



Legacy General Operating Grant Guidelines
for Operators without Service Agreement for Fee Subsidy

Toronto Children's Services

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Introduction to General Operating Grant

These guidelines provide child care operators without Service Agreements for fee subsidy information regarding the General Operating Grant. The guidelines cover:

- Eligibility
- Funding conditions
- Distribution
- Funding calculations
- Monitoring, reporting and accountability

As a condition of the General Operating Grant funding, programs are required to comply with these guidelines.

Note: For those licensed child care operators that receive funding from the City and have a Service Agreement for Fee Subsidy, please refer to "General Operating Grant Guidelines for Operators with a Service Agreement for Fee Subsidy in the City of Toronto".

Overview

In December 2012, the Ontario government released a new framework for how municipalities fund child care. The new framework increases flexibility, eliminates overlapping funding lines and streamlines reporting. The framework provides municipalities with the flexibility to create a customized approach to funding child care that fits their local needs.

In light of these provincial changes and to address local needs, Children's Services developed its own approach to child care funding in the City of Toronto. Toronto City Council approved a new funding model in [June 2015](#). The funding model is more equitable for child care operators and will help strengthen the availability, affordability and quality of child care for families.

The funding model supports the City-approved [Children's Services' Service Plan \(2015-2019\)](#) and [Funding Model Principles](#), provides direction for future system investments, and stabilizes the system by allowing existing child care service providers to retain current base funding. Its development involved extensive engagement with children, families, service providers, community partners, and other stakeholders.

The model consists of a General Operating Grant to replace historic wage-related grant programs for child care service providers. This funding stream is intended to support operators with the cost of operating licensed child care programs and provides a stable funding source. The goals of the grant are to support operators in implementation of reasonable salaries and staff compensation, and to partially offset these costs in order to improve affordability for parents. While Pay Equity funding is included in the overall General Operating Grant funding, it will continue to be subject to the terms and conditions of Pay Equity legislation.

General Operating Funding Components

Note: General Operating Funding for operators without a Service Agreement for fee subsidy who received a historic wage grant (wage subsidy and/or 1999-2005 Pay Equity) will consist of Legacy General Operating Grant and if applicable, Pay Equity only.

The General Operating Funding (GOF) consists of the following three components:

1. General Operating Funding (GOF component)

- The General Operating Funding (GOF component) is provided to eligible child care centres with Service Agreements for Fee Subsidy only, serving infants and/or toddler and/or preschool aged children. The GOF is based on a points system similar to the system used by the Provincial Government in calculating the historic direct operating wage grant. The points have been updated to recognize the higher staffing requirements of the infant age group. The GOF component is intended to provide financial support to operators providing service to these younger age groups and improve affordability for families.

2. Legacy General Operating Grant (LGOG component)

- The Legacy General Operating Grant (LGOG component) is the difference between an operator's GOF component calculation as of December 31, 2015 and their funding as of January 1, 2016. Funding prior to the implementation of GOF may include historic wage subsidy, and/or pay equity, and/or wage improvement funding. This pre-existing (Legacy) funding level will remain unless service levels for an age group at a location change.
- Operators that do not have a Service Agreement for Fee Subsidy, are not eligible for the GOF component.

3. Pay Equity

- The 1999-2005 Pay Equity component is the funding that results from the "Memorandum of Settlement" between operators and the Provincial Government. This funding will be included in the total GOF component/LGOG component calculation to prevent duplicate funding. The operator must continue to use this funding to implement its pay equity plan and thereby comply with Pay Equity legislation.

Eligibility

These guidelines apply to all licensed child care operators without a Service Agreement for Fee Subsidy who received Wage Subsidy and or 1999 – 2005 Pay Equity as of January 1, 2016.

They do not apply to those entering into a funding agreement with Toronto for the sole purpose of accessing the Provincial Wage Enhancement program.

To be eligible for the allocation of funding, operators in the City of Toronto must:

- have a Service Agreement for wage subsidy and/or a pay equity grant as of January 1, 2016

Application Process for New or Additional Funding

Operators who wish to apply to receive additional funding through the General Operating Funding must apply and be approved for a Service Agreement for fee subsidy

All conditions of the Service Agreement for fee subsidy must be met before a contract between the City of Toronto and the Agency is finalized.

Change in Operator, Transfer or Sale

The Legacy General Operating Grant is not transferable. Where an operator assumes ownership for a centre, the general operating grant cannot be transferred to the new operator.

A change in operator, transfer or sale requires an application for a Service Agreement for fee subsidy in writing to the Director, Service System Planning and Policy Development. The application will be reviewed based on the new operator eligibility and if approved, the General Operating Funding will be determined based on the eligible operating capacity of the centre.

Funding Objectives

A single, consolidated grant allows service providers the flexibility to address their specific staff compensation within the funding model implementation framework guidelines. The grant must be used to support staff salaries and benefits.

The new funding model will streamline operator reporting requirements for the grant, however, operator accountability for the funding remains the same. As a condition of Legacy General Operating Grant funding, all programs must comply with Children's Services guidelines for administration, accountability and reporting, and meet the minimum standards of the Assessment for Quality Improvement.

Supporting Reasonable Salaries

Historic wage grant programs have been implemented to support salaries for staff; the single highest expense category, of a child care budget. The General Operating Funding replaces "wage subsidy" funding. The practice of supporting reasonable staff salaries continues to be a priority. Children's Services Consultants are available to work with operators to assess their staff salaries/compensation and support operators in developing plans to achieve reasonable staff compensation.

Supporting Reasonable Fees

Revenue generated through childcare fees is a critical element for operator sustainability and viability. If fees are too high or too low, they may jeopardize the viability of the operation and impact affordability for parents. The Legacy General Operating Grant off-sets expenses which lowers the revenue required from parent fees.

Funding Calculation for Legacy General Operating Grant (LGOG)

Overview

The LGOG allocation will be determined annually, by location, based on eligible capacities confirmed through program visits.

Determination of the Legacy General Operating Grant as of January 1, 2016

The sum of the January 1, 2016 wage subsidy and/or pay equity (current funding) is considered the Legacy General Operating Grant (LGOG).

Determination of Legacy General Operating Grants per child

As of December 31, 2015, the operating capacity for each age category became the legacy operating capacity per age group. The Legacy General Operating Grant amount per child was calculated by dividing the Legacy General Operating Grant by the legacy general operating capacity.

As of January 1, 2016, when an operating capacity in an age category is lower than the legacy operating capacity per age group, the legacy funding will be reduced by the per child amount. The lowest capacity for each age category in any year will be the on-going legacy capacity. This will ensure that operating capacities that fluctuate up and down will not be reduced unless an age category capacity becomes lower than the previously established (see Appendix A for examples).

1999-2005 Pay Equity Memorandum of Settlement

Operators who are receiving the 1999-2005 Pay Equity component will continue to receive this funding embedded in their total Legacy General Operating Grant funding and this amount will be maintained as the minimum funding allocation.

Recalculation of Funding – Reduction in Service Levels

All agencies must inform the Children's Services of changes to their operating capacity that are not temporary in nature and may impact funding levels. Children's Services Consultants verify operating capacity information during program visits. Program visits to confirm annual funding and capacities are completed annually, at a minimum, on a schedule determined by Children's Services. Where a capacity is lower than the previous year, the capacity from the first quarter of the calendar year, will be compared to the capacity during the last quarter of the calendar year. Where the Consultant determines the capacity is not operating consistently during the year, the funding may be reduced.

Legacy General Operating Grant will not increase. Any change to the funding level will become the new level unless service levels decrease further.

LGOG may be reduced under the following conditions:

Operating capacity changes and/or inconsistencies

- Operating capacities for any age category are reduced below the legacy operating capacity
- Operators who receive LGOG for an operating capacity for rooms that do not operate on a consistent basis (i.e. change days of operation, close for a period of time)

Compliance issues

- Operator is not in compliance with Children's Services' standard business requirements, Assessment for Quality Improvement, policies or guidelines

Closure, Safe or transfer, Change in point value or Policy change

- Operator closes/sells/transfers or there is a merger or amalgamation resulting in a change in ownership or share in the business
- Any other policy change, such as a provincial directive, requiring a re-calculation

Extended Centre Closure

Effective January 1, 2021, centres that remain closed for a period of 12 consecutive months are no longer eligible for the Legacy General Operating Grant (LGOG).

Closure of a program will result in cessation of funding and recovery of any excess funding received.

Centres that remain closed must inform their Toronto Children's Services Consultant in writing immediately as to their planned re-opening date, along with confirmation of a current license, to request consideration for continued LGOG eligibility under this policy.

Program visits will be conducted to confirm that centres have re-opened and plan to maintain consistent legacy operating capacities. The centre's annual Legacy General Operating Grant will be recalculated based on confirmed operating capacities, as per LGOG Guidelines, and payment will be prorated to the first full month of operation.

LGOG Payment: Annual Calculation

Payment will consist of the sum of the LGOG funding based on the operating capacities determined during the program visit. Any changes to the legacy operating capacity will result in a re-calculation of the funding allocation. See Appendix B for examples.

Where the sum of the LGOG is less than the historic 1999–2005 Pay Equity Memorandum of Settlement, the funding will equal the 1999–2005 Pay Equity amount.

Agencies will continue to receive grant payments quarterly and in advance of each quarter unless otherwise stipulated.

Legacy General Operating Grant Distribution

Operators in receipt of Legacy General Operating Grant (LGOG) funding will be expected to continue to use the funding to support staff compensation including salary and benefits.

Additional operator responsibilities:

- The LGOG funding may not be used to offset legislated minimum salary/benefit requirements
- The 1999-2005 Pay Equity must be expensed in accordance with the organization's pay equity plan. All payments to employees must also be reflected in the job rates used by the service provider in pay equity calculations and be included in the salary for the employee.

Allowable Expenses

- Staff wages, benefits, and compensation

Expenses Not Allowed

- Use to offset legislated minimum salary/benefit requirements
- Bonuses (including retiring bonuses or allowances), gifts or honoraria unless a retroactive wage increase that will be continued into following year
- Debt costs including principle and interest of capital or operating loans, mortgage financing
- Property taxes
- Non arm's length transactions not transacted at fair market value
- Fees paid on behalf of staff for membership in professional organizations such as the College of Early Childhood Educators (e.g. CECE)
- Severance
- Direct payment to any person who does not receive a T4 or T4A

Multi-Site and Multi-Service Agencies

In addition to the requirements noted above, the following also applies to service providers of multi-location and multi-service agencies within the City of Toronto. A "multi-site operator" is defined as an agency if incorporated and if it includes more than one licensed child care centre or service.

- The Legacy General Operating Grant calculation for multi-site/service operators will continue to be completed at the site level and must be distributed to the sites for which the amount was calculated
- Legacy General Operating Grants are not transferable from one site location to another within an agency

Agencies that receive 1999-2005 Pay Equity will have the historic allocation to a site transferred to another site in the event of a centre closure. The Pay Equity amount transferred will not increase the total LGOG payment to the other site, it will become embedded in the total Legacy funding.

For example: If Site A receives \$15,500 total Legacy Funding of which \$5,500 is Pay Equity 1999-2005, and Site B receives \$17,000 total Legacy Funding of which \$6,000 is Pay Equity 1999-2005, and Site A closes; Site B will continue to receive \$17,000 total Legacy Funding and the Pay Equity 1999-2005 portion will now be \$11,500.

- Closure of a location within a multi-site/multi service agency must be reported to the agency's Children's Services Consultant. The agency's total Legacy General Operating Grant (LGOG) will be recalculated to reflect the decrease in operations.

Monitoring, Reporting and Accountability

All programs in receipt of the Legacy General Operating Grant (LGOG) are required to comply with the guidelines which outline eligibility, funding objectives, funding calculations, distribution, monitoring, reporting and accountability.

Operators must inform Children's Services in writing, giving a minimum notice period of 60 days, of their intention to cease operations as per the Service Agreement. Payments will be adjusted to a monthly schedule to reduce the risk of overpayment. Closure of a program will result in cessation of funding and recovery of any excess funding received.

Accountability will be in accordance with the Legacy General Operating Grant Guidelines for Operators without Service Agreement for Fee Subsidy. Agencies that receive this funding must:

- maintain records for all grants received and expensed
- maintain grant information in employment contracts and/or letters of employment for each employee where expensing directly to staff in addition to base salaries
- disclose base salary, benefits entitlement separately in the statement of operation
- be subject to a random audit by Children's Services' staff, and
- ensure the funds are directed in a way that is consistent with the intent of the Legacy General Operating Grant program: this being to provide funding to service providers to support staff compensation

Operators who receive the LGOG for rooms that do not operate on a consistent basis may be subject to recovery of the grant (that is, changes in days of operation, closed rooms for a period of time).

Audit/Special Purpose Report

Programs in receipt of \$20,000 or more in total City funding must provide Children's Services with an audited financial statement within four months of the agencies fiscal year end or closure of the program.

Operators whose funding includes the 1999-2005 Pay Equity component, must include a Special Purpose Report verifying that funding has been used for the purpose(s) intended as part of the auditor's report to reconcile the grant allocation against actual expenditures. See Appendix C for example.

In addition, the audit must:

- clearly report the LGOG revenue separately from other revenue, separate the salary expenses from the benefit expenses in the statement of operations

The monitoring and reporting of the General Operating Grant are comprised of:

- Eligibility confirmation through annual program visits
- Audit reporting requirements as well as the annual Special Purpose Report for 1999-2005 Pay Equity component (or Pay Equity Annual Reconciliation, where audit not required)
- Random audit of required records by TCS staff if required

Operators who receive 1999 – 2005 Pay Equity component but the total City funding is less than \$20,000, must complete a Pay Equity Reconciliation on an annual basis. See Appendix D for example.

When a program closes and an audit is not required because the agency receives less than \$20,000 annually, the operator must reconcile the 1999-2005 Pay Equity funding using the Pay Equity Utilization Statement prior to closure.

Records Required by Type of Monitoring/Reporting

These are the records that must be available by type of monitoring/reporting:

Records Required for Review

Operators are required to keep appropriate records verifying the amount of Legacy General Operating Grant that was used by the centre. These records must be available for review by City of Toronto Children's Services staff upon request. The required records, as applicable, include but are not limited to:

- Amount received from the City
- Amount applied to staff compensation
- Employment contracts or letters of employment
- Government remittance statements for CPP, EI
- Tax, HST, EHT, Insurance Policies
- Employee Record of Employment
- Pay Equity Plan and Proxy Order
- Related party purchase and sales agreement and transaction records
- Pay Scale
- TD1's
- Staff payroll records including but not limited to T4s, and T4As
- Bank Statements

Audit Reporting Requirements

All programs in receipt of \$20,000 or more in City funding in a calendar year must provide City of Toronto Children's Services with audited financial statements within four months of the organization's fiscal year end. The audit must:

- clearly report the LGOG grant revenue separately from other revenue
- separate the salary expenses from the benefit expenses in the statement of operations

Operators who receive 1999-2005 Pay Equity in their funding, must include an auditor note verifying the total grant amount received from Children's Services was expensed toward salaries in accordance with the Pay Equity plan.

- audit categories must be the same as the budget in the statement of operations, otherwise a separate reconciliation between the audit and budget is required

Pay Equity Reconciliation

Operators who are not required to submit an audited financial statement because they receive less than \$20,000 a year in City funding, must complete an annual reconciliation of Pay Equity, forwarded by Children's Services, as applicable.

LGOG Reconciliation

Operators who receive less than \$20,000 in City funding in a calendar year and do not receive 1999-2005 Pay Equity, are not required to submit a reconciliation. Receipt of Schedule 6, acts as declaration that the General Operating Grant was expensed according to these guidelines.

Appendix A – Legacy General Operating Grant: Determination of Amount Per Child and Recalculation

As of December 31, 2015 the operating capacity for each age category* becomes the legacy operating capacity per age group. The Legacy General Operating Grant amount per child was calculated by dividing the Legacy General Operating Grant component by the legacy general operating capacity.

As of January 1, 2016, when an operating capacity in an age category* is lower than the legacy operating capacity per age group, the legacy funding will be reduced by the per child amount.

The lowest capacity for each age category in any year will be the on-going legacy capacity. This will ensure that operating capacities that fluctuate up and down will not be reduced unless an age category capacity becomes lower than the previously established legacy capacity (* see Appendix B for example).

After January 1, 2016, programs operating less than 239 days, that have a Legacy General Operating Grant component, and have applied for and been approved for a Service Agreement for Fee Subsidy, may be eligible for General Operating Funding (GOF). If approved their LGOG component amounts will be recalculated/equalized.

For eligible operators, the new GOF component will be compared to current LGOG component funding, and where the new GOF component is less than LGOG funding, the LGOG component and LGOG per child, will be recalculated/equalized, based on the operating capacity at the time of GOF approval.

* operating capacities for 3rd party kindergarten programs are excluded from legacy operating calculations. These programs are already operating on a cost recovery basis and no grants are applied.

Example:

LGOG component funding will only be reduced for school age if the operating capacity is reduced below the lowest legacy capacity. The example below shows how the lowest legacy capacity may change over time.

Legacy capacity as of December 31, 2015 i.e., 45 school age	Current operating capacity	Legacy capacity	Reduction in LGOG component funding
2016	30 school age	30 school age	Yes
2017	45 school age	30 school age	No
2018	30 school age	30 school age	No
2019	15 school age	15 school age	Yes
2020	30 school age	15 school age	No

Appendix B – Managing Payments

Management of LGOG portion of funding Example:

- Centre with \$364.66 LGOG per child. School age capacity reduced to 15 from Legacy Capacity Floor of 30 school age: LGOG funding will be reduced by \$5,469.90 ($\364.66×15)

Management of 1999 – 2005 Pay Equity Example:

- Operator with 1999 – 2005 Pay Equity amount of \$9,567 whose annual LGOG amount of \$13,435 is reduced to \$6,121 as a result of a capacity change, will continue to be paid \$9,567 as the minimum payment amount.

Appendix C – Special Purpose Report for 1999-2005 Pay Equity

A special purpose report is required as a note to the audited financial statement when an agency receives 1999-2005 Pay Equity in the City of Toronto in the agency's fiscal year. Please see below for a sample format.

Categories	1999-2005 Pay Equity
Deferred from prior years	
Received in this Fiscal Year	
1999-2005 Pay Equity expensed in this fiscal year/according to the guidelines	
1999-2005 Pay Equity returned to Children's Services this fiscal year	
1999-2005 Pay Equity deferred to future years (1) + (2) - (3) - (4)	