



## **2021 Budget Guidelines For Home Child Care Agencies**

**Update November 2020**

**This version replaces the guidelines previously dated October 2020**

For help accessing this document, please contact Toronto Children's Services

10th Floor, Metro Hall, Toronto, Ontario, M5V 3C6  
Telephone: 416-392-3651 Fax: 416-392-4227

[toronto.ca/earlylearningpartners](https://toronto.ca/earlylearningpartners)

## Table of Contents

Introduction.....	3
Purpose and Overview - Updated .....	3
Budgets and Their Use to Agencies and the Division.....	4
What is Budget Analysis? .....	4
City of Toronto Funding Responsibilities .....	4
Home Child Care Agency Responsibilities .....	5
Provider Listing .....	5
Submission of Annual Home Child Care Budget - Updated .....	5
Child Care Operating Standards - Updated.....	6
Audited Financial Statements - Updated.....	6
Required Format of Audited Financial Statements - Updated.....	6
Other Requirements - Updated .....	7
Governance - Updated.....	8
Insurance - Updated .....	8
Documentation - Updated .....	8
Overpayment and Recovery - New .....	9
Home Child Care Budget: A Step by Step Guide - Updated.....	9
Budget Cover Page .....	9
Current Officers of the Board/Agency .....	10
Provider Homes .....	10
Staff Salary Information - Updated.....	11
Home Visitor .....	12
Supervisor .....	12
Clerical .....	12
Administration.....	12
Salaried Administration .....	13
Contracted Administration.....	13
Central Allocated Administration .....	13
Budget - Updated.....	13
Approved Prior Year (Column A) .....	14
Reported Actuals (Column B) .....	14
Budget Current Year (Column C).....	15
Approval of the Budget .....	15
Full Fee .....	15
Fee Subsidy.....	15
Provider Payments .....	15

Agency Operating Funding (AOF).....	15
Other Funding Sources / Grants .....	16
Safe Restart Funding – Do Not Include in Budget - New.....	16
Salaries & Wages .....	16
Benefits .....	16
Administration.....	16
Program Related.....	16
Rent.....	17
Mortgage Carrying Costs .....	17
Utilities and Maintenance.....	17
Amortization/Depreciation.....	17
Insurance.....	18
Cleaning .....	18
Office Related.....	18
Professional Fees .....	18
Legal.....	19
Training and Development.....	19
Business Travel .....	19
Other .....	19
Surplus (Deficits) .....	19
Cost per Home.....	19
Variiances.....	19
Inadmissible Expenses .....	20
Safe Restart Eligible Expenses – Do Not Include in Budget - New .....	20
Approval of budget.....	20
Mid-Year Adjustment .....	21
Budget submission .....	21

## Introduction

In November, 2016 City Council approved a new model for funding licensed home child care agencies in the City of Toronto. The new model, developed in response to Toronto Children's Services' (TCS) review of Home Child Care, took effect January 1, 2018, and replaced the existing funding model with the nine licensed home child care agencies with a Service Agreement with the City.

The new **Agency Operating Funding** (AOF) model will support eligible licensed home child care agencies by streamlining funding processes and improve agency stability. It replaced the "Daily Administrative Rate" model and rolled existing historic grants into one funding stream.

### Goals of AOF:

**Stability:** Increase Agency stability through predictable and regular funding payments

**Efficiency:** Simplify the budget submission, approval and payment process for Agencies and staff while ensuring proper stewardship of public funds.

**Quality:** Support Home Child Care Providers as valuable partners in child care through equitable, predictable, transparent, and for many, higher payments.

**Affordability:** Support the Home Child Care sector in the ongoing effort to make child care more affordable for families.

## Purpose and Overview

**New** - The primary purpose of these guidelines is to provide Home Child Care agencies with a Service Agreement with the City of Toronto guidance on Toronto Children's Services' ("TCS") annual budget submission process for Home Child Care funding, and to assist agencies in completing the 2021 budget accurately. Agencies with a Service Agreement with the City are required to comply with 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 impact 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, 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 Agencies and the Division**

Budgets are financial plans used by agencies. 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 that directly support the provision of home child care services in the City of Toronto.

Budgets are basic planning tools used by Agencies. They provide the user with an overview of operations within an agency. TCS uses the budgets submitted by agencies to ensure that service Providers, to which the City extends funds, are accountable for their authorized use. The funding paid to the agencies with whom the City has a service agreement are set based on budgeted expense information. As a result, ensuring the reasonableness of the budget information submitted by funded agencies 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, sustainability and overall financial health of the agency. The analysis is conducted based on knowledge of home child care, the agency's specific operations, and application of the City's relevant guidelines and policies. The amounts budgeted for the current year are also compared to the prior year's approved amounts and actual performance, as outlined in the audit, to identify significant variances, which may require follow-up.

### **City of Toronto Funding Responsibilities**

TCS enters into service agreements with various types of Agencies that provide services for children 0-12 years in the City of Toronto.

Licensed Home Child Care Agencies provide home child care services to private, full fee and subsidized families with children aged 0 – 12 in accordance with the Child Care and Early Years Act (CCEYA) and regulations, guidelines issued by the Ministry, and TCS's Home Child Care Assessment for Quality Improvement (AQI) measure. A Provider who has entered into an agreement with the agency provides the services in a private residence. The Provider agrees to provide home child care services in accordance with the CCEYA and related regulations.

Families in receipt of fee subsidy may choose to enroll their child(ren) at a child care centre or home child care agency with a service agreement for fee subsidy with the City. The home child care agency matches the family with a Provider who has an agreement with their agency.

TCS funds Home Child Care by:

- Funding the licensed agency for the approved costs of operation via an Agency Operating Funding, base funding which is determined by a review of the agency budget, and paid out in quarterly amounts. TCS is committed to providing funding up to the maximum resources available as directed by council and the City of Toronto budget.
- Paying the Agency, who in turn pays the Provider, an approved rate for each subsidized child receiving care at their home, less any assessed fees payable by the subsidized child's parent(s) to the agency, as verified through attendance submitted by the Provider to the Agency on a monthly basis.
- The provider rates are determined by the City through the annual budget process. Communication regarding these fees will be distributed to Agencies in advance of the effective date so that Agencies may inform families of the rate change. The public fee charged to families must not be less than the provider rate.
- The City may also distribute a government supplement in addition to the provider rate. This must be paid to home providers by the agency.
- Funding the licensed agency for the specified approved funding applications such as Provincial Wage Enhancement Grant and Home Child Care Enhancement Grant.

## Home Child Care Agency Responsibilities

### Provider Listing

The Home Child Care agency must maintain an accurate record of their Active and Inactive Providers. The agency informs the Budget Support Assistant for their agency when there is a new Provider or the termination or closing of a Provider home so that TCS information remains accurate. This also enables the caseworker to complete the placement of children with the Provider who is delivering the service.

### Submission of Annual Home Child Care Budget

All Home Child Care Agencies must submit a realistic operating budget that will be used to calculate the Agency Operating Funding. Preparing the operating budget is a process that requires the agency's management to plan for the coming year.

**New** - Entering the details of the agencies budget into the TCS budget template is one aspect of an agency's budgeting process and should not be the extent of the agency's process of planning for the budget year. Agencies should discuss in advance, any planned changes to the agency's operations (e.g. staffing levels, service levels, or days of operation) with their TCS Budget Consultant who 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

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

## Audited Financial Statements

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

- \$30,000 or more in fee subsidy; **or**
- \$20,000 or more in any combination of:
  - Agency Operating Fund (AOF);
  - Wage Subsidy/Wage Improvement Grant (Home Child Care only);
  - Minor Capital / Health & Safety Grant;
  - Safe Restart Funding

## Required Format of Audited Financial Statements

The financial statements must be audited in accordance with Canadian Auditing Standards and the financial statements must be prepared using the appropriate accounting standards.

In addition, the audited financial statements must comply with the following requirements:

- Agencies that receive more than one program funding type from TCS (i.e. Home Child Care Agencies, Child Care Centres, Every Child Belongs, EarlyOn Programs, or Summer Day Programs) must separately report the revenue and expenses for each program type in the audited financial statements
- The revenue and expenses for each program type must be further broken down by location for agencies with more than one location of any service type. The breakdown must show the amounts for the current and previous fiscal years as well as the surplus/deficit for the beginning and end of the year
- The amount of Agency Operating Funding an agency receives must be reported in the audited financial statements separately from any other revenue sources (e.g. fee subsidy revenue, parent fees, etc.)
- Agencies who received Provincial Wage Enhancement and Home Child Care Enhancement grants must submit a Special Purpose Report, verifying the grants have been used for the purposes intended. The Special Purpose Report must be included as part of the agency's audited financial statements, or provided in a separate auditor's report reconciling funding against actual expenditures.

- Revenue and expenses reported in the audited financial statements are to be presented using the same categories listed in the budget submission, otherwise agencies will be required to provide a separate report to reconcile the audit and the budget

When a Home Child Care Agency is part of an agency with more than one location that receives funding from TCS, the [funding thresholds](#) are set at the agency level. In addition, once an audit is required, the agency will continue to submit audited financial statements in subsequent years.

Agencies are responsible for engaging an audit with a Licensed Public Accountant ("LPA").

Agencies who are unable to meet the audit submission deadline must submit an extension request in writing to their Budget Consultant. The extension request should include the reason for the extension as well as the anticipated submission date. Failure to submit an audit in the specified format will result in sanctions being applied, which may include stopping the agency operating funding (AOF) payment.

**New** - Financial Statement submissions, whether audit or review engagements, must contain a Report (Opinion Statement) signed by a LPA 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.

**New** - Agencies 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 LPA.
- 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.

For more information on the audit requirements, please see the [Audit Guidelines for Agencies](#) under Contract & Financial Information.

### Other Requirements

- 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 agency receives a management letter from an auditor, the agency 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 agency's internal controls or other significant matters that were identified during the course of the audit.

## Governance

- **New** - 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 TCS may request Agencies to provide a current copy of the Form 1 as a part of the Agency review processes.
- Non-profit agencies must submit a copy of the Annual General Meeting Minutes each year. The minutes must 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.
- The list of Board Members, Signing Officers and other agency contacts must be outlined on the Home Child Care budget submission. If the agency also includes licensed child care, this information must be kept current in the Online Services' Contacts and User Management tab. Instructions for maintaining this information can be found in the Contacts and User Management Guide, available on the Online Services-support tab.

## Insurance

- As insurance coverage is renewed, a copy of the updated certificate must be submitted to the Children's Services District Office.
- **New** - COVID-19 may have impacted Agency Insurance coverage. It is recommended that Agencies review their insurance coverage carefully.
- The current minimum level required by the City of Toronto for general liability insurance is \$2 million.
- The certificate must list all locations in receipt of funding from the City, contain a cross liability clause, and name the City of Toronto as an additional insured.

## Documentation

- **New** - 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 agency.
- 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.

### **Overpayment and Recovery**

- The agency must inform their TCS Consultant immediately of any overpayments made by the City and these funds are to be returned to the City within a pre-arranged period.
- 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
    - Transactions not funded by the City, including Dividends
- Inconsistent operating capacity resulting in Agency Operating Funding change or Agency 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)
- New - Any expenses or transactions not funded by the city as mentioned in this guideline may 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 payments to recover the amount as determined through the recovery calculation.

### **Home Child Care Budget: A Step by Step Guide**

The goal is to fund home child care agencies for the actual cost of maintaining their operation. This base funding, referred to as the "Agency Operating Funding"(AOF) will be paid out in quarterly installments, and adjusted should the agency expand or decrease operations.

**New** - In the 2021 Budget, the revenue earned and expense incurred for 2020, have been prepopulated with 2020 approved Budget amounts. "Column A" Approved for the 2020 Budget and "Column B" Actual for 2020 will reflect the same amount. TCS recognizes that due to COVID-19 the actual expense of operating an HCC services in 2020 would not accurately reflect normal operations and may have been difficult to determine by the budget deadline date of November 30<sup>th</sup>. Extensions for the budget submission date can be approved by the Agency budget Consultant.

### **Budget Cover Page**

Complete the information required as highlighted in blue. Once the Agency ID is entered, the fields in grey will be populated including Agency Name, Address, Multi ID, and Auspice.

## Current Officers of the Board/Agency

Complete the information required as highlighted in blue.

Agencies with access to the Contacts and User Management tab in Online Services should make changes to Board Members and other Agency contacts through Online Services and may leave the name and signature section of this page blank.

Agencies without access to Online Services must complete this page. A separate listing with all names, addresses, and phone numbers of Board Members can be attached if a listing already exists. Any changes to the Board Members must be submitted to TCS. This also applies to changes in Signing Officers.

## Provider Homes

Complete the information required as highlighted in blue.

### License & operating information

- Enter the license information such as renewal date, number of homes and home visitors
- When the agency's license includes number of homes and home visitors outside of City of Toronto, complete the section for the number of homes and home visitors for the operation within the City of Toronto.
- Enter the number of **operating** homes and **active** home visitors for the current budget year
- Enter operating information including standard work day hours, agency operating days, operating capacity and number of children per home.

### Prior Year information

- The prior year "Column B" information has been pre-populated with the prior year approved actual operating Homes for the 2021 budget

### Children Services Service Provider Listing Report

- A TCS report states the agency has service agreement with the provider including provider name, location ID, and total number of providers
- Review the providers on this report and compared with the agency records
- Provide the required info to TCS to update this report if there is discrepancy

**Reminder:** update your TCS Budget Support Assistant when providers are added, terminated, or made inactive during the year.

## Staff Salary Information

Complete the information required as highlighted in blue.

Salaries, wages, and benefit costs make up a large majority of expenses in a service agency.

Therefore, specific detail related to this category will be required, and particular emphasis will be given to this area of the budget during analysis.

For the purpose of determining agency funding, total staff salaries cannot exceed the maximum salary paid by the City for equivalent job classifications. The salary ranges are listed in the Salary Schedule below. The maximum salary or hourly rate is the highest point in the range listed below. Where there is no range identified, the amount listed for salary or hourly rate is the maximum.

**Note:** The salary referred to in the budget **excludes** Provincial Wage Enhancement (PWE) payments, known as the Home Child Care Enhancement Grant (HCCEG), which should NOT be included in the budget submission. City budgets are "PWE/HCCEG FREE".

All salaries must be at least minimum wage of \$14.25 effective October 1, 2020. It is expected that home child care agencies will operate efficiently to maximize funding, both with homes per home visitor, and the number of children placed in each home. The expected efficient number of children per home would be agency wide annual averaged at 4.

An efficient ratio of Home Visitors to homes is considered 1:15; this reduced ratio recognizes the Sept 1/17 changes to the Child Care and Early Years Act regarding private and full fee agency placed children as well as the important role of the Home Visitor in extending support to Providers caring for children with extra support needs.

All roles are expected to support the 1:15 ratio. For example, a full time position/salary is allowed when an agency operates up to 105 homes for [supervisor](#), [clerical](#) and [administration](#).

**All** salaries will be verified by T4 review and analysis.

### Current Salary Schedule

Note: Salaries are subject to settlement of compensation for City of Toronto staff.

Program Staff (35 hour week)	City of Toronto Annual Salary Range	City of Toronto Hourly Salary Range
Home Visitor	\$64,411 to \$70,581	\$35.39 to \$38.78
Home CC Supervisor	\$88,979 to \$104,540	\$48.89 to \$57.44
Clerical Staff	\$57,905 to \$63,436	\$31.82 to \$34.85
Administrator	\$120,658	\$66.30

A home child care agency staff often fulfills more than one role in the agency. Rather than splitting themselves into different job classifications with different hourly wages, the AOF budget requires a listing of all agency staff, their title in the agency, total hours per day/days per year worked, their total base salary (no PWE) and then the different positions / roles / responsibilities they hold and percentage of time spent conducting that responsibility. The onus of providing this evidence belongs to the Agency and the Children's Services Consultant must document both the evidence gathered and the rationale for conclusion on reasonableness.

The total of the staffing information entered on the "Staff Salary Information" page will automatically default to the budget page, under "Column C" Budget Salaries and Wages.

### **Home Visitor**

- The number and name of Home visitors entered in the staffing page should match the names listed on the License
- The ratio of one full time FTE home visitor to 15 homes will be allowed in calculating the AOF. The total home visitor amount and FTE will be prorated when the number of homes is more than 15 homes

### **Supervisor**

A full time supervisor is approved when there are up to 105 homes or 7 FTE home visitors, or may be prorated when number of homes is more or less than 105 homes.

### **Clerical**

A full time clerical staff is approved when there are up to 105 homes, or may be prorated when number of homes is more or less than 105 homes

### **Administration**

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

Expenses recorded in the administration category are for individuals or agencies that actually perform administrative services for the home child care agency.

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

Administration costs are reviewed for reasonableness as part of the budget analysis process, irrespective of the maximum allowable amount. The total amount of administration will be reviewed with all program types that are part of a multi-agency.

### **Salaried Administration**

This includes salary administration for an agency with up to 105 homes, or may be prorated when agency with less than 105 homes. More than one individual involved in administrative duties could share this maximum allowable administrative 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**

Agencies 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. The agency must provide clear evidence that supports this allocation and indicate its reasonableness.

Administration costs must be detailed listing staff name, job duties, total salaries, total days/hours worked, and a percentage of salaries allocated to the home child care function.

Agencies who also submit budgets to TCS for Child Care Centres, EarlyOn Programs, and/or Special Needs Resourcing Programs should be sure that no one individual receives more than the maximum admin salary or is allocated more than 100% of their standard work day when all submitted budgets are considered.

### **Budget**

Although staffing comprises a majority of an agency's operating costs, TCS supports operators by recognizing a number of other expenses to support quality child care. The provincial government provides a base funding of \$6,900 per home per year. Agencies whose cost per home exceeds this amount must demonstrate the need for the additional funding in order for TCS to provide the required funding. When completing the budget submission operators 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 operators must provide the revenue and expenses for the budget year, regardless of the agency's fiscal year.

All costs must be related to the Home Child Care operations. If an Agency is multi-service, only the proportionate cost of HCC operations may be allocated to the HCC Budget. Verification may be requested for any line items.

Unforeseen circumstances may arise during the course of the year resulting in a variance between the agency's budget and its actual financial performance. Mid-year changes to an agency's operations may also have a significant impact on the operating costs for the following year.

When the variances are more than 5% between actual amounts approved by TCS for the prior year and amounts budgeted for the current year, operators should provide detailed explanations regarding the reason for any variances as these explanations are used by TCS in assessing the reasonableness of the current year's budget submission.

### **Approved Prior Year (Column A)**

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

### **Reported Actuals (Column B)**

**New** - Given the unforeseen circumstance and impact of COVID-19 on locations for 2020, the reported actuals "Column B" for Revenue and Expenses would have shown significant variances from the approved budget in "Column A". These variances between the amounts approved and, what would have been reported for the prior year, do not provide you as the operator or TCS with a mechanism to evaluate variances of 5-10%, as a result of this, for 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 in "Column B" for the 2021 budget. It is planned that this will resume for 2022.

## **Budget Current Year (Column C)**

The projected revenue and expenses for 2021 are entered by the Agency in "Column C". Projected revenue should be based on the location's current City funding levels and other continuing revenue sources not 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.

**New** – In 2021 there will be no increases allowed on the expense line for Training and Development or Program related expenses. The approved expenses for these line items from the 2020 Budget will be the approved 2021 Budget expenses allowed.

## **Approval of the Budget**

The budget submission must be approved by the Board of Directors or authorized agent and signed by a Signing Officer of the Board.

## **Full Fee**

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

## **Fee Subsidy**

Budgeted fee subsidy revenue should be based on current funding levels (i.e. provider rates in effect at the time when the budget is submitted).

## **Provider Payments**

TCS will determine the provider rates when Council approves the funding level. Use the current year provider rates to estimate the amount for "Column C". This amount is subtracted from Full Fee & Fee Subsidy to determine the Net Fee Revenue.

## **Agency Operating Funding (AOF)**

The AOF amount approved in the prior year's budget is reported "Column A" and will be the same amount for "Column B" and "Column C".

The total AOF funding should equal the AOF stated in the Schedule 2.3 of the Agency's Service Agreement. Once the budget is approved, AOF for the current year will be determined and the Agency will receive a revised Schedule 2.3 of the Service Agreement to reflect the change.

## Other Funding Sources / Grants

Funding received from other sources that will be used to cover general operating expenses for the agency should be reported under this category. Agencies may use this line when report PWE/HCCFG funding in the audited financial statements. Agencies that enter other funding sources are required to provide an explanation detailing the source of the funding and the intended purpose of the funding.

## New – Safe Restart Funding – Do Not Include in Budget

Safe Restart Funding has been 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 was 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.

## Salaries & Wages

Total defaults from Staff Salary Information page including total salaries for home visitor, supervisor and clerical positions.

## Benefits

Employer contributions are allowable in the budget up to a maximum of 25% of total salaries of all staff positions except contracted administration position.

## Administration

Total defaults from Staff Salary Information page including total salaries for administration and contracted administration positions.

## Program Related

- **New – no increase for program related expenses for 2021 Budget from prior year approved 2020 Budget.**
- This category includes materials or expenses Home Visitors require to provide program support, or Provider start-up expenses.
- Agencies who lend equipment to contracted Providers (such as: strollers, cribs, cots and playpens for sleeping, safety gates, high chairs or other feeding chairs) may continue to include this expense in the budget.
- Partial or full reimbursement of equipment purchased by Providers is not allowed. These expenses are tax deductible as a contracted Home Child Care Provider.

## **Rent**

Rent must be verified by a copy of the current lease submitted to TCS. The lease must support the rent noted in the budget. A lease letter is acceptable in some cases. A lease or lease letter must include the following:

- Address on lease must correspond to the location of the home child care program.
- Length of time of lease must be specified
- Description of space being used for the home child care office or amount of square footage being used or the percent of building occupancy must be specified and reasonable.
- Documents must be signed, dated and on the letterhead of the landlord.
- Operators or related parties who own a building/space occupied by the agency and who charge rent to the agency must provide a Certified Market Value Assessment demonstrating the reasonableness of rent charged and comply with the Market Rent Appraisal requirements which can be found on the CS website.

## **Mortgage Carrying Costs**

Interest charged for a mortgage is recognized, but not the principal portion of the mortgage loan. Cost must be verified through a copy of the current mortgage document.

## **Utilities and Maintenance**

- This category is for costs related to the repair and upkeep of the property in which the agency office is located and directly related to the home child care operation. If utilities are not included in the rent as verified in the lease, actual costs for utilities, such as: hydro, heat, water, garbage) can be included. Verification of utility costs may be requested.
- This category also includes cleaning supplies and sanitary paper products (such as: toilet paper, paper towels) for the home child care operations.

## **Amortization/Depreciation**

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

- If a centre is budgeting amortization costs in the budget, the Amortization Expenses spreadsheet must be completed and submitted with invoices. This spreadsheet is available as the last tab in the budget template. In situations where an agency has funding from TCS for additional program areas such as Group Child Care, the amortized expense will be analyzed as a whole amount and attributed accordingly.

## Insurance

- Only insurance costs related to the home child care program are allowed. No automobile insurance is allowed.
- **New** - Due to the impact of COVID-19 on insurance policies, Agencies are advised to review changes to the policy and the impact on coverage.
- This category includes costs related to coverage of not less than \$2 million general liability and coverage for Director's liability.
- The insurance certificate must contain a cross liability clause that names the City as additional insured.

## Cleaning

- Includes the cost for contracted cleaning services of the home child care office.
- **New** - 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

- Office supplies; laminating; printing and photocopying; postage/courier costs; internet/data charges; telephone including mobile phones.
- Licensing fee.
- Computer hardware: including desktop, laptops and tablets.
- Computer software.
- Office furniture and equipment.
- Marketing and advertising; bank charges.
- Professional memberships and Board expenses.
- 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

This includes legal costs related to the home child care program and may require a breakdown of costs and/or proof of expenditure.

## Training and Development

- **New – no increases for Training and Development related expenses** for 2021 The approved expense will remain at the approved 2020 Budget amount
- Staff training and development such as conferences, workshops, resource materials and books, professional subscriptions and other professional development.
- Costs related to parent education
- Cost related to learning opportunities for Providers.

## Business Travel

- TTC, meterage and parking for Home Visitors and other agency staff on home child care business.
- Maximum rate to determine meterage reimbursement is the City's approved allowance, currently 52 cents per kilometer.

## Other

- Costs that have not already been itemized. A description of the cost must be provided.
- Other costs do not include expenses related to COVID-19 or Safe Restart Funding.

## Surplus (Deficits)

The Surplus/Deficit AOF only identifies revenue and expenses related to Agency Operating Funding. This excludes net fee revenue and other funding sources/grants. **This line will identify proposed changes to the AOF funding for the agency in "Column C".**

## Cost per Home

- This amount will be calculated automatically if the amount exceeds \$6,900 per home must demonstrate the need for the additional funding
- The mid-year adjustment for service expansion and reduction will be determined throughout the year.

## Variances

The variance tab must be completed for any variance over 5% or -5%.

## Inadmissible Expenses

The following expenses are considered inadmissible:

- Bonuses (including retiring bonuses), gifts and honoraria paid to staff are inadmissible expenses except for the in case that they are provided as a retroactive wage increase that will be maintained the following year.
- Debt costs including principal and interest payments related to capital loans and operating loans;
- Property taxes for provider homes;
- 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; and
- Any other expenditure not listed under the allowable expenses in the Provincial Funding Guidelines.

## 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:

- payment for enhanced cleaning;
- payment for additional PPE beyond what the Ministry is supplying directly;
- additional administration costs for up to 10% of the total allocation; and
- payment to a Provider for full fee registered with the Agency, and the parent portion of fee subsidy families when a child, has to self-isolate due to Public Health direction.

Federal Safe Restart Funding is also being used by the Province in order to procure and deliver face coverings directly to operators, licensed home child care agencies and EarlyON service providers. Please maximize this support for your centre in order to maximize Safe Restart funding on other eligible areas.

## Approval of budget

TCS will review the budget package submitted by the agency for the reasonable operating costs associated with the number of homes in determining the agency operating funding level for year. The approved agency operating funding will be reflective in Schedule 2.3 of the service agreement. The approved provider rates for each service offerings will be reflective on Schedule 2.1 of the service agreement.

## Mid-Year Adjustment

If during the year, the operation incurs a significant expense which cannot be managed within the approved funding envelope the agency may submit a request for an in year adjustment.

If the agency also experiences significant growth or reduction in service due to enrollment a mid-year adjustment may be requested.

Due to the nature of Home Child Care agencies will have the flexibility to increase or decrease by 5 homes before any adjustment to the funding allocation is required.

## Budget submission

Please make arrangements to provide your Budget Consultant with a scanned copy of the completed budget and also send the **original signed copy** of the budget submission by **November 30, 2020** to the address below:

Toronto Children's Services  
Manager, Contract & Financial Management  
10th Floor, Metro Hall, 55 John Street  
Toronto, ON, M5V 3C6

Please retain a copy of the budget submission at the agency for your files.

If you have any questions about the budget submission, contact your Budget Consultant or Budget Coordinator.