



## **2022 Budget Guidelines for Child Care Centres**

**Updated December 2021**

**This version replaces the guidelines previously dated September 2021**

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The online budget and all supporting documents are due: **November 30, 2021.**

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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 2022 budget accurately. Child care centres with a Service Agreement for Fee Subsidy with the City of Toronto are required to comply with these guidelines as per the Service Agreement. Child care centres with a Service Agreement without Fee Subsidy are required to comply with applicable sections of these guidelines.

This document outlines budget submission deadlines, description of the allowable operating expenses funded by the City (and maximum funding thresholds if applicable) and describes the budget analysis conducted by TCS.

This document is updated annually to reflect current legislation, guidelines, or policies issued by the Ministry of Education or TCS. 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 App, and completing the budget submission, refer to the [Online Budget App Guide](#), available on the 'Early Learning & Child Care Partners - Online Services' web page.

## 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 agencies that provide child care services.

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 financial planning tools used by organizations. The per diem rates and General Operating Funding (GOF) paid to the agencies with whom the City has a Service Agreement, are based on budgeted costs and operating information. It is critical to ensure the budget information submitted is accurate.

## What is Budget Analysis?

TCS analyzes all of the budget information using relevant guidelines and policies to approve expenses and determine funding levels and ensuring accountability over public funds and system management. The analysis includes a review of the reasonableness and sustainability of the centre's operating plan, the centre or Agency's financial viability, and the centres ability to provide quality child care. 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.

## Column A (Prior Year Approved), B (Prior Year Actuals) and C (2022 Budget)

**NOTE:** For the 2022 Budget (Column C) the expenses and revenue **must not** include COVID-19 related costs and revenue (a COVID-Free Budget).

**NOTE:** For the 2021 Prior Year Actuals (Column B) the expenses and revenue **must** include COVID-19 related costs and revenue.

**NEW:** Budgets are being submitted without any COVID-related expenses and revenue, but Actuals are being submitted including all COVID-related expenses and revenue, new to this year, the 2022 Budget will not require a line-by-line explanation for variances between Column A and B or Column B and C.

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

**NEW:** If a revenue or expense category had a value in the previous year that category is prepopulated at a default value of zero (\$0) in the current year. If the default value of zero (\$0) is not updated a message will display and an explanation will be required in order to proceed.

### Prior Year Approved (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.

### Prior Year Actuals (Column B)

For the 2021 budget process Column B was prepopulated and locked. For the 2022 budget process TCS will return to regular business where the Agency enters revenue received and expenses incurred for 2021. The amounts should be based on actual revenue and expenses from January 1 to September 30, 2021 and a reasonable estimate of the amounts for October 1 to December 31, 2021. The additional expenses and revenues resulting from COVID-19 **must be included**. TCS recognizes the 2021 budget was submitted without COVID-related expenses however Column B will include the additional expenses and revenues as a result of COVID-19.

For example, the enhanced cleaning costs resulting from COVID would be in the cleaning expense category, additional staff would be included in the staffing expenses, if a center had to replace program material as it could not be easily sanitized those expenses would be reported under program-related.

## 2022 Budget (Column C)

The projected revenue and expenses for 2022 are to be entered in "Column C". The expenses and revenue **must not** include COVID-19 related costs and revenue (it must be a COVID-free budget).

The goal of a COVID-free is to provide stability for the rates/per diem. The intent of this approach is to limit large shifts, up or down, in the parent fees and per diems rates due to temporary pandemic expenses and enrolment.

Projected revenue should be based on the location's current City funding levels and other regular revenue sources. Also consider any changes to public fees or expansion / reduction of capacities. Projected expenses should include salary increases, increases to operating costs related to inflation / cost-of-living, and any other planned increases to operating expenses.

## Centre Operating Days

### Days of Operation

The accuracy of the operating day is critical to approving the budget, establishing the per diem rates and processing attendance. 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 2022 is 260.
- 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, 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, refer to the [Full-Time Access to Service Policy](#), which is available on the 'Early Learning & Child Care Partners - Contract & Financial Information' web page.

## Designated Holidays

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

Holiday	Date
New Year's Day	January 3, 2022
Family Day	February 21, 2022
Good Friday	April 15, 2022
Victoria Day	May 23, 2022
Canada Day	July 1, 2022
Civic Holiday	August 1, 2022
Labour Day	September 5, 2022
Thanksgiving Day	October 10, 2022
Christmas Day	December 26, 2022
Boxing Day	December 27, 2022

**NEW:** September 30, 2022 is a new Statutory Holiday for the Canadian Federal Government being recognized as a National Day for Truth & Reconciliation. If the Agency is closed this day enter this day as an additional closed day when completing the 2022 budget submission. Currently the Province of Ontario has not designated this as a statutory holiday.

- 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 26, 2022 and Boxing Day on Tuesday December 27, 2022) 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.
- All Toronto School boards have deemed December 31, 2021 the "2022 New Year's Day" statutory holiday and schools will be closed on December 31, 2021. School will resume on January 3, 2022 following the winter break. Programs that will be open on January 3, 2022 will have the ability, in the 2022 budget submission, to record this as a regular operating day or as a designated statutory holiday.
- 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 or following after 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 2022.

Date(s)	Description	School Boards
January 14, 2022	P.A. Day	English
February 2, 2022	P.A. Day	French
February 18, 2022	P.A. Day	English
March 11 to March 18, 2022	March Break	French
March 14 to March 18, 2022	March Break	English
April 18, 2022	Easter Monday	English & French
June 3, 2022	P.A. Day	English
June 10, 2022	P.A. Day	French
June 28, 2022	Last Day of School	French
June 29, 2022	P.A. Day	French
June 30, 2022	P.A. Day	French
June 30, 2022	Last Day of School	English
July 1, 2022	First possible day of summer camp	English & French
September 4, 2022	Last possible day of summer camp	English & French
September 6, 2022	First Day of School	English & French
October 7, 2022	P.A. Day <sup>1</sup>	English
October 21, 2022	P.A. Day <sup>2</sup>	French
November 18, 2022	P.A. Day <sup>3</sup>	English & French
December 2, 2022	P.A. Day <sup>4</sup>	English
December 19 to December 30, 2022	December Winter Break <sup>5</sup>	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.

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

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

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

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

<sup>5</sup> 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

## Summer Camp Dates (**UPDATED**)

### **UPDATED:** How agencies will enter summer camp dates for monthly and daily fee structures?

In order for the TCS system to transition children between the Summer Camp service offerings and the Before and After school service offerings there must not be a gap in start and end dates. Since there are different rate structures, different approaches must be taken to ensure there is no gap between the start and end of each service offering.

If the Centre has a:

- **Daily fee structure:** the Budget App will require the date selected, by the Agency, to begin on July 1 and end on September 4.
  - If there are any days the Agency chooses not to offer a summer camp service during this time the Agency must enter additional closed days.
- **Monthly fee structure:** the Budget App will require the date selected, by the Agency, to begin on July 1 and **must** end on **August 31**.
  - If an Agency offers a summer camp service for any of the days after August 31 the Agency must enter it as an additional P.A. day.
  - If there are any days the Agency chooses not to offer a summer camp service during July 1- August 31, the Agency must enter additional closed days.

## Agency Closed Days

Agencies with multiple sites can enter designated statutory holidays and additional closed days for all locations under the Agency Stat Holidays and Days Closed tab of the operators' online Budget App. 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.

As mentioned above, September 30, 2022 is the National Day for Truth & Reconciliation, a Statutory Holiday recognized by the Canadian Federal Government. If the Agency is closed this day enter this day as an additional closed day when the complete the 2022 budget submission.

## 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 in the online Budget App and the information on the centre's public fee memo must match.

For information on viewing service offerings 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, and they are net of any General Operating Funding (GOF) the Agency receives.

Ensure the fees are structured in a way that meet the standards outlined in the Fact Sheets available on the public web site; [Contract & Financial Information](#) page:

- [General Operating Guidelines](#)
- [Setting Child Care Fees](#)
- [Per Diems for Child Care](#)

### Full-Time Access to Service Policy **Highlights:**

- Fees reflect the actual cost of care for an age group (i.e. younger age groups cost more to operate)
- Centres should set fees that are reflective of the cost based on the hours service is provided.

- Centres must follow the [Full-Time Access to Service Policy](#) including, before and after school care must provide a corresponding summer camp program. 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.
- 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.

**NEW:** If a public fee value for Kindergarten or School-Age summer camp service offering is greater or equal to the public fee for the Preschool service offering, an explanation will be required to proceed.

- All children attending kindergarten are expected to remain at school on instructional days.
- 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 4, 2022.
- 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.
- 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.

### System Prepopulated Fee Memo

The online Budget App prepopulates the fee memo using the information provided in the Centre Operating Days and Service Offering & Public Fees budget tabs. Once these tabs are completed a "View Fee Memo" link is available. By selecting the link the prepopulated template displays the fees entered. The fee memo must be reviewed before submitting the budget. As well, the fee memo is presented in a standardized format and is immediately available for posting. A signed fee memo should not be submitted 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 (P.A. Days, Easter Monday, March and December breaks and January holiday, 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 Prepopulated Fee Memo is required to be signed and posted at the Child Care Centre (as mentioned above there is no longer a requirements to submit this signed fee memo to TCS). Agencies may 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 App 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, 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. Further details on [Per Diems for Child Care](#) can be found on the web site.

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
- When service offerings operates with efficient group sizes and the budget is based on optimal enrolment TCS pays for an additional 2% vacancy rate (this is based on a decision by Metro Council on June 1993).
- This 2% recognizes there is always some vacancies in child care centres planned enrolment (for example: move-ups).
- The Budget App automatically calculates the optimal enrolment; service providers should not enter optimal values in the Budget App.
- This 2% vacancy rate is built into the annual per diems.
- Rooms that operate with inefficient group sizes do not receive this 2% vacancy rate.

The licensed age category and/or staffing ratio of the room determines which service offerings are available in the online Budget App 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 is based on the staffing ratios and maximum group sizes defined in the CCEYA.

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.
- However, 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.
- For the 2022 Budget year, the operating capacity plan should be a COVID-free plan, meaning the operating plan is not considering the impact of enrolment due to the pandemic. TCS recognizes the challenge the COVID-19 pandemic has created. The 2022 operating capacity plan should be a plan that could have been achieved before the start of the pandemic and could be expected to be maintained once enrollment returns to normal.

## Staffing

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

The online Budget App 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 Agency.

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 per diem rates, total staff salaries cannot exceed the maximum salary established in the 2022 Salary Schedule, listed below. If the gross hourly or gross annual salary exceed the maximum salary as listed in the 2022 Salary schedule, the amount exceeding will not be included in the approved cost funded by the City.



**NEW:** If there was a staffing cost entered in the previous year it has been prepopulated at a default value of zero (\$0) in the current year. If the default value of zero (\$0) is not updated a message will display and an explanation will be required in order to proceed. If a staffing position is no longer required it should be deleted from the App in order to proceed.

## 2022 Salary Schedule

Program Staff	Annual Salary	Hourly Salary
<b>Untrained Staff or Assistant</b> (35 hours week)	\$55,560	\$30.53
<b>Trained Teaching Staff</b> (35 hours week) (Early Childhood Educator Grade 2 or equivalent trained)	\$58,484 To \$64,070	\$32.13 to \$35.20
<b>Trained Teaching Staff</b> (35 hours week) (Early Childhood Educator Grade 1 / Assistant Supervisor or equivalent trained)	\$65,055 To \$71,287	\$35.74 to \$39.17
<b>Centre Supervisor</b> (35 hours week)	\$91,676 to \$107,707	\$50.37 to \$59.18
<b>Casuals/Supply Staff</b> Trained Untrained	NA	\$32.13 to \$35.20 \$17.49
<b>Cook/Housekeeper</b> (40 hours week)	\$56,882 To \$62,380	\$27.35 to \$29.99
<b>Food Services Worker/Caretaker</b> (40 hours week) (Dietary Aide)	\$51,125 To \$55,995	\$24.58 to \$26.92
<b>Administration</b> (35 hour week)	\$124,315	\$68.30

On November 4, 2021, [the Provincial government](#) introduced a bill that would, if passed, raise minimum wage rates on January 1, 2022 to \$15.00 per hour.

At this time, even though the bill has not been passed Children's Services would like to plan for it and will take action for any submitted budgets that have hourly wages less than \$15.00 per hour.

Toronto Children's Services will review budget submissions and if there are hourly wages that need to be adjusted the budget will be **not be** returned to the operator and CS will change the hourly amount to the legislated minimum.

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 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.

The development of a fair pay scale helps to plan ongoing reasonable compensation for Registered Early Childhood Educators (RECEs) and Assistants. It provides a salary structure and a predictable path for staff compensation. A centre can increase staff recruitment, satisfaction and motivation by having an open, fair and equitable pay scale that is used consistently, which can provide stability to the workforce.

TCS recommends that all Agencies have a [Pay Scale](#) in place, that is reviewed and updated annually as outlined in the Fact Sheet available on the public web site; [Contract & Financial Information](#) page.

### **General Operating Funding (GOF)**

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

Agencies are accountable for GOF and must comply with the funding requirements stated in the [General Operating Funding Guidelines](#) and Implementation Plans (if applicable) as part of the Service Agreement contractual requirements.

Agencies that receive the historic 1999-2005 Pay Equity Grant funding as an amount embedded within the agency's total GOF funding must continue to use the funds to support the agency's pay equity plan; pay equity funding is not 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 App 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 App to demonstrate the reasonableness of the request.

**NEW:** To allow agency's to better review and fix any data errors related to exceeding the FTE rules a new message will display both how much the FTE has exceeded and in which age category(s).

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 and supervisor acting as RECE, administration, housekeeper/cook, caretaker/cleaner, and "other". A staff may work in more than one position.

### **Allocation of Other Grants for Salary**

Agencies who receive salary grants from other funders (e.g. Human Resources and Skills Development Canada, or United Way), which are allocated to staff as a direct payment included in their gross salary, must report the amount of grant distributed to each 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 2022 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.

As Per the Service Agreement an Agency shall not charge any surcharge, administrative fee or other levy to families over and above the aforesaid approved fees without the prior written approval of the General

Manager. All costs related to program delivery are to be reflected in the parent fees of the Agency or location. Costs affiliated with registration fees can be included in the appropriate expense lines.

### **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 gross hourly or gross annual 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.

**NEW:** The salary for the Central Allocated Administration staff can now be entered either as gross hourly salary or gross annual salary. As with all staffing positions, if the gross hourly or gross annual salary exceed the maximum salary ranges, as listed in the 2022 Salary Schedule, the amount exceeding will not be included in the approved cost funded by the City for per diem calculations.

**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 online Budget App 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 for potential approval 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. For example, a 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 App. 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 App. 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 App 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.

## Casual/Supply Staff

Up to 10% of the total salary staff expenses (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.

There are two categories for Casual/Supply Staff:

- 1) **Casual Salaried** supply staff are those employed directly by the child care agency and are issued a T4 or T4A slip; and
- 2) **Casual Contracted** are not employed by the child care agency; rather they are employed by a temporary employment service who invoices the centre for the services rendered.

The total of these two categories cannot exceed 10% of the total costs for staff expenses (excluding administration).

## Staff Benefits

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

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

## Other Budget Expense Categories

### 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 are not included in this line item and 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.

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

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.

## 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 Agreements. 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.



## 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. If the lease agreement specifies an amount that is charged for utilities and maintenance, these costs should be reported 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 2022 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 the 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 commercial liability and coverage for Director's liability are reported in this category.

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.

### **Cleaning & Housekeeping (Supplies)**

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

### **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 Expenses (Other Expense 1 & Other Expense 2)**

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.

## **Budget 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, agencies 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 annual GOF funding in Column C will equal the current GOF value per point and the capacity and enrolment entered in Tab 3 of the online budget. The amount will reflect the approved operating capacities for infant, toddler, or preschool, and any decreases to operating capacity or days of service.

## Revenue – Other Revenue

### Minor Capital Grant

Health and Safety Grant/Minor Capital funding received in 2021 should be reported in Column B. The amount of the expenditure should also be reported under "Other Expense" in Column B.

### **New: Safe Restart Funding (SRF) – Column B only**

Safe Restart Funding is a new pandemic related revenue category, in column B. The revenue from Safe Restart recognized in 2021 must be entered in Column B. As per the current audit guidelines (March 2021), Safe Restart Funding requires a separate note disclosure in the financial statements. The note disclosure must identify, at a minimum: total allocation received, total amount of funding recognized as revenue, and total amount of funding deferred. The total revenue from Safe Restart may be different than the recognized revenue entered into Column B. Any Safe Restart funding carried over into 2022 should **not be entered** in Column C as the budget is COVID-free.

### City Grants Excluding Per Diem

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 2022 are required to provide an explanation detailing the source of the funding and the intended purpose of the funding.

### Other Grants/Funding

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.

**NEW:** As a result of COVID-19, centers may have accessed new funding sources and/or funding types to support operations. See list below:

Canada Emergency Wage Subsidy ("CEWS")
10% Wage Subsidy for Employers ("10% WS")
Canada Emergency Commercial Rent ("CECRA")
Canada Emergency Rent Subsidy ("CERS")
Canada Emergency Business Account ("CEBA")
Ontario Small Business Grant

Agencies are required to include all federal revenue types received within the "Other Revenue" tab. This information will be recorded in Column B under Reported Actuals for 2021 under the "Other Grants/Funding" line.

## Surplus / (Deficit)

The surplus / (deficit) line allows agencies to report any planned over or under expenditure for 2022. When completing the 2022 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 written plan that identifies how the deficit will be addressed.

## Budget Submission Deadline

The online budget and all supporting documents are due: **November 30, 2021.**

## Supporting Documents

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.

Forward all supporting documents to the centre's Budget Support Assistant. Scanned copies of documents are appropriate. Clearly mark the location name and location ID on the email when 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 App. 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.

### **IMPORTANT: Sanctions and Penalties**

In order for the City to effectively maintain the TCS 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 2022, TCS will be implementing sanctions and penalties for late budget submissions to uphold business deadlines.

Under exceptional circumstances, a written 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 the 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 2022 Budget**

The budget submission must be approved by the Operator, (Board of Directors/Owner) and submitted by a Signing Officer of the Agency. The Signing Authority must agree to the terms listed at the bottom of the summary tab in the online Budget App. By submitting the budget, the Agency is signing an accompanying document to the Service Agreement between the 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'. 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 2022 system funding levels.

TCS has created a resource to support the understanding of how Per Diems are calculated. See [Per Diem Fact Sheet](#) – on the [Contract & Financial Information](#) page of 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 the [website](#), budget overview sessions, **2022 virtual budget labs** and access to staff for support.

Reach out to your TCS Budget Coordinator or Budget Consultant for questions or need assistance.

## Service Contract Responsibilities

### City of Toronto Funding Responsibilities

The City enters into Service Agreements with licensed child care centres that provide child care services to children aged Infant to 12 years in accordance with the:

- CCEYA and Regulations,
- funding and guidelines issued by the Ministry of Education,
- Toronto Children's Services (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 analyzes the budget submitted by the centre ensuring reasonableness and compliance with all applicable guidelines and policies and determines the approved per diem rate.

Child care centres who provide [Full-time Access to Service](#) to children aged infant to 4 years (i.e. infants, toddlers, or preschoolers), may be eligible to receive General Operating Funding (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. GOF 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 the Agency's revenue.

### **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, refer to the [2022 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, including 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 App is only one aspect of an organization's annual budgeting process. The Agency must ensure that the revenue and expenses reflect any changes made to operating capacities.

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](#) (found 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. 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), including Legacy General Operating Grant (LGOG);
  - One Time Stability Grant
  - 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 Funding
  - 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 may result in sanctions being applied.

Financial Statement submissions, whether audit or review engagements, 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, 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.

### **Audit Upload – Financial Statements and Documents**

In 2020, Toronto Children's Services launched a new document upload feature within Online Services for Operators. This feature 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 use this new efficient method of submitting financial information starting with their 2019 fiscal year.

The upload feature 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, 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

Detail information can be found in the General [Operating Funding Guidelines](#)

- It is the responsibility of the Agency to report any changes to its operations that may affect the eligible 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](#).

### 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 is part of the Service Agreement contractual requirements. Agencies are required to comply with all terms and conditions set out in their Implementation Plan.

## Other Funding Requirements

### Surplus

- Agencies are encouraged to accumulate a surplus of approximately 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 location 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.

### Deficit

- 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.

## Management Letter

- 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. Following the submission of a management letter, Children's Services will work with the Agency to review the actions taken by the Board of Directors or Owners to mitigate risk.

## Governance

- Agencies are required to maintain an up-to-date Form 1 – Ontario Corporation Schedule A, filed with the Ministry of Government Services.
- 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 be 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.

## 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.
- Child Care located in schools are **not required** to submit copies of their lease or permit fee documentation.
- 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, 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. 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 in their fiscal year
- 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 decrease the expense and increase the surplus leading to a potential recovery to reflect the percentage of city funding to total revenue.

A repayment plan for any recovery is negotiable on an individual location/Agency 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.

### **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.