

Interim 2016 Priority Operating Fund Guideline

Peel Region Licensed Child Care Providers

September 2016

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Introduction

Under the new Provincial funding formula and framework for licensed child care released in 2013, the Province introduced a new broad General Operating Fund that replaces all historical wage related funding programs including Wage Subsidy, Best Start Wage Subsidy and Best Start Wage Improvement.

The General Operating Fund (GOF) is a key component of Peel's new [Early Learning and Child Care Funding and Policy Framework](#). The GOF will support stability of Peel's Early Years and Child Care System by assisting providers with the cost of delivering licensed child care to children ages 0 to 12 years with a priority focus on serving the younger age groups (birth to 3.8 years) and non-profit providers per Provincial direction.

The new GOF consists of:

- [Historical Allocation](#) – beginning in 2016, providers who previously received the former Wage Subsidy are eligible to continue receiving this funding to support the salaries and benefits of child care staff.
- [Mitigation Fund](#) – available to eligible licensed child care providers throughout the year on a one-time basis to help support unforeseen pressures/costs that impact ongoing viability, pending the Region's approval of a provider's application and subject to the availability of funds.
- *Priority Operating Fund* – supports eligible providers with operating costs and prioritizes younger age groups and non-profit providers with a primary focus in 2016 on supporting staff wages and benefits to enable the retention of qualified staff, and enhancing payments to home child care providers.

Note: Starting August 1, 2016, providers must meet the Region of Peel's new quality and inclusion requirements to continue to be eligible to receive [GOF](#).

All three components of the General Operating Fund reflect valuable input received from providers through information sessions held in 2015.

The purpose of this Guideline is to provide licensed child care providers with key information regarding the Priority Operating Fund (POF) for 2016.

2016 Interim Approach for POF

This is a transition year for implementing the new POF. As such, the approach for the POF outlined in this guideline is for 2016 only. Further information regarding the process for 2017 and onward will be communicated in 2017. We recognize this is a time of transition and welcome your feedback to inform the approach going forward as we continue to support children and families in Peel Region.

Objective

Peel's [EYCC Funding Policy and Framework](#) includes three core priorities: stabilize the EYCC System, enhance EYCC funding accountability and increase parental choice and access to licensed child care. The purpose of the POF is to support providers with the costs of operating licensed child care programs in order to stabilize Peel's EYCC system.

Outcomes

POF will support stability of Peel's EYCC system by assisting licensed child care providers with:

- Retention of qualified staff by enhancing wages and benefits and payments to home child care providers;
- Affordability of child care to support access for younger children; and
- Viability of child care programs.

2016 Outcome

As 2016 is an interim year, the primary focus of POF will be to support the retention of qualified staff by enhancing wages and benefits and payments to home child care providers.

Guiding Principles for Providers

Providers should consider the following guiding principles when determining how to allocate their POF:

Enhance Wages and Benefits

- In 2016, POF will be used primarily to enhance the wages and benefits of eligible staff. This will help to ensure staff retention in the EYCC sector and support quality and continuity of programs.
- Providers are required to develop and communicate a transparent method to distribute funds to all eligible positions in a manner that is equitable and meets the needs of the organization.

Stability

- Providers should allocate POF in such a way to enhance the quality of the licensed EYCC program being offered.

Affordability

- Providers are encouraged to use POF to keep programs affordable for families.

Eligibility Criteria

To be eligible to receive POF, providers are required to satisfy the following requirements:

- Be a licensed child care provider (non-profit or for-profit) or licensed home child care agency in Peel Region and have reported May 31, 2016 operating capacity in the Region's EYCC Funds Management Technology System.
- Have met the following requirements by August 1, 2016 under Peel's new Funding and Policy Framework:
 - Engagement in continuous quality enhancement practices;
 - Inclusion of children with special needs by participating in Peel Inclusion Resource Services (PIRS); and
 - Inclusion of children in receipt of fee subsidy through a Purchase of Service Agreement.
- Be able to meet minimum wage and mandatory benefits requirements without funding from the Region of Peel.
- Have sound business management practices and be in good standing with respect to financial/contract reporting requirements for all funds provided by the Region of Peel.

Spending Parameters

Non-Profit Providers

Non-profit providers are required to use their POF allocation as follows:

1. Maintain 2015 wages/benefits investment based on previous Wage Improvement allocation; and
2. Any POF remaining once the above requirement has been met may be used to support other operating costs based on eligible expenses outlined in this guideline.

Note: A funding letter from the Region of Peel will outline each provider's interim 2016 POF allocation including the required wage/benefit amount per the above.

For-Profit Providers

For-profit providers are required to use their POF allocation as follows:

- Use a **minimum of 80%** of their POF allocation toward wages and benefits to maintain 2015 wage investments based on 2015 Wage Improvement allocation.
- Once the above requirement has been met, any remaining POF may be used to support other operating costs based on eligible expenses outlined in this guideline. Note this amount may not exceed a maximum of 20% of a for-profit provider's POF allocation as well as the following:
 - The other operating cost component (maximum of 20% POF allocation) is capped at a maximum of \$150,000 per provider.
 - This cap applies as one limit to all centres/agencies which are related in ownership (i.e. persons, partnerships or corporations which are parent, subsidiary or associated one to another) and/or owned by the same beneficial owner(s).
 - Any amount over the \$150,000 cap must be applied towards wages/benefits.

For-profit providers may not use their POF to contribute (directly or indirectly) to their surplus/profit/retained earnings, etc. All POF must be invested into the program in alignment to the outcomes and expenses outlined in this guideline.

Note: The POF funding letter from the Region of Peel outlines each provider's interim 2016 POF allocation including the required wage/benefit amount.

Staffing Descriptions

Positions that are **eligible** to receive the POF must be permanent full-time or part-time staff as follows:

- Supervisors
- Registered Early Childhood Educators (RECE)
- Early Childhood Assistants
- Director-approved Program Staff (take the place of an RECE)(e.g. Montessori Teachers)
- Cooks
- Bus Drivers
- Home Child Care Supervisors (supervise Home Child Care Visitors)
- Home Child Care Providers
- Home Child Care Visitors
- Owner/Manager - only for the time spent in another position (e.g. Supervisor) to support ratios, as per *Child Care Early Years Act, 2014* licensing standards.

In addition to the above list of eligible positions, supply staff (casual employment status) are also eligible to receive POF.

Ineligible positions include:

- Owners, who **do not** occupy another eligible position/title at the agency/organization
- Special Needs Resourcing Staff
- Maintenance or Janitorial Staff
- Clerical/Administrative Staff
- Summer Students
- Fee for service contracts (including Temporary Staffing Agencies)

POF may only be used to offset salary costs over and above a provider's regulatory requirements for [minimum wage and mandatory benefits](#). As of October 1, 2015, the minimum wage in Ontario is \$11.25 per hour. The Ministry of Labour has announced that rates will increase to \$11.40 per hour starting October 1, 2016.

Guidelines for Providers to Distribute POF to Staff

Providers are required to:

- Develop a transparent method of distributing POF to support wages/benefits to all eligible positions in a manner that is equitable and meets the needs of the organization;
- Communicate the distribution method to staff and obtain their signature acknowledging that they have been made aware of the method; and
- Report the distribution method/communication process to the Region of Peel.

The Region of Peel encourages providers to prioritize POF towards Registered Early Childhood Educators and eligible staff who are lower wage earners (e.g. the minimum wage) to support greater equity and poverty reduction. Examples of distribution methods that could be used include:

- Provide an equal amount of POF to all eligible staff;
- Provide premiums based on qualifications, seniority, and experience.

Eligible Expenses

The 2016 Interim POF will be used primarily to improve wages/benefits, and where funds allow, enhance programs and offset existing 2016 costs. This funding may be used for ongoing costs incurred between January 1, 2016 to December 31, 2016. Providers may use their POF allocation to offset some or all of the other operating costs as outlined in the Spending Parameter section of the guideline.

Eligible Expenses	
Expense Category	Description
Staff wages and benefits	Enhance wages and benefits of staff (over-and-above existing wages, and provider's regulatory requirements for minimum wage) including mandatory and non-mandatory benefits. Enhance payments to Home Child Care Providers. Providers are not required to distribute funding to former staff/providers who were previously employed with the agency in 2016.
Program related supplies and resources	Supplies, books and toys which support the development and curiosity of children and encourage exploration, play and inquiry e.g. art material, blocks, musical instruments, sensory material, etc.
Lease/rental costs, and utilities	Occupancy costs including: lease or property rentals and utilities including hydro, gas, waste management, water, etc.
Food/Nutrition	Grocery and catering costs, healthy eating consultations by registered dietitian for menu planning. Professional development for Home Child Care providers (e.g. healthy eating and menu planning)
Transportation of children in centre based programs	Vehicle lease, insurance and gas costs for vehicles used for the transportation of children.

Eligible Expenses	
Expense Category	Description
Audit costs resulting from Region of Peel reporting requirements	Incremental audit costs such as cost of utilization report, attestation letter, audited financial statements, etc. (incurred as a result of Region of Peel reporting requirements). Please note, detailed invoices may be requested to verify amounts claimed.

Ineligible Expenses

POF may not be used for the following expenses::

Ineligible Expenses	
Expenditure Category	Description
Staff reimbursements/costs	Retiring bonuses, gifts and honoraria paid to staff, staff (including Administrator or owner) travel costs, staff uniform costs, etc.
Debt costs	Principal and interest payments related to capital loans, mortgage financing, tax liabilities, and operating loans
Property taxes	Municipal taxes levies (Currently under Review by the Ministry of Education)
Non-arm's length transactions not transacted at fair market value	A transaction occurs at non-arm's length when it is between two individuals who are related by blood, marriage, common-law partnership or adoption. When this occurs, the transaction would require additional documentation to ensure it has occurred at fair market value
Professional organization fees and other fees	Fees paid as a condition of employment such as annual membership fees for the College of Early Childhood Educators and vulnerable sector/criminal reference checks. Others fees include Ministry of Education licensing, playground inspection/water lead sampling, and Food Handler certificate costs
Costs supported through other Region of Peel Funding streams	Repairs and Maintenance costs, Training and Professional Education, Transformation and Mitigation Funding

Note: this is not an exhaustive list and any other expenditure not listed under the allowable expenses section is considered non-admissible.

For questions about eligible and ineligible expenses, please email EarlyYearsSystemDivision@peelregion.ca.

Reconciliation and Reporting Requirements

Overview

The Region of Peel will monitor POF expenses, benchmarks, and outcomes through a review of:

- 2016 Reconciliation and Reporting package;
- Board of Directors/Owner Attestation Letters, verified by a certified Accountant as required; and
- Un-Audited or Audited Financial Statements as part of the annual reporting requirements.

The reconciliation and reporting package and all required documentation will be due to the Region of Peel **in the first quarter of 2017**. Further information regarding 2016 POF reporting requirements will be communicated at a later time.

Note: As the Board of Directors/Owner Attestation and verification by a certified Accountant are new requirements in 2016, providers will receive a template of these documents in advance of the 2017 reporting due date.

Reporting

Providers are required to submit an annual reconciliation package outlining how they have used their 2016 POF allocation which includes:

- Report on actual expenditure according to identified eligible expenses:
 - Salaries, wages and benefits
 - Payments to providers
 - Program related supplies and resources
 - Occupancy costs including: lease or property rental costs, and utilities
 - Food/nutrition
 - Transportation of children
 - Audit Costs will be covered for incremental audit costs as a result of Region of Peel reporting requirements. Audit cost must be paid or accrued for the current fiscal year audit cost. The Region may request detailed invoices to verify amounts claimed.
- Report the number of eligible Full-Time Equivalent (FTE) staff supported in the following positions:
 - Registered Early Childhood Educators
 - Director-approved from the Ministry of Education – this category includes positions that may require a designation (i.e. RECE) however the ministry has provided specific approval through licensing for someone without a designation to act in that position (e.g. Montessori Teachers).
 - Early Childhood Assistants (without an RECE)
 - Non-program staff
- Report annual staff wages for each of the eligible positions that have received funding.

- Report the distribution method and communication process used to disburse funding to all eligible staff.
- Describe how funding was used to enhance wages and benefits to support the retention of qualified staff as well as, support the affordability and viability of child care programs through funds allocated toward other operating costs.
- In addition to reporting on how funding was used to support staff wages, Licensed Home Child Care Agencies are required to report:
 - The number of self-employed child care providers
 - POF payments to providers

2016 Required Documentation

Providers are required to submit/complete the following:

1. Audited Financial Statements or Un-audited Financial Statements
2. Attestation Letter (from either Board of Directors/Owner) verified by a Certified Accountant, where required
3. Upon request, distribution method signed by all eligible staff noted in POF guideline

If a provider receives funding which total is equal to or **less than \$150,000** based on a combination their Historical Allocation, POF, Mitigation Fund, Wage Improvement, Fee Subsidy and Pay Equity, at a minimum, they must provide:

1. Un-Audited Financial Statements, including a sub-schedule that breaks down information by site, if a multiple site provider; and any accompanying notes.
2. Attestation Letter (template will be provided) from Board of Directors/Owner to validate funds did not contribute to a funding surplus (for-profit only) and that the provider developed and communicated a methodology to distribute funding to staff.

If a provider receives funding which total is equal to or **greater than \$150,000** based on a combination of their Historical Allocation, POF, Mitigation Fund, Wage Improvement, Fee Subsidy and Pay Equity, they must provide:

1. Audited Financial Statements, including a sub-schedule that breaks down information by site, if a multiple site provider; and any accompanying notes.
2. Attestation Letter (template will be provided) from Board of Directors/Owner, verified by a certified Accountant to validate funds did not contribute to a funding surplus (for-profit only) and that the provider developed and communicated a methodology to distribute funding to staff.

Upon request, provide the Region of Peel with a copy of the distribution method including staff signatures acknowledging the approach was communicated to them.

Note:

- Financial Statements are due to the Region of Peel no later than 4 months following the end of the provider's fiscal year end.
- The Region of Peel prefers that providers submit Audited Financial Statements if they are available regardless of the amount of funding provided by the Region.

Information Updates

Providers are required to report any significant increase or decrease in service levels (see Appendix 1) and/or staffing for all age groupings that are not temporary in nature by email at EarlyYearsSystemDivision@peelregion and notify your Early Years Specialist (EYS) as soon as the change is known.

In the event the funds are not used for the purpose intended, or if there are unspent funds or a closure of an agency, all 2016 POF funds must be returned to the Region of Peel as outlined in the Ontario Child Care Service Management and Funding Guideline 2016.

Audit Approach

Service providers are not required to submit receipts/invoices as part of their POF reconciliation; however, please ensure your agency is prepared to provide this documentation in the event they are requested by the Region of Peel.

As part of both the Provincial and the Region of Peel funding verification processes, providers are required to keep all original receipts/expenditure documentation for a minimum of 7 years.

Through the Region of Peel's audit selection process, service providers may be contacted to complete a review of the POF expenses identified in your annual Reconciliation Report.

Note: The Region of Peel may conduct site visits to confirm that funding was used for the approved purpose(s).

Appendix 1 – POF Model

The POF is:

- Based on a points system that is responsive and predictable
- Reflects the relative cost associated with providing programs for younger age groups
- Prioritizes infant, toddler and preschool age groups
- Based on updated enrolment data collected as of May 31, 2016 to reflect the current system in peel region
- Prioritizes non-profits providers, as per Provincial policy

The POF allocation is based on two components:

1. The *main component of POF* is determined through a points system which factors in:
 - The number of hours a day the program operates;
 - The number of months a year the program operates; and
 - The operating capacity of the program.
2. Providers may receive additional POF through *priority grants*. Working with its community partners, the Region of Peel has identified two priority grants at this time:
 - Infant and Toddler Space Incentive – Infant and toddler programs will receive additional funding based on the Provincial requirements for staff to child ratio.
 - Non-profit Incentive – per Provincial policy, non-profit providers have been prioritized for funding through the General Operating Fund and will receive additional POF through this priority.

POF Points System

- Uses a calculation based on the operating capacity and the number of points per space
- Points increase to reflect the higher costs of the ratio of adult to child in infant and toddler age groups

Program	Age Groups	Points per Space	X	Operating Capacity
Centre Based	Infant	36		
	Toddler	24		
	Preschool	15		
	Kindergarten	0		
	School Age	0		
Home Child Care	Average daily enrollment	11.5		Average Monthly Enrollment

POF Definitions

- a) **Operating Capacity:** The number of children the program is staffed for on an ongoing basis. Operating capacity may be less than licensed capacity; however, cannot exceed the licensed capacity.
- b) **Number of Months/Hours of Care:** The number of months the program operates in a year for each age group. For shorter programs, such as part-time kindergarten or school-age care, the hours of care and number of months will vary based on the program.

Statutory holidays should be included in both the enrolment days and operating days.

- c) **Range:** The range is based on the number of hours the program operates in a week.

Number of Operating Hours	Assigned Range
1 – 9 hours per week	8
10 – 19 hours per week	4
20 – 30 hours per week	3
31 - 39 hours per week	2
39 or more hours per week	1

- d) **Points per Space:** The number of points assigned to each age group. The dollar per point value of will be assigned by the Region.

e) Licensed Centre Based calculation:

$(\text{Operating Capacity} \times \text{Points per Space} \times \text{Months Open}) / (\text{Divided by Range}) = \text{Total POF points}$

Total POF points x \$ per point = POF funding allocation (*main component*)

f) Licensed Home Child Care calculation is based on:

- i. the number of contracted home child care providers
- ii. the average daily enrolment for the previous 12 months (Total # of actual days of service provided in the previous 12 months divided by total # of operating days in the previous 12 months).

g) Home Child Care Funding Calculation:

Average daily enrolment in previous 12 months x points per space x # of months open = total POF points.

Total POF points x \$ per point = POF funding allocation (*main component*)

Appendix 2 - Early Years Specialists (EYS) Contact List

<p>Early Years Programs - for program or Special Purpose funding related inquiries, please contact your Early Years Specialist (EYS) at 905 791-1585 or email us at EarlyYearsSystemDivision@peelregion.ca.</p>		
Filomena LoRusso	ext. 8306	Filomena.LoRusso@peelregion.ca
Haseena Oomar	ext. 8303	Haseena.Oomar@peelregion.ca
Keri Valade	ext. 7176	Keri.Valade@peelregion.ca
Laura Cina	ext. 8789	Laura.Cina@peelregion.ca
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Meg Renwick	ext. 8264	Meg.Renwick@peelregion.ca
Shelley Ramsay	ext. 3843	Shelley.Ramsay@peelregion.ca
Tracy Hoy	ext. 8781	Tracy.Hoy@peelregion.ca
Vincent Custodio	ext. 5849	Vincent.Custodio@peelregion.ca
Cindy McCullough - Supervisor	ext. 3849	Cindy.McCullough@peelregion.ca
Sandra Santos – Supervisor	ext. 8692	Sandra.Santos@peelregion.ca
<p>If you are unsure of which EYS to contact, please email us at EarlyYearsSystemDivision@peelregion.ca</p>		
<p>Purchase of Services Agreement - for information related to your agreement or payments, please contact us at zzg-ibspachscontracts@peelregion.ca</p>		
<p>Fee Subsidy Program – for information on the fee subsidy program, please contact your Children’s Services Worker (CSW). If you are unsure of which CSW to contact, please call us at 905-791-1585.</p>		
<p>Peel Inclusion Resource Services - for information on supporting children with special needs in licensed child care, please speak with your Resource Consultant or contact us at PIRS@peelregion.ca or 905-791-7800, ext. 7627.</p>		
<p>EYCC Funds Management Technology – for technical advice or support with issues (log-in or system errors), please contact us at EYCCTechnologySupport@peelregion.ca or 905-793-4234.</p>		

Revised May 2017