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# **General Operating Fund**

## **Interim 2019 Guideline**

### **Peel Region Licensed Child Care Providers Centre-Based Programs**

**Early Years and Child Care Services**

**Updated: March 11, 2019**

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## SECTION 1: INTRODUCTION

This interim guideline provides licensed child care providers with key information regarding the Region of Peel 2019 interim General Operating Fund (GOF) approach.

At this time, the Region of Peel has not received details regarding its 2019 funding allocation and guideline from the Province. To support system stability during this transitional period, the Region will continue GOF monthly payments until further notice for:

- Staff Wages and Benefits
- Rate Reduction Operating Grant
- Historical Allocation
- Administration Funding

The Region will provide further updates once the Province provides more information in the spring of 2019.

### Objective and Overview

The objective of GOF is to improve access to high quality affordable early years and child care services for families in Peel by:

- Fostering the retention of qualified staff by enhancing wages and benefits; and
- Improving affordability of child care to support access for younger children.

2019 Interim General Operating Fund Components		
Components	Priorities	Outcomes
Staff Wages and Benefits	Foster a Thriving Workforce	Reduce the wage gap between Early Childhood Educators working in licensed child care settings and school boards. Enhance staff wages and benefits above mandatory requirements.
Rate Reduction Operating Grant	Improve Affordability	Reduce fees for families.
Repairs and Maintenance	On hold pending further information from the Province	
Historical Allocation	Foster a Thriving Workforce	Maintain previous staff wage/benefit grants (if applicable).
Administration Funding	Offset a portion of incremental audit and administration expenses.	

## SECTION 2: ELIGIBILITY CRITERIA

To be eligible to receive 2019 Interim GOF, providers are required to satisfy the following requirements:

1. Be a licensed child care provider in Peel Region with a signed EYCC Services Fee Subsidy and Funding Agreement dated on or before:
  - a. **October 31, 2017** for GOF Staff Wages and Benefits
  - b. **October 31, 2018** for GOF Rate Reduction Operating Grant

**Note:** The Region has not yet received information on its EYCC allocation from the Province. Once provincial allocations are received, eligibility dates for GOF Staff Wages and Benefits and/or GOF Rate Reduction Operating Grant may be reassessed based on availability of funds and Regional policy. Non-profit providers and programs supported through provincial/regional capital funding investments will be prioritized.

2. Meet the Region's Authentic Participation requirements:
  - a. Inclusion of children in receipt of fee subsidy;
  - b. Continuous quality enhancement; and
  - c. Inclusion of children with special needs by participating in Peel Inclusion Resource Services.
3. Meet minimum wage and mandatory benefits requirements **without** utilizing GOF or other provincial funding (except for Fee Stabilization Support);

*As of January 1, 2019, providers who use GOF (salaries, wages and benefits and /or historical allocation) or WEG to support the minimum wage of \$14.00 per hour and/or to pay for mandatory benefits, will not be eligible to receive GOF and/or WEG.*



4. Submit revised market rate schedules at least sixty (60) days before market rate changes come into effect.

**Note:** In order to ensure that rate reduction targets are sustained, the Region will continue to closely monitor market rate schedules. Providers who significantly increase their market rates above the Cost of Living may not be eligible to continue to receive GOF. The Region will contact providers whose market rate increase significantly impacts the GOF rate reduction targets to discuss their ongoing eligibility for GOF.

5. Have sound business management practices.
6. Be in good standing with respect to financial/contract compliance and reporting requirements for all funds provided by the Region including the 2018 Reconciliation

Report(s). This requirement might **impact provider eligibility** for all EYCC funding programs.

7. Historical Allocation is available to providers who previously received the former Wage Subsidy in 2015.

## Change in Operator, Transfer, Sale or Closure

In the event of:

- A shares transfer, a new provider will be eligible to receive GOF if the licence date remains unchanged.
- An asset sale or for any reason a new licence is issued, the provider may be considered ineligible to receive GOF.
- A program ceases to operate, the Region at its discretion may prorate the agency's GOF allocation. The provider will be required to work with the Region to ensure GOF is used for its intended purpose.

**Note:** The Region reserves the right to review continued eligibility of GOF on a case by case basis.

## SECTION 3: ELIGIBLE EXPENSES

**New in 2019!** Providers may not use GOF to support other operating expenses and/or budgeted wage compression

2019 Interim GOF Eligible Expenses	
Expense Category	Description
<b>Staff Wages and Benefits</b> (use as per 2018 GOF Funding Distribution Plan)	
Staff wage enhancement	<ul style="list-style-type: none"> <li>• Continue to enhance licensed child care program staff wages (over-and-above existing minimum wage requirements).</li> <li>• Continue to support incremental employer mandatory benefit costs that result from GOF wage enhancements.</li> </ul>

2019 Interim GOF Eligible Expenses	
Expense Category	Description
Staff benefit enhancement	<ul style="list-style-type: none"> <li>Continue to implement or enhance <b>non-mandatory</b> benefits e.g. basic health and retirement plan. Workplace benefits enhance job satisfaction and are a critical component in successful staff retention. A benefits package that includes a group retirement plan is proven to attract and retain employees in Canada.</li> <li>Continue to offset the employee or employer portion related to a <b>non-mandatory</b> benefit plan.</li> </ul>
<b>Rate Reduction Operating Grant</b>	
Fee Reduction	<ul style="list-style-type: none"> <li>Continue to reduce the daily child care fees for families of eligible children born on or after January 1, 2015, as follows: <ul style="list-style-type: none"> <li><b>\$12.00</b> per day for full-day care (six hours or more per day)</li> <li><b>\$ 6.00</b> per day for part-day care (fewer than six hours per day)</li> </ul> </li> </ul>
<b>Historical Allocation</b>	
Staff Wages & Benefits	<ul style="list-style-type: none"> <li>Improve the wage and benefits of eligible staff working in a licensed child care program (over-and-above existing wages and regulatory requirements for minimum wage and mandatory benefits).</li> <li>Staff should not receive less than what they received in 2015 Wage Subsidy payments.</li> </ul>
<b>Administration Funding</b>	
Audit/ Administration/ Bookkeeping costs	<ul style="list-style-type: none"> <li>Combined incremental audit and administration/booking costs incurred to administer Region of Peel funding or reporting requirements i.e.: <ul style="list-style-type: none"> <li>Audit costs</li> <li>Administration/bookkeeping costs related to Regional requirements</li> </ul> </li> </ul>

Expenditures not listed on the table above are considered ineligible. See Appendix II for examples of ineligible expenses. For questions about eligible and ineligible expenses, please email [EarlyYearsSystemDivision@peelregion.ca](mailto:EarlyYearsSystemDivision@peelregion.ca)

## SECTION 4: GOF - STAFF WAGES AND BENEFITS (SWB)

### Eligible Positions

The table below provides a breakdown of GOF - SWB eligible and ineligible positions:

Eligible permanent full-time or part-time positions in licensed child care programs	Ineligible positions
<ol style="list-style-type: none"> <li>1. Supervisor</li> <li>2. Assistant Supervisor</li> <li>3. Registered Early Childhood Educators (RECE)</li> <li>4. Program staff without ECE</li> <li>5. Director-approved program staff (take the place of an RECE e.g. Montessori Teachers)</li> <li>6. Staff that support the preparation/delivery of meals and snacks (e.g. cooks, housekeeping staff, etc.)</li> <li>7. Bus Drivers</li> <li>8. Supply staff (regular casual employment status)</li> <li>9. Permanent summer staff that work for numerous weeks each year to cover ratios</li> </ol>	<ol style="list-style-type: none"> <li>1. Owners/Operators, who <b>do not</b> occupy another eligible position at the agency</li> <li>2. Administrators</li> <li>3. Clerical staff</li> <li>4. Special Needs Resourcing Staff</li> <li>5. Janitorial staff</li> <li>6. Maintenance Staff</li> <li>7. Summer Students</li> <li>8. Fee for service contracts (including Temporary Staffing Agencies)</li> </ol>

### For-Profit Owners/Operators Eligibility

Owners/Operators in a supervisor role or in another position to **support ratios** are eligible to receive at a maximum an amount equal to the **average enhancement amount** distributed to staff. This amount will be **prorated** according to the amount of time the Owner/Operator spends in that role. The total eligible amount is the maximum allowed regardless of the number of Owners/Operators. Owners/Operators have the option to accept the allocation or flow the funding back into the program to further enhance staff wages.

**For example:** Provider 'A' received \$20,000 to support staff wages and benefits. The average amount distributed to staff as an **enhancement** equaled \$2,500. Based on the average, the Owner/Operator in a full-time supervisor role is eligible to receive a maximum of \$2,500 as automatically calculated by the Funding Distribution Plan. If the Owner/Operator supports ratios 50% of the time they would be eligible to receive \$1,250.

### Distribution to Staff

Until further notice, providers are required to continue to use their approved 2018 GOF distribution plan to allocate funding to staff. Since the Interim 2019 GOF staff and wages

approach is a continuation of 2018's, a new Staff Communication Letter is not required.

## **Increases in Staff Complement**

Increases in staff complement will not result in an increase in GOF funding. To ensure that GOF objectives are met, providers that experience an increase in staff complement are required to reallocate existing funds among their staff.

Providers whose staff complement has increased are required to:



1. Contact their Early Years Specialist
2. Complete the *GOF template change request document* to update their existing 2018 GOF distribution plan.

Early Years Specialists will review and approve the requested changes within five (5) business days of the provider's submission and will inform providers on how to use their staff wages/benefits allocation to align with Regional Priorities.

## **Payment to Staff**

Until advised otherwise, providers are required to:

1. Continue to distribute funding to eligible staff as part of the regular payroll process (e.g. biweekly/monthly). One time and/or cash payments are not permitted.
2. Include a 'General Operating Fund' notation and the amount payable on **each** paystub. Providers without an automated payroll system are required to provide eligible staff with a letter describing their GOF gross and net entitlement.

## **SECTION 5: GOF RATE REDUCTION OPERATING GRANT**

The Rate Reduction Operating Grant is intended to reduce providers' market rate schedules for families of eligible children birth to age four (not of age to attend publicly funded kindergarten) by the following amounts:

2019 Centre-Based Daily Rate Reduction Amounts		
Age Group	Full-Day Rate Reduction (6 hours or more per day)	Part-Day Rate Reduction* (Less than 6 hours per day)
Infant	<b>\$12.00</b>	<b>\$6.00</b>
Toddler		
Preschool ( <i>born on or after January 1, 2015</i> )		

\*The part-day rate reduction applies to half-day programs e.g. nursery school programs. Children who attend full day programs but on a part time basis are eligible for the full-day rate reduction for the days they attend.

Ongoing sustainability of the Child Care Rate Reduction Grant is dependent on the Province of Ontario 2019 funding to the Region of Peel. The Region is committed to continuing the Rate Reduction Grant on a monthly basis until more information is known from the Province regarding the Region's 2019 funding allocation and guideline.

## Communication Requirements

UPDATE

Providers are required to:

- Clearly communicate to parents any changes to the rate reduction program, their rate schedules and the portion offset by the Region of Peel within the timelines provided by the Region.
- Have posted the *Updated Parent Notice* on their parent board(s) by **March 8, 2019**. Please refer to the memorandum *Update on 2019 Early Years and Child Care (EYCC) Funding Programs* and attached documents issued on February 28, 2019.

## Providers that chose to issue a monthly reimbursement

In addition to the general requirements, providers that chose to issue a monthly fee reimbursement are required to:



- Obtain proof of monthly reimbursement to parents (see [accountability measures](#)).
- Maintain the full \$12 or \$6 per day reimbursement amount. Therefore, provider's discounts (e.g. multiple children discount, early bird discount etc.), must be applied before families' monthly reimbursement.

## Payment to Families

Providers are required to continue their current practice of either charging the revised reduced rates or issuing a monthly fee reimbursement at the beginning of the month to full fee families.

**Note:** Beginning January 1, 2019, the \$12/\$6 per day that was removed from providers' municipal rate schedules (Schedule A1) has been added back. This means that:

- The Rate Reduction Operating Grant only applies to full-fee families.
- Providers will no longer receive a portion of their fee subsidy payments through GOF.

- Families in receipt of fee subsidy are **not eligible** to receive a reimbursement or rate reduction and are required to pay their parental contribution as stated on their *Confirmation of fee assistance* letter.

## SECTION 6: APPROVAL AND PAYMENT TO AGENCIES

The Region will issue an amending agreement temporarily extending the Early Years and Child Care Services Fee Subsidy and Funding Agreement (GOF- Salaries, Wages and Benefits, Rate Reduction Operating Grant, Historical Allocation and Administration Funding as applicable) to ensure that monthly GOF payments can be continued after March 31, 2019.

Upon receipt of a signed amending agreement, the Region will issue 2019 GOF at the beginning of each month **until further direction is provided by the Province**. Agencies should refer to their funding agreement to confirm their interim monthly allocation.

**Note:** Failure to submit the signed amending agreement by **March 20, 2019** will result in delayed payments.

## SECTION 7: ACCOUNTABILITY MEASURES

To ensure GOF is used for its intended purpose and in accordance with Regional and Provincial requirements, the following accountability measures have been implemented:

1. In-year reporting requirement.
  - Providers may be required to submit actual and projected enrollment, staff wages, and any other information necessary to support funding received from the Region.
2. Proof of Payment to Staff
  - Providers may be required to provide copies of staff payroll records, T4 statements and pre-and-post GOF paystubs.
3. Proof of Reimbursement to Parents (applicable to monthly reimbursements)
  - Providers that chose to issue a monthly reimbursement to parents are required to obtain monthly written confirmation from parents indicating that they have received a refund of the portion of their fees that were offset by GOF.
  - The Region will provide an updated Parent Refund Acknowledgement template upon request to support providers with obtaining parent confirmation.
  - Providers must keep this documentation on file for 7 years as the Region may conduct random audits to ensure funding was utilized as per Regional requirements.
4. The Region will implement random audits of provider's use of 2019 GOF. Additional reporting or audit requirements may be implemented on a case by case basis.

5. Providers who submit a Rate Increase Request are prohibited from including costs offset by GOF or any other Regional Funding. Providers will be required to provide additional documentation if a rate increase request exceeds the Cost of Living.
6. The GOF must be used for its intended purpose. Non-profit providers may not use their GOF allocation to contribute (directly or indirectly) to their reserves. For-profit providers may not use their GOF allocation to contribute (directly or indirectly) to their surplus/profit/retained earnings, etc. All GOF must be invested into the program in alignment to the outcomes and requirements outlined in this guideline.

**Note:** In the event the funding was not used for the purpose intended, or if there is unspent funding or a closure of an agency, all GOF funding must be returned to the Region.

## SECTION 8: RECONCILIATION AND REPORTING REQUIREMENTS

### Reconciliation Report

Providers are required to submit a Reconciliation Report. The Region will be communicating Reconciliation Reporting requirements once available.

### Financial Statements

Providers are required to submit/complete audited financial statements or un-audited financial statements according to the following criteria:

- a) Providers that receive funding equal or greater than **\$20,000** and less than **\$150,000** in their fiscal year based on a combination of funding types listed below are required to provide financial statements; however, they can be un-audited statements. The financial statements should include comparative figures from previous years and a sub-schedule that breaks down information by site, if a multiple site provider; and any accompanying notes within the prescribed timelines.
- b) Providers that receive funding equal to or greater than \$150,000 in their fiscal year based on a combination of the funding types listed below are required to provide audited financial statements, including a sub-schedule that breaks down information by site, if a multiple site provider; and any accompanying notes within the prescribed guidelines.

#### Funding types that count towards the audited financial statement threshold (\$150,00.00):

- Fee Subsidy Funding
- Pay Equity Funding
- General Operating Funding – All components excluding *Repairs and Maintenance* and *Rate Reduction Operating Grant*
- Mitigation Funding
- Program Support Funding for Special Needs Resourcing in Before-and After School Programs
- Canada-Ontario Early Learning and Child Care Capital Funding

- Community-Based EYCC Capital Program Funding
- Access Funding
- Capacity Building Funding

**Notes:**

1. Financial Statements are due to the Region of Peel no later than 4 months following the end of the provider's fiscal year end.
2. The Region of Peel strongly encourages that providers submit Audited Financial Statements if they are available regardless of the amount of funding.
3. The Region may add and/or remove funding types to be counted towards the audited financial statement threshold as it deems necessary and subject to provincial funding.

**Financial Annual Information Return (FAIR)**

As of 2019, providers are required to submit a complete Financial Annual Information Return (FAIR) template along with their audited or un-audited financial statements. This requirement applies to providers with a fiscal year that ends on or after December 31, 2018.

For more information about the FAIR, providers should refer to the ["Early Years and Child Care Services Financial Annual Information Return Guideline"](#).

**Audit Approach**

The Region may conduct site visits to confirm that funding was used for the approved purpose(s). As part of both the Provincial and the Regional funding verification processes, providers are required to keep all original documentation for a minimum of 7 years. Through the Region of Peel's audit selection process, providers may be contacted to complete a review of the GOF identified in their Annual Reconciliation Report.

**SECTION 9: LATE FILING OF REQUIRED DOCUMENTS**

Non-compliance occurs when providers fail to submit required information/documents in the time or manner prescribed in this Guideline and/or your EYCC Services Fee Subsidy and Funding Agreement. When non-compliance is identified, the Region will take the following steps:

# Days after deadline	The Region ....
30 or less	Will send a formal communication advising of non-compliance. Additional measures may follow.
Between 31 and 60	Implements progressive penalties: <ul style="list-style-type: none"> <li>• Stop payments related to required documents (i.e. late submission of audited financial statements will impact GOF and Fee Subsidy payments)</li> <li>• Stop fee subsidy placements</li> </ul>
61 or more	May terminate EYCC Services Fee Subsidy and Funding Agreement

## SECTION 10: CONTACT US

If you require additional information or have questions about the 2019 Interim General Operating Fund, please contact your Early Years Specialist or [EarlyYearsSystemDivision@peelregion.ca](mailto:EarlyYearsSystemDivision@peelregion.ca).

## APPENDIX I – GOF 2019 INTERIM ALLOCATION APPROACH

*The purpose of the GOF 2019 Interim Allocation is to support system stability by maintaining existing investments **on a month-to-month basis** to foster a thriving workforce and support affordability for families pending provincial direction.*

### Staff Wages and Benefits

The interim 2019 allocation is based on the approved amount allocated to SWB **enhancements only**, as per the approved 2018 GOF distribution plan. Providers should refer to their 2019 amending agreement(s) to confirm their interim monthly allocation.

**Note:** Increases in staff complement will not result in an increase in funding. Providers whose staff complement has increased, should refer to the [Increases on Staff Complement](#) section.

### Rate Reduction Operating Grant

The Rate Reduction Operating Grant provider allocations will be based on: specific daily rate reduction targets, full-fee enrollment projections for December 2018 (submitted as part of the 2018 Interim GOF Reconciliation Report) and the number of billable days per month.

Specific daily rate reduction targets:

- Full-day care (\$12/day)
- Part-day care (\$6/day)

X

Projected enrollment of full fee families for Dec 2018

*(Submitted as part of the 2018 Interim GOF Reconciliation Report)*

X

Number of billable days for the month.

**Note:** Providers should notify their Early Years Specialists of any significant changes to their enrollment as soon as these changes are identified.

## APPENDIX II – INELIGIBLE EXPENSES

2019 Interim GOF Ineligible Expenses	
Expense Category	Description
1. Program supplies and resources	<ul style="list-style-type: none"> <li>Program supplies and resources i.e.: commercial grade 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.</li> </ul>
2. Nutrition and meals for children	<ul style="list-style-type: none"> <li>Grocery, catering and menu programs in alignment with: <ul style="list-style-type: none"> <li>Ontario Dietitians in Public Health's (ODPH) <i>Menu Planning &amp; Supportive Nutrition Environments in Child Care Settings Practical Guide</i> (<a href="https://www.odph.ca/child-care-resources">https://www.odph.ca/child-care-resources</a>)</li> <li>Health Canada's <a href="#">Eating Well with Canada's Food Guide</a>; and</li> <li><a href="#">Nutrition for Healthy Term Infant for birth to six months and six to 24 months</a>.</li> </ul> </li> <li>Healthy eating and/or menu planning consultations by a Registered Dietitian.</li> </ul>
3. Occupancy costs	<ul style="list-style-type: none"> <li>Lease/property rentals and utilities including hydro, gas, waste management, water, sewer, telephone.</li> </ul>
4. Staff reimbursement/costs	<ul style="list-style-type: none"> <li>Retiring bonuses, gifts and honoraria paid to staff, staff (including Administrator or owner) travel costs, staff uniform costs, etc.</li> <li>Staff not employed in a licensed child care program.</li> </ul>
5. Impacts related to <a href="#">The Fair Workplaces, Better Jobs Act, 2017 (Bill 148)</a>	<ul style="list-style-type: none"> <li>Legislative employment and labour law requirements.</li> </ul>
6. Debt costs	<ul style="list-style-type: none"> <li>Principal and interest payments related to capital loans, mortgage financing, tax liabilities, and operating loans.</li> </ul>
7. Transportation of children in centre-based programs	<ul style="list-style-type: none"> <li>Vehicle lease, insurance and gas cost for vehicles used for the transportation of children.</li> </ul>
8. Property taxes	<ul style="list-style-type: none"> <li>Municipal taxes levies (currently under review by the Ministry of Education).</li> </ul>
9. Non-arm's length transactions not transacted at fair market value	<ul style="list-style-type: none"> <li>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.</li> </ul>
10. Professional organization, franchise, management and other fees	<ul style="list-style-type: none"> <li>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. Other fees include Ministry of Education licensing, playground inspection/water lead sampling, and Food Handler Certificate costs.</li> <li>Franchise fees</li> <li>Management fees paid to companies to support operations e.g. supply and equipment costs.</li> </ul>
11. Costs supported through other Region of Peel Funding streams	<ul style="list-style-type: none"> <li>Training and Professional Education, Wage Enhancement Grant, Transformation, Mitigation Funding, etc.</li> </ul>
<b><i>This list is not exhaustive. Any expenditures not listed under the allowable expenses section (p. 5) are non-admissible</i></b>	