



2021 Budget Guidelines for Child Care Centres

Updated November 2020

This version replaces the guidelines previously dated October 2020

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Purpose and Overview

The purpose of these guidelines is to provide child care centres, with a Service Agreement for fee subsidy, guidance on Toronto Children's Services' (TCS) annual budget submission process and to assist agencies in completing the 2021 budget accurately. Child care centres with a Service Agreement for fee subsidy with the City are required to comply with these guidelines as per the Service Agreement with the City of Toronto. Child care centres with a Service Agreement that do not receive fee subsidy are required to comply with applicable sections of these guidelines.

The guidelines outline budget submission deadlines, description of the allowable operating costs that are funded by the City (and maximum funding thresholds if applicable), how information submitted in the budget may affect General Operating Funding ("GOF") funding levels an agency receives, and a brief outline of the budget analysis conducted by TCS.

The guidelines are updated annually to reflect current legislation, guidelines, or policies issued by the Ministry of Education or the City of Toronto ("the City"), to reflect changes to the child care system, or to provide clarity regarding service provider reporting requirements and/or the City's funding responsibilities in the child care sector.

Budgets and Their Use to Service Providers and Children's Services

TCS uses the annual budgets as a mechanism to ensure accountability for the use of public funds, which the City extends to service providers.

The Agency will use the funds provided only for the expenses, according to the budget guidelines, that directly support the provision of licensed child care services in the City of Toronto.

Budgets are basic planning tools used by organizations. They provide the user with a financial plan for the operations within an organization. The per diem rates and General Operating Funding (GOF) paid to the service providers with whom the City has a Service Agreement, are based on budgeted cost and operating information. As a result, ensuring the reasonableness of the budget information submitted by funded organizations is of critical importance.

What is Budget Analysis?

TCS analyzes all of the information in the submitted budget to provide accountability over public funds while applying the City's relevant guidelines and policies. Analysis includes a review of the reasonableness and sustainability of the centre's operating plan, delivery of quality child care, the centre or agency's financial viability, and is based on knowledge of the child care field and the centre's specific operations. The current year budget is also compared to the prior year's approved budget and actual performance to identify any significant variances, which may require follow-up.

City of Toronto Funding Responsibilities

The City enters into Service Agreements with licensed child care centres that provide child care services to children aged 0 – 12 years in accordance with the CCEYA and Regulations, funding and guidelines issued by the Ministry of Education, TCS's Service Plan and Operating Standards including the Assessment for Quality Improvement ("AQI") measure.

Centres in receipt of fee subsidy are paid an approved per diem rate by TCS for each subsidized child enrolled at the centre, less any assessed fees payable by the child's parents/guardians. TCS will analyze the budget submitted by the centre to ensure reasonableness and compliance with all applicable guidelines and policies and to determine the approved per diem rate.

Child care centres who provide [Full-time Access to Service](#) to children aged 0-4 years (i.e. infants, toddlers, or preschoolers), may be eligible to receive GOF funding. The GOF is a funding revenue stream that supports Agencies with the cost of operating licensed child care programs. It is intended to offset operating costs, of which a very high percentage is the cost of wages, and therefore reducing the cost of care to families. General Operating funding is not to be applied to a specific wage or employee; is not to be administered as a bonus to staff, it is intended to offset operating costs and is considered as part of revenue of the Agency.

Service Provider/Agency Responsibilities

Child care service providers are required to submit various reports/documents etc. to TCS each year. For information on the reporting requirements and submission deadlines, please refer to the [2021 Business Cycle](#), which is available on the 'Early Learning & Child Care Partners - Contract & Financial Information' web page.

Submission of Annual Operating Budget

All service providers with fee subsidy must submit a realistic operating budget for each location that receives funding. Preparing an operating budget is a process that requires the organization's management to plan for the current year, as well as any planned changes to the centre's operations (e.g. expansions or reductions to operating capacity). Entering the details of the centre's budget in the online budget application is one aspect of an organization's budgeting process and should be one component of an organization's process of planning for the budget year.

Funding approved by the City is based on the centre's planned operations as outlined in their approved budget for the year. Any changes to the centre's operating capacity, age groups served, service offerings, public fees, or days of operation may affect the Agency's funding indicated in their Service Agreement and Schedules.

Agencies should discuss *in advance*, any planned changes to the centre's operations (e.g. staffing levels, enrolment/capacity levels, public fees, or days of operation) with their TCS Budget Consultant. The Budget Consultant can advise the Agency of whether changes to operations will impact funding levels, whether an application to amend the Agency's Service Agreement is required, and the timing of any changes to the Agency's Service Agreement and/or funding.

Child Care Operating Standards

The Child Care Operating Standards (CCOS) are part of TCS's quality framework. All service providers with a Service Agreement for fee subsidy are required to meet the financial requirements outlined in the [Child Care Operating Standards](#), which are available on the 'Early Learning & Child Care Partners - Assessment for Quality Assurance web page.

Operator Guidelines for Child Care Fee Subsidy

The Operator Guidelines for Child Care Fee Subsidy are a resource tool for agencies related to operating a child care centre with a Service Agreement for fee subsidy. The guidelines are available in the [Operators' Portal](#) in Online Services under Applications / Financial, under Quick Links. The guidelines are available to users with Budget Preparer and Signing Authority Roles.

Audited Financial Statements

In accordance with City policies and applicable Provincial guidelines, all centres with a Service Agreement must provide TCS with audited financial statements within four months of the organization's fiscal year end if they receive the following funding **in a calendar year**:

- \$30,000 or more in fee subsidy; **or**
- \$20,000 or more in any combination of;
 - General Operating Fund (GOF);
 - One Time Stability Grant (Must be Recognized as Revenue by December 31, 2020)
 - Provincial Wage Enhancement (PWE) grant;
 - Wage Subsidy/Wage Improvement Grant (Home Child Care only);
 - 1999 – 2005 Pay Equity Grant;
 - Minor Capital / Health & Safety Grant;
 - Mandatory Closure Period Funding (unavoidable eligible fixed costs)
 - Extended Closure Period Funding (unavoidable eligible fixed costs)
 - COVID-19 Revenue Gap
 - Safe Restart Funding

When a centre is part of an agency with more than one location, the funding thresholds outlined above are set at the agency level; however, disclosure is required by location.

In order for the City to effectively maintain financial reporting obligations, TCS will be implementing sanctions and penalties for non-compliance with business deadlines.

Agencies who are unable to meet the audit submission deadline must submit an extension request in writing to their TCS Budget Consultant. The extension request should include the reason for the extension as well as the anticipated submission deadline. Failure to submit the required statements in the specified format will result in sanctions being applied, which may include stopping advance payment. Financial Statement submissions, whether audit or review engagements, are contain an Independent Auditors Report (Opinion Statement) signed by a Licensed Public Accountant who is independent of the Agency. It is the responsibility of the Agency to confirm the auditor has a valid license to perform Audits and/or Review Engagements in Ontario. For more information about Auditors, Audits and Review Engagements, please contact the Certified Professional Accountants Association of Ontario

Organizations will be required to **revise and resubmit** audited financial statements that:

- Do not comply with Canadian Auditing Standards;
- Are not prepared based on the appropriate accounting standards;
- Are not completed by a Licensed Public Accountant;
- Are not in compliance with TCS Audit Guidelines and financial reporting requirements;
- Do not present the revenue and expenses using the same line by line format as in the approved Budget.

New – Audit Upload – Financial Statements and Documents

A new module is available for all agencies, to upload Audited Financial Statements, Review Engagement Report, Management Letter and supporting Audit/Review Engagement documents. Agencies are able to begin using this new efficient method of submitting financial information starting with their 2019 fiscal year.

The upload can be accessed through Online Services for Operators, in Applications, under the "Financial" tab. Children's Services has also provided a training video to support the learning process for this new feature. The Financial Document Upload video can be found in the Operator's portal financial landing page under Tips, Tricks & Help.

For more information related to the required format of the audited financial statements, please review the [Audit Guidelines for Agencies](#), which is available on the 'Early Learning & Child Care Partners - Contract & Financial Information' web page.

General Operating Funding Implementation Plans

- To ensure that any increased investments to child care Agencies is being used in a manner that supports the achievement of the Council approved Growth Strategy, Agencies that receive an

increase in General Operating funding may be required to complete and submit for approval, an Implementation Plan before funding is increased. Agencies must ensure the funds are directed in a way that is consistent with the intent of the General Operating Funding, the Growth Strategy and an approved Implementation Plan.

- The Implementation Plan process may change year over year, however, it will continue to be part of the Service Agreement contractual requirements. Agencies will be required to comply with all terms and conditions set out in their Implementation Plan.
- It is the responsibility of the Agency to report any changes to its operations that may affect the General Operating funding amount. Failure to report changes will result in action that may include recovery of funding and/or imposing sanctions up to and including termination of the Service Agreement.
- In addition, a portion of General Operating Funding may be subject to audit recovery as outlined in the [Audit Guidelines for Agencies](#).

Other Requirements

- Agencies are encouraged to accumulate a surplus not exceeding three months of average operating expenses in order to meet unforeseen contingencies.
- Agencies are required to submit a plan to your Budget Consultant for the use of any accumulated surplus (that exceeds three months of average operating expenses) identified in the audit for any City funded program. The expectation of the agency is that the surplus is reinvested into the program it was intended for through the submission of the annual operating budget and used to support the provision of child care and early year services. Surplus in an Agency's fiscal year that exceeds 10% of allowable revenue may result in a recovery if an overpayment has occurred.
- When an agency has incurred a deficit, TCS will review the audited financial statements during the audit analysis and if necessary, will request a business plan. TCS will analyze the impact on financial viability and consider the materiality of the deficit as well as changes over the prior year. The business plan should be realistic and identify how the deficit will be addressed in the following fiscal year.
- When an organization receives a management letter from an auditor, the organization is required to submit (upload) a copy of the management letter and a copy of management's written response to the auditor.
- A **management letter** is a letter issued by the auditor to the Board of Directors or Owner. It is provided after the audit has been completed. The purpose of the letter is to identify any weaknesses in the organization's internal controls or other significant matters that were identified during the course of the audit.

Governance

- Agencies are required to maintain an up-to-date Form 1 – Ontario Corporation Schedule A, filed with the Ministry of Government Services. Please note that Children's Services may request Agencies to provide a current copy of the Form 1 as a part of the Agency review processes.

- Non-profit agencies shall submit a copy of their Annual General Meeting (AGM) Minutes each year. The minutes shall include the approval of previous year's AGM minutes, approval or availability of previous years audited financial statements, election of the Board of Directors and appointment of the auditor.
- Two Signing Officers are required for cheque signing purposes in a non-profit organization.
- The list of Board Members, Signing Officers, and other agency contacts must updated/reviewed annually and kept current in the Online Services Contacts and User Management tab. Instructions on updating this information can be found in the [Contacts and User Management Guide](#), which is available on the 'Early Learning & Child Care Partners - Online Services' web page.

Insurance

- As insurance coverage is renewed, a copy of the updated certificate of insurance must be submitted to the TCS District office to the Agency Budget Coordinator.
- **New:** COVID-19 may have impacted Agency Insurance coverage. It is recommended that Agencies review their insurance coverage carefully.
- The current minimum level for general liability insurance is \$2 Million.
- The certificate of insurance must list all locations where programs are delivered and are in receipt of funding from the City, contain a cross liability clause, and name the City of Toronto as an additional insured.

Documentation

- A number of supporting documents must be submitted with the annual budget in order to determine funding levels for the year, including current lease agreements and collective agreements.
- These documents are reviewed to assess the nature, type, and amount of expenses incurred by the child care centre.
- If these are not available at the time of submission, please inform the Budget Coordinator of the expected submission date. Failure to submit required documents may result in sanctions being applied.
- As per the Agency's Service Agreement with the City, the agency must make financial and enrolment records available to City staff upon request. The City may request access to the Agency's records any time during the term of the Agreement and for seven years after the expiry or termination of the Agreement.
- Child Care located in schools are **not required** to submit copies of their lease or permit fee documentation.

Overpayment and Recovery

- The agency must inform their TCS Consultant immediately of any overpayments made by the City and these funds is to be returned to the City within a pre-arranged period. Any overpayment determined through a grant reconciliation shall be returned with a signed reconciliation statement.

The grant reconciliation will also be reviewed with the audited financial statements and/or review engagement.

TCS may also determine that a recovery is required through the following:

- T4 analysis
- Audited financial statement analysis (for up to 7 prior fiscal years)
 - Excess of 10% operating surplus in the fiscal year
 - Accumulated surplus exceeding a reasonable amount that is not being reinvested into child care and early year services
 - Transactions not funded by the City, including Dividends
 - Underspent funding related to Every Child Belongs (Special Needs Resource) programs, EarlyON & Indigenous-Led (Journey Together) programs
- Inconsistent operating capacity resulting in General Operating Funding change or General Operating Funding not used in accordance with the guidelines and/or implementation plans, if applicable
- Per diem recovery (when TCS determines an agency's per diem is higher than their public fee)

Any expenses not funded by the city as mentioned in this guideline will increase the surplus and lead to a potential recovery, which will be adjusted, to reflect the percentage of city funding to total revenue. A repayment plan is negotiable on an individual basis, which considers timely repayment as well as the agency's ability to pay. TCS may withhold final monthly payments to recover the amount as determined through the recovery calculation.

2021 Budget Submission for Child Care Centres

New – in the 2021 Budget the revenue earned, and expense incurred for 2020 will be prepopulated with 2020 approved Budget amounts. In the Budget App "Column A" Approved for the 2020 Budget and "Column B" Actual for 2020 will reflect the same amount. This is because we recognize that due to COVID-19 the actual expenses of operating a Child Care location in 2020 would not have accurately reflected normal operations and may have been difficult to determine by the budget deadline date of November 30th.

Agencies must submit a budget for each licensed child care location that receives fee subsidy funding. These guidelines provide users who prepare and submit the budget with an overview of the information that is required in the budget submission. For detailed instructions on using the online budget application, and completing the budget submission, please refer to the [Online Budget Application Guide](#), available on the 'Early Learning & Child Care Partners - Online Services' web page.

General Operating Funding

The General Operating Funding may consist of the following components:

1. General Operating Funding
2. Legacy General Operating Funding
3. 1999 – 2005 Pay Equity Grant

Each of these components is briefly summarized in the following sections. For additional information please refer to the [General Operating Funding Guidelines for Child Care Centres with Service Agreements for Fee Subsidy](#) which are available on the [Early Learning & Child Care Partners - Contract & Financial Information](#) web page.

General Operating Funding Component

Note: Further information about the General Operating Funding (GOF) is detailed in the General Operating Funding Guidelines for Child Care Centres with a Service Agreement for Fee Subsidy on the website. The document includes definitions that will explain the GOF Funding component.

To determine the GOF component of funding for the year, the approved GOF capacities are compared to the centre's operating capacity for infant, toddler, and preschool groups. GOF funding is confirmed annually based on the lesser of:

- The full-time, efficient, sustainable operating capacity **or**
- The approved GOF capacity

The Calculated General Operating Grant amount will display under General Operating Funding Review, as part of Tab 3 'Capacity & Enrolment' only after all operating capacities have been completed. A warning message will display that must be acknowledged when there is a decrease in the General Operating Funding.

Agencies who have expanded full-time efficient infant, toddler, or preschool service, who wish to apply for additional GOF to support these expansions for the 2021 budget year, must contact their Budget Consultant and be approved for the increase, prior to the budget submission deadline of November 30, 2020.

The formula for each age category is:

Age efficient operating capacity x age points x dollar value per point x standard operating days

The calculation uses a standard of 261 operating days to provide a stable predictable value that will not fluctuate in any given calendar year.

Legacy General Operating Funding Component

Agencies who are not eligible for General Operating Funding may continue to receive the historic Legacy General Operating Funding. This funding is determined annually using the lesser of:

- The operating capacity of each age group **or**
- The centre's previously established Legacy Operating Capacity

1999 – 2005 Pay Equity Grant Component

The 1999 – 2005 Pay Equity Grant is embedded in either the General Operating Funding or the Legacy General Operating Funding; it is not paid in addition to it. Regardless of the changes in service levels, an agency's funding will not drop below the amount of its 1999 – 2005 Pay Equity Grant amount. Agencies are required to meet their pay equity (PE) obligations under the PE legislation.

Annual Confirmation of GOF Eligibility

As part of the annual on-line budget submission process the Agency acknowledges and reiterates the budgeted submission is accurate in all respects, and has been approved by the Board of Directors or Authorized Agent. It also reasserts that the Agency will use any funding received in accordance with applicable guidelines.

Where it is determined that GOF capacities are greater than the actual eligible service level according to these guidelines, TCS will reduce the GOF capacity for the coming budget cycle to reflect the eligible amount.

Where a service level is being reduced, the Agency's will be contacted in writing prior to the following year's budget. Eligible Agencies whose full-time service levels increase and are sustainable over the next budget year, may be eligible for General Operating funding increases to support the service level increase.

Impact of Budget Data on Attendance, Placement, and Payment

The information that an agency provides on its days of operation, service offerings and public fees, and capacity and enrolment has a direct impact on the generation of the centre's attendance and attendance reports, placement activities, and the timing and payment of fee subsidy payments.

Delays in completing and submitting this information, or providing incomplete/inaccurate information, may result in errors in placements, which may delay the payment of fee subsidy advances and finals. Delays in submitting attendance may also result in the agency no longer receiving payment in Advance of care being offered.

Provincial Wage Enhancement Grant

The Provincial Wage Enhancement (PWE), which was announced by the Provincial Government in 2015, is separately funded from the fee subsidy or GOF funding an agency receives.

The amount of grant an eligible agency receives is dependent on the information contained in the annual application submitted, analyzed and approved by TCS and funding is not consistent from year to year.

Due to the uncertainty regarding the amount of PWE grant the agency and its staff will receive from year-to-year, all amounts relating to PWE are to be excluded from the 2021 budget submission and not to be included as any salary remuneration.

Centre Operating Days

Days of Operation

TCS can only pay for days on which care has been provided. Except for designated holidays, which may be approved for payment, closed days are not approved for payment.

- The maximum number of operating days for 2021 is 261.
- Approved per diem rates are based on the centre's days of operation, which are calculated as the maximum number of operating days for the budget year less the number of days the centre is closed.
- Planned changes to operating days should be communicated to TCS in advance, wherever possible, as changes may affect the centre's funding levels and timing of payments. Centres that close for additional days after the approval of the budget will not be paid for these additional days of closure unless prior City approval has been obtained.
- For emergency closures, please contact your Visit Consultant
- Centres in receipt of GOF funding who wish to reduce their days of operation (and offer care part-year), must apply in advance to maintain their existing fee subsidy and GOF funding levels. For more information, please refer to the Full-Time Access to Service Policy, which is available on the 'Early Learning & Child Care Partners - Contract & Financial Information' web page.

The Designated Holidays list below outlines the ten statutory holidays recognized by TCS as designated holidays.

List of Designated Holidays

Holiday	Date
New Year's Day	January 1, 2021
Family Day	February 15, 2021
Good Friday	April 2, 2021
Victoria Day	May 24, 2021
Canada Day	July 1, 2021
Civic Holiday	August 2, 2021
Labour Day	September 6, 2021
Thanksgiving Day	October 11, 2021
Christmas Day	December 27, 2021
Boxing Day	December 28, 2021

- Centres that close on any of the designated holidays included in the list above, may be approved for payment if: children are enrolled at the centre during the period of closure, parent fees are charged for the day of the designated holiday, and care is provided on the weekday immediately before or immediately after the designated holiday.
- A centre will be paid for both Christmas Day and Boxing Day (the City of Toronto observes Christmas Day on Monday December 27, 2021 and Boxing Day on Tuesday December 28, 2021) if children are enrolled at the centre during the period of closure, parent fees are charged for both holidays, and care is provided on the weekday immediately preceding Christmas, or the weekday immediately following Boxing Day.
- If a statutory holiday falls on a weekend, a centre may designate an alternate day on which the centre is closed. The alternate day of closure must be specified in the online budget and it must occur within a period that is no more than two weeks prior to the statutory holiday, or no more than two weeks following the statutory holiday. The alternate day of closure must also occur within the same calendar year as the statutory holiday.

Non-Instructional Days

The List of Non-Instructional Days outlines the school holiday breaks and Professional Activity ("P.A.") Days for the Toronto English and French School Boards in 2021.

List of Non-Instructional Days

Date(s)	Description	School Boards
January 15, 2021	P.A. Day	English
February 1, 2021	P.A. Day	French
February 12, 2021	P.A. Day	English
March 15 to March 19, 2021	March Break	English & French
April 5, 2021	Easter Monday	English & French
April 30, 2021	P.A. Day	French
June 4, 2021	P.A. Day	English
June 11, 2021	P.A. Day	French
June 29, 2021	Last Day of School	English & French
June 30, 2021	P.A. Day	English & French
July 2, 2021	First possible day of summer camp	English & French
September 3, 2021	Last possible day of summer camp	English & French
September 7, 2021	First Day of School	English & French
October 8, 2021	P.A. Day ¹	English
October 15, 2021	P.A. Day ²	French
November 19, 2021	P.A. Day ³	English & French
December 3, 2021	P.A. Day ⁴	English
December 20 to December 31, 2021	December Winter Break ⁵	English & French

Disclaimer: The P.A. Days between October and December are a reasonable estimate. The List of Non-Instructional Days is a guide. If there is a discrepancy between the non-instructional days listed in these guidelines and those approved by the four Toronto School Boards or Ministry of Education, the latter will be deemed correct.

¹ Date cannot be confirmed at the time these guidelines are published, but can be reasonably assumed as the October PA Day for English School Boards historically occurs on the Friday preceding Thanksgiving Day.

² Date cannot be confirmed at the time these guidelines are published, but can be reasonably assumed as the October PA Day for the French School Boards historically occurs on the 3rd Friday of the month.

³ Date cannot be confirmed at the time these guidelines are published, but can be reasonably assumed as the November PA Day for both School Boards historically occurs on the 3rd Friday of the month.

⁴ Date cannot be confirmed at the time these guidelines are published, but can be reasonably assumed as the December PA Day for the English School Boards historically occurs on the 1st Friday of the month.

⁵ Dates can be pre-determined based on requirements set out in the Education Act R.R.O. 1990, Reg. 304: SCHOOL YEAR CALENDAR, PROFESSIONAL ACTIVITY DAYS

Agency Closed Days

Agencies with multiple sites can enter designated statutory holidays and additional closed days for all locations through the operators online budget application under the Agency Stat Holidays and Days Closed tab. Entries made here will default to the Centre Operating Days in individual location budgets. Individual Budget locations can be updated if dates are different from that of the Agency. The rules for agency closed days are the same as those for centre operating days.

Service Offerings and Public Fees

The age groups served and the fees a centre charges to the public are used by TCS to: accommodate placement of children, generate monthly attendance records and reports, provide payment for service, and to determine GOF funding and per diem rates for the budget year.

Accordingly, TCS requests specific details on fees and service offerings in the online budget.

Service Offerings

A Service Offering is a description of the services a centre provides, as identified on the centre's public fee memo. Service offerings capture the age group served, the days service is provided, the time service is provided, and any indicators of an alternate fee type; e.g. employee rate, student rate, higher fee charged for non-instructional days.

Service offerings are required for the placement of children with fee subsidy at a child care centre. These descriptions are standardized and the online budget and attendance systems use the service offering details to perform calculations for budget and payment.

When a centre has a new program, or is no longer offering a service, the agency must notify their Budget Consultant to add or delete service offerings. The information entered into the online budget application and the information on the centre's public fee memo must match.

For information on viewing service offerings please refer to the [instructions](#) available on the 'Early Learning & Child Care Partners - Online Services' web page. If any of the details for a particular service offering are incorrect, the agency must contact their Budget Consultant to have the corrections made.

Public Fees

TCS will not pay a per diem rate higher than the public fee charged to full fee-paying parents at a centre.

Guidelines on Setting Public Fees

When establishing fees, agencies should ensure that the fee charged for each age group/program is reflective of the net costs of providing care. I.e. the costs net of any GOF funding the agency receives. In addition, agencies should comply with the following guidelines:

- Fees set for programs for younger age groups should reflect the higher costs associated with operating the programs with a higher staff to child ratio. Similarly, fees set for programs for older age groups should reflect the lower costs associated with operating programs with a lower staff to child ratio.
- Centres should set fees that are reflective of the cost based on the hours service is provided.
- Centres that provide before and after school care for children aged 4 to 12 years must provide a corresponding summer camp program to ensure families have access to year-round care. Centres who do not provide a camp program must be able to demonstrate there is insufficient demand to operate a camp program by surveying families on an annual basis. For more information, please refer to the Full-Time Access to Service Policy.
- Centres that operate a summer camp for children aged 4-12 (kindergarten and school age) must establish separate fees for summer camp and before and after school care. The fee during the school year should be reflective of the lower cost of service as a result of the lesser hours required to provide service during the school year.
- The allowable amount paid for kindergarten or school age camps is calculated as the preschool full time per diem for the location plus the General Operating Funding allocation (age points X current dollar value per point). TCS will not pay a per diem rate for kindergarten or school age camps that is higher than the allowable amount. This calculation considers the potential reduction to preschool per diem that has been offset by General Operating Funding.
- All children attending kindergarten are expected to remain at school on instructional days. The service offering that was previously used for children that attended half-day kindergarten has been discontinued. Agencies who choose to provide this half-day service without approval will be ineligible for expansion and ineligible for GOF increases.
- All 4 to 12 year old children are expected to remain at school for the lunch period on instructional days. TCS will only approve new Service Agreements (or expansions of existing Service Agreements) for before and after school care for 4-12 year olds and will not purchase new offerings that include a lunch period (lunch and/or supervision).
- TCS will not pay a camp per diem rate for the Labour Day holiday. Accordingly, all summer camps must end by the Sunday before the Labour Day holiday, i.e. Sunday, September 5, 2021.
- If centres charge monthly fees, the fees and any fee increases must be effective from the first day of the month to the last day of the month. Monthly fees are fixed and do not change based on the number of paid operating days in each month.

If the summer camp fee is listed as a monthly charge, the start and end dates of the summer camp program entered into the online budget application must be the first and last day of a month, respectively. When the last day of school is earlier than June 30th and Labour Day is later than September 1st, summer camp programs that charge a monthly fee should coincide with the calendar month (i.e.: start on July 1st and end on August 31st).

New - if a monthly fee is charged and the camp start and/or end date is earlier or later than the first day or the last day of the month the regular camp rate will not be paid. Instead, payment for these days would be blended with the regular 10 month rate for the days prior and/or after the first or last days of the month. These additional days will be blended by adding additional PD Days (the total camp days not covered by the regular camp fee) in Tab 2 "Higher Fees Charged".

Example: The Agency charges a monthly fee. TCS recognized camp duration is June 28th to Sept 5th. The agency will only receive camp rates from July 1st to Aug 31st because there is a monthly fee charged. The days that are not covered by the monthly fee need to be added to the additional days charged "PD Days", in tab 2. In this case it would be June 28th, 29th, 30th and Sept 1st for a total of 4 additional PD days for agencies that charge a higher fee for PD Days.

Operators who charge Higher Fees for Non-Instructional days would need to select "Yes. We do charge higher fees for this period", check the PD Days higher fee option, and then enter the number of PD Days for the total number of camp days, prior and/or after the camp monthly fee term. You will be prompted to enter the higher fee rate (camp daily rate) when entering the public fee in tab 2 for all applicable service offerings.

Service offerings that do not have a matching camp offering should be updated as "Does not apply".

System Prepopulated Fee Memo

In 2020 TCS piloted a system prepopulated fee memo. We have continued to enhance this document for 2021 based on the feedback from operators. As background the online budget application will populate a fee memo using the information provided in the budget for Centre Operating Days and Service Offering & Public Fees.

On the completion of these two tabs a "View Fee Memo" link is available, and on selecting this link the prepopulated template displays the fees entered. This feature will provide users with the ability to view the fee memo before submitting the budget, the fee memo is presented in a standardized format and immediately available for posting. This enhancement removes the need to submit a signed copy of the Fee memo to TCS.

The listed fees in the Prepopulated Fee Memo must be reviewed and approved by the Board of Directors or Authorized Agent prior to the budget being submitted.

The System Prepopulated Fee Memo includes the following information:

- programs offerings the centre provides will be populated for each age group; along with the age requirements for each program offering
- the days of the week each program is provided;

- the hours of the day that care is provided for each program;
- the fee term of each program offering (daily, weekly or monthly) ;
- if applicable, any fee changes that will occur throughout the calendar year;
- if applicable, the alternate fee charged for each program (e.g. employee rate, student rate, etc.);
- if applicable, the higher fee charged on non-instructional days (PD Days, Easter Monday, March break, December and January holiday breaks, Summer Camp when a full month is not offered) when children aged 4-12 years require full-day care; and

The information listed above is considered in the calculation of the per diem rate paid to a centre and will be verified by the Consultant for accuracy. Failure to disclose any of the information above may result in an overpayment or underpayment. Subject to the terms of the Service Agreement and these guidelines, TCS will recover any overpayments made to an agency.

The System Prepopulate Fee Memo is required to be signed and posted at the Child Care Centre. Operators can post their own agency created Fee Memo but are required to post it alongside the System Prepopulated Fee Memo. Fees on both documents must match.

The agency must inform their Budget Consultant immediately when decisions are made to implement changes to the fee charged to the public, as there may be an impact to the centre's funding levels. The public fees must be entered in the budget application to allow the system to populate a fee memo that displays the correct fees charged to the public. The information will be used to determine if an adjustment to funding levels is required.

For more information on setting child care fees and the impact fees have on an Agency's per diem rates, please refer to the [Setting Child Care Fees Fact Sheet](#), which is available on the 'Early Learning & Child Care Partners - Contract & Financial Information' web page.

Capacity and Enrolment

The operating capacity of a centre and the enrolment by service offering are used directly in the calculation of an Agency's per diem rates as well as the GOF funding level for the budget year. In addition, the operating capacities for each age group directly affect the placement of subsidized children, the generation of online attendance, and payment for service.

The terms 'capacity' and 'enrolment' are defined below:

- The licensed capacity is the maximum number of children by age group based on the license issued by the Ministry of Education.
- The operating capacity is the number of children the age group is staffed for, as stipulated by the ratio defined in the CCEYA. For example, a preschool room operating at a 1:8 ratio with two full-time staff has an operating capacity of 16.

- The enrolment by service offering is the number of children the centre expects to be enrolled in each service offering
- In June 1993, Metro Council decided the approved per diem rate is to be based on optimal enrolment, which is 98% of the planned enrolment for efficient rooms.
- The optimal enrolment rule is only applicable to rooms operating efficiently. If a room is operating efficiently, the optimal enrolment is 98% of the planned enrolment by service offering. If a room is operating inefficiently, the approved per diems are based on 100% of the planned enrolment by service offering.
 - for example, a school age operating efficiently with 30 children will have the school age per diem(s) based on an optimal enrolment of 29.4 children (98% of 30). Whereas a school age room operating inefficiently with 24 children will have the school age per diem(s) based on enrolment of 24 (100% of 24).
- The budget application will automatically calculate the optimal enrolment; service providers should not enter optimal values in the budget application.

The licensed age category and/or staffing ratio of the room determines which service offerings are available in the online budget application for enrolment planning purposes. For example:

- A room licensed for infants (1:3 ratio) will only have infant service offerings available.
- A room licensed for preschool (1:8 ratio) can have preschool and escorted kindergarten service offerings available (since kindergarten is a subset of the licensed preschool group).
- A room licensed for kindergarten (1:13 ratio) operating in shared space will only have kindergarten service offerings available.

Efficient Group Sizes

When approving new Service Agreements, or expansion requests, TCS will only approve fee subsidies for efficient group sizes and sustainable operating plans. GOF funding levels will also be determined using efficient and sustainable group sizes. The List of Efficient Group Sizes outlines efficient group sizes based on the ratios and maximum group sizes defined in the CCEYA.

List of Efficient Group Sizes

Age Group	Ratio	Efficient Group Sizes
Infant	1:3	10
Toddler	1:5	10 or 15
Preschool	1:8	8, 16, or 24
Kindergarten	1:13	13 or 26
School Age (primary/junior)	1:15	15 or 30
School Age (junior)	1:20	20

Consistent with the CCEYA, the staff to child ratio for the kindergarten age group is 1:13. Agencies may continue to operate **existing** kindergarten rooms that are licensed inefficiently, and TCS will continue to purchase these existing rooms.

Approved per diem rates for rooms operating inefficiently, based on the ratios defined under the CCEYA, are calculated on 100% of the planned enrolment.

Service providers should plan to operate efficiently. This means that the operating costs submitted in the budget should reflect operational efficiency **and** reflect a sustainable operating plan. That is:

- The operating capacity, ratio, and service offerings in each room reflects the age group and capacity the room is licensed for;
- The operating capacity and ratio in each room reflects efficient group sizes based on the ratios and group sizes defined in the CCEYA;
- The total enrolment in each room equals the operating capacity of the room for at least one period of the day;
- The number of program staff included in the budget is reflective of the operating capacity and complies with minimum CCEYA staffing requirements;
- The operating plan recognizes the differing lengths of time a child spends in each age group before they can move into an older age category and allows for sufficient space in each age group to accommodate move-ups so that bottlenecks and the resulting vacancies, de-admissions, or over-reliance on over-age/under-age requests are limited. For example
- toddlers can move-up to preschool when they turn 30 months old, whereas the move-up of a preschool child is dependent on their age and the start of the school year. Hence, a centre operating a room of 15 toddlers and 16 preschoolers will have difficulty accommodating the move-ups of toddlers every 12 months since a child may remain in the preschool room for as many as 20 months. Accordingly, this operating plan is not financially sustainable.
- The operating capacity refers to the number of spaces that the Agency will operate in each age-group and room. This may differ from the licensed capacity and these are confirmed annually through the budget process.
- It is possible to have multiple date ranges with different capacities due to planned, regular enrolment changes (difference between summer and school-year). These ranges are called "Capacity Terms". Capacity terms can also be referred to as the fluctuation in the operating capacity of a service offering and/or room during the year.
- It is recommend that the operating capacity should be sustainable, meaning that it is able to be consistently maintained for the year.
- It is strongly recommended that budgets are free of capacity terms as fluctuation in the operating capacity during the year affect a centre's GOF funding level and planned revenue.

Staffing

TCS supports quality by allowing staffing levels greater than the minimum requirement to maintain ratios under the CCEYA.

The online budget application continues to allow **up to** a maximum of one hour per day **per room** (based on minimum CCEYA staffing requirements) to support program quality. The intent is to support pedagogy and staff time for programming preparation and planning or documentation.

Centres that submit a budget reflecting staffing levels above the maximum FTE calculated by the online application need to provide a detailed explanation regarding the centre's staffing needs and specifically why the additional FTE about the guidelines is required.

TCS may approve staffing levels above the maximum FTE where a detailed reasonable rationale is provided by the operator.

Salaries, wages, and benefit costs are the largest expense for a child care centre. As these costs have a significant impact on the approved funding/per diem rates, Agencies are requested to provide detailed information regarding staffing costs.

For the purposes of calculating an Agency's per diem rates, total staff salaries cannot exceed the maximum salary paid by the City for equivalent job classifications. The salary ranges paid by the City are listed in the 2021 Salary Schedule. Provincial Wage Enhancement Grant **is not to** be included in the 2021 budget submission. The maximum salary or hourly rate is the highest point in the range listed. Where there is no range identified, the amount listed for salary or hourly rate is the maximum.

2021 Salary Schedule

Program Staff	City of Toronto Annual Salary Range	City of Toronto Hourly Range
Assistant (Non-RECE) (35-hour week)	Maximum \$55,010	Maximum \$30.23
RECE Teaching Staff (35 hour week) Early Childhood Educator Grade 2 or equivalent trained	\$57,905 to \$63,436	\$31.82 to \$34.85
RECE Teaching Staff (35 hour week) Early Childhood Educator Grade 1 / Assistant Supervisor or equivalent trained	\$64,411 to \$70,581	\$35.39 to \$38.78
Centre Supervisor (35 hours week)	\$88,979 to \$104,540	\$48.89 to \$57.44
Casuals/Supply Staff	N/A	\$17.32 to \$34.85
Cook/Housekeeper (40 hours week)	\$56,319 to \$61,762	\$27.08 to \$29.69
Food Services Worker (Dietary Aide) (40 hours week)	\$50,618 to \$55,440	\$24.34 to \$26.65
Administration (maximum applies to an individual salary and combination of Administration staff Salaries) (35 hour week)	Maximum \$120,658	Maximum \$66.30

In 2021 the minimum hourly salary rate is \$14.25 and is effective as of October 1, 2020

The maximum allowable salary for a non-RECE staff is 5% less than the entry-level salary for a RECE teaching staff, regardless of years of service. Non-RECE staff salaries may be above the City's maximum where a copy of the agency's pay equity plan supports this claim. The minimum hourly wage payable must comply with minimum wage requirements.

General Operating Funding (GOF)

GOF funding is revenue that acts as a stable revenue source to encourage better staff compensation, and offsets the full cost of care, resulting in lower parent fees. GOF funding is not to be paid as a direct payment to staff. In addition GOF may not be used to offset an agency's minimum mandatory staffing requirements (e.g. minimum wage and mandatory benefit costs).

Agencies continue to be accountable for GOF and must comply with the funding requirements stated in the [General Operating Funding Guidelines](#).

Centres will continue to receive 1999-2005 Pay Equity Grant funding as an amount embedded within the agency's total GOF funding. Agencies who received pay equity funding must continue to use the funds to support the agency's pay equity plan; however, pay equity funding will no longer shown separately in the annual budget submission.

Staff Plan

The base salary (exclusive of any grants paid directly to staff) for all staff must meet the minimum wage as set out by the Ministry of Labour.)

The budget must demonstrate compliance to the minimum staff to child ratio for the number of children enrolled in the service offerings. In addition, the minimum number of RECE staff required in a room as legislated by the CCEYA must be included in the staffing plan. The City recognizes that some additional staff may be required above the minimum standard, for operational reasons such as a 10- hour or 11- hour operating day. The online budget application calculates the number of FTE based on the days and hours that each staff works, the centre's days of operation, and the standard work-day hours.

Service providers who include program staff above the maximum allowable will be required to enter an explanation in the online budget application to demonstrate the reasonableness of the request.

The gross hourly wage including any recorded wage grants (e.g. pay equity grant) is required to calculate staff salaries in the budget. The PWE grant should **not** be included in any of the submitted staffing or benefit costs.

Positions in the budget include RECE, assistant (non-RECE), supervisor, second supervisor, supervisor acting as RECE, administration, housekeeper/cook, caretaker/cleaner, and "other". A staff may work in more than one position.

Other Grants

Agencies who receive salary grants from other funders (e.g. Human Resources and Skills Development Canada, or United Way), which are distributed to staff as a direct payment included in their gross salary, should report the amount of grant distributed to staff in the Other Grants column. Other Grants does **not** include any amounts relating to PWE funding.

Administration Expenses

Allowable administration costs relate to staff that perform administrative functions. Business travel, office expense, audit or professional fees, etc. are not allowable administration expenses and should be recorded under the appropriate expense category.

Expenses recorded as administration are for individuals or organizations that perform administrative services for the child care centre.

There are three sub-categories of allowable administration expense; salaried administration, contracted administration, and central allocated administration. The total administration expense for a centre is the sum of the salaried administration, contracted administration, and central allocated administration costs entered in the budget.

The maximum allowable administration cost for a centre with an operating capacity of 90 children or more, may not exceed the amount of a full-time administrator salary as listed in the 2021 Salary Schedule. The maximum allowable administration expense is prorated for centres where the operating capacity is less than 90 children.

Administration costs are reviewed for reasonableness as part of the budget analysis process, irrespective of the maximum allowable amount.

Salaried Administration (ADM)

A full time administrator salary will be allowed for a centre with an operating capacity of 90 children or more. The full time salary will be prorated for a centre with lower capacity and compared to the budgeted administrative salary. The allowable administrative salary will be the lower of the pro-rated or actual salary. More than one individual involved in administrative duties could share this maximum allowable administrative salary. Administrators who are absent from the centre for part of the year must provide details of the administrative functions performed throughout the year that warrant an annual salary.

Contracted Administration

This category includes non-salary contracted services (e.g. bookkeeping, accounting, or management services) and is included in the maximum allowable administration costs. The Agency may be required to provide additional information or documentation to support the reasonableness of the contracted administration included in the budget.

Central Allocated Administration

Organizations with multiple sites may include centralized administration costs actually incurred and allocated to the locations that are funded. These costs will be reviewed for reasonableness as part of the budget analysis process. TCS may request additional information to support the allocation of centralized administration costs.

Administration costs must be detailed listing staff name, job duties, total salary the staff receives from the agency, and total days/hours worked for the agency. The percentage of this total salary allocated to the TCS funded group child care must be entered and this amount will be allocated to the pool of Central Allocated Admin costs. This pool is then available to allocate a portion of these costs to each location. The information provided will be reviewed to assess the reasonableness of the administration costs allocated to each location.

Tip: It is recommended to complete the Central Allocated Administration tab prior to completing the location budgets in order to set up an administration salary pool that can then be allocated to each location.

The amount entered in the column "% allocated to child care" to establish the total salary pool should only reflect the administration costs allocated to the child care centres. Agencies who submit budgets to TCS for Home Child Care, EarlyON Child & Family Centres & Indigenous-Led (Journey Together) Programs, or Every Child Belongs (Special Needs Resourcing). Programs should not allocate administration costs related to those programs in the total central allocated administration salary pool for Group Child Care Centres.

Administrators who are absent from the centre for part of the year must provide details of the administrative functions performed throughout the year that warrant an annual salary.

Staff Positions

Supervisor (SUP)

Allowable supervisory hours can only be determined once the capacity and enrolment for the centre is complete. In a centre with fewer than 5 full time teaching staff to meet CCEYA ratio requirements, the supervisor may be considered as one of the full time program staff (on the pick list select "Supervisor Acting as RECE"). In a centre with five or more but less than seven full time teaching staff, the supervisor may be a program staff for ½ of the time and conducting supervisory functions for the remainder of the time. A centre with more than seven full-time teaching staff must have a full time supervisor at all times.

In a centre where a supervisor is not required full time, the supervisor can be partly allocated to: supervisor (on the pick list, select "Sup" for position); and/or; administration (on the pick list, select "ADM" for position); and/or program (on the pick list, select "Supervisor Acting as RECE"), depending on the number of hours actually spent in performing each responsibility.

Second Supervisor (SUP2)

Where an additional supervisor is required, the 'SUP2' position code should be used for the individual acting as the second supervisor. The license issued by the Ministry of Education must state if an additional supervisor is required in order for the second supervisor to be added in the online budget application. The online budget application will prompt the Agency to provide an explanation if a second supervisor has been included in the staff plan, which the TCS Budget Consultant will review through analysis.

Program Staff

Program staff include the following positions: RECE, Supervisor acting as RECE (SRECE), and Assistant (ASST). The budget must include sufficient program staff to meet the child/staff ratio required for the number of children by each service offering in each room.

Each staff entry for these positions must indicate the hours and days the staff works with each age group.

- Staff working with one age group for the same number of hours throughout the year should only be entered once; i.e. PS staff working 7 hours/day for 261 days.
- Staff working with one age group whose hours fluctuate throughout the year can be entered once if the hours worked are averaged over the total days worked in the budget year, or multiple times to reflect the fluctuations. I.e. SA staff that works 5 hours per day during the school year and 7 hours per day during summer can be entered as working 5.38 hours/day for 261 days, or as working 5 hours/day for 211 days and 7 hours/day for 50 days.

- Staff working with more than one age group must be entered multiple times to reflect the hours/day and days/year worked with each age group; i.e. staff that splits their time equally between infants and toddlers can be entered as working 3.5 hours/day for 261 days with infants and 3.5 hours/day for 261 days with toddlers.

Housekeeper/Cook (HK)

Staff who prepare meals, wash dishes, or other related duties are classified as housekeeper/cook in the online budget application. Centres who prepare food on the premises may include the cost of a full-time housekeeper/cook. Where the food is catered, a part-time housekeeper/cook may be included in the budget.

Caretaker/Cleaner (CT)

Staff that are employed by the centre who provide janitorial/cleaning services are classified as caretaker/cleaner in the online budget application. TCS reviews the salary for reasonableness based on factors such as the size of centre, job duties, and hourly wage.

Cleaning services provided to the centre by an individual or company that issues the centre an invoice for its services are considered contracted costs (i.e. non-salary) and should be recorded in the Other Staffing Cost section of the budget under Contracted Caretaker/Cleaner.

Contracted Caretaker/Cleaner

This category includes non-salary contracted cleaning costs.

Other

This position is used for any position other than those previously listed, whose salary costs are not included in the calculation of a centre's per diem rates e.g. bus driver. When this position code is used, the online budget application will prompt the user to provide an explanation of the position, whether the position is funded through an alternate revenue source, or a rationale for why the salary and benefit costs for the position should be included in the calculation of the centre's per diems.

Supply Staff

Up to 10% of the total salary costs for staff (excluding administration) are allowed under this category to recognize the cost of hiring supply staff to replace regular program staff that are absent or on vacation. Salaried supply staff are those employed by the agency i.e. the agency issues them a T4 or T4A slip. Contracted supply staff are defined as those who are not employed by the agency; rather they are employed by an outside agency who invoices the centre for the services rendered.

Staff Benefits

Employer contributions are allowable in the budget up to a maximum of 25% of total projected payroll salaries of staff, including casual staff and Salaried Administrative Staff.

The amount budgeted for staff benefits should **not** include any amounts relating to the PWE grant.

Revenue and Expenses

Although staffing comprises a majority of a centre's operating costs, TCS supports Agencies by recognizing a number of other expenses to support quality child care. When completing the budget submission Agencies are required to provide the operating costs for the budget year as well as a projection of the actual costs that will be incurred for the previous budget year. The budget year is defined as January 1st to December 31st; Agencies must provide the revenue and expenses for the budget year, regardless of the agency's fiscal year.

As always the revenue and expenses reported for the upcoming budget year should not include any amounts relating to the PWE grant

New: the revenue and expenses reported for the 2021 budget year should not include any amounts relating to additional expenses as a result of COVID-19

Approved Prior Year (Column A)

The revenue and expense amounts approved by TCS for the prior budget year are pre-populated in Column A of the Budget app.

Reported Actuals (Column B)

"Column B", in the Budget app, has been prepopulated with 2020 approved budget amounts. The amount in "Column B" will be the same as in "Column A". These have been locked and no changes will be able to be made to these columns. Given the unforeseen circumstance and impact of COVID-19 on child care centres for 2020, the reported actuals ("Column B") for revenue and expenses would have shown significant variances from the approved budget in "Column A". The variances between the amounts approved for 2020 and amounts reported for 2020 would not provide value to the 2021 budget analysis process. As a result of this the 2021 Budget the revenue earned and reported expenses have been prepopulated with the 2020 approved Budget amounts from "Column A". Operators do not need to dedicate time or resources to reporting 2020 actuals for the 2021 budget. It is planned that the reporting of actuals will resume for 2022.

Budget (Column C)

The projected revenue and expenses for 2021 are to be entered by the Agency in "Column C". Projected revenue should be based on the location's current City funding levels and other regular revenue sources not new funding or expenses related to COVID-19. Please also consider any changes to public fees or expansion / reduction of service levels. Projected expenses should include salary increases, increases to operating costs related to inflation/cost-of-living, and any other planned increases to operating expenses.

Surplus / (Deficit)

The surplus / (deficit) line allows agencies to report any planned over or under expenditure for 2021. When completing the 2021 budget the surplus/ (deficit) line should be used by agencies to balance budgeted expenditures against anticipated revenues.

A deficit budget must be accompanied by a detailed and reasonable plan that identifies how the deficit will be addressed.

Description of Revenue Categories

Parent Fees

Parent fees include full fee revenue as well as the parent portion of fee subsidy.

Fee Subsidy

Budgeted fee subsidy revenue is the portion of fee subsidy that comes directly from the City. It should be based on current funding levels (i.e. per diem rates in effect at the time when the budget is submitted) plus a reasonable projected increase, which must be proportional to increases in net costs (budgeted expenditures less GOF funding) and full fees. Given the impact of COVID-19 on enrollment, operators should budget fee subsidy revenue based on the planned operating capacities and not the impact of COVID-19.

General Operating Funding

The GOF funding amount approved in the prior year's budget will appear in Column A and will be prepopulated in Column B Actual.

The total GOF funding will equal the GOF funding stated in the Agency's Service Agreement, Schedule 1.3. If the total GOF funding paid differs from the stated amount in the Service Agreement, Agencies should contact their TCS Consultant.

The total GOF funding in Column C will equal the 2020 funding according to current GOF value per point and the capacity and enrolment entered in Tab 3 of the online budget. The amount reflects any approved increases to operating capacity for infant, toddler, or preschool, as well as any decreases to operating capacity or days of service.

Other Salary Grants

This category includes any salary or wage grants funded from other sources. E.g. Human Resources and Skills Development Canada, or United Way. It does **not** include any amounts relating to PWE funding or any funding related to COVID-19

Minor Capital Grant

Health and Safety Grant/Minor Capital funding received in 2020 will not be included in Column B actuals for the 2021 Budget

New - Safe Restart Funding - Do Not Include in Budget

Safe Restart Funding will be provided through TCS to Agencies with a Service Agreement. The funding is for the support of additional eligible expenses to maintain safe operations related to the impact of COVID-19. Funding will be distributed by a payment in 2020 based on approved full-time equivalent staffing in 2020 budgets. Funding may be deferred to 2021 for eligible expenditures, as defined by the Safe Restart Guidelines, up to March 31, 2021. Note that there will be a reporting requirement on the use of the funding in December 2021 through a reconciliation process and also a request for Agencies to forecast the annualized amounts by location.

Other Grants/Funding (no entry in Column B Actuals)

Funding received from other sources (such as United Way or a Foundation) that will be used to cover operating expenses for the child care centre should be reported under this category. The budget line items for City Grants received, Transitional Funding and GOF **will** be deducted from total approved operating expenses to calculate net approved operating expenses, which will be used to determine the per diem rates. The budget line for Other Grants/Funding **will not** be deducted from total approved operating expenses to calculate per diem rates.

Centres that enter other types of grants for 2021 are required to provide an explanation detailing the source of the funding and the intended purpose of the funding.

Description of Expense Categories

New - Safe Restart Eligible Expenses - Do Not Include in Budget

Funding is provided to support the costs to Agencies, with a Service Agreement with TCS, for related expenses required to maintaining a safe environment for Children and families, staff, and persons required to attend the physical Child Care Centre locations. The funding covers expenses incurrent to March 31, 2021 and is to be used for:

- enhanced cleaning;
- additional PPE beyond what the Ministry is supplying directly;
- additional staff to meet COVID-19 health and safety requirements;

- support staff absenteeism where staff need to stay home/self-isolate (because they or their children are sick).
- additional administration costs for up to 10% of the total allocation;

support for short term vacancies due to lower enrolment in programs as operators return to full capacity, room closure, centre closure and child absenteeism as a result of Public Health direction (including the fees from full fee families and the parent portion of fee subsidy families); and minor capital required in accordance with Ministry's reopening operational guidance or Toronto Public Health requirements.

Program Related

This category includes play materials, play equipment, and furnishings that are purchased and are individually less than \$5,000. It also includes equipment repairs, diapers, transit for trip expenses and admission fees for trips.

Any single items purchased that exceeds \$5,000 will fall under the capital expenditure category, amortization/depreciation.

Food - Prepared on Premises

The cost for food purchased for all meals and snacks are reported in this category. Staffing costs related to staff who prepare food are not included in this line item; they are reported under Housekeeper/Cook in the staffing plan.

Food – Catered

Catered food costs for all purchased meals and snacks are reported in this category. Staffing costs for part-time housekeeper/cook related to food preparation should be entered in the staffing plan as housekeeper/cook.

Rent

Rent includes rental costs associated with the child care location, not including permit fees paid to the school board. A copy of the current lease must be submitted to TCS and will be retained on file. The lease agreement must support the rent cost included in the budget submission. In certain cases, a lease letter is acceptable. This letter must be updated annually and must specify rent amount. If the lease agreement specifies an amount that is charged for utilities and maintenance, these costs should be reported as utilities/maintenance expense. Rent is assessed for reasonableness in comparison to the lease and considers the utilization of the licensed capacity.

A lease or lease letter must include the following:

- Address on lease must correspond with the location of the centre.
- Length of time of lease must be specified.

- Description of space being used for the child care centre and the amount of square footage being used must be specified. If the percent of building occupancy is included, this must be specified and be reasonable based on the Consultant's knowledge.

Documents must be signed, dated and be on the letterhead of the landlord/property management company/property owner.

New - Child care operators in schools are not required to submit a lease agreement or permits unless requested.

School Board Permit Fees

Permit fees are those paid to the school board for non-instructional days or for alternate space, that is **not** already paid to the school board directly by the City under the School Occupancy Agreement. A copy of the invoice may be required to support the permit fees included in the budget submission.

Mortgage Carrying Costs

Interest charged for a mortgage may be included in this category. The principal portion of the loan is not allowable. A copy of the mortgage document specifying the current mortgage carrying costs must be submitted to TCS and will be retained on file.

Service providers must provide a certified market value assessment to confirm the reasonableness of rent expense if the child care centre pays rent to a related party that owns the building in which the centre is located.

Utilities/Maintenance

Utilities and maintenance expenses for the repair and upkeep of the property related to the child care centre are included in this category.

Amortization/Depreciation

This category includes expenses of a capital nature that individually exceed \$5,000. This may include depreciable assets such as furniture, playroom and playground equipment, computer hardware and depreciable leasehold improvements.

The purpose of this expense category is to allow the cost of capital purchases that could not be otherwise funded through Minor Capital and Health and Safety Grants or other funding sources. The intent is to provide funding for these expenditures through the per diem revenue a centre receives over a period of time (generally five years) as this allows for a more efficient allocation of public funding while also minimizing significant fluctuations in public fees and per diem rates.

The costs allowed under this category are not the same as the amortization expense reported in the centre's financial statements. Amortization for accounting purposes represents the allocation of capital expenditures based on the centre's own accounting policies for calculating amortization and is not an allowable budget expense.

Invoices must be provided as supporting documentation for any amortization amount included in the budget submission. All purchases in this category must be depreciated/amortized over a minimum of five years. However, the number of years of depreciation/amortization may vary depending on the asset. For example, significant leasehold improvements may be amortized over the term of the lease or loan.

Minor Capital, Health and Safety, and Transitional Funding projects funded by the City through approved grants must not be included as an amortization expense. If costs for the project exceed the portion funded by a grant, the excess amount may be included in the budget submission. For example, if a centre received \$50,000 in Health and Safety Grant funding towards a renovation with a total cost of \$60,000, they may include \$10,000 as amortization.

If a centre is budgeting amortization costs in the 2021 budget, the [amortization spreadsheet](#) must be completed and submitted with invoices. The spreadsheet can be found on the 'Early Learning & Child Care Partners - Contract & Financial Information' web page. The amortization spreadsheet and invoices should be submitted to TCS.

Any new amortization expense is not allowable for centres located in schools as capital expenditures/leasehold improvements to school buildings are funded separately by the School Board. Minor Capital and Health and Safety grants may be available to support maintaining facilities in a state of good repair.

Property Taxes

Property taxes applied to the child care centre should be reported under this category, separate from rent or mortgage carrying costs. If property taxes are incorporated into your rental agreement and monthly rent expense, do not enter property taxes separately on this line.

Insurance

Insurance costs for each location related to coverage of a minimum of \$2 million general liability and coverage for Director's liability are reported in this category.

Due to the impact of COVID-19 on insurance policies, Operators are advised to review changes to the policy and the impact on coverage.

Cleaning & Housekeeping

This category includes supplies for cleaning, laundry and kitchen supplies. It does not include any staffing costs for staff that perform cleaning/housekeeping tasks.

Additional cleaning costs due to COVID-19 are to be funded by Safe Restart Funding and not included in this expense line for 2021

Office Related

Items purchased for office use that are less than \$5,000 such as advertising, telephone, and bank charges are reported in this category. Any office related items greater than \$5,000 should be reported under the Amortization/depreciation expense category.

Professional Fees

Professional fees include audit fees. It does not include bookkeeping costs, which are to be reported in administration (salaried or contracted).

Legal Costs

This category includes all legal costs, related to the operation of the centre.

Professional Development

This category includes staff training and development, conferences, and resource material costs.

Business Travel

Allowable travel costs are those that relate to centre business. The maximum allowable is \$1,000 for a centre with an enrolment of 60 children. Where a centre has an enrolment of greater than 60 children, the maximum allowable is \$1,500.

Other Costs

Any costs that are unique to the centre that have not already been itemized are included under other costs. A description of these items is required and may include subscriptions to journals and magazines, memberships, and parent/board expenses. Expenses related to bad debt and all school bus expenses are not allowable. The Audit Guidelines provide additional expenses that are not allowable in budgets for per diem calculations. Other costs do not include expenses related to COVID-19 or Safe Restart Funding.

Budget Submission Deadline

Please submit the online budget and all required supporting documents by **November 30, 2020**.

If an amount has been budgeted for Amortization, Rent, and/or Mortgage Carrying Costs, a current copy of the supporting documents must be submitted. Required documents must be submitted in order for TCS to analyze and approve the budget.

Please forward all supporting documents to the centre's Budget Support Assistant. Scanned copies of documents are appropriate. Please clearly mark your location name and location ID on the email when you are scanning. The name and contact information of the centre's Budget Support Assistant is listed under the TCS Contact Info link in Online Services.

For a complete list of supporting documents required, refer to the "Document Submission Check List" on the Summary tab in the online budget application. Agencies should retain copies of all documents submitted to TCS for their records.

Agencies should contact their TCS Budget Consultant if they have any questions about the budget or submission process.

Sanctions and Penalties

In order for the City to effectively maintain our Provincial reporting obligations, and to determine the system cost in a timely manner so that rates are confirmed for Agencies as soon as possible in 2021, TCS will be implementing sanctions and penalties for late budget submissions to uphold business deadlines.

Under exceptional circumstances, an extension request may be made to your Budget Consultant.

Agencies who fail to submit required budgets, reports and other supporting documents on a timely basis may be subject to the following sanctions and penalties:

- Forfeit their funding increases or grant eligibility if no submission is received by budget/grant deadlines
- Stop Advance payments and change fee subsidy payments only on final attendance invoice for each month
- Payment Schedule adjusted from Quarterly Advances to Monthly Advances
- Payments suspended until issue is resolved
- Further sanctions, including but not limited to: termination of the Service Agreement between the City of Toronto and the Agency, the holding and/or recovery of funds, and no consideration for
- Expansions of locations or service levels.

Agency Approval of the 2021 Budget

The budget submission must be approved by the Board of Directors and submitted by a Signing Officer of the Board. The Signing Authority must agree to the terms listed at the bottom of the summary tab in the online budget application. By submitting the budget, you are signing an accompanying document to your Service Agreement between your agency and the City of Toronto.

Approved Per Diem Rates

Per Diem rates are the daily amount paid by the City for each eligible service offered where a family in receipt of fee subsidy occupies the service. Per diems are established based on the annual budget submitted to TCS by Agencies with a Service Agreement for Fee Subsidy. The expenses or costs submitted in the budget are reviewed and approved in compliance with these guidelines, the General Operating Funding Guidelines, and any other TCS policies and guidelines.

TCS determines per diem rate increases for service providers annually, based on the total costs approved for all contracted service providers and Council approved funding levels. City Council approval is required in order to increase the per diem rates/funding paid to a service provider. However, funding/per diem rates may be decreased based on budgeted/approved costs. In these cases, the agency is issued a revised Schedule to the Service Agreement, which will outline the revised funding/per diem rate(s) and the effective date.

Per diems are calculated based on the 'net approved expenses' to prevent double funding. The 'net approved expenses' are the total approved expenses in the budget minus funding sources such as General Operating Funding or United Way Funding. TCS determines per diem rate increases for service providers annually, based on the total costs approved for all contracted service providers and Council approved funding levels. City Council approval is required in order to increase the per diem rates/funding paid to a service provider.

TCS is only able to fund increases annually based on Council approved funding levels.

Incomplete or inaccurate budget submissions resulting in underpayments will not be revised after TCS budget approvals for 2021 funding levels.

TCS has created a resource to support the understanding of how Per Diems are calculated. Please see Understanding Per Diem Fact Sheet - [on the website](#)

Resources

TCS has a number of resources and financial tools available to support agencies in the annual budget submission process. This includes resources and guidelines available on our [website](#), budget overview sessions, the process for **2021 virtual budget labs** and access to staff for support.

Please reach out to your TCS Budget Coordinator or Budget Consultant if you have questions or need assistance.