

CITY OF SANTA ROSA  
CITY COUNCIL

TO: MAYOR AND CITY COUNCIL  
FROM: RAISSA DE LA ROSA,  
ECONOMIC DEVELOPMENT DIVISION DIRECTOR  
PLANNING AND ECONOMIC DEVELOPMENT DEPARTMENT  
SUBJECT: ALLOCATION OF \$2,000,000 IN CARES ACT FUNDING FOR A SANTA  
ROSA CHILDCARE SUPPORT PILOT PROGRAM, AND  
AUTHORIZATION FOR THE CITY MANAGER TO NEGOTIATE AND  
EXECUTE RELATED AGREEMENTS WITH CERTAIN CHILDCARE  
FUNDING AND SERVICE PROVIDERS

AGENDA ACTION: RESOLUTION

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RECOMMENDATION

It is recommended by the Economic Recovery Task Force that the Council, by resolution, 1) allocate \$2,000,000 to support a Childcare Support Pilot Program from CARES Act funding in the General Fund reserves; 2) authorize the City Manager to negotiate and execute a Service Agreement 2021-025-00 with First 5 Sonoma County Commission in an amount not-to-exceed \$500,000 to fund grants to Santa Rosa childcare centers and family childcare businesses; and 3) authorize the City Manager to negotiate and execute a Professional Services Agreement with Community Child Care Council Sonoma County in an amount not to exceed \$100,000 to fund childcare program trainings. Both agreements are subject to approval as to form by the City Attorney.

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EXECUTIVE SUMMARY

In assessing investment program options that would be most impactful on business and workforce short-, mid- and long-term in relation to ongoing pandemic-caused hardships, the Economic Recovery Task Force (ERT) narrowed in on childcare and small business childcare providers. By targeting this sector in crisis, which has direct implications on the productivity of other business sectors and is dominated by women-/minority-owned small business owners, any investment will have a multi-tiered benefit informing the stability and resiliency of the local economy. The Childcare Support Pilot Program goals are three-fold: to stabilize business (short-term); to expand capacity (mid-term); and to identify and enable new facilities and rehabilitate existing sites (mid- to long-term). Initial efforts to this end will be through funding to help cover necessary facility improvements, revenue shortfalls related to decreased capacity, and childcare provider trainings to enable an increase in capacity over the long term by increasing available teachers and sites. These elements of the Child Care Pilot program will be funded by the City through \$2 million in CARES Act funding in the General Fund reserves.

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Of the \$2,000,000 that staff recommends that Council allocate to the Child Care Pilot Program, \$100,000.00 will fund childcare provider trainings through Community Child Care Council of Sonoma County's (4Cs) established program, and \$500,000.00 will be allocated to the First 5 Sonoma County's Childcare Resiliency Fund, which offers grants to Santa Rosa childcare centers and family childcare businesses. Staff recommends authorizing the City Manager to negotiate and execute agreements with First 5 and the 4Cs, subject to approval as to form by the City Attorney.

### BACKGROUND

One of the biggest challenges facing parents and the businesses they work for in the COVID-19 crisis is childcare. Nationwide, recent research indicates about half of the 4.5 million childcare spots in the country could be permanently lost because of the pandemic, causing an economic ripple effect that is predicted to affect mostly women leaving the workforce to care for their children. The data in Sonoma County reflects this; childcare providers in the county – most of which are within Santa Rosa – are struggling to keep their doors open. While Federal assistance packages helped initially, including the temporary aid to providers to support the cost of childcare for children of essential workers, those funds were not enough to sustain programs through the longer than anticipated duration of the pandemic.

Since the start of the Fall 2020 school year, families are challenged with new barriers in accessing care. As of October 1, 2020, Sonoma County's providers of after-school childcare are able to serve only between 20%-40% of their pre-COVID capacity, creating an additional challenge for working families with school age children who would have traditionally relied on school settings as a dependable source of care.

Even before COVID-19, the childcare industry was precarious, with programs operating on narrow margins and staff earning low wages. Sonoma County entered the pandemic with a deficit of providers that was compounded by the 2017 wildfire loss of 15 licensed programs which displaced 444 children. These numbers are further exacerbated by teachers retiring or choosing to change careers. Now, due to the pandemic, childcare programs face declining revenue, increased costs and an increased risk of closure given the (a) lost income; (b) physical distancing requirements that limit enrollment while increasing staffing; (c) significantly altered scheduling and facility use; and (d) cost of increased training, facility improvements and supplies required to maintain safe spaces for children and teachers.

### PRIOR CITY COUNCIL REVIEW

There has been no previous Council review.

### ANALYSIS

COVID-19 has had a severe, negative impact on childcare programs nationwide, resulting in many closing their businesses or to teeter on the brink of closure. As of October 1, 2020, in Sonoma County, of the 284 childcare centers, 5 have permanently closed, 149 are inactive, and 130 remain open with reduced capacity. Of the 324 licensed family childcare sites in

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Sonoma County that were open pre-COVID, 12 have permanently closed, 79 are inactive, and 257 are open with reduced capacity including 24 new sites that opened between April and October.

In Santa Rosa there are 294 licensed childcare facilities serving children from birth to 12 years old. Of those, as of early September 2020, only 173 remained open, comprised of 50 childcare centers and 123 family childcare providers (90 small family childcare sites, and 33 large family childcare sites). This equates to approximately 66% of all open programs throughout the County residing in Santa Rosa city limits. Furthermore, only a portion of sites county-wide are accepting new students, leaving parents whose providers closed, or who lost spots due to capacity reductions, without options. Despite the need, the cost/expense ratio is such that an estimated 40% of the local open childcare programs say they will likely have to close permanently without outside help, according to a nationwide survey.

City staff propose to utilize \$600,000 of the \$2 million allocated in the near term under two agreements: one agreement with First 5 with a not-to-exceed amount of \$500,000 and one agreement with the 4Cs with a not-to-exceed amount of \$100,000.

- **First 5 Agreement:** To stabilize the Santa Rosa childcare facilities that are not state funded, staff proposes that \$500,000.00 be offered as grants administered through First 5 Sonoma County's Childcare Resiliency Fund grant program. The purpose of the First 5 program is to provide direct support to local childcare businesses in support of economic recovery and stability by ensuring families can return to work. Staff proposes one-time grants to licensed and license-exempt childcare providers that meet specific eligibility criteria and can be used for a broad range of needs to support the continued operation of the businesses.

The First 5 Sonoma County Child Care Resiliency Fund is otherwise collaboratively funded by the City of Santa Rosa, Community Foundation Sonoma County and First 5 Sonoma County, and is advised by the Community Child Care Council of Sonoma County and the Santa Rosa Metro Chamber of Commerce. First 5 Sonoma County will administer the grant program, including management of the funding contributions and specific funder criteria (e.g. geographic, age-range), reporting all data about use of contributions back to funding partners. This partnership maximizes the impact of philanthropic dollars (an anticipated \$100,000.00 to \$150,000.00 from the Community Foundation Sonoma County's Resilience Fund), public funding for early childhood education (\$202,500.00 of Prop. 10 funding through First 5) and (if approved by Council) localized federal funding intended to address the local economic impacts of COVID-19 (City of Santa Rosa).

- **4Cs Agreement:** To address the need for new teachers and the correlating potential to expand capacity, staff proposes that \$100,000.00 be used to double the number of teacher training courses, including licensing and startup costs, that are offered by 4Cs. Currently 4Cs offers three courses per year with an average of 28 students per course. If approved by Council, City funds would allow for another 3 courses to be offered over the next 12 months.

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The City has: 1) received a draft Service Agreement 2021-025-00 with First 5 Sonoma County Commission (First 5) in an amount not-to-exceed \$500,000 to fund grants to Santa Rosa childcare centers and family childcare businesses; and 2) prepared a Professional Services Agreement with Community Child Care Council Sonoma County in an amount not to exceed \$100,000 to fund childcare program trainings. In their current form, the agreements are non-standard, or the service organization has requested exemptions to the City's standard terms. Of particular concern, the non-standard First 5 Service Agreement includes unfavorable provisions and lacks many of the standard terms, conditions and protections the City typically insists to best protect City interests. City staff will continue to negotiate the two agreements to secure more favorable terms for the City and recommends that Council authorize the City Manager to complete that negotiation and execute such agreements provided they are in a form approved by the City Attorney.

The remaining \$1.4 million of the \$2 million in allocated funds that staff is requesting in this staff report will be used for additional and expanded programming developed in consultation with Council, including potential projects such as subsidizing childcare center integration into new development projects, and/or rehabilitating existing sites for childcare uses where such projects are feasible. Staff anticipates that Council approval will be required for new program elements, expenditures and for additional agreements under the Child Care pilot program that exceed City Manager authority, with the specific program elements developed through the Economic Recovery Task Force.

In terms of the importance of and general data related to childcare:

- In most families, childcare is essential in supporting parent(s) ability to work. It is unknown to what degree the pandemic will alter the data.
  - By June 2020, 13% of parents nationwide cut back on work hours or quit their jobs due to lack of childcare.
- Pre-COVID data shows 80% of parents would leave for another job that provided childcare.
- An investment in early childhood education offers a significant public return on investment as high as \$16 for every \$1 spent. This is seen in higher wages later in life, increased tax revenue, more effective public schools, improved personal and public health, less crime, and more educated, skilled workers.
- Pre-COVID, a Sonoma County family earning the median household income spent 20% of it on childcare. For an individual earning minimum wage, care costs approximately 64% of their earnings.
- Without the COVID-19 pandemic, inadequate childcare is the equivalent of a 5% pay cut for parents. Also, an average of 50% of parents missed 8.6 days of work due to childcare issues.

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FISCAL IMPACT

Allocation of these funds does not cause an ongoing impact to the General Fund. The General Fund reserves has \$2.1 million, made available by reimbursements of COVID-19 expenditures from CARES Act funding, that may be used for one-time expenditures.

ENVIRONMENTAL IMPACT

The proposed action is exempt from the provisions of the California Environmental Quality Act (CEQA) under 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 that no further environmental review is required.

BOARD/COMMISSION/COMMITTEE REVIEW AND RECOMMENDATIONS

The Economic Recovery Taskforce reviewed and discussed various options on how best to use the General Fund reserves related to CARES Act funds to assist small business, ultimately deciding to focus the funds on stabilizing childcare businesses as an economic driver and stabilizing engine for other businesses.

NOTIFICATION

Not applicable.

ATTACHMENTS

- Resolution with Exhibits
  - Exhibit A - First 5 Service Agreement and Grant Outline
  - Exhibit B - 4Cs Professional Services Agreement and Program Outline

CONTACT

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