



COUNCIL REPORT

DATE: May 28, 2024
CATEGORY: Consent
DEPT.: City Manager's Office
TITLE: **Mountain View Child-Care Center
Operator Agreement Extension**

RECOMMENDATION

Authorize the City Manager or Designee to Amend the Mountain View Child-Care Center Operator Agreement with AbilityPath to Extend the Term Through June 30, 2029, Modify the Center's Hours of Operations, and Include Identified Facility Improvements.

BACKGROUND

The City has had a long-standing commitment to providing affordable child care and to engaging actively in addressing child-care needs in Mountain View for the past two decades. 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 Mountain View Child-Care Center (Center), which opened in 2008 and was financed through a loan from the David and Lucile Packard Foundation (Packard Foundation).

The Mountain View Child-Care 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 program-related investment loan from the Packard Foundation for the first seven years. To fund the eighth-year balloon payment to the Packard Foundation in January 2016, 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.

Both Center operating agreements also included a requirement for the Center operator to provide subsidized care for low-income families, with an operatorial goal set by Council to have 30% of the Center's enrollment allotted for low-income Mountain View families. The structure for this subsidy has evolved over time.

Prior Center Operator

The Center's first operator was Children's Creative Learning Center (CCLC). CCLC opened in August 2008 and operated the Center for four years. Throughout the course of the agreement, CCLC served 56 children in the first year of operation, 68 in the second, 83 in the third, and 84 in the fourth and final year. During this time, CCLC was not able to meet the 30% low-income enrollment goal established in their agreement; rather, they averaged 8% low-income enrollment over the agreement term.

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. CCLC filled five to eight subsidized slots each year, noting that they were unable to fill all subsidized slots because they were unable to fundraise enough to cover the cost of subsidized tuition. To assist with the financial stability of the Center, in 2011, the City agreed to allow CCLC to release a majority of slots reserved for low-income children enrolling with subsidy vouchers as both the County of Santa Clara and State of California significantly reduced child-care subsidy funding during the 2008 recession.

CCLC paid the \$201,084 annual operator payment through the duration of the 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, Council directed staff to pursue an alternate provider.

Prior Agreements with AbilityPath

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 AbilityPath (formerly Learning Links), which was approved by the City Council on October 22, 2013. The City entered into an agreement with AbilityPath in January 2014.

Since then, there have been three amendments to the agreement:

- **June 1, 2015:** Modified the Center's hours of operation and date for Consumer Price Index (CPI)-based fee adjustments;
- **May 25, 2017:** Provided reimbursements to AbilityPath for up to \$100,000 annually from the CCCR balance for tuition subsidies provided to low-income Mountain View families; and
- **June 1, 2020:** Extended the agreement with AbilityPath as an amended and restated agreement and as part of their first of two options to renew the agreement for an additional five years; and

- **December 6, 2022:** Waived CPI increases in operator payments in the amount of \$41,507 for Fiscal Years 2020-21, 2021-22, and 2022-23 due to impacts of the COVID-19 pandemic, provided the operator with flex-time days for seven days at the Center with early closure/half days, and included the addition of Juneteenth as a holiday during which the Center will be closed.

The current operator agreement with AbilityPath expires June 30, 2024, and has an option to renew for an additional five years. AbilityPath has provided staff with a formal notice of intent to renew the agreement for an additional five years (Attachment 1).

At the December 12, 2023, City Council meeting, Council adopted a resolution to support child care for all (Attachment 2). At this meeting, Council requested a general update on the Center, including subsidies provided, the waitlist, and number of openings. A memorandum providing this update was provided to Council on March 5, 2024 (Attachment 3).

Additional information on the rising cost of child care and the limitations associated with state subsidy payments is provided in Attachment 4. These two factors are resulting in significant challenges to families seeking child care and to child-care providers. This information provides helpful context in understanding AbilityPath's difficulty in achieving the goal of providing subsidized care to 30% of the families it serves.

At the April 9, 2024, City Council meeting, as part of the Five-Year Capital Improvement Program (CIP) Study Session, staff reported on the Facilities Maintenance Plan project, recommending an increase of \$100,000 from the CIP Reserve and creating a subproject every five years for maintenance of the Center. This will come back to Council for approval as part of the Fiscal Year 2024-25 CIP adoption on June 25, 2024.

ANALYSIS

This report recommends Council action to amend the agreement with AbilityPath to extend the term through June 30, 2029, modify the Center's hours of operations, and address facility improvements. Staff also recommends that the City continue funding subsidized child-care tuition for low-income Mountain View families up to \$100,000 per year throughout the five years of the extended agreement with AbilityPath.

Modifying Hours of Operations

As mentioned in the Background section above, the 2015 amendment to the AbilityPath agreement modified the Center's operation to be year-round, and Monday through Friday, from 7:00 a.m. to 6:00 p.m. AbilityPath is now requesting to modify the hours of operations from

7:30 a.m. to 6:00 p.m., citing that between 99% to 100% of enrolled families dropped off their child or children after 7:30 a.m. in 2023, and noting that 15 of the 20 other child-care centers in Mountain View that they reviewed open at 7:30 a.m. or later.

Facility Improvements Included in Proposed Amendment

The Center has approximately 7,000 square feet of indoor space and two play yards for children divided by age groups, including an infant and toddler play yard, and a main play yard for junior preschool, preschool, and prekindergarten students. The main play yard is open to the public during the Center's off hours.

The operator agreement outlines both the City and operator's responsibilities for the Center facilities maintenance, building improvements, and interior improvements. The City is responsible for the building's structural components and interior improvements, including plumbing and sewage facilities. The City is responsible for cleaning the main play yard, while the operator is responsible for cleaning the infant and toddler play yard. The City is also responsible for maintaining the structures at both play yards.

City staff will continue working on the Center's current facility project that was a part of the Facilities Maintenance Plan through the CIP in addition to the two new improvements noted below:

- **Flooring:** Upgrade floors in classroom bathrooms and office spaces as part of the flooring upgrade that was done in December 2022 (included in current agreement).
- **Classroom Countertops:** Replace classroom countertops, which have not been replaced since the opening of the Center (included in proposed amendment).
- **Gutters:** Fix some of the gutters, which are failing (included in proposed amendment).

Potential Future Improvements to the Infant and Toddler Play Yard

In the discussions for the operator agreement amendment, the operator has raised an interest to update the infant and toddler play yard area to better reflect current playground designs. This interest is not associated with any known disrepair or safety issues. City teams will meet with the operator to review the existing infant and toddler play yard equipment. Should replacement be deemed necessary, the City and operator would work together to scope the update of the infant and toddler yard. This process would include determining estimated costs, submitting the project for consideration as an additional City CIP as part of a future CIP-approval process, and determining the appropriate fiscal agency (City or AbilityPath). If the project were approved, it would comply with applicable regulations and processes for a City project, including purchasing

policies and prevailing wages. A future amendment of the agreement would be required to incorporate any proposed work for the infant and toddler play yard.

Continue \$100,000 Subsidy

As mentioned in the Background section above, since Fiscal Year 2017-18, the City has provided up to \$100,000 annually from the CCCR balance to the Center operator to reimburse child-care tuition subsidies for low-income Mountain View families. The operator's subsidy goal and the payment from the City is a component of the current operator agreement with AbilityPath, which expires June 30, 2024. The CCCR is estimated to have an available balance of approximately \$120,000 to cover the child-care subsidies in Fiscal Year 2024-25. The appropriation request from the CCCR is included in the Fiscal Year 2024-25 Recommended Budget and will be submitted for Council to review in June 2024 as part of the budget approval process.

FISCAL IMPACT

As noted above, there is sufficient balance in the CCCR to fund \$100,000 to reimburse AbilityPath to subsidize tuition for low-income Mountain View families in Fiscal Year 2024-25. To continue funding subsidized child care for the additional four years of the agreement, appropriations from alternative sources would need to be considered as part of future budget processes.

Over the proposed five-year agreement term, the City will receive \$201,084 in base annual operator revenue from AbilityPath, for a total of \$1,005,420 over the next five years. In addition to the base annual operator revenue, an inflation factor would be applied on an annual basis.

Funding to continue the work on the current Center's facility project is included in the Facilities Maintenance Plan (Project 25-12) project of the proposed Fiscal Year 2024-25 CIP. At its April 9, 2024, Study Session, Council expressed support for staff's recommendation to transfer \$100,000 from the CIP Reserve every five years to the CIP for maintenance of the Center to fund the two new facility improvements included in the proposed agreement. The Fiscal Year 2024-25 CIP recommendation will be brought to the City Council for adoption at the June 25, 2024, City Council meeting.

ALTERNATIVES

1. Do not authorize amending the Child-Care Center operator agreement as proposed.
2. Provide other direction on the Child-Care Center operator agreement.
3. Provide other direction on the \$100,000 child-care subsidy.

PUBLIC NOTICING—Agenda posting and a copy of the report was sent to AbilityPath.

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- Attachments:
1. AbilityPath Letter Dated March 15, 2024
 2. Council Report Dated December 12, 2023
 3. Council Memorandum Dated March 5, 2024
 4. Summary of Information Regarding the Rising Cost of Child Care and the Limitations Associated with State Subsidy Payments