



# Information Item

**Date: December 23, 2015**

To: Mayor and City Council  
From: Karen Ginsberg, Director of Community & Cultural Services  
Subject: Annual Report of the City's Child Care Linkage Program

## **Introduction**

In compliance with Santa Monica Municipal Code 9.65.090, this report transmits information regarding the revenue received pursuant to the City's Child Care Linkage Program for the reporting period of FY 2014-15. The total Child Care Linkage Fee revenues for FY 2014-15 are \$446,234.16. Staff will continue to monitor development projects and revenue collection of child care linkage fees.

## **Background**

On [December 5, 2006](#) Council adopted ordinance Chapter 9.65 of the Santa Monica Municipal Code (SMMC) to establish a child care linkage fee program. This fee is intended to address the increased demand for childcare triggered by the development of commercial projects adding floor area of at least 7,500 square feet or multi-family residential projects.

Developers can satisfy the ordinance requirements by either paying a fee or by agreeing to participate in the construction or establishment of one or more child care facilities. Fees are computed annually on July 1, increasing by a percentage equal to the Construction Cost Index as published by Engineering News Record. Child care linkage fees shall be paid by the final inspection date and prior to the issuance of the Certificate of Occupancy.

For FY 2014-15, the fees were increased by 4.2% to the following:

<b>Project</b>	<b>Fee</b>
Residential	\$139.23
Office	\$6.61
Retail	\$4.73
Hotel	\$3.31

Following adoption of the ordinance, the City established a Child Care Linkage Fee Reserve Account for the collection of fees to be used to create new child care spaces. The ordinance requires an annual report to City Council within 180 days after the last day of each fiscal year. Since adoption of the ordinance in 2006, Council has received an annual update on Child Care Linkage Fee Program revenues with the first actual receipts realized in FY 2012-13.

**Discussion**

In FY 2014-15, \$446,234.16 in revenues were collected (fees totaling \$442,476.19 and interest totaling \$3,757.97) and deposited into Child Care Special Revenue Account 4.365203. The revenues collected in FY 2014-15 were added to the prior year Special Revenue Account 4.365203 balance of \$284,663.58. The ending balance as of June 30, 2015 for Special Revenue Account 4.365203 totaled \$730,897.74 Staff will continue to closely monitor proposed development projects and revenue collection.

Section 9.65.070 of the ordinance specifies that funds collected in the Child Care Linkage Fee Reserve Account shall be restricted to costs related to property acquisition, development, and construction of child care facilities within the City of Santa Monica in addition to any administrative costs incurred by the City to manage the reserve account. Eligible expenditures shall not include ongoing operating expenses and general maintenance of child care facilities. Furthermore, Section 9.65.100 states that fees deposited into the Child Care Reserve Account which remain unexpended or uncommitted after five or more fiscal years may be refunded, as provided by the

Government Code 66001 (e) and (f). Staff is working with the City Attorney's Office to prepare administrative guidelines for the Child Care Linkage Fees.

The Early Childhood Education Center (ECEC), a joint Capital Improvement Project (CIP) of the City of Santa Monica and Santa Monica College (SMC), will provide child care and early education services for up to 110 young children, and is scheduled to break ground in the Civic Center by early 2017 following permit issuance by the Department of State Architecture and bidding and award of the construction contract by the college. The Council received a report and took action on this project on June 9, 2015 (Attachment C). The ECEC is funded through SMC bond dollars (Measure S) and the City's General Fund. Staff has identified the ECEC as the kind of candidate project that would be eligible for the disbursement of funds from the Child Care Linkage Reserve Account. Should additional funds be needed for the ECEC, as final plans and revised cost estimates are currently under development, staff will return to Council with the FY 2016-18 CIP Biennial Budget with a recommendation to allocate Child Care Linkage Fee revenues to support the capital costs for construction. A special expenditure CIP account number will be established following Council adoption of the CIP Biennial Budget.

**Prepared By:** Natasha Guest Kingscote, Administrator