

CITY OF SANTA ROSA
CITY COUNCIL

TO: MAYOR AND CITY COUNCIL
FROM: RAISSA DE LA ROSA
ECONOMIC DEVELOPMENT DIVISION DIRECTOR
SUBJECT: PROFESSIONAL SERVICES AGREEMENT WITH FIRST 5
SONOMA COUNTY FOR ADMINISTRATION OF THE CITY'S
CHILDCARE SUPPORT PROGRAM FACILITY FUND AND CHILD
COLLEGE SAVINGS ACCOUNT PROGRAM

AGENDA ACTION: RESOLUTION

RECOMMENDATION

It is recommended by the Planning and Economic Development Department that the Council, by resolution, approve a Professional Services Agreement with First 5 Sonoma County Commission for the administration of City of Santa Rosa funded child and childcare programs in a not-to-exceed amount of \$5,875,000.

EXECUTIVE SUMMARY

In 2021 the Council held several study sessions where staff presented and received input on programs that could be funded using the City's allocation of American Rescue Plan Act (ARPA) funds and the remaining PG&E settlement funds. On February 15, 2022, Council passed Resolution RES-2022-029 appropriating these one-time monies and approving the related spending plans. Included in the spending plan is the ARPA funded Childcare Support Program in the amount of \$2,900,000 to be used for Childcare Facility Fund grants. The Childcare Facility Fund will be augmented by \$1,400,000 in previously allocated General Funds to be used to establish a Childcare Facility Fund Revolving Loan Program. In addition, the ARPA spending plan includes the Santa Rosa Child College Savings Account Program in the amount of \$1,575,000. All three of these child and childcare-related program elements will be administered by First 5 Sonoma County via a professional service agreement with input and involvement from the City and related service providers. These programs align with 2022-2023 Council Goal 3 (ensure a healthy and safe community for all), Goal 4 (promote economic and community vibrancy), and, to the extent that childcare is an integral part of the city's social infrastructure, Goal 5 (build and maintain sustainable infrastructure).

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BACKGROUND

During the July 13 and October 26, 2021, study sessions addressing proposed ARPA-funded projects, the "Childcare Funding" and "Baby Bonds" line items were discussed and refined. While the "Childcare Funding" ARPA line item had always been proposed to support the Facility Fund component of the Santa Rosa Childcare Support Program, it was confirmed that the \$2.9 million could and would only be used for grants. Hence, the Childcare Facility Fund is comprised of two parts: an ARPA funded grant program with funding available through 2024 (obligated by end of 2024, expended by end of 2026), and a \$1.4 million General Fund funded no-interest revolving loan program available for the life of the program.

The "Baby Bonds" line item was similarly refined, morphing into the Santa Rosa Child College Savings Account (CSA) program described in the attached Scope of Work (Exhibit A to the PSA). ARPA funds will be used to expand ScholarShare, the State's 529 college savings plan run locally by First 5 Sonoma County.

About First 5 Sonoma County: First 5 Sonoma County invests in Sonoma County's youngest children by funding programs and services that promote, support, and improve the early development of children from the prenatal stage through age five. It is funded by Proposition 10, a statewide ballot initiative passed in 1998 that added fifty cents per pack to cigarettes and other tobacco products. The resulting revenues are allocated statewide to First 5 California (20%) and to a First 5 Children and Families Commission in every California county (based on birth rate).

First 5 Sonoma is an independent public agency that has administered over \$90 million in grants across our county over the last 22 years, including multiple rounds of ECE facility grant cycles. In 2021, the organization administered the Child Care Resiliency Fund grant program, partnering with the City of Santa Rosa and the Community Foundation to distribute over \$1m to small providers struggling with the impacts of the pandemic. First 5 intends to continue leveraging that capacity as the lead agency for the City's ARPA funds and General Funds directed at childcare. As only a relatively small amount of the City's allocation will partially pay for First 5's administrative costs associated with these efforts, the organization will leverage Prop. 10 tobacco tax revenue to cover remaining administrative costs.

PRIOR CITY COUNCIL REVIEW

On October 27, 2020, Council passed resolution RES-2020-177 allocating \$2,000,000 of CARES Act funding in the General Fund Reserve for a Childcare Support Pilot Program.

Staff gave presentations on the use of ARPA monies at two City Council study sessions: July 13, 2021, and October 26, 2021.

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On February 15, 2022, Council passed Resolution RES-2022-029 appropriating one-time ARPA and PG&E settlement monies and approving the related spending plans.

ANALYSIS

Santa Rosa Childcare Support Program – Childcare Facility Fund (\$4.3M): The City's Childcare Support Program seeks to stabilize and grow the childcare business sector, ensuring easy access to quality early childcare and education that is within families' financial means.

The goal of the Childcare Facility Fund is to award the \$2.9 million in ARPA allocation funds via grants in support of childcare facility development included in new housing or business construction, as well as rehabilitation of existing sites, and to leverage the \$1.4 million General Fund seed funding from the Santa Rosa City Council with other funding sources to be accessed through a no-interest revolving loan program. Program and administrative costs are assigned as follows:

- \$1.4m – no-interest revolving loan program + administrative costs
 - \$1,330,000 – Program Funds
 - \$70,000 – 1 time 5% administrative costs embedded into existing staff costs for ongoing program needs (program has no end date)
- \$2.9m – grant program + 5% administrative costs
 - \$2,755,000 – Program Funds
 - \$145,000 – 5% to cover 2.5 years of First 5 administrative support, including hiring an ARPA program manager in combination with Child College Savings Account program.

City funds will be restricted for use within City limits and priority points will be awarded for facilities that are located within qualified census tracts and for those offering care for infants and toddlers. Eligible applicants include Local Education Agencies, 501(c)(3) nonprofit organizations that operate a state or federal government subsidized ECE program (i.e. Head Start, Early Head Start, CA State Preschool Program), private child care/preschool operators that accept AP vouchers or need-based scholarships for at least 50% of enrolled children, and Licensed Family Child Care owners, and license-exempt programs that are connected to a child care organization. State center-based programs that choose to apply will be required to document why they are not eligible for available ECE facilities funding from the CA Department of Education.

Funds may be used for construction costs specific to the childcare facility, fixtures, finishes and equipment required for childcare facility licensing, to enhance the environment to increase program quality to promote optimal learning outcomes, to increase accessibility to children with special needs, and for outdoor play area equipment and functional landscaping. They may also be used for mechanical,

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electrical, and plumbing for new or existing facilities, fees for permits and inspections, cost of architectural designs, and engineering and site development costs.

The role of 4Cs: To ensure that childcare facility needs are addressed beyond Santa Rosa, 4Cs intends to apply for approximately \$4.5m in ARPA funds from the County of Sonoma. Approximately 10% of County ARPA funds, if secured, will support staffing and administrative costs at 4Cs related to the Childcare Facilities Fund. 4Cs and First 5 envision the Childcare Facilities Fund as one seamless program from the applicant point of view (one website, one application, one timeline), while leveraging ARPA funds from the City and the County on the “back end” to allocate, track and disperse funds to applicants as per geography. Eligible providers for County ARPA funds will be aligned with the City priorities already endorsed by Council: expand and retain the availability of childcare through new building development for center-based childcare facilities, as well as renovation and repair for existing childcare facilities, family childcare homes and license exempt programs that are connected to a childcare organization. State center-based programs that choose to apply will be required to document why they are not eligible for available early childcare education (ECE) facilities funding from the California Department of Education.

The two organizations will also partner on culturally responsive engagement to ensure equity of access for providers in prioritized Qualified Census Tracts (QCT) and with the BIPOC community of caregivers to ensure ARPA funds are distributed to the communities most greatly impacted by COVID, as well as those serving birth to three years old to address the highest need of service (infant/toddler).

First 5 and 4Cs will work closely together to ensure procurement processes, tracking and reporting are aligned, and will leverage staffing whenever possible. Technical Assistance to grant applicants will be provided through 4Cs to support and ensure licensing requirements can be met for facility projects. 4Cs regularly communicates with childcare providers, maintaining data and contact lists for all licensed childcare facilities, family childcare providers, voucher-funded exempt providers and community-based programs. 4Cs partnership with First 5 on the Santa Rosa Childcare Facility Fund is a significant value-add to this grants program, supporting a neutral and transparent process, with both organizations bringing complimentary expertise and capacity to the table.

Child College Savings Account (aka Baby Bonds) (\$1.575M): The investment of ARPA dollars in the Child Saving Account (CSA) is a transformational investment into the future of qualifying birth to 5-year-olds within Santa Rosa city limits. The program builds on an existing State funded CSA program called *First 5 Futures* which, in essence, has made an initial deposit of \$200 for eligible children aged 2 to 5 years old, giving participating families the opportunity to receive up to an additional \$300 in incentives.

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The Santa Rosa CSA will allow First 5 Sonoma County to continue the program within city limits and expand the ages of eligible participants to also include those from birth to 2 years old (eligibility still ends at a child's 5th birthday), allocating up to \$500 to every City of Santa Rosa First 5 Futures Program account. The amount will be invested on behalf of the child (beneficiary) and will be available for withdrawal after the beneficiary graduates from a high school and enrolls in a college or career education program. Through the First 5 Futures program, families are also encouraged to open individual accounts for their children so they can contribute and save for their future

The incentives that increase contributions up to \$300 are based on support program participation. The support programs include financial literacy, school readiness, parent engagement, and other courses geared toward enabling an understanding of post-secondary learning options and establishing a college-going culture. Currently, First 5 Sonoma County leverages First 5 Family Resource Centers to engage and assist families in opting into First 5- owned 529 college savings accounts for their children. City funds will be restricted for use within City limits and focused on qualifying families residing in QCTs. \$78,750 (5% of the \$1,575,000) is allocated to cover 2.5 years of First 5 administrative support, including hiring an ARPA program manager in combination with the Facility Fund program.

The goal of the program is that every beneficiary will have two savings accounts. First 5 Sonoma County will setup the first account for the child with ScholarShare529. ScholarShare is a 529 college savings plan for the State of California. First 5 Sonoma County will use this account platform to invest \$200 in an investment plan for each child with the opportunity for additional incentives of up to \$300 after participating in a qualifying program. The second account can be established directly by a parent or guardian of the child. First 5 Sonoma County will partner with family resource centers and other organizations serving families with children 0-5 in the City of Santa Rosa to assist families in setting up individual college savings accounts. Parents or guardians will be able to access account balances on both accounts through Outcome Tracker, a designated program management system.

FISCAL IMPACT

As the ARPA funds are finite and wholly separate from the General fund, there is no negative impact to the General Fund resulting from these programs.

ENVIRONMENTAL IMPACT

This action is exempt from the provisions of the California Environmental Quality Act (CEQA) under CEQA Guidelines Section 15061(b)(3) and 15378 in that there is no possibility that the implementation of this action may have significant effects on the environment, and no further environmental review is required.

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BOARD/COMMISSION/COMMITTEE REVIEW AND RECOMMENDATIONS

Not applicable.

NOTIFICATION

Not applicable.

ATTACHMENTS

- Resolution/Form of Professional Services Agreement with First 5 Sonoma County Commission

CONTACT

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