



DATE: November 27, 2018

CATEGORY: New Business

DEPT.: City Manager's Office

TITLE: **Mountain View Child-Care Strategy**

RECOMMENDATION

1. Authorize the City Manager to renew the agreement with Community Gatepath's Learning Links for operation of the Child-Care Center at 260 Escuela Avenue for five years.
2. Authorize five months of lease revenue, approximately \$80,000, to be allocated to the Child-Care Commitment Reserve in the Fiscal Year 2018-19, to bring the estimated balance to \$500,000 at the end of the fiscal year.
3. Provide \$100,000 from the Child-Care Commitment Reserve for child-care subsidies for the next five years.
4. Direct staff to include \$30,000 in the Fiscal Year 2019-20 CIP for building repairs at 260 Escuela Avenue.

BACKGROUND

The City has actively engaged in addressing child-care needs in Mountain View for the past two decades (Attachment 1). This effort began with the City participating in the Mountain View-Los Altos Child-Care Task Force and eventually resulted in the construction of the City's Child-Care Center (Center) at 260 Escuela Avenue, which opened in 2008.

The Council approved construction of the Center as part of the Fiscal Year 2005-06 Capital Improvement Program (CIP). With a budget of \$3.5 million, funding for the Center consisted of a \$2.8 million Program-Related Investment (PRI) from the David and Lucile Packard Foundation (Packard), \$400,000 from the CIP Reserve, and \$300,000 from the Construction/Conveyance Tax Fund. The Packard PRI was a loan calculated over a 15-year payback term at a 1.0 percent interest rate with a balloon payment due in

the eighth year. Annual PRI payments were \$201,947 for seven years with the balloon payment of \$1.56 million in Year 8.

On January 15, 2008, the Council set child-care policy direction and approved the following recommendations for 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 additionally set an operational goal to have 30 percent of the Center’s enrollment allotted for low-income families. To achieve this goal, 29 children of the 96 served would be low-income Mountain View families.

The Center has had two operators since 2008, each chosen by a competitive Request for Proposals (RFP) process. Both Center operating agreements have required the operator to make an annual payment of \$201,084 to cover the City’s annual Packard PRI payments for the first seven years. To fund the eighth-year balloon payment to Packard in January 2016, the Council approved establishing a reserve, the Child-Care Commitment Reserve (CCCR), and allocated \$1.2 million from the Fiscal Year 2005-06 unallocated available balance. With interest earnings, this reserve was sufficient for the balloon payment in Year 8, and the loan was fully repaid in January 2016.

The Center’s first operator was Children’s Creative Learning Center (CCLC). CCLC began operations in August 2008 and operated the Center for four years. 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 never met the 30 percent low-income enrollment goal; they averaged 8 percent low-income enrollment over the term of their agreement.

While there were over 100 Mountain View families on the waiting list to enroll, CCLC reserved slots for up to 29 low-income families each year. They only filled five to eight subsidized slots each year because they were unable to fundraise enough to cover the cost of subsidized tuition for additional low-income families. To assist with the

financial stability of the Center, in 2011, the City agreed to release a majority of slots reserved for low-income children enrolling with subsidy vouchers, as the County/State significantly reduced child-care subsidy funding during the recession.

CCLC paid the \$201,084 annual operator payment through the life of their agreement, but requested modifications to the agreement after expressing financial concerns 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. After reviewing CCLC's proposed changes to operator agreement terms, the Council directed staff to pursue an alternate provider.

In February 2013, staff developed and released an RFP for the operation and management of the Center. After the competitive RFP process, staff recommended the selection of Community Gatepath's Learning Links (Learning Links), who the Council deemed best able to meet Council's financial and operational goals.

The City entered into an agreement with Learning Links in January 2014. Amendments to the current agreement have modified the Center's hours of operation and date for Consumer Price Index-based fee adjustments (First Amendment, 2015) and provided reimbursements to Learning Links up to \$100,000 annually from the CCCR balance for tuition subsidies provided to low-income Mountain View families (Second Amendment, 2017). The agreement term concludes June 30, 2019.

At the December 6, 2016 Council meeting, staff presented the challenges that both operators faced in subsidizing low-income families and proposed returning to Council prior to the end of the agreement term to enable the City Council to consider the City's child-care policy options (Attachment 2).

The City Council may wish to continue to contribute to child care in Mountain View through agreements for operation of the City's Child-Care Center, with or without use of City funds to subsidize low-income child care, may choose to contribute to child care in a different manner, or decide to no longer contract for or fund child care.

This report provides an update on the City's current contributions to child care in Mountain View, discussing the Child-Care Center and the City of Mountain View Preschool operated by the Community Services Department. This report also considers alternative options the City may take to contribute to child care in Mountain View, as well as the ramifications of the City ceasing operations of the Child-Care Center.

ANALYSIS

Community Gatepath's Learning Links as Child-Care Center Operator

Learning Links is inclusive of children with special needs and serves up to 111 infants, toddlers, and children between the ages of six weeks and five years. Their curriculum varies depending on the developmental stage and age of the students, with classes for infants (six weeks to one-year-olds), toddlers (one- to two-year-olds), junior preschool (two- to three-year-olds), preschool (three- to four- year-olds), and prekindergarten (four- to five-year-olds). Learning Links is open year-round, Monday through Friday, from 7:00 a.m. to 6:00 p.m.

The current tuition ranges from \$750 per month for part-time care in the prekindergarten class (six hours per day, two days per week) to \$2,400 per month for full-time care in the infant class (11 hours per day, 5 days per week). Learning Links' tuition schedule is included in Attachment 3. The agreement with Learning Links has a 30 percent low-income enrollment goal. Learning Links uses the Community Child-Care Council (4Cs) of Santa Clara County income qualification requirements to implement a sliding tuition scale for low-income families. Depending on the family size and income level, eligible families receive a subsidy reducing the tuition cost by 20 percent to 80 percent.

From 2014 through 2016, Learning Links did not enroll more than six low-income students (6 percent to 8 percent of total enrollment) at any time because they were unable to secure sufficient funding to cover the costs of providing additional subsidies. In December 2016, the City Council agreed to amend the agreement with Learning Links, specifying that the City would provide reimbursements to Learning Links up to \$100,000 per year for tuition subsidies provided to low-income Mountain View families through June 30, 2019 (Attachment 4). As noted earlier, the City funds the reimbursements from the remaining balance of the CCCR.

With the City's funding, Learning Links provided tuition subsidies to nine additional students and has maintained enrollment of 15 students (13.5 percent of total enrollment) at various subsidy levels since April 2017. From January through June 2018, the total tuition cost for 15 low-income students was \$135,815. The 15 families receiving various levels of subsidy collectively paid \$56,237 (41 percent of the total tuition), the City paid \$50,000 toward this cost (37 percent of total tuition), and Learning Links absorbed the remaining \$29,578 (22 percent) of the tuition cost.

Learning Links is currently at capacity with 111 students, of which 96 are Mountain View residents. One hundred eighteen (118) students are on the wait list for enrollment.

The agreement with Learning Links also includes a requirement for National Association for the Education of Young Children (NAEYC) accreditation. Established in 1985, NAEYC is a national, voluntary accreditation system which sets professional standards for early childhood education programs. Programs that achieve this accreditation are limited. According to their website, there are 592 NAEYC centers in California and only one accredited center in Mountain View—Kindercare Learning Center.

Learning Links has taken steps to prepare for NAEYC accreditation, but believes that they will not complete all of the necessary accreditation steps until October 2019. In addition to preparing for NAEYC accreditation, Learning Links is exploring whether to pursue accreditation through Quality Matters, a voluntary program that rates child-care programs using Statewide standards of quality. Over 234 child-care providers in Santa Clara County participate in Quality Matters. In Mountain View, Castro and Theuerkauf Preschools have received Excellence in Quality Standards (Platinum) ratings from Quality Matters. Learning Links estimates that it will take two years to receive their first rating from Quality Matters.

For the past 4-1/2 years, Learning Links has successfully operated the Child-Care Center and proven to be a good partner to the City despite failing to achieve the 30 percent low-income enrollment goal or secure accreditation. Learning Links' staff communicates regularly with City staff and works with the City to address challenges as they arise. The long enrollment wait list at Learning Links and the Center's limited turnover are testaments to the satisfaction of families with children enrolled in Learning Links. In accordance with the agreement, Learning Links has informed the City that they wish to renew the agreement for an additional five-year term. The City has the ability to opt out of a renewed agreement by providing Learning Links with a 180-day written notice. To meet this deadline, the City would need to opt out of a new agreement by January 1, 2019. Should the City opt out, this time would be used to conduct an RFP for operation of the Child-Care Center or to consider alternative uses of the facility.

Facility Condition

After nearly 10 years of operation, the Child-Care Center building is in need of repairs. Most building maintenance responsibilities are assigned to Learning Links in the agreement, but the City maintains responsibility for structural building components in

addition to the facility's water heaters and refrigerator. Learning Links submitted a list of items the City is responsible for which they would like repaired or replaced. City staff reviewed the requests and plans to replace the water heaters and refrigerator at the Center using funds in the Fiscal Year 2018-19 budget for Child-Care Center maintenance. Other requests that staff agree are necessary, such as floor repairs and carpet replacement, are not budgeted. An estimated \$30,000 budget appropriation for repairs will be proposed in the Fiscal Year 2019-20 budget.

City of Mountain View Preschool

The City's 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 cost of the City preschool ranges from \$1,054 per school year for two days per week (2.5 hours per day) to \$1,880 per school year for three days per week (2.5 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, depending on income level, 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.

The City preschool has a capacity of 60 students per morning session (30 students ages 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 wait lists 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 find space in afternoon sessions.

The City preschool provides a robust part-time option for learning, but it is not a viable option for families who need full-time care.

Child-Care Needs in Mountain View

In June 2018, the Santa Clara County Office of Education released a Santa Clara County 2018 Child-Care Needs Assessment (Attachment 5). The report compiles data from various Federal, State, and local sources to assess the needs for early education and before- and after-school programs in Santa Clara County. According to the report, Mountain View has an unmet child-care need for children ages zero to two years old (607 slots needed) and has a surplus of child-care slots available for children ages three to five years old (884 surplus slots).

To determine unmet/surplus need, the report contrasts data on family characteristics from the U.S. Census Bureau's American Community Survey with data from 4Cs on child-care providers. This methodology makes various assumptions about the capacity of child-care providers and uses 2015 data; however, the enrollment wait list at Learning Links shows a similar trend about unmet need. Learning Links has 96 students on the wait list for infant, toddler, and junior preschool classes, for which there are 45 slots currently filled. The wait list for preschool and prekindergarten classes has only seven students, and Learning Links has 59 slots currently filled. Infant and toddler care are scarcer because they are more costly to provide. The State requires a 4-to-1 child-to-teacher ratio for infants and a 6-to-1 child-to-teacher ratio for toddlers, with a maximum group size of 12 children. The child-to-teacher ratio for preschool-age children is 12 to 1.

The County report assesses the need for subsidized tuition by contrasting median household income data to the average child-care costs. According to the report, the U.S. Department of Health and Human Services defines child care as affordable when it costs families no more than 7 percent of their household income. Using this definition of affordability, a family of four with one infant and one preschool-aged child in need of full-time care at a licensed center would have to earn \$237,186 for that care to be affordable.

According to the 2017 American Community Survey 1-Year Estimates, Mountain View's median household income is \$135,115. The County report does not include data on the average child-care costs in Mountain View, but references the 2017 Child-Care Portfolio, stating that the average family in Santa Clara County can expect to pay \$19,212 annually for full-time infant care and \$13,994 for preschool. Average child-care rates are likely higher in Mountain View, but \$19,212 and \$13,994 are still greater than 7 percent of the median household income in Mountain View.

Examples of Child Care Strategies by other Cities

Some local cities also engage in efforts to provide child care in their community in various ways. The City of Palo Alto contracts with the nonprofit Palo Alto Community Child Care (PACCC) to administer the City's \$460,000 annual subsidy program. The program provides subsidized child care for 35 children of low-income Palo Alto families at PACCC child-care centers and PACCC affiliate centers. The City of Palo Alto also administers contracts for private child-care providers to operate after-school programs at Palo Alto Unified School District (PAUSD) schools.

The City of Los Altos and City of Sunnyvale both operate part-time preschools for children ages three to five years old. These preschools offer very similar services to those provided by the City of Mountain View's Recreation Division. In San Mateo County, the City of Menlo Park operates two child-care centers. The Menlo Children's Center offers full-time child care for children ages 18 months to five years old, and the Belle Haven Child Development Center offers full-time care for children ages three to five years old. Belle Haven Child Development Center has subsidized care available based on family income and size. The City of Menlo Park also operates an after-school child-care program for children in kindergarten to sixth grade at the Belle Haven Youth Center.

Child-Care Strategy Policy Options

Given that the original goal of 30 percent low-income enrollment at the Child-Care Center does not appear achievable without a significant City subsidy, the Council may want to consider a number of approaches toward child care and the use of the City building at 260 Escuela Avenue. The City may:

1. Continue supporting child care through operation of the City Child-Care Center. This can be accomplished by either:
 - a. Renewing the agreement with Community Gatepath's Learning Links; or
 - b. Issuing an RFP for a new provider.
2. Continue funding subsidized child-care tuition for low-income Mountain View families by either:
 - a. Renewing the agreement with Community Gatepath's Learning Links and increase, decrease, or continue the \$100,000 subsidy.

- b. Issuing an RFP for a new provider and agreeing to provide City funds for subsidized tuition to a new provider, if necessary.
 - c. Appropriating funds and issuing an RFP for an agency to administer a subsidized tuition program for any child-care center in Mountain View. This is similar to what the City of Palo Alto does with PACCC.
3. Explore alternative uses, other than child care, of the City facility at 260 Escuela Avenue.

If Council desires to continue providing child care through operator agreements for the Child-Care Center, it may do so by directing staff to either renew the agreement with Learning Links, or to issue an RFP to assess potential new operators. If the City wants to issue an RFP, it needs to notify Learning Links of its intent to not renew the agreement by January 1, 2019.

An operator agreement with a new provider may be negotiated to include a different operator payment. The \$201,084 annual operator payment by Learning Links equates to a lease at \$2.39 per square foot per month for the 7,000 square foot facility. Recent real estate comparisons for child-care facilities in the Bay Area show that \$3.00 per square foot would be a fair monthly lease (\$252,000 annually) for the Child-Care Center. If the City selects a new operator, the City could negotiate terms for existing students to continue at the Child-Care Center with the new operator in addition to other lease terms. A new operator may not have the inclusive mission of Learning Links and, therefore, may not be able to serve all of Learning Links' existing students. Considering the difficulty that both CCLC and Learning Links faced trying to meet the 30 percent low-income enrollment goal, it is unlikely that a new operator would achieve 30 percent low-income enrollment, particularly without funding from the City.

The CCCR has a current projected balance of \$420,000 at the end of Fiscal Year 2018-19. To continue funding subsidized child-care tuition for low-income Mountain View families at the \$100,000 level for five additional years, Council would need to appropriate additional funds in the annual budget. If this is the Council's interest, the Council should direct staff whether this subsidy should be provided to an operator of the Child-Care Center, or if staff should explore options for administration of a subsidy program that provides funds to other child-care centers.

If Council does not wish to continue use of 260 Escuela Avenue as a child-care center, families would need to find alternative care for the 111 children currently being served. If that is the case, staff will notify Learning Links and the families in December 2018 and return to Council in the first quarter of 2019 with options for use of the building.

FISCAL IMPACT

Renewing the agreement with Community Gatepath's Learning Links would result in annual operator payments to the City's General Fund of \$201,084. Annual Center maintenance costs to the City would be approximately \$5,000 from the facilities budget in the General Operating Fund. City contributions for low-income subsidies could come from the CCCR. The projected balance of CCCR at the end of Fiscal Year 2018-19 is \$420,000. If Council wishes to continue child-care services with a subsidy, staff recommends that Council approve \$80,000 of lease revenues be credited to the CCCR, increasing the CCCR balance to \$500,000.

Over a five-year agreement term, the General Fund would receive a net \$196,084 annually (\$201,084 in annual lease revenue less \$5,000 in annual facilities maintenance), or a total of \$980,420 over the next five years.

One Hundred Thousand Dollars (\$100,000) would be expended from the CCCR each of the five years, exhausting the reserve in Fiscal Year 2023-24.

CONCLUSION

Council has a policy decision on whether, and if so, how, to support child-care services in Mountain View. Considering the child-care needs in Mountain View, the City's ability to address those needs, and Community Gatepath's Learning Links successful operation of the Child-Care Center for the past 4-1/2 years, staff recommends that Council:

1. Authorize the City Manager to renew the agreement with Community Gatepath's Learning Links for operation of the Child-Care Center at 260 Escuela Avenue for five years.
2. Authorize five months of the lease revenue, approximately \$80,000, to be allocated to the Child-Care Commitment Reserve in Fiscal Year 2018-19, to bring the estimated balance to \$500,000 at the end of the fiscal year.
3. Direct the City Manager to include \$100,000 in the Child-Care Commitment Reserve for child-care subsidies for the next five years.
4. Direct staff to include \$30,000 in the Fiscal Year 2019-20 CIP for building repairs at 260 Escuela Avenue.

ALTERNATIVES

1. Authorize the City Manager to renew the agreement with Community Gatepath and authorize a different low-income subsidy reimbursement amount (no subsidy, higher subsidy, or lower subsidy).
2. Direct staff to issue an RFP for a new operator of the Child-Care Center, specifying whether to include a low-income subsidy, and at what amount.
3. Direct staff to explore options for administration of a subsidy program similar to Palo Alto. Staff would need to return to Council with options for use of the building.
4. Direct staff to notify Learning Links that the City is not extending the lease and to explore alternative uses, other than child care, of the City facility at 260 Escuela Avenue.

PUBLIC NOTICING

Agenda posting and a copy of report to Community Gatepath.

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- Attachments:
1. Child-Care Center Summary History
 2. Consideration of Child-Care Center Contract Modifications
December 6, 2016 Council Report
 3. Learning Links Tuition September 2018 to September 2019
 4. Agreement with Community Gatepath with Amendments 1 and 2
 5. 2018 Child-Care Needs Assessment