



Council Communication

Office of the City Manager

Date

January 7, 2008

Agenda Item No. 54

Roll Call No. ~~08-~~

Communication No. 08-004

Submitted by: Donald M. Tripp, Park and Recreation Director

AGENDA HEADING:

Approval of an operational agreement with Childtime Childcare, Inc. to operate and manage a child care center in the 6th & Center Park and Ride facility.

SYNOPSIS:

Approving and authorizing execution of the Child Care Operational Agreement with Childtime Childcare, Inc. (21333 Haggerty Road, Suite 300, Novi, MI 48375, William Davis, CEO) to operate its childcare program in the 6th & Center Street Park & Ride facility. The agreement designates Childtime Childcare, Inc. as the operator of the Child Care Center until March 31, 2009, with an option to renew the agreement for an additional five years.

FISCAL IMPACT:

Amount: \$405,600 (revenues). The City will collect \$3,375 per month for an operational fee, starting retroactively on April 1, 2004 and continuing through the term of the agreement (including renewal option) for a total of ten years. Childtime will also pay \$100 per year as a reimbursement for insurance once the agreement is approved by Council.

The retroactivity of the agreement will allow collection of \$151,875 of monies due during the interim operational time frame. This amount is to be amortized over (60) months, in monthly payments due of \$2,531.25. This will be paid in addition to the regular monthly fee of \$3,375.00 for a total monthly amount of \$5,906.25 for the first five years, after which only the regular monthly payment will be made.

Funding Sources: Operational fees will be deposited annually to the Fiscal Year 2007-08 Operating Budget, Engineering Department, T&T Park and Ride Operations Fund, EN078 ENG100707, page 128.

ADDITIONAL INFORMATION:

On April 28, 1997, by Roll Call No. 97-1549, the City Council, entered into a 28E Agreement with the Des Moines Metropolitan Transit Authority for construction and operation of a Park & Ride Facility. This facility included designs for a child care facility to serve the needs of those families working in the downtown area. Between 80 and 100 children of varying age groups can be served in this facility.

Childtime Childcare, Inc. was selected as the child care provider for this facility. On December 21, 1998, by Roll Call No. 98-3949, the City Council approved a four-year lease agreement with an additional two-year renewable option. This agreement included terms for cost sharing of some construction items if

Childtime's revenue was above a certain level, but it did not include an annual lease payment to the city for use of the facility.

Staff has been negotiating a new operational agreement since the expiration of the development agreement with Childtime Childcare. Currently, the facility is operating at 98% capacity, providing childcare services to approximately 90 families employed in the downtown area. Fair Market Value (FMV) of their rental space is approximately \$10.00 per square foot, or \$90,000 per year. While Childtime is currently operating at a profit, charging them the full FMV per year would cause them to operate at a deficit. Therefore, a rate of \$4.50 per square foot has been negotiated in a new operational agreement that allows for the continuation of the childcare facility and appropriately compensates the City for the use of the space. Staff does not believe that another quality childcare facility operator and provider could be identified to stay profitable with a fair market value lease rate. The negotiated lease rate is justified because the convenience offered to parents through an on-site child care facility incents downtown workers into using the Park & Ride facility.

PREVIOUS COUNCIL ACTION(S):

Date: December 21, 1998

Roll Call Number: 98-3949

Action: Amended Agreement with Childtime Childcare, Inc., to operate and manage Child Care Center in the Intermodal Transportation Facility, for revised construction plans and responsibility of Childtime, to pay a portion of the increased construction costs. ([Council Communication No. 98-562](#)). Moved by Hensley to adopt. Motion Carried 4-3. Absent: Daniels, Flagg and McPherson.

Date: April 28, 1997

Roll Call Number: 97-1549

Action: Intergovernmental 28E Agreement with Metropolitan Transit Authority, (MTA), regarding construction and operation. (Council Communication No. 97-232). Moved by Vlassis to adopt. Motion Carried 5-1.

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

Approval of one renewal option for an additional five years.