

MEMORANDUM – COMMITTEE OF THE WHOLE ITEMS FOR COUNCIL DIRECTION



TO: Mayor and Council
FROM: Vice Mayor Lauren Kuby, Councilmembers Joel Navarro and Randy Keating
DATE: December 13, 2018
SUBJECT: Tempe PRE Funding

AGENDA ITEM: 4A1

RECOMMENDATION OR DIRECTION REQUESTED:

Request that Council approve by consensus the recommendation of the Working Group to commit to funding a modified Tempe PRE program at a reduced cost of \$2M for Fiscal Year 2019-2020 and \$1.5M for Fiscal Year 2019-2020.

CITY COUNCIL STRATEGIC PRIORITY AND RELATED PERFORMANCE MEASURE:

Council Priority #3, Quality of Life and Performance Measure 3.06, kindergarten readiness rate is addressed by this recommendation.

Additionally, it is believed that performance measures 3.07 (3rd grade reading level), 3.08 (high school graduation rate), and 3.09 (post-secondary education) are all impacted as well.

BACKGROUND AND PURPOSE OF THE WORKING GROUP:

On March 16, 2017 Council agreed to allocate one-time funding for a two-year pilot program for a city-operated, high quality preschool program which came to be known as Tempe PRE. The pilot launched in the fall of 2017 and included 20 classrooms which served a total of 360 Tempe children, and which operated all day and year-round. The second year of the pilot is currently underway and will end in May of 2019.

The data gathered at the end of the first year of the pilot showed large gains among students in the areas of mathematics, literacy, cognitive development, language, physical development, and social emotional development. At the start of the program, the majority of students were testing below expectation in each of the measured categories. At the end of year one, 80-93% of students were meeting or exceeding expectations in each category. Families of Tempe PRE students are reporting the program making an impact, not only on their students, but on the entire family as the program is parents are reporting being able to work after having had previous childcare challenges that precluded full time employment.

In June of this year, Council agreed to the formation of a working group to explore possible long-term funding for the Tempe PRE program. The group discussed potential philanthropic funding sources, but although the program has received more than \$2M in grant funding, the grants were earmarked for additional training and assessment, with no funders offering grants for ongoing program operational costs.

The recommendation of the working group is to refer a tax to the ballot and to allow Tempe voters to determine whether will fund the program in the long term. State law currently allows municipalities to refer taxes only to a November general election ballot, so the earliest this would be possible is November 2020 with any approved funds being first available for FY 2021-2022. This timeline would allow the working group nearly two years to explore the details of a tax recommendation, including how much revenue should be generated and where beyond the Tempe PRE program it might be utilized. The intent of the working group is to provide regular updates to the Council for discussion and feedback on these details.

This timeline also leaves the program with a two-year funding gap which much be addressed in order to retain the high-quality teachers the City has already invested in training and to keep the program operational until any future revenue, including a proposed tax, could be identified.

The working group recommends continuation of the Tempe PRE program for the next two years until voters are given an opportunity to weigh in on the program's long-term future. In order to facilitate this, the group makes the following recommendations:

1. Modify the program for the coming two years to bring operational costs down. Education staff presented three funding options with varying numbers of paid and partial paid seats moving forward. These options are provided in the attached Budget Scenarios document and the working group selected option 3.
2. When the current year ends, 216 4-year-old students will graduate the program and move on to kindergarten. The remaining 144 3-year-olds would continue without interruption into their second year at no cost to their families. The remaining 216 vacant seats would be divided into thirds with 72 children enrolled in the program at no cost, 72 children at half cost, and 72 children at full cost. The tuition rate for these children would be determined by family income level. This adjustment in enrollment would lower the overall cost of the program for the next year from \$3M to \$2M.
3. In the following year, all 360 seats would be divided into thirds at the same tuition rates, bringing the cost of that year's programming to approximately \$1.5M, with the total for the two years falling at \$3.5M.
4. The working group intends to seek outside sources for this funding from a variety of sources including business sponsorship opportunities and, should Council approve, Development staff prioritizing Tempe PRE as a public benefit for upcoming development agreements. Should any funding remain at the conclusion of the current pilot program, these dollars could also be rolled over to mitigate the cost of the two-year gap.
5. These fundraising efforts would begin immediately and continue through the two-year gap, but the full amount that may be raised is unknown. The working group requests that Council approve a commitment to fund the two-year gap at a maximum cost of \$3.5M with the understanding that working group members and city staff will continue fundraising efforts on behalf of this program throughout.
6. This funding commitment is necessary to continue the program, as teacher contracts for next year are expected to be finalized in February and advertising for families eligible for the new income levels would begin immediately to ensure full enrollment.

FISCAL IMPACT or IMPACT TO CURRENT RESOURCES:

Maximum cost of \$2M for FY 2019 and \$1.5M for FY 20 with an unknown offset by private dollars and corporate sponsorship.

STAKEHOLDER/PUBLIC OUTREACH:

Outreach was made to the Elementary School Districts to confirm the ongoing availability of classroom space beyond the initial pilot. As the working group moves toward final recommendations on a proposed tax, additional stakeholder and public engagement is planned.

CITY MANAGER'S WORKING GROUP MEMBERS:

Vice Mayor Lauren Kuby
Councilmember Joel Navarro
Councilmember Randy Keating

STAFF WORKING WITH WORKING GROUP MEMBERS:

Naomi Farrell, Human Services Director
Marie Raymond, Human Services Manager - Education
Ken Jones, Deputy City Manager
Donna Kennedy, Economic Development Director
Nikki Ripley, Communications & Media Relations Manager
Elizabeth Higgins, Chief of Staff to the Mayor and Council
Kristin Gwinn, Council Aide

ATTACHMENTS:

Tempe PRE Presentation

Budget Scenarios

Letter from National League of Cities in support of Tempe PRE