual Payment Total	Base Payment	Adjustment Request
July 2020	June	1.30%	\$16,974.84	\$203,698.08	\$201,084	\$ 2,614.08
July 2021	June	4.30%	\$17,704.76	\$212,457.12	\$201,084	11,373.12
July 2022	June	7.60%	\$19,050.32	\$228,603.84	\$201,084	27,519.84
Total						\$41,507.04

Other Minor Modifications

Ability Path also seeks changes to schedules to provide the operator with flex time for teachers' time. This is to provide staff time to meet with families that are currently enrolled, or incoming families, as well as conduct internal meetings and training. In addition, Ability Path requested adding Juneteenth to their annual holiday calendar to align with their other sites. While these are minor operational modification, prior Council action in approving the Ability Path agreement does not provide clear staff authority to approve such changes. Consequently, staff seeks Council's authority for the City Manager to approve and execute future minor amendments to the operator agreement that do not affect the financial terms. This will provide increased administrative flexibility for the City Manager to approve minor modifications, such as hours or calendar changes to respond to the child-care provider's operational needs.

Staff recommends these modifications due to the undue impacts of the pandemic, the ongoing need for child care in Mountain View, and Ability Path's successful operation of the Child-Care Center.

FISCAL IMPACT

Waiving the three years of CPI adjustments to the operator payment totals \$41,507.04. This amount, if waived, would result in a loss of revenue to the City's General Operating Fund.

ALTERNATIVES

1. Do not approve the waiver of \$41,507.04 in CPI adjustments and require Ability Path to pay these adjustments retroactively.
2. Approve a waiver of CPI adjustment payments in another amount.
3. Do not approve the recommended minor modifications to the operator agreement.
4. Provide other direction to staff.

PUBLIC NOTICING

The meeting agenda and Council report have been posted on the City's website and announced on Channel 26 cable television. A copy of the report has been shared with Ability Path.

Prepared by:

Jennifer Santos
Management Fellow

Kimberly S. Thomas
Assistant to the City Manager

Approved by:

Audrey Seymour Ramberg
Assistant City Manager/
Chief Operating Officer

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- Attachments:
1. Council Report, November 27, 2018
 2. Contract Amendment Request Letter from Ability Path, November 7, 2022