

**A BUSINESS CASE
KERMODE FRIENDSHIP SOCIETY DAYCARE**

by

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Abstract

This paper discusses the Kermode Friendship Society's (KFS) proposal to build a 62 space daycare facility on land it owns in downtown Terrace, British Columbia, for which it is seeking a grant of up to \$500K from the province of British Columbia. The focus of this paper is on discussing the rationale for proceeding with the daycare. It begins with a discussion of the importance of affordable daycare to Canada in general, and to the Aboriginal community, in particular. It then describes the needs assessment that the KFS conducted in the Terrace community to determine the need for a new daycare facility. From there, it reports on the process that the KFS undertook to submit the key requirements of the proposal, which include preliminary cost estimates, the development of a pro forma statement and providing evidence that, if funding is secured, the proposed daycare will be a viable operation.

Keywords: Terrace, British Columbia; daycare; childcare; Aboriginal issues; Friendship Society; Kermode Friendship Society

Executive Summary

This paper discusses the Kermode Friendship Society's (KFS) proposal to build a 62 space daycare facility on land currently owned by the organization in downtown Terrace, British Columbia. To build the daycare, the KFS is currently seeking a grant of up to \$500K from the province of British Columbia, as part of the provinces general expansion of daycare funding. Given the significance of the commitment involved in KFS's proposed daycare, the focus of this paper will be on discussing the rationale for proceeding with the daycare. To that end, this paper begins with a discussion of the importance of affordable daycare to Canada in general, and to the Aboriginal community, in particular. It then describes the needs assessment that the KFS conducted in the Terrace community to determine need for a new daycare facility. From there, it reports on the process that the KFS undertook to submit the key requirements of the proposal, which include preliminary cost estimates, the development of a pro forma statement and providing evidence that, if funding is secured, the proposed daycare will be a viable operation.

Dedication

To the Elders in my life – Lawrence and Florence Zastre who brought me into this world; to Ed and Margaret Albright who raised me the best way they knew how; to my grandparents Eedson and Ethel Armistead who helped me believe in myself in my tender years.

To my wonderful best friend and life-partner Deirdre for supporting me in this endeavour.

To my four children-Emily, Ellen, Alex and Liam who are chasing their dreams and who always make me proud.

To Cliff, Dennis, George and Sam – my traditional uncles and brothers who patiently waited for me to visit them and who lovingly shared traditional teachings.

To my communities of origin: Sapotaweyak First Nation and the Metis community of Barrows, Manitoba.

Acknowledgements

I acknowledge all my professors from my undergraduate years to my graduate years who have patiently developed my analytical skills, kindly provided feedback and who helped me hone my ideas and respected my Aboriginal identity.

Early on in the first year of the EMBA program our study group White Buffalo agreed that all our assignments would be applied to resolving a problem for someone or a group in the community. Now that I am the Executive Director of the Kermode Friendship Society, I wanted my final requirement for the EMBA to be helpful to the Society. The business plan for the daycare is practical and something that I began working on in the summer of 2014. I thank the Kermode Board of Directors and the staff for allowing me to be in a position of leadership.

Many months later of reflection on this business plan, I have strived to apply what I have been taught in the EMBA program. I raise my hands to all the professors and my cohorts especially White Buffalo for pushing me and for the hours of collaboration we had together. Lastly, I wanted to be a better person personally and professionally and participating in the EMBA has helped me accomplished that and for that I am truly grateful.

Table of Contents

Approval.....	ii
Abstract	iii
Executive Summary	iv
Dedication	v
Acknowledgements	vi
Table of Contents	vii
List of Figures	ix
List of Tables	x
1: Introduction.....	1
1.1 Overview.....	1
1.2 Background.....	3
2: Kermode Needs Assessment.....	7
2.1 Data Gathering	7
2.2 Assessment Findings.....	8
2.2.1 Birth Statistics.....	8
2.2.2 Existing Daycare Capacity in Terrace	9
2.2.3 Daycare Accessibility	10
2.2.4 Fees	11
2.3 Kermode Parent Survey	11
2.3.1 General Themes	11
2.3.2 Age Range of Children	12
2.3.3 Specific Findings	13
2.3.4 Barriers to Finding and Using Childcare	15
2.4 Kermode Staff Issues	16
2.5 Survey of Early Childhood Organizations.....	17
2.6 General Observations.....	19
3: Financial Analysis.....	21
3.1 Financial Considerations Involved in Proceeding with the Proposed Daycare	22
3.2 Operating Costs.....	24
3.3 SWOT ANALYSIS	27
3.4 Porter’s Five Forces	28
3.5 Marketing Strategy	29
3.5.1 Place.....	30
3.5.2 Promotion.....	30
3.6 Cost and Affordability	30

4: Conclusion	32
Bibliography	36
Works Cited	36

List of Figures

Figure 1	Graphic depiction of the age range of children of parents who were surveyed	13
Figure 2	Percentage of survey parents who use and want to use various types of child care.....	14
Figure 3	Percentage of survey parents who have experienced different barriers to finding and using child care.....	16
Figure 4	Hypothetical portfolio illustration from a money management company depicting the financial performance of a \$500 investment over a 10 year period, for 2005 to 2015, based on their factors	22

List of Tables

Table 1	Breakdown of the Total Number of All Children and Aboriginal Children under 14 by Age Group According to Data Obtained from the 2011 Census and the NHS Aboriginal People Survey	9
Table 2	Breakdown of Facilities at Terrace-area Daycare Operations: Estimated number of licensed childcare spaces for children under 12 years of Terrace according to the KFS Needs Assessment, November 2014	10
Table 3	Breakdown of the Total Number of Licensed Group Childcare Facilities Available in Terrace (KFS Needs Assessment, 2014).....	17
Table 4	A comparison of the preliminary building costs, preparation costs and professional fees submitted by three companies.	23
Table 5	10-year pro forma Statement	26

1: Introduction

1.1 Overview

The Kermode Friendship Society (KFS) is situated in Terrace, BC and is an affiliate of the Association of Friendship Centres, which provides services to Canada's Aboriginal community ("Our History," 2012). Currently, there are 117 Friendship Centres across Canada, with 25 located in British Columbia ("British Columbia Association of Friendship Centres," 2014a). The Friendship Centre movement began in the 1970s, with the goal of offering support for off-reserve Aboriginals ("Our History," 2012). Friendship Centres and the first point of contact for Aboriginals leaving reserves or relocating to another part of Canada and requiring referrals for culturally based programs and services ("Our Mission," 2012). The mandate of the movement has not changed significantly over the years but, but Canada's Friendship Societies movement has becoming increasingly adept at meeting the needs of urban Aboriginal people and so is regularly consulted by the federal and provincial government on various policies influencing urban Aboriginal people. One such policy is the BC's daycare strategy, "The Families Agenda for British Columbia", that the British Columbia Association of Friendship Centres (BCAAFC) has provided input to and is an important consideration for the business case for a Kermode daycare centre.

"The Families Agenda for British Columbia" (n.d.), a province-wide initiative that is focused on "taking steps to further improve the affordability, accessibility and quality of childcare programs to better meet the needs of families while supporting a broad range of childcare options, including the option of staying home" (p. 3). As part of this initiative, the Government of British Columbia has committed "\$32 million over three years to support the creation of up to 2,000 licensed childcare spaces with the goal of opening 13,000 new spaces over the next eight years" ("The Families Agenda for British Columbia," n.d., p. 5). In May 2014, The Ministry of Child and Family Development (MCFD), which is responsible for administering the program, announced that it would allocate up to a maximum of \$500,000 to non-profits such as the KFS. The grant may be used for the building of new childcare facilities, including the cost of buying land, erecting buildings, purchasing eligible equipment and furnishings to support new childcare

spaces in an existing facility, or any combination of the above activities to create new spaces. The MCFD indicated that it would accept proposals up to March 20, 2015.

In response to the Government of British Columbia's announcement of major capital funding for new daycare centres, the KFS undertook a daycare needs assessment that was completed in November 2014 and presented to the board. The study indicated there is a need for more daycare spaces in Terrace. Specifically, it found that there are 680 Aboriginal children under the age of 10 who reside in Terrace and who could potentially benefit from the creation of a new daycare service. To service these children, the KFS wishes to create 62 additional spaces that will include 12 spaces for infant/toddlers and 50 spaces for children age 30 months to school age. The rationale for this number and combination will be elaborated on later in the paper.

The KFS chose to proceed with the application process and, with the support of a consultant hired by the BC Association of Aboriginal Friendship Centres (BCAAFC), developed a comprehensive proposal for a daycare centre on a plot of land owned by the KFS. Specifically, the consultant provided the KFS with capacity support by assisting the ED with carrying out a needs assessment. Upon Board approval, the consultant assisted with preparing all the necessary documents for the MCFD funding application. This application was a large undertaking and required a number of documents to be submitted, including two preliminary construction cost estimates, a KFS motion, a needs assessment, a preliminary building plan, a copy of the current licensing requirements, written confirmation on zoning changes from the city of Terrace, the KFS's latest audit statement, a ten year pro forma statement and two quotes for equipment costs.

While the KFS's feasibility study indicated that there is a clear need for more daycare spaces in the community, particularly those designed to serve the needs of the Aboriginal community, a second factor influencing this direction is that KFS owns a large plot of land – almost an acre – that is strategically located in downtown Terrace. The land was purchased in 2007 and it has since appreciated substantially due to increased economic activity in the region. It is located at easy walking distance from two schools – Suwilaawks Community School and Cassie Hall Elementary. Muks-Kum-ol Housing and the City of Terrace own three low-income housing complexes in the area, making it easy for families to access the proposed daycare. In addition, the KFS has been delivering early childhood services for a number of years, such as a 50-space head start program it currently operates. Operating a full service daycare will enhance the KFS's continuum of services to Aboriginal children and their families. Finally, the KFS proposal has a competitive advantage in that its daycare centre will be affordable and will have a strong cultural context.

The capital grant of \$500,000 (if the application is successful) will partially cover the costs a new daycare building. As part the application process, the KFS was required to include preliminary total cost estimates for the new building. It has received three-cost estimates ranging from \$845k to \$1.4M for a 4700 square foot building. This means if Kermode is successful in obtaining the \$500k grant, a mortgage will be required to finance the remainder of the building. To ensure affordability, Kermode will be seeking the support of industry and First Nation governments to help with some of the operating costs. There is a lot riding on Kermode receiving approval for this large capital grant. It is one of many challenges KFS must overcome. Moreover, it should be noted that KFS continues to have on-going discussion on other uses for the land in addition to the daycare. In fact, the KFS Board is also considering the possibility of even larger building to house additional Kermode programs. While this would increase the cost this would be partially offset with additional revenue. At the moment these programs pay out a substantial amount of rent that could be diverted to a mortgage payment.

Given the significance of the commitment involved in KFS's proposed daycare, the focus of this paper will be on discussing the rationale for proceeding with the 62-space daycare facility. To that end, this paper discusses the importance of affordable daycare to Canada in general, and to the Aboriginal community, in particular. It then describes the process that the KFS undertook to submit the key requirements of the proposal, which include preliminary cost estimates, developing a pro forma statement and providing evidence that, if funding is secured, the proposed daycare will be a viable operation. At the outset of this project, the writer was convinced that building an affordable daycare was a good thing. However, even though there is a clear need in the community for KFS's proposed daycare, after reviewing the large financial undertaking necessary to construct a new building, it is now clear that there are number of challenges that the KFS must overcome. The most obvious is the necessary \$500k grant; if the KFS is not successful the project cannot continue. Even if it is successful, the KFS may still choose not to proceed with the daycare alone.

1.2 Background

The lack of affordable daycare is an often-cited barrier that prevents people from being able to enter the labour market according to the BCAAFC's (2014b) Five by Five policy document. It is recognized that if affordable daycare were available this would allow people to obtain post-secondary training, or employment that would provide them with the ability to be self-sustaining (BCAAFC, 2014b). For example, an examination of Quebec's childcare program,

which has a rate of \$7.50/day for those with a family income of less than \$50,000 and reaches a maximum of \$20/day for a family income of \$157,500, concludes that women's participation in the labour force is between 8% to 12% higher than it would be without a large supply of affordable daycare (Macdonald & Friendly, 2014). For Canada's Aboriginal community, the lack of affordable daycare causes major barriers to employment. According to the 2012 Aboriginal People Survey, 26% of Aboriginal women living off reserve who did not complete high school indicated that either pregnancy or the need to care for their own children was the main reason why they did not complete school (Bougie, Kelly-Scott, & Arriagada, 2013).

For many years, the OECD has been calling on Canada to boost its investment in childcare. In fact, a 2013 report found Canada spends below 0.3% of its GDP on childcare — well below France, the UK and Scandinavian countries, which spend upwards of 1% (Paperny, 2015). As Macdonald and Friendly (2014) noted: “Despite the high concentration of mothers who work, all reports show that Canada is a very low spender on early childhood education and care (ECEC) compared to other OECD countries. Canada's spending on ECEC is somewhere between 0.2% and 0.34% of GDP” (p. 6).

In order to improve affordability and accessibility to quality childcare programs, the province of British Columbia has launched a major new initiative, “The Families Agenda for British Columbia” (n.d.). One aspect of this policy is the introduction of a British Columbia Early Childhood Tax Benefit available to parents of children under 6 years of age. Effective April 1, 2015 this new refundable tax credit will provide \$146 million annually to approximately 180,000 families with small children (The Families Agenda for British Columbia, n.d., p. 7). The challenge for many families that rely on KFS services is that this benefit is contingent on individual filing income tax returns so no real cash will be realized until sometime in the spring of 2016. Moreover, many of these families struggle with completing income tax forms - the government assumes all citizens have the required literacy level to complete these forms. At the moment the KFS does offer free support to help individuals with income tax filing; last year over 300 individuals were supported in this manner.

While this policy is a positive step, the BC government does take pains to point out the high cost of funding this policy and the need to be fiscally responsible. In the opinion of the writer, this seems to be code for justifying the government's limited commitment to daycare. The lack of affordability has given rise to a situation in which many children of working parents are in unregulated daycare. However, other jurisdictions have made affordable childcare a priority. As Friendly, Beach, and Turiano (2002) pointed out, “most children with working parents (more than

70% of children aged 3-5 years have mothers in the paid labour force) are cared for in unregulated childcare while parents work, train or study.”

The Government of BC also recently announced a new policy shift with respect to single parents on social assistance. Effective September 2015, the Single Parent Employment Initiative will be launched. This will allow single parents to obtain meaningful work by allowing them to stay on social assistance for up to 12 months while they train for employment (“Significant changes announced,” 2015). Further, “more than 16,000 single parents on income and disability assistance will have access to a range of supports that will break down barriers that prevent them from finding full time employment including: tuition and education costs for approved training programs that last up to 12 months... transportation costs to and from school and full-childcare costs during training [author’s emphasis]” (“Significant changes announced,” 2015, para. 3). Given that the proposed KFS daycare centre will service a low-income community with high unemployment and high rates of single parent families, this bodes well for the business case being developed for the Kermode daycare.

In terms of the KFS’s proposal, the most significant government policy is the Ministry of Child and Family Development’s announcement in May 2014 that major capital funding is available to help with the costs associated with the creation of new licensed daycare spaces. As previously noted, in response to this expansion of funding, the KFS has completed a needs assessment and is preparing a business plan for a new building to add 62 childcare spaces, divided into two age groups –infant/toddlers and 30 months to pre-school, to the Terrace community

The expansion of Aboriginal focused daycare services in Terrace not only has the capacity to enable families to pursue educational and employment opportunities but to also create jobs. As part of its Five by Five Aboriginal Job Strategy (2014b) to lift Aboriginals out of poverty, BCAAFC envisions that 114 jobs will be created in Aboriginal Early Childhood Education by 2018. One hundred new Aboriginal childcare spaces will be created each year for the next 4 years resulting in over 400 Aboriginal parents having a supportive Aboriginal childcare program. This will enable those parents to engage in employment, training and education. BCAAFC (2014b) recommends that for children under six, childcare be offered in an ‘Aboriginal’ program where culture, language and traditions are integrated with best early childhood practice (p. 23). Such Aboriginal programs can be operated through Friendship Centre-based licensed care. In fact, most of BC’s Friendship Centres, including the KFS, already offer a

continuum of early childhood services. This positions the Friendship Centres to deliver an expanded range of affordable Aboriginal childcare services.

Based on an extensive engagement process with BC Friendship Centres, the BCAAFC identified five broad stages for daycare development:

- Needs assessments collect, synthesize information about employment, training program, number of clients, ages of children in the Friendship Centre community.
- Program plans: engage with licensing officials, Elders, early childhood program coordinators, and community partners to develop program plans.
- Facility assessment: engage with licensing and municipal officials regarding regulations and requirements governing facilities/equipment, select, facility, develop/execute renovations and equipment plans to license.
- Operationalize secure financial and human resources, (including Aboriginal childhood educators), register, and orient families.
- Optimize: enhance cultural programs with parents, Elders and other community members, while extending the ‘hub’ of holistic early childhood and family services already offered at a given Friendship Centre.

2: Kermode Needs Assessment

In the fall of 2014, the BCAAFC provided the KFS with a consultant who worked with the writer to develop and conduct a needs assessment for a new daycare facility. The purpose of the assessment was to determine the overall need for a daycare and the type of daycare spaces needed. The assessment had six objectives:

- To review current demographic and development information about Aboriginal and non-Aboriginal children under 15 years of age in Terrace
- To consult with parents in the Aboriginal community and the community-at-large regarding their needs and concerns
- To profile the existing licensed daycare group facilities in Terrace as to the type of licenses, ages served, licensed capacity, available spaces and fees
- To assess the ability of existing licensed childcare facilities to meet the needs of the Aboriginal community
- To consult with early childhood organizations to identify childcare needs, availability, and gaps in Terrace

Based on the results of the assessment and other considerations, a recommendation was made to the KFS board to proceed with the daycare application. This next section highlights the sections of the needs assessment most relevant to the business plan.

2.1 Data Gathering

Information was gathered from the 2011 Census and National Household Survey for Terrace, BC. In addition, data was also gathered from the Northern Health Authority and the Early Development Instrument (EDI) (Human Early Learning Partnership, n.d.). The need assessment also included conducting parent surveys at two schools in Terrace that serve a substantial Aboriginal population -- Suwilaawks Community School and Cassie Hall School. Both schools are within walking distance from the KFS, at 5 minutes to 25 minutes, respectively.

The EDI is a questionnaire completed by kindergarten teachers in BC for all children in their classes and so is a crucial source of information about the province's children (Human Early Learning Partnership, n.d.). It measures five core areas of early childhood development that are

known to be good predictors of adult health, education and social outcomes (Human Early Learning Partnership, n.d.). These five areas are: language and cognitive development, communications skills, physical health and wellbeing, social competence and emotional maturity (Human Early Learning Partnership, n.d.). By measuring these predictors, the study can also identify vulnerable children in a community who, “without additional support and care, may experience challenges in school and society” (Human Early Learning Partnership, n.d., p. 7). The most recent EDI (Human Early Learning Partnership, n.d.) regarding Coast Mountain School District 82, which includes the city of Terrace notes the following:

- Students in this district have a vulnerability rate of 37% compared to the provincial average of 32.5%.
- This vulnerability rate has increased over time.
- A third of more of the region’s kindergarten population is vulnerable.
- Over one third of children residing in Terrace have potential challenges at kindergarten entry.

In developing a daycare centre and program, the KFS will focus on incorporating the five core areas of early child hood development identified in the EDI.

2.2 Assessment Findings

2.2.1 Birth Statistics

During the five-year period from 2006/07 to 2010/11, 1,213 mothers from the Terrace local gave birth to 1,230 babies, an average of 246 new-borns each year (“Healthy Moms and Infants,” 2012). Of that total, 60 per cent of Terrace births (140 in total), were by mothers who reside in the city of Terrace. According to the 2011 Census there were 2,305 children who were 14 years or under in Terrace (Statistics Canada, 2012), while the National Household Survey Aboriginal Profile for Terrace indicates that in 2011 there were 835 Aboriginal children under the age of 14 in Terrace (see Table 1 below for a complete breakdown) (Statistics Canada, 2013). In regards to the latter survey, it is important to point out that, as it is a voluntary survey. Despite its inherent weakness, the National Household Survey is the only source of data for this demographic.

Table 1 Breakdown of the Total Number of All Children and Aboriginal Children under 14 by Age Group According to Data Obtained from the 2011 Census and the NHS Aboriginal People Survey

Age Groups	Total # of Children in Terrace City[1]	Aboriginal Children in Terrace City[2]	Percentage of Aboriginal Children in Terrace City
0 to 4 years	680	325	48%
5 to 9 years	765	325	42%
10 to 14 years	860	185	21%
TOTAL	2,305	835	36%

2.2.2 Existing Daycare Capacity in Terrace

In addition to ascertaining the size of the under 14 population in Terrace, the KFS assessment examined the need for additional daycare spaces for children under 12 by reviewing the existing daycare capacity within Terrace. Information about existing licensed childcare spaces was obtained from two sources: the British Columbia’s Ministry of Child and Family Development’s online childcare map (Childcare Programs Map, n.d.) and the Health Space Northern Health website (“Child Daycare,” 2015).

According to its assessment, the KFS found that over 40% of licensed group childcare facilities in Terrace have multiple license types, that is two or more of the following types: preschool, multi-age, group care under 36 months, group care 30 months to pre-school, group childcare for school-age children. Table 2 below presents a breakdown of the spaces at these facilities.

Table 2 Breakdown of Facilities at Terrace-area Daycare Operations: Estimated number of licensed childcare spaces for children under 12 years of Terrace according to the KFS Needs Assessment, November 2014

Type of Licensed Childcare spaces	Number of Spaces	Of note
1. Licensed full time group care for children under school age (includes multi-age and group childcare for children under 36 months, as well as care for children aged 30 months to school age)	186	<ul style="list-style-type: none"> · 12% of these spaces are licensed for group care for children under 36 months (36 spaces) · 6% of these spaces can be used for children under 3 through a multi-age childcare license (18 spaces)
2. Licensed preschool (part time group care for children under school age)	123	<ul style="list-style-type: none"> · 40% of group childcare spaces for children under school age are part-time preschool
2. Licensed group care for children of school age	57	<ul style="list-style-type: none"> · This number of school age spaces does not include school age spaces available through multi-age and family childcare licenses, which would be difficult to estimate because of the age range accorded to each license.
3. Licensed family childcare	98	<ul style="list-style-type: none"> · Only 10% of these spaces can be used for children under 12 months (7 spaces) OR · 36 % of these spaces can be used for children under 4 (with no one under 12 months) 28 spaces
TOTAL	464	

To further clarify the above information, it should be noted that, with a multi-age license, there may be three children under three years of age, but only one of those children can be under 12 months. There are seven age combinations for the care of children aged 0 to 12 that are possible with a multi age license. There are eight age combinations for the care of children aged 0 to 12 that are possible with a family childcare license.

2.2.3 Daycare Accessibility

As part of the assessment process, accessibility was also examined. Using data from the 2011 Census for children under 10 and the current number of licensed spaces, the KFS estimates that about 30% of children under 10 in Terrace have access to a full or part time licensed daycare space. The KFS then tried to answer the following question: are there waiting lists or spaces available in the licensed group care facilities in downtown Terrace? Currently, there are 11

licensed group childcare programs in Terrace. The KFS contacted these providers by phone and ascertained that there is 10% vacancy rate. In real numbers, there are a total 238 licensed spots so 24 spaces are available. Most of the available space is for children 30 months to school age.

2.2.4 Fees

The assessment involved a phone interview of 11 Terrace daycare operators who were asked questions about the following: type of licenses they held, space capacity and fee structure. It was determined that all full time childcare fees were higher than the provincial subsidy rates. Fees for full time childcare ranged from \$700 to \$854/month.

2.3 Kermode Parent Survey

As part of its assessment, the KFS developed a parent survey tool. The Kermode Parent Survey was available in two formats—paper and online. Parents who were in registered Kermode program were asked to complete the paper survey. The web link for the online version was also sent to two community schools (Suwilaawks Community School and Cassie Hall Community School) and to the senior staff of local early childhood organizations such as the Skeena Childcare Resources and Referral, Terrace Children First and the Terrace Child Development Centre. The parent survey included questions about the number and ages of children, current use of childcare, need for childcare use, reason for childcare, use of childcare subsidy, and barriers to finding childcare and what is most important in choosing a childcare setting. Most individuals surveyed were Aboriginal and were from a lower socio-economic bracket and many rely on KFS programs for support.

Fifty-one surveys were completed, in addition to several face-to-face information-gathering sessions with parents. KFS staff assisted with the childcare assessment by arranging meetings, liaising between the consultant and the community, assisting with the parenting survey, providing food for the meetings and offering a small incentive for parents who completed the survey.

2.3.1 General Themes

The following is a list of themes that emerged:

- Parents need childcare because they are in school, looking for work and/or are working

- Parents cannot afford to use current childcare programs
- Affordability is the main barrier
- Some parents receive government support to pay for childcare fees
- Many parents rely on family members to provide unlicensed childcare
- Parents use childcare from family members for a number of reasons including:
 - cultural familiarity, safety, comfort, and cost
- Parents who have children attending the Kermode Head Start program often need daycare for the remainder of the day
- Parents spoke about the things they find important in a childcare program
 - Importance of local food
 - Having Elders in the program
 - Incorporation of culture and traditional languages
 - Flexible hours to meet parents' needs
 - Security and safety

2.3.2 Age Range of Children

Of the 51 parents who completed the survey tool, 60% had more than one child. Together the 51 parents had a total of 103 children. Approximately sixty per cent (60%) of these children were pre-schoolers. The breakdown of age ranges was as follows:

- 0 to 18 months, 15 children
 - 18 months to 3 years, 8 children
 - 3 years to school age, 41 children
 - school age to 12 years, 43 children
- total 103 children

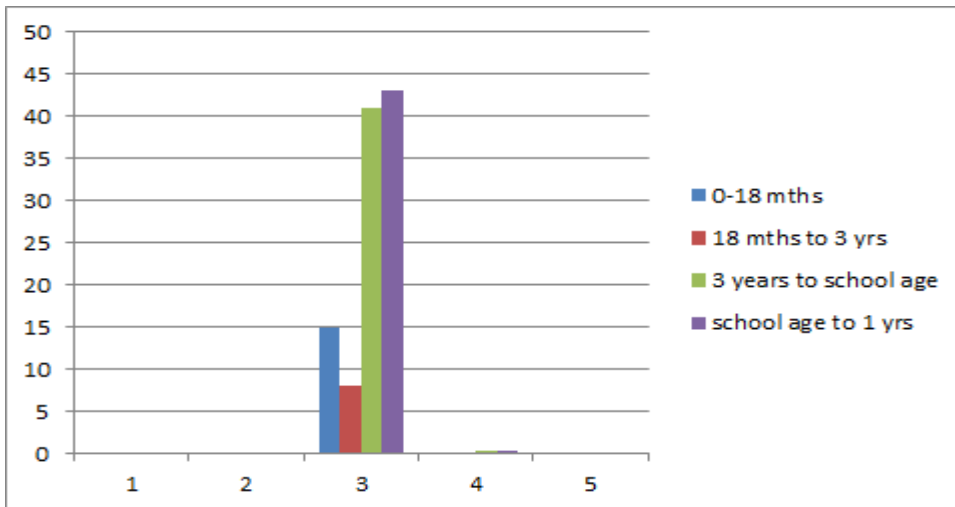


Figure 1 Graphic depiction of the age range of children of parents who were surveyed

Source: KFS Needs Assessment 2014

2.3.3 Specific Findings

Parental responses to specific questions are highly instructive and are, therefore, considered in some detail here. In regards to the question: What type of childcare do parents currently use and want to use? Surveyed parents indicated that they would like more day-care options for children less than 3 years of age, more family childcare home (private- unlicensed) more preschool and more school-age care.

- If daycare was more accessible, parents would rely less on family members
- Forty percent (40%) of survey parents in the Kermode drop-in program would like to use a childcare centre for children under 3 years of age
- Forty percent (40%) of survey parents in the Kermode Head Start program would like to use a childcare centre for children over 3 years old
- Clearly there is strong evidence from parents surveyed that a childcare centre would be utilized in all age groups

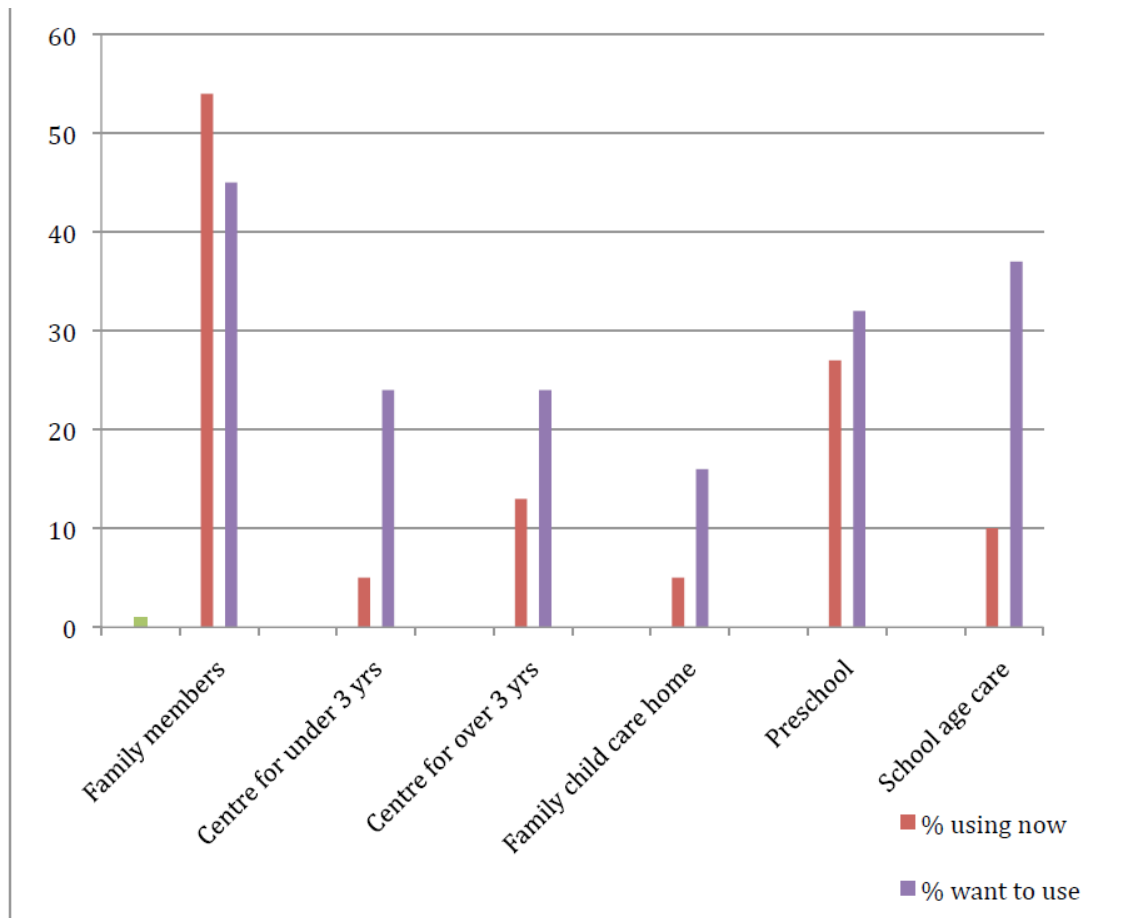


Figure 2 Percentage of survey parents who use and want to use various types of child care

Source: KFS Needs Assessment, Nov 2014

In response to the question of when parents need daycare, approximately fifty percent (50%) indicated they would use a childcare facility five full days a week. Slightly over twenty percent (20%) indicated they would use childcare before/after school and approximately ten percent (10%) stated they would use the facility part of the week, while another ten percent (10%) indicated they would need daycare other times. It is not clearly what this means, it may mean evenings and weekends. It is the KFS's intention to explore if the facility could be operated on some evenings and weekends, as parents may have shift work and /or attend classes evenings and weekends.

In response to the question of what parents find important in choosing childcare, the parents ranked 12 features including: staff education, staff experience, aboriginal staff, hours of operation, quality and variety of program, location, aboriginal culture, affordability, space

availability, number of children, safety and close to training facility. The top important feature identified by eighty per cent (80%) of the parents was affordability. The second and third feature respectively were staff experience sixty five per cent (65%) and safety sixty five percent (65%), followed by education fifty five (55%). Other important features were aboriginal programming, forty per cent (40%) and aboriginal staff, thirty per cent (30%).

2.3.4 Barriers to Finding and Using Childcare

The Kermode Assessment also examined the barriers to finding and using childcare. The survey identified seven barriers that prevented parents from using childcare.

- The cost of daycare was identified as a barrier by over fifty five (55%) of parents
- Thirty percent (30%) indicated there were simply no available spaces
- Close to thirty percent (30%) stated a lack of transportation
- The current location of existing daycare facilities not being convenient
- Not qualifying for a subsidy
- Other barriers included factors such as a child being not allowed to attend for behavioural reasons; length of school differing for older and young children, which makes organizing drop-offs and pick-ups challenging; parents wanting to stay at home during their child's first years

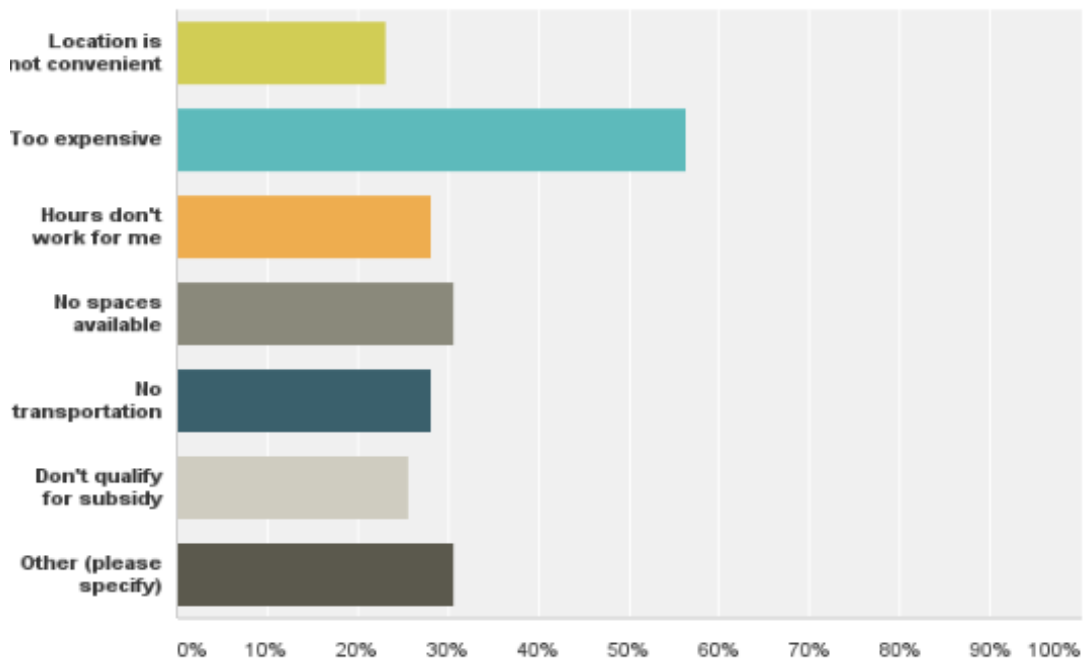


Figure 3 Percentage of survey parents who have experienced different barriers to finding and using child care

Source: KFS Needs Assessment, 2014

2.4 Kermode Staff Issues

Another valuable source of information about the childcare experiences of Aboriginal parents in Terrace comes from Kermode staff. The staff indicated that they hear a lot from their clients about the needs and the barriers they face. The Ministry of Child and Family Development social workers are involved with some Kermode families who they noted would benefit from additional childcare services. There are 32 staff at Kermode, who, between them, have six preschool children. One of the full time staff that has her child in a preschool had to deal with a temporary closure due to a staffing shortage. Fortunately, she was able to default to family members for childcare.

2.5 Survey of Early Childhood Organizations

In order to have a full understanding of childcare needs in Terrace, it was important to also connect with local early childhood organizations, which include the following: Early Childhood Education Program, Northwest Community College, Success by 6, Skeena Childcare Resource and Referral, Supported Childcare Development Centre and Terrace Make Children First. Representatives from these organizations were interviewed by phone and at a face-to-face meeting.

- Generally operators felt there were low numbers in the daycares with no known reason
- The increase in economic activity is causing an increase in housing costs and is putting additional pressure on low-income families causing more vulnerable circumstances and families being forced to leave the area.
- Despite a high aboriginal population most daycares are euro centric.
- An opportunity exists for an aboriginal day car to be added to the daycare system in Terrace.
- Parents want to place infant /toddlers and 30 months to pre-school in the same daycare.
- Many parents are eligible for the daycare fees but cannot afford the additional fees.
- ECE workers are in short supply due to low wages-society does not regard childcare workers as a valued profession.
- Some licensed daycares only operate from Sept to June

Table 3 Breakdown of the Total Number of Licensed Group Childcare Facilities Available in Terrace (KFS Needs Assessment, 2014)

Program Name	Type of License/Ages	Capacity	Max Capacity	Spaces Available	Fees
Preschool					
Centennial Christian School	Preschool	10	10	3 (M-W-Fr) 1 (Tues/Thursday)	3 am-\$150 2 am- \$120
Kermode Ab Headstart	Preschool	20	24	None	none no fee for Headstart

Program Name	Type of License/Ages	Capacity	Max Capacity	Spaces Available	Fees
Sprout Up Preschool	Preschool	10	10	2 (3,4 yrs) 0 (2,3 yrs)	\$150- M/W/Fr. \$120-T/Thursday
Group Childcare (under 36 months)					
P.A.C.E.S. Day Care	group childcare under 36 mths	24	24	1 FT space several p/t spaces	42\$/day \$825/mth
Terrace Daycare	group children (30 months to school age)	25	25	8	\$700/mth 36\$/day
Group Childcare (school age)					
Veritas Catholic School	group childcare (school age)	25	25	Yes	depends on hrs/days
Multi Age Childcare					
Hollybear's Childcare Ctre	multi age childcare	8	8	None	\$40/day \$750/mth
More than one type of group childcare					
Blue Tree D/C	group childcare (30 months to school age) preschool multi age CC	8 8 8	16	2	\$750/mth (cc 3 -5 yrs of age) infant fee unavailable \$375/mth school age
Caterpillars Childcare Ctr	group childcare (30 months to school) group childcare (school age) multi age childcare	16 8 8	24	some availability on certain days	\$20/day for less than 4 hrs \$35/day full day \$7/hour
Willow Creek Childcare	multi-age C.C. preschool group care (30 mths to school age) group childcare (school age)	16 20 24 24	36 24	full for youngest 2 3	\$45/day under 3 \$40/day over 3 \$20/ day \$40/day over 3 \$45/ day under 3

Program Name	Type of License/Ages	Capacity	Max Capacity	Spaces Available	Fees
Terrace Campus CC	group childcare (under 36 months) group childcare (30 months to school age)	12 (8) 25	37	None	\$854/mth

2.6 General Observations

The process of undertaking a comprehensive needs assessment revealed a number of points that the KFS should take into consideration if it goes ahead with its proposal to build a new daycare facility. Specifically, the assessment revealed that Aboriginal parents express a strong need for affordable, culturally appropriate daycare across a range of ages. On the whole, parents are very cost conscious, with affordability being the main barrier to utilizing licensed daycare. Given parents stated desire for daycare and the current under-enrolment in existing daycare facilities, it may be that the costs at existing daycare programs are proving prohibitive. If the proposed KFS daycare cannot deliver, programs at rates below those offered through existing programs, or if it cannot recruit parents who receive adequate subsidies, it may suffer from low enrolment.

While the objective of the KFS is to make daycare affordable, the organization is also cognizant of the fact that consumers should have some personal investment in the services they utilize. In the business world, this sense of investment is known as “skin in the game,” a term coined by Warren Buffet, to refer to a situation in which high-ranking insiders use their own money to buy stock in the company they are running. The idea behind creating this situation is to ensure that like-minded individuals who share a stake in the company manage corporations. Executives can talk all they want, but the best vote of confidence is putting one's own money on the line just like outside investors.

It is the author’s view that the helping professions sometimes provide too much support and, instead of producing positive outcomes for their clients, actually create dependency. Failure to charge a nominal fee may result in people who utilize the daycare taking the service for granted. For example, without a personal investment, they might not bring their children regularly, which would result in the facility being underutilized and may possibly impact the full

subsidy which Kermode will need. To encourage a sense of personal and community investment, the KFS should also form a parents group to ensure they have a voice in the daycare.

Ultimately, the KFS will have to walk a fine line in order to make the proposed daycare affordable but also to find a way for parents to be committed to using the services regularly. Therefore, a nominal fee of \$100/ moth per child will be proposed or parents may be expected to volunteer instead.

3: Financial Analysis

In 2007, the KFS purchased a large piece of undeveloped property, approximately one acre for \$135,000. The Board of Directors at the time envisioned that the organization would need additional land for future program expansion. The proposed daycare is one such example of program expansion that could provide a rationale for the development of the land. The broader question to consider is what is the best and most profitable use of the land for the KFS? Specifically, rather than developing a portion of the land for a daycare program, would it be more feasible to sell the land and invest it for a 10 year period at an annual rate of return of 5.4%? The details of selling the land and investing the money are based on the following assumptions:

- Selling the property for \$500k; this sale price is based on two projections. A commercial developer is building condos alongside the Kermode property and offered a price of \$112k for a quarter of the Kermode lot. The second scenario was a discussion with a local real estate agent who indicated an undeveloped acre of land in Terrace sold for approximately \$800k. Both of these scenarios indicate the market value of the Kermode property would be a range from \$448k to \$795K.
- Investing the money at an annual return of 5.4% for a 10 year investment would have a return of \$846,252
- A profit of \$342,252 would be realized
- Kermode could set up a Foundation and use the interest for Kermode programming and needs

Hypothetical Portfolio Illustration

02-28-2005 to 02-28-2015

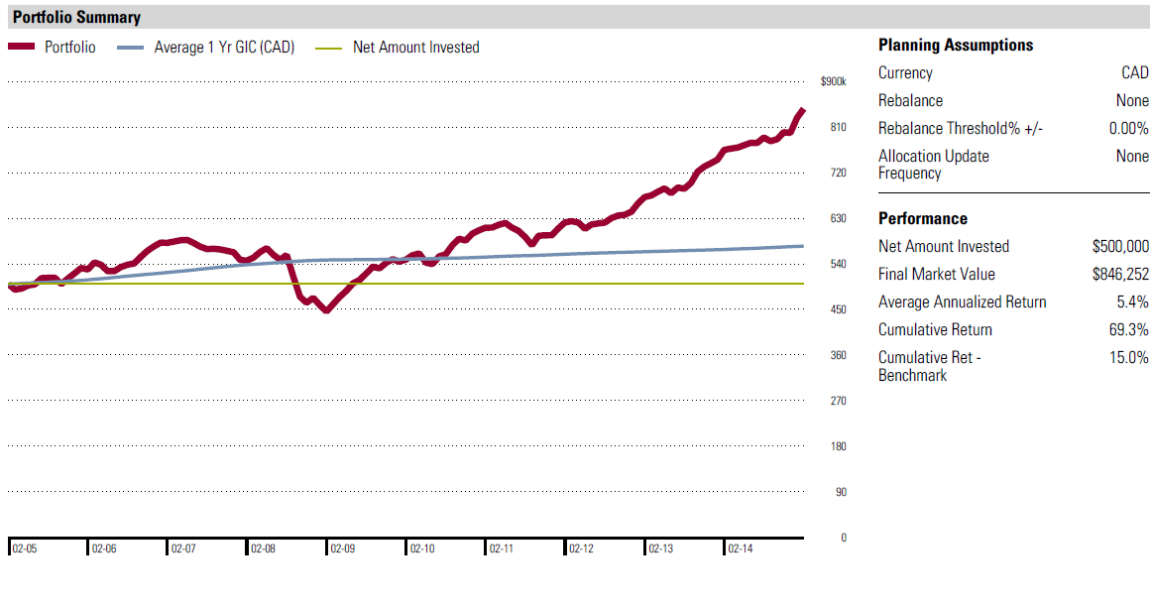


Figure 4 Hypothetical portfolio illustration from a money management company depicting the financial performance of a \$500 investment over a 10-year period, for 2005 to 2015, based on their factors

The author used this hypothetical financial performance prediction to project the sort of returns the KFS might hope to achieve if it sold the property and had a money management company invest the money.

3.1 Financial Considerations Involved in Proceeding with the Proposed Daycare

As part of the application to the MCFD, the KFS was required to submit two construction quotes. The KFS gathered three quotes and submitted those of Company A and B to the MCFD.

Table 4 A comparison of the preliminary building costs, preparation costs and professional fees submitted by three companies.

Building Size 4700 sq. feet	Company A	Company B	Company C
Site preparation	\$150k	\$150k	\$211,500
Construction costs	\$640k	\$960k	\$1,047k
Professional fees	\$55k	\$60k	\$141k
Total	\$845k	\$1.17M	\$1,410k

Analysis

- Company A operates out of the Lower Mainland. Their proposal is based on building the daycare in its facilities and then transporting it to Terrace in sections, where it will be assembled. This is a modular construction company.
- Company B and C are local Terrace commercial contractors.
- Total building costs range from \$845k to \$14 M.
- All three meet building code requirements.
- After applying the MCFD \$500k capital grant the balance of the costs of the building for each company: Company A, \$345k; Company, B \$670k; Company C \$910k
- KFS would mount a fund raising campaign with industry and Aboriginal organizations to contribute toward the remaining construction costs ranging from Company A \$345k to Company C \$910K but due to the substantial cost of Company C it is conceivable that Company C may be beyond KFS's budget.
- A requirement of the application, Kermode had to submit a letter confirming construction would commence within 4 months of signing the MCFD contribution agreement

While only two construction quotes were submitted to the funder, for the purpose of this paper the writer included all three. If Kermode is able to obtain the \$500k capital grant depending on the total amount of the project there would be remaining amount of construction cost. Kermode would be launching a fund raising campaign. It is possible to raise this amount and there would be no need for a mortgage. However, Kermode may also have to carry a small mortgage and/or obtain funds from other sources such as the Northern Development Initiative and the Western Diversification Fund.

In considering whether or not it would possible for the KFS to raise significant funds from industry in short period of time, an important consideration is that in North West, BC multi-

national companies from resource extraction industries have social licenses where they position themselves as good corporate citizens and subsidize community initiatives. For instance, Seabridge Gold, which wishes to develop gold deposits in the area, has made several large financial contributions to the Northwest Community College (Link, 2015). One possible industry partner that the KFS could look to for funding is BG Canada, which is financing a five-year \$5 million effort called, ThriveNorth through a national non-profit Futurepreneur (Link, 2015, para. 5). In fact, the KFS, with minimal effort, has already benefitted from relatively small donations from companies such as Chevron Canada Limited and Nexan Energy. Other non-profit entities have been successful in securing large donations. Given the value that the proposed daycare would add to the Terrace community and the fact that the project, if it is to proceed, will have significant backing from government, there is optimism regarding the KFS's ability to secure a large contribution from industry.

3.2 Operating Costs

As part of its proposal to the MCFD, the KFS prepared a pro forma statement (see below) for 10 years outlining the annual operating costs of the proposed daycare. This was a funding requirement of the MCFD application. The operating statement, assumes that Kermode will be able to raise all of the funds necessary for constructing the building. There will be no mortgage. The statement will, therefore, need to be adjusted depending on the final cost and the success of the Kermode funding raising campaign. The statement is based on the KFS constructing a building large enough to house the daycare and it considers the following factors:

- A vacancy rate is included to offset delinquent payers – this is a worst case scenario as the KFS anticipates most of the daycare users will qualify for subsidies
- The new Single Parent Employment Initiative to be rolled out in September 2016 will improve the business case as the monthly childcare rate will, from then forward, be covered by the province for those single parents in training for up to 12 months
- While the objective is to make daycare affordable, the KFS is cognizant of the fact that consumers should have some personal investment in the services they utilize. Therefore, a nominal fee of \$100 per child/month will be proposed or parents may be expected to volunteer instead. The minimum annualized revenue from the parent contribution is calculated at \$74,400.
- The daycare needs suppliers to provide such items as food, program supplies, insurance and communications. Kermode may tender some items.

- With respect to food prices, Terrace has four competitors and Kermode has a policy of buying the lowest cost, but the community's remoteness must be factored into costs.

The intangibles are that the daycare will create employment in the construction of the building and 10 people will be hired to operate the daycare. However, most importantly, the daycare will allow aboriginal parents to leave the poverty trap and either join the work force or return to school.

Table 5 10-year pro forma Statement

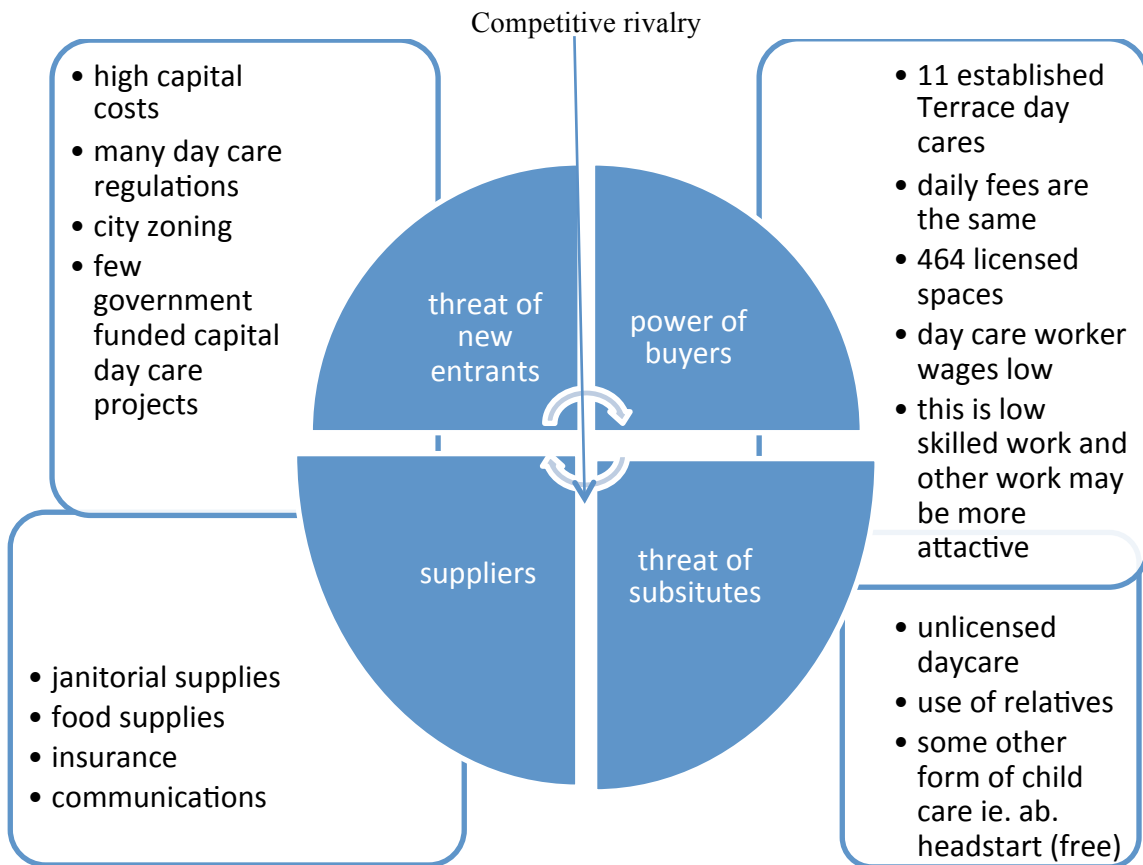
Kermode Friendship Society - Daycare											
Pro Forma Income Statement											
For Years 2016 - 2025											
Assumptions:											
Subsidies:	Number of Children	\$ Amt / Child	Number of Months	Total							
Infants (under 18 months)	6	750	12	54,000							
Toddlers (19 - 36 months)	6	635	12	45,720							
Children (36 months plus)	50	550	12	330,000							
Parent Contribution	62	100	12	74,400							
Annual Increase in Revenue				1.86%							
Vacancy Loss				15.00%							
Annual Increase in Expenses				2.00%							
Internal Rate Of Return (IRR)				4.75%							
	Total	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
REVENUES:											
Subsidies:											
Infants (under 18 months)	587,514	54,000	55,004	56,027	57,070	58,131	59,212	60,314	61,436	62,578	63,742
Toddlers (19 - 36 months)	497,429	45,720	46,570	47,437	48,319	49,218	50,133	51,066	52,015	52,983	53,968
Children (36 months plus)	3,590,366	330,000	336,138	342,390	348,759	355,246	361,853	368,584	375,439	382,422	389,535
Parent Contribution	809,464	74,400	75,784	77,193	78,629	80,092	81,581	83,099	84,644	86,219	87,823
Child Care Operating fund	1,182,427	108,680	110,701	112,760	114,858	116,994	119,170	121,387	123,645	125,944	128,287
Sub-Total Revenue before Vacancy Loss	6,667,201	612,800	624,198	635,808	647,634	659,680	671,950	684,449	697,179	710,147	723,356
Less:											
Vacancy Loss	1,000,080	91,920	93,630	95,371	97,145	98,952	100,793	102,667	104,577	106,522	108,503
TOTAL REVENUES	5,667,121	520,880	530,568	540,437	550,489	560,728	571,158	581,781	592,602	603,625	614,852
EXPENSES:											
Fixed Program Expenses:											
Accounting/Legal	21,899	2,000	2,040	2,081	2,122	2,165	2,208	2,252	2,297	2,343	2,390
Communications (Tel/Int/Fax)	32,849	3,000	3,060	3,121	3,184	3,247	3,312	3,378	3,446	3,515	3,585
Insurance	32,849	3,000	3,060	3,121	3,184	3,247	3,312	3,378	3,446	3,515	3,585
Total Fixed Program Expenses	87,598	8,000	8,160	8,323	8,490	8,659	8,833	9,009	9,189	9,373	9,561
Building & Facilities Expenses:											
Janitorial Supplies	65,698	6,000	6,120	6,242	6,367	6,495	6,624	6,757	6,892	7,030	7,171
Parking Lot & Ground Maintenance	32,849	3,000	3,060	3,121	3,184	3,247	3,312	3,378	3,446	3,515	3,585
Repairs & Maintenance	43,799	4,000	4,080	4,162	4,245	4,330	4,416	4,505	4,595	4,687	4,780
Security	32,849	3,000	3,060	3,121	3,184	3,247	3,312	3,378	3,446	3,515	3,585
Utilities & Disposal	131,397	12,000	12,240	12,485	12,734	12,989	13,249	13,514	13,784	14,060	14,341
Total Building & Facilities Expenses:	306,592	28,000	28,560	29,131	29,714	30,308	30,914	31,533	32,163	32,806	33,463
Variable Program Expenses:											
Professional Development	21,899	2,000	2,040	2,081	2,122	2,165	2,208	2,252	2,297	2,343	2,390
Program Food Supplies	273,743	25,000	25,500	26,010	26,530	27,061	27,602	28,154	28,717	29,291	29,877
Program Supplies	21,899	2,000	2,040	2,081	2,122	2,165	2,208	2,252	2,297	2,343	2,390
Total Variable Program Expenses:	317,542	29,000	29,580	30,172	30,775	31,391	32,018	32,659	33,312	33,978	34,658
Wages & Benefits											
Wages	4,187,830	382,460	390,109	397,911	405,870	413,987	422,267	430,712	439,326	448,113	457,075
EI Expense	110,220	10,066	10,267	10,473	10,682	10,896	11,114	11,336	11,563	11,794	12,030
CPP Expense	182,641	16,680	17,014	17,354	17,701	18,055	18,416	18,784	19,160	19,543	19,934
WCB Expense	32,663	2,983	3,043	3,104	3,166	3,229	3,293	3,359	3,427	3,495	3,565
Extended Health Benefits	167,509	15,298	15,604	15,916	16,234	16,559	16,890	17,228	17,573	17,924	18,283
Substitute Educator	334,799	30,576	31,188	31,811	32,447	33,096	33,758	34,434	35,122	35,825	36,541
Total Wages & Benefits	5,015,662	458,063	467,224	476,569	486,100	495,822	505,739	515,853	526,170	536,694	547,428
TOTAL EXPENSES	5,727,394	523,063	533,524	544,195	555,079	566,180	577,504	589,054	600,835	612,852	625,109
NET INCOME (LOSS) BEFORE AMORTIZATION	- 60,273	- 2,183	- 2,956	- 3,758	- 4,590	- 5,452	- 6,346	- 7,273	- 8,233	- 9,227	- 10,257
Amortization Expense	200,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
NET INCOME (LOSS)	94,566	8,636	8,809	8,985	9,165	9,348	9,535	9,726	9,921	10,119	10,321

- This statement assumed the monies were raised to offset the complete daycare construction costs
- This statement is based on a 62 space daycare annual surplus of at least \$8k
- Annual revenues from parents' contribution are at \$74,000.

3.3 SWOT ANALYSIS

<p>Strengths Promotes an Aboriginal environment Employs Aboriginal staff Affordability Large potential client group Adds significant value to undeveloped land and increase the asset portfolio of the KFS Have a relationship with parents who may be potential daycare users</p>	<p>Weaknesses Relies on parents qualifying for subsidies May be a challenge to find qualified staff ECE workers are not paid well and Kermode may be challenged to secure qualified workers who make a commitment in the field, ECE may be an entry level profession</p> <p>Reliance on subsidies to pay the operational cost of the daycare</p>
<p>Opportunities Aboriginal community supports a daycare practises aboriginal values Challenged children receive additional support to succeed in school KFS fills a service gaps in the childcare field Proponents are supporting social development and benefit agreements are being signed with local First Nations, meaning that they have new resources.</p>	<p>Threats Daycare spaces may not always be filled ECE profession is experiencing a shortage of workers Unlicensed childcare may have lower rates so parents may not register their children with KFS daycare Significant capital funding may not be easy to raise in a limited time period</p>

3.4 Porter's Five Forces



The parent survey indicated that Aboriginal parents would be willing to place their children in the proposed daycare, if it was affordable. The threat of new entrants is low due to the high cost of establishing a daycare, and it is an industry that is highly regulated by the government. The suppliers do not pose a threat to the daycare. While they are essential to the operations of the organization the competition within the suppliers keeps the prices affordable. The threats of substitutes are minimal and pose no threat to the daycare. The business model being proposed will allow for the aboriginal parents to place their children in the daycare for a token fee of \$100/child. In return, the daycare has license and trained ECE workers who are aboriginal. The alternative is using family members and/or unlicensed facilities that will not have the same quality of daycare. The target group Kermode is focusing on historically has been unable to afford daycare. Therefore, Kermode must rely on subsidies. However, in the experience of the writer also an emerging aboriginal middle class may support the daycare if are costs similar to the fees described in the aforementioned Table 3. With respect to the power of buyers, in this

case being other daycares, Kermode at the moment has the competitive edge. There are no current daycares that offer a strong aboriginal cultural program.

The challenge for the proposed daycare and the 11 other daycare centres operating in Terrace is being able to provide a much-needed service, in the midst of an uncertain economy. There are outside forces such as the economy and government policy that could impact the industry. A healthy economy may lure workers away from the daycare industry and cause a shortage due to better wages. Conversely, if the economy is weak and there is high unemployment, then some families may opt out of daycare and stay home and raise their children by themselves and rely on one breadwinner.

The KFS daycare proposal does address the shortage of daycare spaces in Terrace. The KFS is the only urban Aboriginal agency that delivers a program from a cultural perspective. The organization is well known and widely supported by the Aboriginal community

3.5 Marketing Strategy

The Kermode Friendship Society, as part of its constitution, delivers Aboriginal programming that acknowledges Aboriginal spirituality. North West BC is home to four main Aboriginal tribes that have distinctive cultural practices but share common a world view. All believe that there are four principal aspects to an individual –physical, spiritual, emotional and psychological. There is a strong sense of identity related to belonging to a clan, knowing one’s house chief, and one’s traditional name. The Aboriginal nations that reside in this area have not ceded their territory and there is a strong identity with the land. Finally, like other Aboriginal communities, they share a common belief that the human world is inter-connected with all other living things.

Drawing on its knowledge of the beliefs and traditions of local tribes, the proposed KFS daycare will reinforce local cultural teachings and will positively reinforce Aboriginal identity. As noted in the parent surveys, culturally sensitive childcare is important to many families. By positioning its service as an Aboriginal daycare, the KFS has as its target market the parents of the 650 aboriginal children under the age of 10 years residing in Terrace

3.5.1 Place

The daycare will be centrally located and within walking distance of a community schools and affordable housing complexes. In addition, the Kermode head start and other programs are within walking distance of the proposed daycare facility.

3.5.2 Promotion

The KFS will promote the daycare through a combination of social media, open houses, as well as word of mouth. Currently the KFS delivers an Aboriginal Head Start program, which is publically funded half day programming.

3.6 Cost and Affordability

The proposed daycare will achieve affordability in two ways. Firstly, most parents will qualify for MCFD subsidies ranging from \$550 per month to \$750 per month, depending on the age of the child. Assuming that part of the cost of the daycare can be funded from the MCFD grant, and that the remaining construction cost could be raised with a fund raising campaign directed at large industry and local First Nations in the area such as the Nisga'a, Gitksan, Haisla, Tsimshian and Tahltan, the KFS would not have to acquire a mortgage. Secondly, Kermode may be able to raise remaining construction costs from other funders such as the Northern Development Initiative and Western Development Economic Fund. Thirdly, it is conceivable that a larger building be built allowing for other Kermode programs that are currently housed in rental facilities to be included under one roof, a "one stop shop" concept. These programs would now be helping the daycare with paying a mortgage.

Kermode does have its challenges in the next few months. This business plan raised the possibilities that constructing a daycare is a very viable option. In the end, the community benefits to having a long- term asset; there will be employment opportunities in the construction phase and at least 10 jobs will be created to operate the daycare. It is anticipated the daycare programming will reduce the vulnerability of the children and they will be prepared to experience success in school. Finally, the parents now have affordable daycare can now enter the labour force and/or take training to become skilled workers. " The North coast and Nechako development region is expected to have 20,100 job openings for the forecast period, (2012 to 2022) with 35 per cent expansion demand and 65 per cent to replace retiring workers" (BC 2022 Labour Market Outlook 2012:16).

The Kermode Daycare could be a means to help the aboriginal members lift themselves out of poverty.

4: Conclusion

The KFS is a small non-profit Aboriginal organization that has developed a solid record of delivering programs and services since the 70s. Kermode purchased nearly an acre of land strategically located in Terrace in 2007. Recently, due to the increased economic activity in the NW the value of the land has increased substantially. Kermode delivers many programs and services including a large number of programs to young aboriginal families. The BC government as a part of their childcare strategy has decided to increase the number of licensed daycare spaces by inviting non-profits such as Kermode to apply for major capital grants of \$500k. An extensive needs assessment concluded there was need for a daycare that catered to the needs of the aboriginal community. The current 464 licensed spaces do not offer aboriginal programming and the fees are not affordable. Both of these factors were raised as important issues in a parent survey that formed part of the Kermode needs assessment. Ultimately, the needs assessment conducted by the KFS revealed the following:

- Terrace is a relatively young community with a large Aboriginal population
- 45% of the children under 10 years of age in Terrace are Aboriginal
- Terrace is experiencing a baby boom, on average there are 246 new-borns a year of which 150 are new-borns in Terrace proper
- At kindergarten age over one-third of the children in Terrace can be considered ‘vulnerable’, without additional support they may experience challenges in school and life
- Many families are living in vulnerable circumstances
- The current supply of childcare in Terrace is not accessible to the Aboriginal community due to a lack of cultural safety, cultural programming and is cost prohibitive
- The parent survey revealed childcare program characteristics that Aboriginal parents consider important for their children’s wellbeing which include experienced Aboriginal staff, Elder involvement, integration of Aboriginal culture and language, an accessible location, care for both infant/toddler and pre-school age children in the same facility

The proposed daycare fits the daycare strategies of both the BCAAFC and the BC Government. The BCAAFC wants culturally appropriate and affordable daycare for the Aboriginal community, which it sees as an important means for parents to become self-sustaining. The provincial government sees increased daycare spaces as a way to enhance integration and the development of existing policies that respond to fragmentation and gaps (“The Families Agenda for British Columbia,” n.d.). The government feels that by facilitating more childcare spaces, it will improve affordability and accessibility (“The Families Agenda for British Columbia,” n.d.).

However the cost of a new building that meets the city of Terrace zoning requirements and licensing requirements may cost as much as \$1.4M. While Kermode has elected to apply for the funds, the Board continues to examine all options. One option is to sell the land and obtain a money management company to help manage the investment. Kermode is expanding and currently has been housing some of its programs in rental property, which could be going toward developing that one-acre of land. The potential of a daycare by itself even with the \$500k grant still creates challenges for Kermode due to the remaining cost necessary to complete the daycare. A third option is to build an even larger building to house Kermode programs that are paying rent. In this way the other Kermode programs are also paying part of the cost of the construction of the daycare.

There were a number of factors that suggest that the daycare would both be financially feasible and real asset to the Aboriginal community. The KFS has a large piece of undeveloped land strategically located in downtown Terrace, which is ideally situated for a daycare facility. In light of the BCAAFC’s Five by Five Strategy and the BC government’s daycare initiatives, the KFS carried out a comprehensive needs assessment, which demonstrated that there is a need for an affordable Aboriginal-centred daycare in the community. The KFS consulted with potential users, daycare operators and examined demographics. With respect to business strategy of the daycare to remain a going concern, the early childhood education field is not a highly regarded profession and it appears it is an entry-level profession where workers do not stay in the profession very long mainly due to the low wages. This creates the risk for high staff turn over and shortages. At Kermode for instance, there are four ECE workers and only one has more than five years of experience in spite of the head start being around for more than 10 years. The industry rival is more than other daycares rather other closely related profession such as social work, which has higher salaries rates. An ECE worker at Kermode starts at \$15/hr. compared to a social worker that starts at \$20/hour. It was recently announced that one of our local colleges is

temporarily shutting down ECE training due to a lack of students. This may mean that the daycare may have a challenge in finding qualified workers and may have to find a way to develop an on the job-training program. The threat of substitutes may not be that significant. This is due to the affordability value Kermode is attempting to maintain true to. Most parents who bring their children to the daycare will qualify for full subsidy and will only be required to pay a minimum monthly fee of \$100/per child. In return, their child is able to benefit in a culturally appropriate daycare delivered by aboriginal workers. In the longer term, the other benefit is that the daycare addresses the challenges many aboriginal children face as indicated in the Early Development Instrument. The suppliers have minimal impact on the daycare. The same suppliers provide other Kermode programs with the same products and the competition with the suppliers themselves helps keep pricing competitive. In my view, the Kermode daycare is an attractive option; there is not a real threat from within the industry itself. However, there is somewhat of an external threat from other professions who pay higher salaries and may “steal away” workers.

Having carefully considered the situation, the Board has chosen to move forward with the application for a major capital grant of \$500K. Based on three estimates submitted from commercial contractors, the preliminary cost of a new building range from \$845k to \$1.4M. If the KFS is successful in obtaining the \$500k capital grant there is a substantial remaining construction amount. Since the grant does not cover the cost of the whole daycare, it will be imperative that KFS seek additional funds. There are several sources that Kermode needs to explore, such as: mounting a fund raising campaign directed at large industry and local First Nations, applying to other funding sources such as the Northern Development Initiative and the Western Economic Development Fund.

Given all of the above, the KFS should proceed with the daycare if the following conditions can be met:

1. Secure a necessary \$500K capital grant
2. A realistic cost of the building work needs to be established and based on that develop a campaign and approach large industry and First Nations to contribute to the remaining total construction costs; and/or
3. Consider building a larger building to house other Kermode programs that bring rent monies that could be diverted to paying for a mortgage, which includes covering some of the daycare costs.

4. Establish that between industry and other First Nations' organizations, the KFS can obtain commitments for at least \$345K before committing to the project.

There are a number of challenges Kermode must consider even if it is successful in obtaining the \$500k major capital grant. Ultimately, the Board may determine that there are other alternative uses for the land.

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