Meeting Date: **4/14/2015**

Report Type: Staff/Discussion

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City of SACRAMENTO 09

City Council Report
915 I Street, 1st Floor
www.CityofSacramento.org

Title: Restructuring the 4th "R" Child Care Program and START (Students Today Achieving Results for Tomorrow) Program

Location: Citywide

Recommendation: Pass a Motion directing the City Manager to incorporate the following program changes into the proposed FY 2015/16 budget: 1) approve the closure of four sites from the 4th "R" Program with the Sacramento City Unified School District (SCUSD) at Golden Empire Elementary, Wenzel Elementary, Bancroft Elementary, and Erlewine Elementary schools; 2) consult and work with representatives from SCUSD to offer City assistance and solicit potential replacement operators for the four sites; 3) reduce 4th "R" Program staffing based on site reductions and reduce service and supply expenses accordingly; 4) as a cost savings measure terminate the Serna Center lease with SCUSD and relocate the 4th "R" administrative offices to City-owned facilities; 5) maintain full service capabilities in accordance with State licensing requirements at all other 4th "R" sites; 6) request SCUSD provide sufficient additional funding from the district through an increased administrative share of the grant in order to continue START operations at all SCUSD sites in a limited capacity; 7) approve discontinuance of the START contract with SCUSD resulting in elimination of the after school program at 18 sites in the event the administrative share of the grant is not sufficiently increased; 8) reduce START staffing based on site reduction, reduce service and supply expenses and staff development costs accordingly; 9) as a cost savings measure terminate the Serna Center lease with SCUSD and relocate START administrative offices to City-owned facilities; and 10) maintain current program quality, oversight and contracts with remaining school sites and districts.

Contact: Alan Tomiyama, Recreation Manager, (916) 808-8958; Shannon Brown, Interim Operations Manager, (916) 808-4070, Department of Parks and Recreation

Presenter: James L. Combs, Director, (916) 808-8526, Department of Parks and Recreation

Department: Parks & Recreation Department / Other Division: 4th "R" Program; Dept ID: 19001621

Division: START

Dept ID: 19001631

Attachments:

1-Description/Analysis

City Attorney Review

Approved as to Form
Sheryl Patterson
4/7/2015 1:23:45 PM

Approvals/Acknowledgements

Department Director or Designee: Jim Combs - 4/6/2015 2:53:16 PM

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Description/Analysis

Issue Detail: On March 3, 2015 City staff presented to the City Council an overview of the 4th "R" licensed childcare and START after school programs, fiscal challenges and cost saving alternatives. At that time, a combined deficit of $725,000 was projected for Fiscal Year 2015/16. Since that date, further analysis has identified additional labor costs required to right size both programs and the current projected deficit for next fiscal year is $1,517,960. Previous strategies to reduce costs that were shared with Council, and additional cost cutting measures, are outlined in this report along with recommendations. These recommendations are being presented ahead of your receipt and consideration of the Fiscal Year 2015/16 budget because programmatic changes need to be made with as much lead time as possible.

Policy Considerations: Promoting human growth and development for children and youth is a core value as stated in the 2005-2010 Parks and Recreation Master Plan. The recommendations in this report will ensure the 4th "R" Child Care and START programs continue to provide quality school-age child care and after-school tutoring and enrichment programs without incurring net losses to the City's General Fund.

Economic Impacts: Not applicable.

Environmental Considerations:

> **California Environmental Quality Act (CEQA)** – This report concerns government fiscal activities that do not constitute a "project" as defined by the CEQA Guidelines Section 15378(b)(4).

Sustainability: There are no sustainability considerations applicable to this item.

Commission/Committee Action: None with this item.

Rationale for Recommendation: The 4th "R" Program is predominantly fee-based. However, it has a State subsidized component for children from low income families. The program has been challenged with the lack of full reimbursement by the State for low income children. Additionally, the growth and popularity of the free After School Education and Safety (ASES) programming offered by school districts throughout California has created competition and fiscal challenges, especially when the two programs co-exist at the same sites. Many low income families choose a free child care program over a fee-based program, even if a portion of the fee is subsidized.

The START Program is one of several ASES program providers in the City and County. In the past, the City was the fiscal agent for the four school districts it currently serves, which are Sacramento, Robla, Twin Rivers and Elk Grove Unified School Districts. As fiscal agent for these school districts, START received the full administrative portion of the state grant, which was 15% of the total grant. Today, START is one of many providers and the school districts, acting as fiscal agents, retain most of the State allocated administrative share of the grant.

SCUSD provides the lowest of all districts at 5% which makes it difficult for the City to adequately administer and support these services.

Over the years other service providers have become established in the Sacramento market and on elementary school campuses. START has experienced a reduction in allocation of sites from a high of 62 to the current 33 which has further reduced administrative funding for the program. These funding challenges, coupled with increased labor costs, necessitate dramatic changes in the way these programs are offered. The recommended reductions and costs savings measures will help to ensure that the 4th "R" and START programs remain sustainable and provide continuous quality child care and after school educational services.

The City Manager, SCUSD Superintendent and SCUSD and City staff commenced discussions to explore possible alternatives to the City's reduction proposal and/or to provide a smooth transition for the program operations of the sites proposed for reduction. Staff will provide a status of these discussions at the April 14 council meeting.

Financial Considerations:

4th "R" Program

The 4th "R" Program is facing increased labor costs and needs to right size the organization and staffing by converting various year-round non-career positions to career status and to provide for employee benefits. Increased costs to the 4th R Program will result in a fiscal deficit of $458,000 in Fiscal Year 2015/16 if changes are not made.

To address these financial challenges, it is recommended the 4th "R" Program close four sites with the poorest fiscal performance at the following SCUSD campuses: Golden Empire Elementary, Wenzel Elementary, Bancroft Elementary, and Erlewine Elementary. The City is not required to provide a replacement day care provider at these sites, but staff will offer to assist the school district in finding a new provider(s). Site closures will cause a reduction in City employees. As an additional cost savings measure the City will terminate its office lease with SCUSD at the Serna Center. The 4th "R" Program will continue to provide full service licensed day care to children at 14 sites in the Sacramento, Twin Rivers, and Natomas Unified School Districts. Budget changes are summarized below.

Reduction Savings	$ 1,187,000
Loss of Revenue for the four sites	$ (523,000)
Labor/Right size Rest of the Organization	$ (458,000)
Contingency	$ (50,000)
Projected 4th R Fund FY 2015/16 Year End Results (Fund 6012)	$ 156,000

START Program

The START Program is facing increased labor costs and needs to right size the organization and staffing by converting various year-round non-career positions to career status and to provide for employee benefits. Without significant cost savings measures, these costs will result in a projected deficit of $1,059,960 for Fiscal Year 2015/16.

To help address these fiscal challenges, it is recommended the START Program not renew its annual service contract with SCUSD which expires on June 30, 2015. The 18 sites affected are located at the following elementary schools: Abraham Lincoln, Bret Hart, David Lubin, Elder Creek, Ethel Phillips, Golden Empire, Hollywood Park, Hubert H. Bancroft, James Marshall, John Cabrillo, Mark Twain, O.W. Erlewine, Parkway, Peter Burnett, Pony Express, Susan B. Anthony, Tahoe, and Theodore Judah. The START Program changes will cause a reduction in City employees, purchasing and specialized services.

If SCUSD is willing to provide a greater share of administrative funding to the City there is a possibility the City could continue to operate these 18 sites by limiting current services provided. However, other START Program reductions will still be required to avoid net costs to the City's General Fund including supplies and specialized services. To further reduce costs, the City will terminate its office lease at the Serna Center with SCUSD and relocate to City-owned facilities. Additionally, the START Fund can no longer absorb summer camps and sports programming for children previously funded by the General Fund. However, START would provide summer school services to SCUSD this summer if desired, but this will require a separate summer school contract. START would continue to provide before and after school programs for the Robla, Twin Rivers and Elk Grove Unified School Districts. A summary of the cost savings is listed below.

Reduction Savings	$ 3,808,756
Projected Deficit due to Increased Labor Costs and Rightsizing	$(1,059,960)
Reduced Reimbursements from related grants and Reduced Revenues from Fee Based Summer Services	$ (178,000)
Reimbursement Loss from SCUSD	$(2,488,370)
Projected FY 2015/16 Year End Results (Fund 2501)	$ 82,426

Proposed State Legislation Regarding Funding for After School Services

The California Legislature is considering Senate Bill 645 - After School Programs Grant Amounts and the bill has been referred to the Senate Committee on Education. In 2006, when Proposition 49 went into effect, the per student per day reimbursement for the ASES grant increased from $5.00 to $7.50, but the amount has not changed since. By January 2016, new State laws will increase labor costs for all service providers including minimum wage increases and sick leave accruals. If SB 645 is enacted in its current form, the per student per day reimbursement for the 2015-2016 school year will increase from $7.50 to $8.50, and increase to $9.50 in the 2016-2017 school year. In subsequent years, the per student per day

reimbursement would receive increases tied to cost of living rates. Based on current program enrollment, a $1.00 increase would equate to an additional $794,000 in program funding.

Local Business Enterprise (LBE): Not applicable