



January 19, 2006

Members of the University Community:

I am pleased to share with you a report on various aspects of daycare that was carried out by the Administration in late 2005. This report is a continuation of the needs assessment for daycare that University administration has been monitoring since its initial formal review in 2002 and on-going discussions with the Students' Union and various groups on campus over the years.

It is very clear that many people on campus are in favor of the University bringing daycare back to our campus. This report was prepared to help us better understand and focus on issues that must be resolved if a viable proposal can be developed for consideration by the Board of Governors. The report also deals with some general issues about daycare and some operational issues that we must anticipate if daycare does return to the University of Lethbridge.

I think a daycare would be a wonderful addition to our campus community. We are aware that such a facility would add to the quality of life for students, faculty and staff, however, it is a significant matter with long-term budget and operational implications for the University.

Before any concrete decisions are made, more information needs to be gathered from University community parents with childcare age children, as well as data from daycare operators about staffing, facilities and program options. As I described in my previous notice to the community regarding daycare, we need to understand how daycare fits into the existing campus priorities.

Over the next several weeks we intend to meet with various groups on campus to discuss the daycare issues that need to be addressed. This will involve meetings with as many groups as possible including the Students' Union, the Daycare Action Committee, the University Budget Committee, employee representatives and the Faculties and Schools. This is the usual way of considering any significant proposed addition to our budget and operations.

I would also encourage you to contact me directly via e-mail at <bill.cade@uleth.ca> with your views regarding an on-campus daycare.

Thank you.

A handwritten signature in black ink, appearing to read "Bill Cade".

William H. Cade, Ph.D.
President and Vice-Chancellor
(Professor of Biological Sciences)

University of
Lethbridge



**University of
Lethbridge
Daycare Feasibility
Study
Fall 2005**

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Executive Summary

The results of this study have discovered one key difference to that of “*A Review into the feasibility of establishing a daycare facility on the University of Lethbridge campus completed*” in 2002. That important key difference is that childcare facilities today are at capacity with waitlists, rather than having vacant childcare spaces as they did in 2002. This trend is consistent with other daycares throughout Alberta and across Canada. Because of this emerging trend many daycares that were consulted through a survey have suggested and encouraged the University of Lethbridge to open a daycare on campus.

The government of Alberta through its 2005 Five-Point Investment Plan has invested considerable funds into childcare programs. Subsidies have increased, making it less of a burden on parents, while the government is also pushing childcare providers to seek their accreditation. Once a daycare receives its accreditation the government increases the subsidy paid to childcare workers and provides more funds to encourage further education. As people’s view of childcare migrates from “babysitting services” to providing quality programs and education to their children the demand for accredited childcare providers will increase.

This study conducted surveys with universities across Alberta and Canada. It was found that more universities choose to bring in an external provider than operate the daycare in house. This would prove to be the most feasible solution as typically 90% of daycare’s operating costs are salaries. A University run daycare would be required to pay workers at negotiated labour rates, creating larger operating budgets, resulting in higher childcare fees. The most feasible solution concluded from this report is that if the University administration chooses to open a daycare on campus that a partnership should be created with an external party in which the University would be responsible for capital costs while the external provider would take care of all other operating costs. By following this scenario a University Daycare could stay competitive by charging \$500-\$600 per month per child for childcare services.

Introduction

Recently there has been much discussion from students, faculty/staff and other user groups about creating a daycare on campus. The purpose of this study has been to determine the feasibility of a daycare facility on the University of Lethbridge campus. Many groups have been surveyed, including institutions from across Alberta and Canada and local daycares within the City of Lethbridge. Representatives from the Early Childhood development programs at the Lethbridge Community College as well as other key professional opinions have been consulted when preparing this report. This report will also be considered an update to “A review into the Feasibility of Establishing a Childcare Centre on the University of Lethbridge Campus” that was prepared in 2002.

History of On-Campus Child Care

A University Daycare facility existed on campus from 1972 to 1992. Soon after the opening of University Hall the daycare was located in section E and then relocated to a building where the current Hepler Hall resides. That previous building which has now been replaced served as a multipurpose facility. During the day it housed the daycare operations and during evening hours it was used by the Students' Union for various functions. It was also used as a practice facility for the University's Wind Ensemble.

One of the reasons why the daycare was closed in the summer of 1992 was because the building required major capital improvements or replacement. Soon after the closing of the daycare the building was demolished.

One key statistic from the 2002 report on daycare stated that “the largest group of daycare clients (up to 50%) was faculty and staff. Students and community users represent the other major groups (about 25% each)”. You will see in this report that the users of daycare have changed for 2006.

The operation was run under Ancillary Services Management. Over the life of the facility it never achieved a full cost recovery and always struggled with breaking even. When the facility closed in 1992 it left a \$90,000 deficit that was absorbed in 1995 by the Housing Services reserves.

Study Process

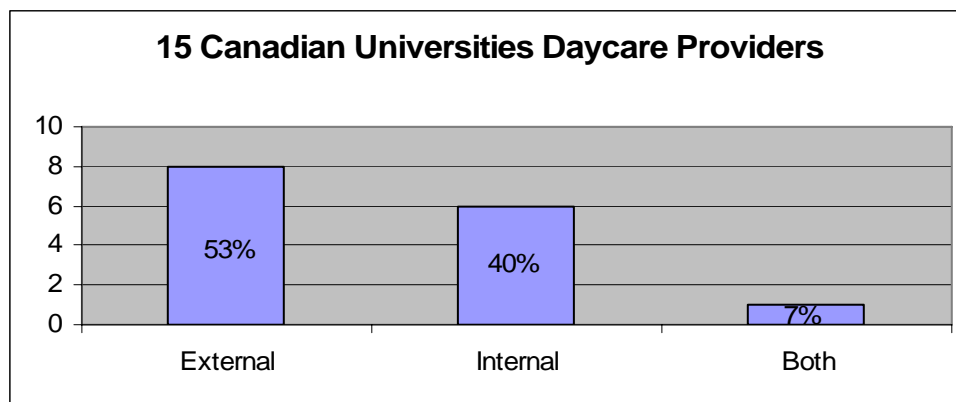
It was felt that three categories should be reviewed when evaluating daycare trends and the feasibility of a daycare on the University of Lethbridge Campus:

- Canadian Universities
- Alberta Universities
- City of Lethbridge

An email survey was sent to Universities across Canada asking questions from space capacities and operating expenses/contributions, to the pros and cons of dealing with an internal/external operation on campus. Universities in Alberta and daycare operations within the City of Lethbridge have been contacted by phone and emailed to ask similar questions. The results of all three areas will be presented in this study.

Canadian Universities

Fifteen Universities, primarily from Eastern Canada, responded to an email survey of which all said they had a daycare on campus. One of the biggest questions that Universities ask themselves is how to minimize the operating costs of a daycare and maintain a breakeven operation.



Of the 15 Canadian universities that responded to the email survey, 53% use an external childcare provider. Many of the universities feel that they do not have the expertise and experience to effectively run a childcare facility themselves. Operating costs and administrative functions also play a role in the University's decisions on how to run the daycare.

Universities with external providers have made the following positive statements:

- “There have been very few problems that were encountered.”
- “Has helped recruitment and retention of faculty/staff.”
- “It’s an excellent operation.”
- “In our research we have found that more funding opportunities are available to external providers than a university.”

Some of the negative comments mentioned were:

- Gave advice to other universities that it was important to ensure that insurance and liability is a clause in the lease.
- One university said that their external daycare “has created tension with high fees”

Of those that chose to provide their own daycare facilities, many were larger institutions that had Early Childhood Development programs offered on campus. Some schools took advantage of this by using students enrolled in these programs for labs and co-op positions. Of the university-operated daycares many were administered under the Students' Union or Housing departments.

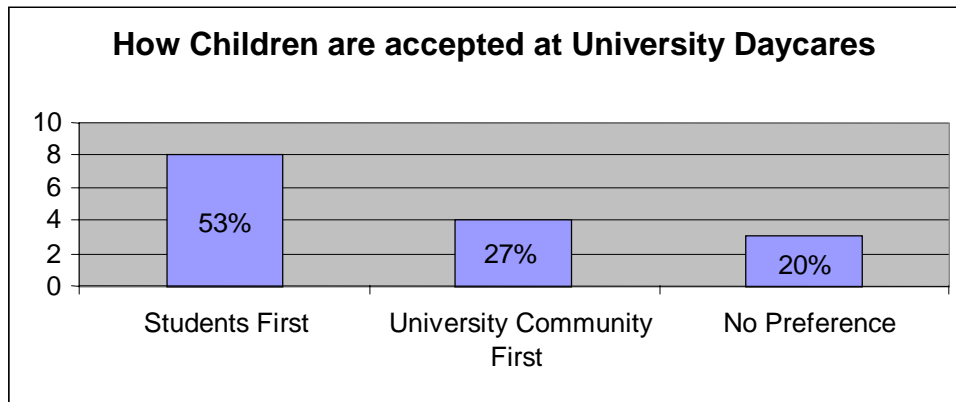
These are a few of the comments made by universities who provide their own daycare:

- “Our internal provision is considered superior service and at a high end of prices in the city. This perceived quality has created a long wait list.”
- “We used a first come first served policy and have wait lists in each of the age categories.”
- “Our University runs their daycare in part as a lab for ECE (Early Childhood Education) program students.”
- “Providing a quality service is extremely costly and funding services through fees doesn’t cover operating costs. Not all students can afford the fees.”
- “The Students' Union operates the daycare out of a building constructed on campus which was paid for by a loan obtained by the Students' Union.”

From many of the comments made by universities that run their own daycare facilities it would appear that typically they have higher costs. The results of the survey would support this fact.

The major costs associated with daycare are those familiar to many organizations. Salaries and benefits typically consist of around 80% to 90% of all operating costs. The remaining 10% are for instructional supplies, food and miscellaneous expenses. University operated daycares must typically pay their employees more because of negotiated labour rates. The childcare fees charged are directly related to the salaries paid by the daycare operations.

Of all the Canadian universities surveyed the majority of them are currently at capacity with long wait lists. Being on a wait list at some universities can take up to 2 years before a child is placed in a program



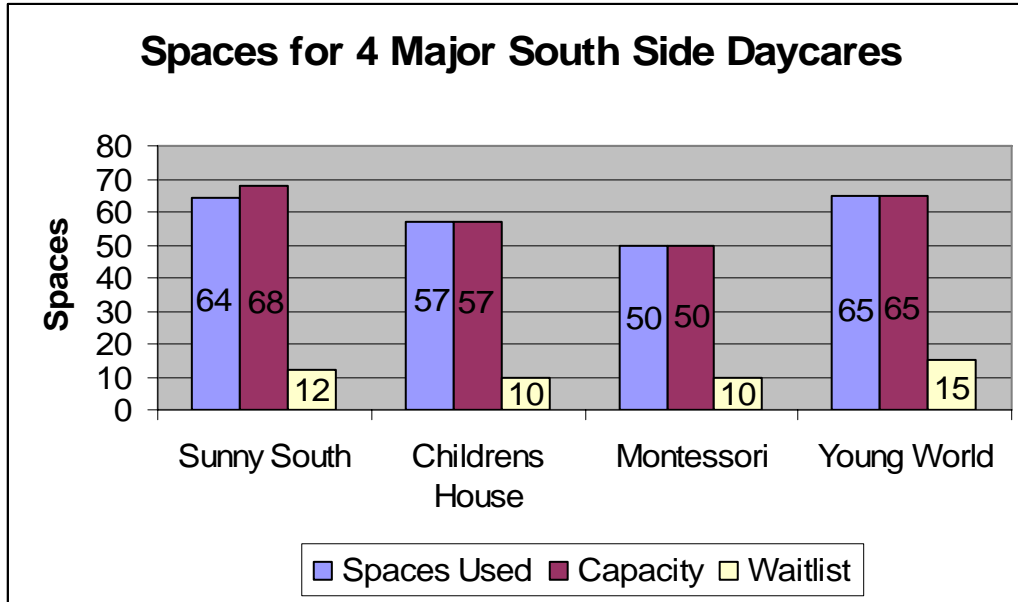
With just over half of the daycares accepting children first from students, second from staff/faculty and third from the community, the largest population within those daycares consists also of students. Of those universities surveyed, within recent years the trend seems to be students with children have the largest spaces being filled followed by staff/faculty and then community users.

Alberta Universities

After surveying the universities in the province it was found that their issues with space/capacity, operating expenses and relationships with an external provider were very similar to that of Canadian universities described previously. Both the University of Calgary (U of C) and the University of Alberta (U of A) have more than one daycare on campus, all at capacity with long wait lists. These institutions charge \$625 to \$825 per month for childcare fees. Even though not everyone can afford those prices, capacity can be maintained because of a high demand. Almost all of these spaces are used by University students or staff. With some of the daycares currently seeking their accreditation the desire is to have better quality programs. With a large demand for daycare services in the major centers, institutions can offer quality programs through an accreditation and still be able to maintain capacity while charging higher fees.

City of Lethbridge

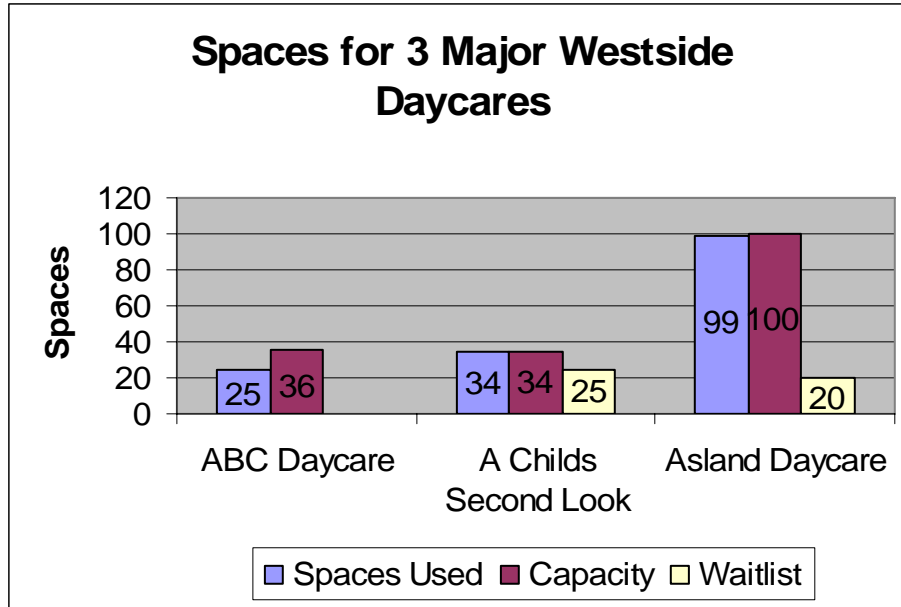
This study will look at the impact of childcare centers in two areas; the Westside and Southside. This study will look at the demand for childcare on both sides of the city and how they would affect the University opening a daycare. First, looking at the South side, shown below are 4 major childcare facilities. All are at capacity with wait lists. None of these facilities felt they would be affected if the University opened a childcare facility on campus. This comment was uniform across the Southside as the percentage of University community members at those childcare facilities was very small or none at all.



With the University being located on the Westside of the City, this review has focused more of its attention on Westside daycare facilities. The reason behind this theory is:

- Those University community members that live on the Westside would tend to enroll their children in Westside daycares because it is more convenient for them.
- Those University community members that live on the South/North sides may also decide to bring their children to Westside daycares because it is on the way to work or school.
- Taking into account the fact that some University community members take children to daycares located on the South/North sides, the percentages of those members within each of their daycares does not represent a majority and, as a result, opening a daycare on campus would not hugely affect daycares in other parts of the city.

NOTE - Daycare centres other than on the Westside have been contacted and involved in the survey process (See South Side Daycares above)



Of the three largest daycares on the Westside of Lethbridge, the above graph shows the use of spaces and waitlists. ABC Daycare, the only one of the three not at capacity prefers to operate with the current number of spaces used rather than at their licensed limit; however if there was more demand for use of the facility they would accommodate such. The other two daycares, A Childs Second Look, and Asland Daycare are currently at the max for licensed spaces, with both facilities’ waitlists in the 20-25 child space range.

Of these, all three said that their highest demand was at toddler age (19 months to 3 years). A full-time subsidized toddler at these three daycares pays anywhere from \$520 to \$600 and full-time non-subsidized toddler pays \$490 to \$570 per month. If a person qualifies for full subsidy in Alberta they receive \$500 per month for a pre-school aged child and \$575 per month for an infant aged child. See the below chart for a further breakdown of eligibility. On a positive note, government subsidy rates have increase by at least \$100 in each child care category over last year. This means that more families can afford childcare services.

	Day Care		
	2004 Rate	2005 Rate	Extended hour
Infants (0 - 19 months)	\$475	\$575	\$675
Pre-school (19 months and over)	\$380	\$500	\$600

Asland Daycare was the only one of the three daycares that offered infant care (0-12 months). Not many daycares provide this service as it is very costly. With the ratio of staff to children being much smaller than other categories and the additional costs of equipment and materials (e.g. cribs), infant care is not offered in most daycares. As such, the fees for infant care are the highest among all categories.

Impact on Westside providers

The question was posed to Westside daycares “If the University of Lethbridge opened a daycare on campus, would it impact your business? And How?”

- ABC Daycare said, “Yes it would impact our business but we are not sure how much. Of the 25 spaces, 50-60% belongs to University Students”. Of note, there is no staff/faculty with children at this facility.
- A Childs Second Look said, “Yes it would but not very much. 10 families are associated with the University with 9 of them belonging to students”. The comment was also raised that the families at the daycare seem to be happy where they are.
- Asland Daycare said “there were few, if any, children that belonged to University students/staff/faculty. If the University opened a daycare on campus it would not affect our business”

From the comments that were made above it would appear that creating a daycare on campus would not have a large effect on business for Westside daycares. Other than the ABC daycare having half of their spaces used by University students (approximately 12-15 children), the other two daycares did not have a large number of spaces being used by the University community.

In the “September 2005 On-campus Child Care Need Assessment Study”, 1,000 people (90.9%) were in favor of on-campus childcare. 210 of those people had children of daycare age requiring care. From the results of the survey it is unclear if all 210 people are looking for childcare services or have a current daycare. Of the survey participants who have children of daycare age, the following questions arise:

- What are families currently doing for childcare?
- Are they using daycare services elsewhere in the city or making other arrangements?

Within the three big Westside daycares approximately 25 children are associated with the University community. The question has to be asked, of these 25 children, if a daycare was to open on campus would they all enroll in a University daycare? Many parents, once they find a daycare that they are happy with, would tend to stay with that daycare rather than create a disturbance by moving the child to another daycare. In the survey it was discovered that of those daycares that resided within an elementary school, typically those children would attend the same elementary school after daycare age. Many of the daycare providers have said that parents seem happy with the services and location of their current daycare.

“One of the biggest things people look for is location; there are many people on the Westside near the daycare (ABC Daycare). We have a shuttle that transports children to the Probe school for kindergarten”.

Lethbridge Community College (LCC)

To see what a childcare facility would look like at a postsecondary institution in Lethbridge this study took a look at what the Lethbridge Community College has done. The LCC Childcare facility is currently run out of a portion of the technology building on campus. All 40 of the facility's spaces are being used with an approximate wait list of 50 children. Only 5 of the spaces are reserved for staff with the remaining filled by students. The daycare accepts children from age 19 months to 5 years with most of the spaces being used for infant age. Some students that at one time went to the College but are now attending the University, have kept their children at the College daycare facility. The LCC currently staffs 3 full-time and 6 part-time employees.

The daycare schedule at the College runs very closely to the academic year. Ever since the daycare opened on campus they have been able to have full capacity from the months of September to April, running at less than capacity from May to June and have not had enough children to be open during the months of July and August. Ever since the childcare facility opened ten years ago they have never been able to remain open July and August. The busiest times of the year are September to November and January to April. The turnover of children at the facility is typically once every academic year. Because of a wait list at the College a long term commitment is not required. Fees are assessed on a monthly basic, as typically a child will stay at the facility throughout the academic year.

The College considers their staffing to be very successful. With employees being paid at negotiated labour rates they have been able to retain staff for long periods of time.

“The feeling is that these employees are well paid with good benefits”

Daycare workers at the College make \$13.00 to \$15.86 per hour with the Daycare Supervisor salary range from \$18.38 to \$24.88 (\$38,240 to \$51,740 annually). The daycare budget does not account for utilities or amortization. Utilities are paid by Physical Plant with amortization handled centrally at the College.

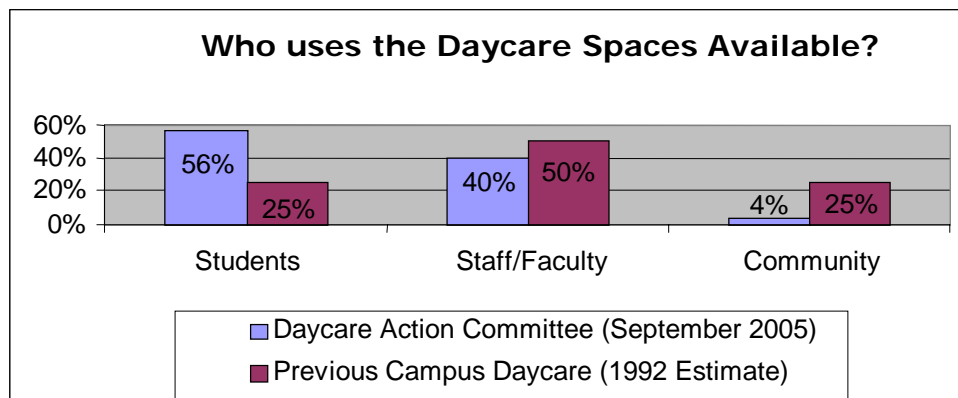
Revenue from fees was just enough to cover the costs of salaries and material expenses. Amortization and other related capital expenses are handled centrally while utilities are budgeted for under the Physical Plant department. With the daycare's budget not including these expenses the College can charge a lower rate which is comparable to other childcare facilities in the City. The College currently charges \$565 per month for daycare. With the government subsidizing \$500 for a full-time eligible toddler, the average parent (mostly students) is required to pay just \$65 per month for services if fully subsidized.

The comment was made “Students are looking mostly for convenience and second for quality care. Price isn't a big issue as the majority of the fee is subsidized”

The Early Childhood Education Program (ECE) offered at LCC was contacted to determine the success of the programs and the enrollment levels. Within the daycare industry there are considered to be 3 levels of education. The College offers a one year certificate which would be equivalent to a Level 2 and also a two-year diploma which would be equivalent to a Level 3 in the daycare system. In a daycare environment the manager of the daycare is required to have a Level 3 and all other workers in the daycare are required to have the minimum of a Level 1 (the equivalent of one three-credit ECE course). There currently are 50 students enrolled within the 2 year programs. In previous history, some of the students in this program would continue on in their education past the two-year diploma and would seek employment in other fields (ex. kindergarten or schools). In the opinion of the ECE contact, it was felt that with all the new government programs and funding available recently, many more students would stay and seek employment within the childcare industry.

Of the universities surveyed in Alberta and across Canada in this study the concern was raised by many that it was difficult to find qualified staff. Based on what the government has done recently with “Alberta’s Five-Point Investment Plan” and those comments made by the ECE, I would suggest that staffing levels may improve in the future.

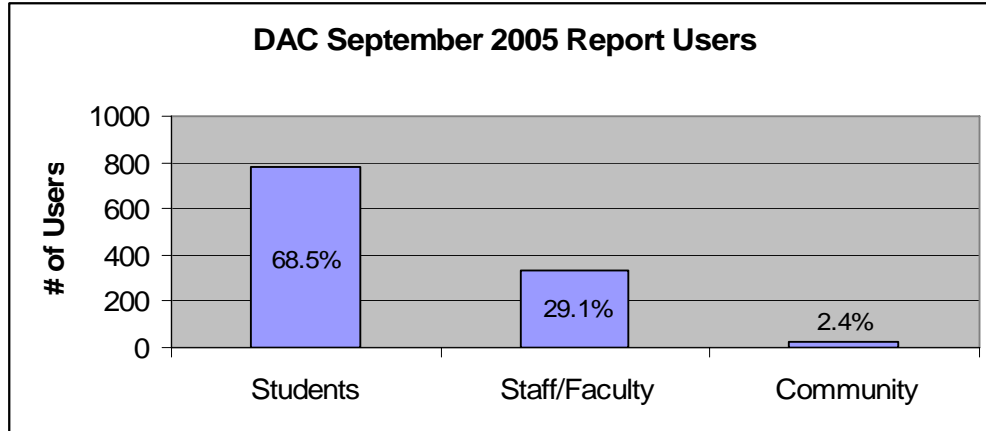
University of Lethbridge Daycare Space Trends



*This graph compares an estimate of what the percentages were in 1992 taken from the 2002 feasibility study report and comparing it to percentages that were gathered from “On-campus Child Care Need Assessment Study in 2005”.

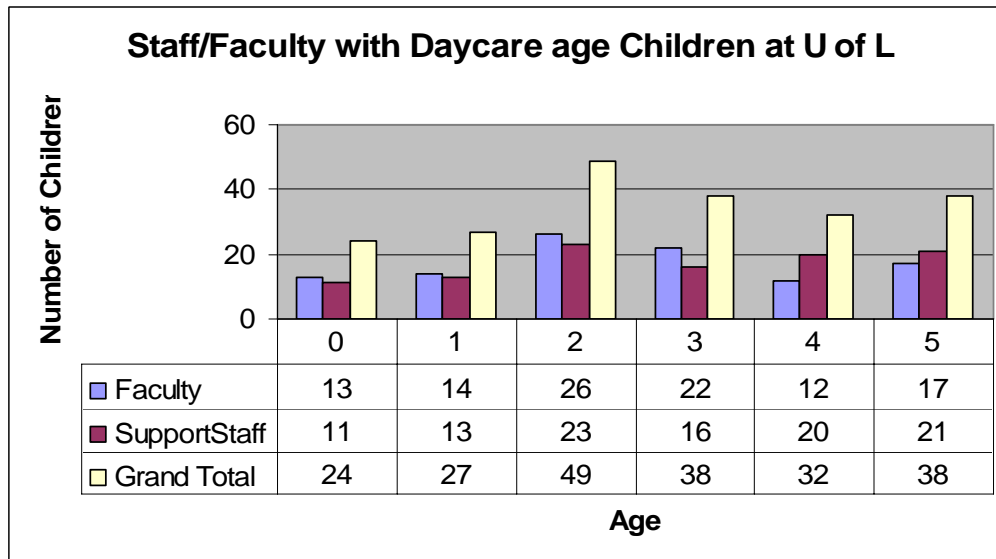
Important points to keep in mind when looking at this graph:

- The numbers from 1992 are estimates but represent the fact that Staff/Faculty were the biggest users of the daycare during the period the previous daycare on campus operated.
- It is important to remember that those numbers associated with the Daycare Action Committee report are directly related to those individuals that participated in the survey and had children of daycare age (Note that not all who voted were currently in need of daycare services). The Graph below shows a breakdown of those who participated in the survey.



Of those surveyed across Canada and within the City of Lethbridge the largest user of childcare would first be students, second staff/faculty and third community. This trend seems to also be consistent with University community members in the City of Lethbridge specifically on the Westside. In the study it was found that students are using more daycare spaces than that of staff/faculty, especially on the Westside.

Data from the Human Resources department was obtained regarding staff/faculty who had children. The following graph shows a breakdown for each year of daycare age.



It is to be noted that the University of Lethbridge does not require an employee to submit information about their children. The only time it is tracked is via benefits, which have the following caveats:

- If the child receives full coverage benefits from a spouse who is not employed at the U of L, our benefits department does not collect information regarding the child, and therefore will not show up in our data.
- If both the child's parent's work at the U of L, there will be cases where there is 1 child, 2 employees, bringing the ratio down.

Although the above information is not considered 100% inclusive it does give us a very close idea of those University employees that have children of childcare age. With these University employees either using childcare providers across the city or finding other solutions for their needs, it remains to be seen if they would choose a University childcare over their current solution.

Data for students could not be as easily obtained as most benefits are subsidized directly with the government. The Students' Union currently has 25-30 students that are registered under the family extended benefits plan. These are the only ones that the Students' Union keeps track of. Most students with children are subsidized through the government and as such the Students' Union has no record of this data. From this limited data it is very difficult to estimate how many students have children of childcare age.

Government Funding and Program Supports

In 2005, the Government of Alberta Children's Services asked Albertans what was important to families regarding childcare, whether parents go to work, go to school or stay at home. Alberta's Five-Point Investment Plan was created to address those points.

Albertans wanted:

1. Regulated child care to be affordable for low and middle income families.
2. More support for parents to stay at home to care for their children.
3. Better access to child care for children with disabilities.
4. Quality child services.
5. Better support in their role as primary caregiver and more access to early intervention services.

The Government of Alberta, under "Alberta's Five-Point Investment Plan", has tried to encourage quality child services by encouraging daycares and family day homes to seek a childcare accreditation. Many daycare facilities are currently seeking this status. The major difference between a licensed daycare and a daycare with accreditation is that a childcare accreditation facility supports quality programming, recruitment of qualified staff and their professional development. Higher quality programming will always result in better trained staff, which then results in higher pay. As a result of these high standards, shown below is how the government will provide funding to each.

Program Supports		
	2004 Rates	2005 Rates
Pre-Accredited	\$300 to \$1,200*	\$450 to \$1,800*
Accredited	\$2,400 to \$4,800*	\$2,640 to \$5,280*

* Annually, based on size of program

	Staff Support Funding			
	Pre-Accredited		Accredited	
	2004 Rate	2005 Rate	2004 Rate	2005 Rate
Trained Day Care Staff - Level 1 (50 hr course)	\$0.46/hr	\$0.64/hr	\$0.58/hr	\$0.96/hr
Trained Day Care Staff - Level 2 (1 yr certificate)	\$0.61/hr	\$1.21/hr	\$0.76/hr	\$1.81/hr
Trained Day Care Staff - Level 3 (2 yr diploma)	\$0.94/hr	\$1.97/hr	\$1.18/hr	\$2.96/hr

Staffing

Uniformly across the board it would appear that finding qualified staff always has been an issue. Within the childcare industry a daycare worker typically makes on average just over minimum wage at \$10 per hour, making it difficult to keep staff and quite often the turnover is high.

Asland Daycare, the largest daycare on the Westside with 22 full-time staff said *“Staffing is always a difficult issue. I feel that those in the college programs often seek further education and careers”*.

ABC Daycare said *“I have been looking for an assistant manager for a long time”*.

A typical daycare facility runs on the hours of 6:30 a.m. to 5:30 p.m. weekdays resulting in staffing being required for 11 hours each day. Keeping the correct amount of staff around at all times is an important issue as one person could not work the entire day. The government licensing standards for minimum ratios of staff member to children is shown below.

Age of Children	Staff to Children Ratio
Under 13 months	1:3
13 months to Under 19 months	1:4
19 months to Under 3 years	1:6
3 years to Under 4 ½ years	1:8
4 ½ years and over	1:10

Drop In Care

Of those surveyed within the City of Lethbridge only two of the larger childcare facilities were found to offer drop in services. Both of these childcares commented that the service was not used very much. Described below are the Pros and Cons to Drop in Care:

Pros:

- Convenience for parent
- Students have different schedules each day of the week.

Cons:

- With staff salaries consisting of 90% of the operating budget, childcare facilities have to closely monitor staffing ratios.
- Families may consider it a “babysitting service” rather than a “daycare service”.
- It becomes difficult to find “call in” staff for a few hours or send staff home if there are not enough children.
- Childcares throughout the City have not a huge demand for the service.
- Comments were made that parents coming and going create disruptions of routine (eg. Breaks) and often upset the child. With changes to surroundings (eg. different people associated with the child each day) this situation was considered harmful by many of those institutions surveyed.

With operating budgets running at breakeven and the importance of maintaining staffing levels, drop in care is typically not considered a viable solution. With waitlists at childcare facilities it only makes sense to fill the available spaces with full time children.

Space

Helen Henderson, Manager of University Planning was contacted regarding the placement of a childcare facility on campus, taking into consideration the 2001 Campus Master Plan. The following are some options for a location of a childcare facility on campus:

Exploration Place

Pros:

- Incorporating a relatively small daycare space into another building will save costs of construction (using existing sewer, water, gas & storm sewer lines).
- Transit services currently using Valley Road are in close proximity to Exploration Place.
- Multiple courtyard spaces are planned for on the North campus building development.
- Parking lots are within walking distance for drop off services.

Cons:

- The plan for multiple parking lots in the area will create large traffic volumes around a childcare facility.
- Concerns of whether it is appropriate to locate childcare services near highly intensive research facilities.
- Most students with children that are living in residences/town houses would have to cross the entire campus to drop off children.

Management and Health Sciences Building (Building B on map)**Pros:**

- A central building on campus located close to other facilities (ex. gym, pool, and field space)
- In the “Campus Master Plan”, after the construction of the Management & Health Sciences Building, green space is planned on the North side of the building (where the track is currently located). This could provide access to playground space.
- Incorporating a relatively small daycare space into another building will save costs of construction (using existing sewer, water, gas & storm sewer lines).
- Transit services and a drop off location would be close by.

Cons:

- With space pressures in an academic/research facility it may be difficult to find room for childcare and also to retain the space provided to the childcare when academic programs expand.
- Vehicle traffic may increase in the area.

South Campus (Past Residences)**Pros:**

- The South campus is one of the only places where a free standing building could be erected.
- Space is available for a playground near the childcare facility.
- Physical Plant will be extending/upgrading utility and other services further South on campus in the near future.
- There is less traffic on South campus.
- A new facility would be built specifically to the government standards.

Cons:

- Transit services become less convenient the further South on campus it may be located.
- A building located on the other side of the lake on campus may be considered an inconvenience to some.

South Campus (Near Residences)

Pros:

- The South campus is one of the only places where a free standing building could be erected.
- The uses of the existing playground facility at the residences or the space to create a new one are both feasible options.
- A building located near the residences would be in close proximity to existing utility services.
- Less traffic than other areas on campus.
- Transit services near the Students' Union and Library buildings are in close vicinity.
- A new facility would be built specifically to the government standards.

Cons:

- There are costs associated with a new building (e.g. land preparation and connecting to utility services).

Use of existing classroom trailers currently attached to the Westside of Turcotte Hall

Pros:

- With the expansion to Turcotte Hall in the near future these trailers will be removed.
- If the trailers are in good shape and can survive a move this may be a good option to consider.
- The initial capital cost would be greatly reduced if these buildings are usable.

Cons:

- With specific requirements required for a daycare, converting an existing space may not be the most feasible option (e.g. the need for bathrooms, etc.)
- Costs associated with moving building, renovating and connecting services may out-weight benefit.

With a childcare facility on campus there will always be debates to build a new facility or incorporate it into a current building plan. From the options described above we can see that there are pros and cons for each. To put things into perspective, described below are what some of the costs might look like.

Using some preliminary numbers from Doug Parker, Director of Physical Plant and Operations, it is estimated that the construction of a new building would cost \$2,500 per m². A 50-child facility with approximately 5.6m² (60 ft²) per child would result in a 280 m² facility at an initial capital investment of \$700,000 to \$750,000. Site servicing costs for the preparation of the land and the costs of connecting to existing sanitary, sewer, water, gas and storm sewer lines could cost upwards of \$250,000.

For the purpose of this study the above capital investment of one million dollars (\$1,000,000) will be used in all scenarios as a general guideline for what a facility may cost whether it is a stand alone building or one that is part of another University building.



Taken from the "Campus Master Plan"

Analyzing the Scenarios

Five operating scenarios present themselves as possibilities for running a childcare facility on campus:

1. The University of Lethbridge would run a childcare facility on campus, being responsible for all capital and operating costs with daycare workers considered University employees.
 - a. All costs (operating and capital) will be built into the daycare budget.
 - b. The daycare budget will be responsible for all costs except capital. The capital expense will be budgeted for centrally and not charged to the daycare operation.
 - c. The daycare budget will be responsible for all costs except capital and utilities. Capital expenses will be budgeted for centrally while utilities will be budgeted for through Physical Plant (facility would operate similarly to that of the Lethbridge Community College).
2. The University of Lethbridge would not be responsible for any costs associated with the childcare facility or operations. An external provider would independently operate the childcare facility and provide the capital funding to build a facility on campus. The External Provider would be responsible for all operating costs associated with running the facility including maintenance, utilities and capital improvements.
3. The University would provide the capital investment for the facility while being responsible for maintenance and capital improvements. An External daycare provider would operate the facility while being responsible for all salaries, benefits and materials and utilities.

Space options include:

1. Renovate an existing space on campus to accommodate a childcare facility.
2. Incorporate a childcare facility into a future building plan.
3. Build a stand alone facility for daycare.

All of the above ideas presented would result in very different financial operating scenarios for the University. Each scenario will be addressed for feasibility both financially and practically. The following general assumptions will be assumed for all scenarios:

1. The facility will consist of 50-childcare spaces.
2. A ratio of staff to child of 1:6.
3. An estimated 5.6 m² per child (A 50 child space building would create a facility around 280 m²).
4. Portable buildings or a permanent structure would cost \$2,000 to \$2,500 per m² (A 280 m² facility would be estimated to cost \$1,000,000, including \$300,000 for site services and equipment).
5. \$1 million capital financing assumes a 25 year amortization period at 5%.
6. Straight-line amortization:
 - i. Building – 30 years
 - ii. Equipment - 5 years
7. The most basic budget has been created to determine what the base fee would be. If the childcare fee could be increased to cover more University operating expenses (maintenance, utilities, mortgage/rent payment, etc.) without compromising the number of spaces being filled, it could then be adjusted.

Scenario # 1

The University of Lethbridge would run a childcare facility on campus, being responsible for all capital and operating costs with daycare workers considered University employees.

Assumptions:

- The University would be responsible for the building capital and equipment.
- All operating costs would be paid for by the University. (Note: All University utilities are budgeted for under Physical Plant while all capital expenses are handled centrally).
- Staff would be considered University employees and fall under the negotiated labour rates. An average rate of \$17 will be used based on the below explanation.

The University of Lethbridge Human Resources department has given some very preliminary numbers strictly as an estimate on what the rates of pay would be if the University decided to run its own daycare with AUPE (Alberta Union of Provincial Employees) staff. The daycare would have to be managed with an APO (Administrative Professional Officer) position. That person would be involved in managing the budget, staffing, maintaining the operational standards, relationship management, as well as the overall delivery of services. It is assumed that the APO position would be given an APO grade level 3. The remaining staff at the facility would all be AUPE support positions with a grade level of 6 or 7. Described below is an outline of those positions:

Unionized Monthly Salaries

	Min.	Mid.	Max.
APO Level 3	\$3,629.53	\$4,536.91	\$5,444.29
AUPE Level 6	\$2,321.00	\$2,714.50	\$3,108.00
AUPE Level 7	\$2,381.00	\$2,785.00	\$3,189.00

These salaries assume a 7 hour work day at 35 hours/week. This works out to a Grade 6 starting at \$15.24/hour and the grade 7 starting at \$15.64/hour.

Scenario # 1A

- All costs (operating and capital) will be built into the daycare budget.
- In order to operate at a breakeven point, the fees would need to be \$960 per month per child.

Scenario # 1B

- The daycare budget will be responsible for all costs except capital. The capital expense will be budgeted for centrally and not charged to the daycare operation.
- In order to operate at a breakeven point for only operating costs plus amortization, the fees would need to be \$810 per month per child.

Scenario # 1C

- The daycare budget will be responsible for all costs except capital and utilities. Capital expenses will be budgeted for centrally while utilities will be budgeted for through Physical Plant (facility would operate similarly to that of the Lethbridge Community College).
- In order to operate at a breakeven point for only the operating costs, the fees would need to be \$710 per month per child.

Pros:

1. University owned building and equipment.
2. U of L would have more involvement in day-to-day operations.
3. Staff may stay around longer as a result of being paid at negotiated labour rates. The manager of the LCC daycare said that is the main reason that her staff has remained for 10-15 years.

Cons:

1. Higher than the childcare industry salaries.
2. Many people would not be willing or able to pay \$700 to \$1,000 per month for childcare services.
3. U of L does not have expertise in running a daycare.

Scenario # 1 Feasibility

With many daycares in the city charging \$500 to \$600/month it may be difficult to attract clients due to the above market fees. The annual daycare operating budget would be approximately \$ \$460,000. Because 90% of operating costs at daycares are salaries and benefits, negotiated labour wages and benefits would represent a significant cost pressure with this model.

Scenario # 2

The University of Lethbridge would not be responsible for any costs associated with the childcare facility or operations. An external provider would independently operate the childcare facility and provide the capital funding to build a facility on campus. The External Provider would be responsible for all operating costs associated with running the facility including maintenance, utilities and capital improvements.

Another variation of this model is that the University would provide the capital investment for the facility upfront and then chargeback the facility costs to an External Provider. The External Provider would be responsible for facility leasing costs, paid back to the University, and all operating costs. In the end this version of the scenario would produce the same pros, cons, operating budgets and childcare fees as Scenario #1.

Assumptions:

- The External provider would be responsible for the building capital and equipment as well as any capital improvements.
- All operating costs, including utilities and wages would be paid for by the External provider.
- In order to operate at a breakeven point, the fees would need to be \$730 per month per child.
- Staff would be paid at a comparable industry rate of \$10/hour.

Pros:

- With an externally operated facility workers wages are within the industry standard.
- The external provider shows a big commitment to the facility by paying for all capital costs. A good possibility for a long term relationship would exist.

Cons:

- The fee for childcare of \$730 is considerably higher than other daycares in the city.
- The University has less control over what is charged for fees and how the facility is operated.
- A small market will exist for those willing to provide a large capital investment in a facility.

Scenario # 2 Feasibility

Because most prospective or current childcare providers would not have the start-up funds available to build a facility on campus this may not be the most feasible solution. The reason that most of the larger childcare centres can offer a lower fee than the one calculated in this scenario is because their capital costs are considerably lower than what the University would incur, due to the commercial capital costs required for new construction. Many daycares in Lethbridge have existed for 25 plus years and do not have to make mortgage or lease payments.

Scenario # 3

The University would provide the capital investment for the facility while being responsible for maintenance and capital improvements. An External daycare provider would operate the facility while being responsible for all salaries, benefits and materials and utilities.

Assumptions:

- The External provider would be responsible for the operating costs which include salaries, benefits and utilities.
- The University of Lethbridge will be responsible for providing the capital and amortization payments.
- Staff would be paid at a comparable industry rate of \$10/hour.
- The External provider would pay lease costs to the University for the use of the facility.
- As scenario # 3 is a combination of the previous two, multiple situations have been experimented with to determine the financial feasibility. The size of the facility and quantity of workers has been experimented with to determine how it would affect childcare fees. In order to operate at a breakeven point, the below chart shows a breakdown of Scenario # 3 situations.

Summary of Breakeven Child Fees*

	# of Children	Workers	Child Fee
Scenario # 3 (40 Spaces)	40	7	\$600
Scenario # 3 (50 Spaces)	50	8	\$530
Scenario # 3 (60 Spaces)	60	10	\$520

*All scenarios are based on operating 12 months of the year.

Calculations included f/t and p/t staff with smaller capacities during summer months.

Pros:

- All versions of Scenario # 3 are comparable to other rates within the City of Lethbridge
- A partnership between the University and an external provider would make the most sense in terms of costs and experience benefits.

Cons:

- Families could still find less expensive rates within the City of Lethbridge.
- The U of L's portion of the facilities operating budget would be estimated at \$100,000 annually.

Scenario # 3 Feasibility

An external provider can bring expertise and experience to the table while the University has control over the building and the contract for services. This scenario can offer a competitive fee in the Lethbridge childcare market of \$500-600 per child per month.

Scenario # 4

Renovate an existing space on campus to accommodate a childcare facility.

Pros:

- The convenience of having both parent and child close by. The possibility could exist where a parent is taking classes in the same building as the childcare facility.
- Many of the current areas on campus are in close vicinity to transit, parking and drop-off services.

Cons:

- The renovations can get costly when it was not initially designed for that purpose. The government has specific requirements for childcare spaces (e.g. food, staff and bathroom areas).
- The area used for a childcare facility could also have been renovated for classroom or office spaces.
- The space would need specific requirements like a fenced in playground area near by and convenient access to the outside and child drop off.

Scenario # 4 Feasibility

Renovating an existing facility can be extremely costly. If there were specific locations on campus that could meet childcare needs then this situation would be looked at in more detail. With existing classrooms and permanent faculty offices at a premium the renovation of a current University space would not currently be considered really a possibility.

Scenario # 5

Incorporate a childcare facility into a future building plan.

Pros:

- The convenience of having both parent and child close by. The possibility could exist where a parent is taking classes in the same building as the childcare facility. It would be convenient for parents to drop by on lunch hours and breaks to be with their children.
- A future building plan may be in close vicinity to transit, parking and drop-off services.
- This scenario may produce lowest capital cost for the University.

Cons:

- The childcare space could be used for classroom and offices.
- This planning would have to fit into the University's Core Campus Master Plan and would involve a lot of coordination and may be many years down the road before a new building is constructed.
- With a limited number of buildings being created in the near future it may be difficult to satisfy current childcare needs on campus.

Scenario # 5 Feasibility

Combining multiple services (including childcare) into the same building usually results in a more economical construction cost due to economies of scale. The Management and Health Sciences Building which is currently in the architectural stages gives the best opportunity for this scenario to take place. However with much space needed for academic classrooms and offices the integration of a childcare facility may be difficult to fit into the University demands on the building.

Scenario ProForma Operating Statements

The University of Lethbridge
ProForma Annual Operating Statement
 University Daycare
 January 2006

	Scenario #1			Scenario #2	Scenario #3		
	Scenario #1A	Scenario #1B	Scenario #1C		40 spaces	50 spaces	60 spaces
Fee per month	\$ 960	\$ 810	\$ 710	\$ 730	\$ 600	\$ 530	\$ 520
Revenues							
Childcare Fees							
50 Children for 8 months (Sept - Apr)	\$ 384,000	\$ 324,000	\$ 284,000	\$ 292,000	\$ 192,000	\$ 212,000	\$ 249,600
25 Children for 2 months (May - June)	48,000	40,500	35,500	36,500	24,000	26,500	31,200
12 Children for 2 months (July - Aug)	23,040	19,440	17,040	17,520	12,000	12,720	15,600
Total Revenues	455,040	383,940	336,540	346,020	228,000	251,220	296,400
Expenses							
Salaries and benefits	250,453	250,453	250,453	160,267	145,100	160,267	190,600
Employee Benefits (20%)	50,091	50,091	50,091	32,053	29,020	32,053	38,120
Materials and supplies	25,000	25,000	25,000	25,000	20,000	25,000	30,000
Food	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Telephone and fax	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Repairs and maintenance	4,000	4,000	4,000	4,000	3,000	4,000	5,000
Equipment < \$1000	1,500	1,500	1,500	1,500	1,500	1,500	2,000
Professional fees	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Rent (To U of L)	-	-	-	-	18,000	18,000	18,000
Utilities	4,200	4,200	4,200	4,200	4,200	4,200	4,200
Amortization	41,667	41,667	41,667	41,667	-	-	-
Building & Equipment loan - debt servicing costs	71,000	-	-	71,000	-	-	-
Total Expenses	452,911	381,911	336,044	344,687	225,820	250,020	292,920
NET Before Debt Servicing Costs	2,129	2,029	496	1,333	2,180	1,200	3,480
University Subsidy							
Utilities	-	-	4,200	-	-	-	-
Amortization	-	-	41,667	-	41,667	41,667	41,667
Building & Equipment loan - debt servicing costs	-	-	71,000	-	71,000	71,000	71,000
Rent Received (\$1,500 per month)	-	-	-	-	(18,000)	(18,000)	(18,000)
Excess of Revenues over Expenses	\$ 2,129	\$ (68,971)	\$ (116,371)	\$ 1,333	\$ (92,487)	\$ (93,467)	\$ (91,187)

	Daycare Workers	40 spaces	50 spaces	60 spaces
1 Unionized Staff Rates				
Manager - APO	4,542	Per month		
Workers - AUPE @ \$17/hr (35 hrs/week)	2,578	Per month		
2 External Staff Rates				
Manager	3,750	Per month		
Workers @ \$10/hr (35 hrs/week)	1,517	Per month		
3 Benefits calculated at 20%				
4 Business operations:				
8 months @ 100% occupancy				
2 months @ 50% occupancy				
2 months @ 25% occupancy				
5 Building, Equipment & Site Services cost				
(Government requires 4 m ² /child. All scenarios will use 6 m ² to accommodate different space demands)				
6 Utilities (will follow assumption # 5)				
7 Building & Equipment loan debt servicing				
8 Amortization (will follow assumption # 5)				

Capital Financing Requirements

The University must meet certain legal prerequisites if the University is required to borrow \$1 million for the capital construction costs of a daycare facility. The Board of Governors must approve a motion to allow the University to enter into a proposed debt arrangement. The University must then apply to the Provincial Government for approval to enter into debt, and receive an Order in Council from the Lieutenant Governor. The Order in Council may be granted only after the Minister of Advanced Education and the Minister of Finance have approved the proposal. The application for the debt must indicate the source of funds for servicing the debt payments, which the University has been told in the past, cannot be from tuition fee revenue or provincial operating grants.

Conclusion

Of those universities surveyed, many which chose to use an external provider followed a similar outline of costs to that of Scenario # 3. Universities would upfront the initial capital costs as well as many other maintenance and building related expenses. This Scenario would result in the external provider being responsible for an operating budget of \$250,000 (for 50 childcare spaces) plus an annual subsidy of \$100,000 from the University of Lethbridge.

Some of the positives on using an external provider are:

- Staff would be paid at the industry standard. (Salaries count for 90% of childcare operating budgets)
- Allow the childcare to operate with a competitive fee (most childcares in the city charge \$500-600 for a subsidized child).
- An external provider would have the expertise and experience.
- A childcare provider that has a good reputation and offers quality programs would be a benefit to the University.

A childcare facility on campus would be considered unique and comparable only to that of the college. It is important to note that all of the above scenarios are based on the childcare facility being open for 12 months of the year with summer months at less than full capacity. The situation at LCC is important to consider when planning an operating budget and childcare fees as their daycare attendance would probably be similar to the University. The childcare facility at LCC has been open for over twenty years now and to this date has had to shut down during the months of July and August. May and June have also produced less than maximum space results. Keeping this situation in mind, further analysis was conducted on all of the scenarios in this study to see what would happen to the operating budgets and corresponding childcare fees, operating at various capacities over the year. It can be concluded that in all scenarios the longer that a facility can stay open at full capacity the lower the childcare fee would need to be to break even. Summer programs and other related activities could be arranged to help maintain operating levels.

Of those surveyed it was found that families choose to enroll children in facilities that are both convenient and cost friendly. Quality of programs is also a key issue but more often than none follows the previous ones. It would be concluded that ideally families seek those programs that have quality but often reality sets in with both cost and convenience becoming important factors. Although childcare centres throughout the city offer a variety of programs, many are considered high quality. Because of this, parents often look to price and convenience (location) as the main selling features. It only makes sense for the University to create a childcare facility on campus that creates a benefit or enhances the University of Lethbridge's reputation in the community. With this in mind the University should not compromise the quality of the program just to fill spaces.

If it is the University of Lethbridge's Board of Governors' decision to pursue further the possibility of a daycare facility on campus, it is recommended that a more comprehensive survey be conducted (specifically to those that have children) to answer some key questions:

1. Where do you currently take your daycare aged children?
(Private Daycare, Family members, or make other arrangements)
2. If a daycare were to open on campus would you leave your current situation and bring your child to the University daycare centre?
3. What would you be willing to pay for a daycare service on campus?
(Less than \$500, \$501 to \$550, \$551 to \$600, \$601 to \$700, over \$700)
4. What months of the year would you be in need of childcare services?

These are all important questions that need to be answered. If families consider cost to be the biggest priority over convenience and quality, then there is no doubt that they would be able to find a less expensive rate at another childcare facility than what the University would be able to offer.

It is also recommended that a Request For Interest (RFI) be sent out to External Daycare Operators to determine the feasibility and interest of operating a daycare on campus. This RFI will provide additional information to assess the possibility of a daycare operation at The University of Lethbridge.

NEXT STEPS:

1. Survey of University of Lethbridge Community members to gather more comprehensive information regarding childcare needs
2. Request For Interest to External Daycare Providers

Once the University has completed the survey and assessed the responses from the Request for Interest from external daycare providers, a follow up report will be issued.

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Key Study Documents

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