

Operating Funding Guidelines 2019

Children's Services, Region of Waterloo



Region of Waterloo
COMMUNITY SERVICES
Children's Services

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Operating Funding Guidelines

General Information

In 2013 the Ministry of Education made a significant change to its funding formula towards the provision of child care. The major change to this new model is that previously segregated funding such as wage subsidy, wage enhancement, Best Start wage subsidy and Best Start wage improvement funding is now rolled into one, more flexible amount called the **general operating expense**.

The Ontario Child Care Service Management and Funding Guidelines state that:

“The purpose of the general operating expense is to support the costs of operating licensed child care programs in order to reduce wait times and fees for services, stabilize service levels, and (where funds allow), improve access to high quality affordable early learning and child care services for children and their families.”

As the Consolidated Municipal Service Manager (CMSM) Children’s Services, Region of Waterloo allocates the general operating expense to Child Care Operators as operating funding. This funding is comprised of **base funding** and **incentive grants**.

New – Allowable Expenditures Exemption

On November 27, 2017, Bill 148 (*The Fair Workplaces, Better Job Act*) received Royal Assent, bringing numerous changes to the *Employment Standards Act, 2000*. Recognizing that these changes may increase operating pressures for licensed child care operators in 2018 and 2019, the Region of Waterloo has made an interim exemption to the **Allowable Expenditures**. This exemption was new in 2018 and is continuing for 2019.

The exemption is such that, operators have increased flexibility to allocate 2019 Operating Funding among the allowable expenditures. Operators are **not required to meet the usual minimum of 80% of funding to be allocated toward staff wages and benefits**, provided that staff’s effective base hourly wages (including any previously allocated Operating Funding) as of December 31, 2018 do not decrease as a result of any reallocated Operating Funding. Refer to the **Allowable Expenditures** in these guidelines.

Base Funding

The base funding allocation is the main funding stream and is determined by the number of Full-Time Equivalent (FTE) staff at each agency. Each year a dollar amount per FTE will be determined by Children’s Services based on the total number of FTE’s in the ELCC system and the funds available. Operating funding is then calculated as follows:

- **Number of FTEs x \$ amount per FTE**

Refer to the **Staffing Descriptions and Eligibility** section of these guidelines for a listing of the positions included in the calculation for base funding.

Guiding Principles

Children’s Services has developed a set of guiding principles for operating funding that operators should consider when allocating their funding. These principles are not meant to be prescriptive, but rather serve as a guide and resource to help operators when considering how and what to allocate their funding towards.

Stability	Operators are strongly encouraged to use operating funding to support a stable ongoing operating and wage base, rather than allocating as lump sums.
Quality	<p>It is recommended that funding be allocated in such a way to enhance the quality of the ELCC program being offered. Elements of high quality programs that have a positive impact on young children’s development include:</p> <ul style="list-style-type: none"> - Highly-skilled staff, - Small class sizes and high adult-to-child ratios, - A language-rich environment, - Age-appropriate curricula, - Stimulating materials in a safe physical setting, - Warm, responsive interactions between staff and children.
Affordability	When possible, operators are encouraged to use funding to keep programs affordable for families and raise fees no higher than annual cost of living increases.
Qualified Staff	Operators are encouraged to hire Registered Early Childhood Educators (RECEs) whenever possible. Staff who are educated in early childhood development help to support high quality programs.
Inclusivity	Programs should strive to be inclusive, utilize Special Needs Resourcing supports, and serve naturally occurring populations whenever possible.
Salary Equity / Benchmark	Operators are encouraged to use funds to enhance the wages of Program Staff. This will help to ensure that wages are more equitable with other professions.

Eligibility

To be eligible for funding, operators must:

- Have a current license from the Ministry of Education to operate a child care centre or home child care agency;
- Have a current Service Agreement with the Region of Waterloo;
- Participate in the Region's Quality Initiatives Program;
- Enrol children with special needs; and
- Enrol children whose parents are receiving child care subsidy.

Eligibility for New Service Providers

To mitigate the risks associated with funding decreases in 2020, there will be minimal new and/or increased ongoing Operating Funding commitments in 2019. New child care programs operating in schools and/or receiving Provincial capital funding will be eligible to apply for operating funding, given there is designated Expansion funding in 2019 for this purpose. No other new applications for operating funding will be accepted in 2019. The freeze on other new applications for operating funding will be reviewed after funding details are known for 2020.

To be eligible for Operating Funding, new service providers must have a service and funding agreement signed with the Region of Waterloo. Additional requirements are outlined below.

New Head Office

A new head office is an operator who is opening a new centre or purchasing a centre from an existing operator. This is different from a new site/program of an existing operator (see below for more information).

Note: New head offices will only be eligible to apply for Operating Funding if the program is operating in a school and/or receiving Provincial capital funding in 2019 for this purpose.

Once a service and funding agreement is signed, new head offices are eligible to apply for Operating Funding. However, new Head Offices **will not** be eligible for incentive grants for their first year of operation (including if the centre they purchased was currently in receipt of incentive grants).

If there is no Operating Funding available when the operator applies, the operator will be placed on a waiting list for funding.

New Site

A new site is one operated by an existing operator who has a current Purchase of Service Agreement and Funding Contact with the Region of Waterloo. A new program would typically result from an operator opening a new site or expanding licensed spaces within an existing site.

Note: New sites will only be eligible to apply for Operating Funding if the program is operating in a school and/or receiving Provincial capital funding in 2019 for this purpose.

New programs/sites are eligible to apply for Operating Funding once they meet the eligibility criteria requirements detailed in the new **ELCC Service Providers Policy**. However, new programs may not be eligible for **all** incentive grant criteria.

Please contact the Region of Waterloo when opening a new site/program or expanding an existing program to inquire of available Operating Funding available for the expansion.

Staffing Descriptions and Eligibility

Positions that are included in the base funding calculation are:

- Directors / Managers (up to 1 position for single site organizations and up to 2 positions for multi-site organizations);
- Supervisors¹;
- Assistant Supervisors, for the time they spend in program supporting ratios;
- RECE Program Staff¹ (full-time and part-time, with regularly scheduled hours);
- Non-RECE Program Staff¹ (full-time and part-time, with regularly scheduled hours);
- Program Staff to take the place of an RECE¹ (otherwise approved); or
- Cook.

Positions that **are not** included are:

- Owners, even if they occupy another position/title at the agency;
- Administrative Staff (i.e., clerical, bookkeeper);
- Assistant Supervisors, beyond the time they spend in program supporting ratios;
- Casual Supply Staff; or
- Maintenance or Janitorial Staff.

The positions that are eligible to receive operating funding are listed below along with a description of each role. Where applicable, staffing descriptions have been drawn from the *Child Care and Early Years Act, 2014*.

- **Directors / Managers**

These positions involve the management of one or more child care centres, but do not involve working directly with children. **Owners and Admin Staff are not included.**

- **Supervisor**

This person has an ECE diploma and/or equivalent, is a member of the College of Early Childhood Educators, and has at least two years of experience working with children. This person is responsible for the day-to-day operations for one or more child care centres and may also be required to maintain ratios.

¹ As required to meet licensing requirements and ratios only

- **RECE Program Staff**
This person has an ECE diploma or equivalent and is a registered member of the College of Early Childhood Educators.
- **Non-RECE Program Staff**
This person provides supervision of children under the direction of a RECE.
- **Program Staff to take the place of an RECE (otherwise approved)**
This person is not a RECE but has received Director's Approval to take the place of an RECE. Typically this person would have related training or credentials (e.g., Montessori training).
- **Cook**
This person is responsible for purchasing groceries as well as preparing meals and snacks for the ELCC program.

Allowable Expenditures

Operating funding may be used for ongoing costs, including:

- **Staff wages and benefits;**
- Lease and occupancy costs;
- Utilities;
- Administration (to a maximum of 10% of total operating costs);
- Resources;
- Nutrition; or
- Supplies.

Operating funding may only be used to offset salary costs over and above an operator's regulatory requirements for minimum wage and mandatory benefits. As of January 1, 2018 the minimum wage in Ontario is \$14.00 per hour. More information on minimum wage can be found online on the [Province of Ontario website](#).

To provide operators with greater flexibility to allocate 2018 and 2019 Operating Funding as needed, the Region of Waterloo has made an interim exemption to allowable expenditures.

The exemption is such that, operators have increased flexibility to allocate 2019 Operation Funding among the allowable expenditures listed above. Operators are **not required to meet the usual minimum of 80% of funding to be allocated toward staff wages and benefits**, provided that staff's effective base hourly wages (including any previously allocated Operating Funding) as of December 31, 2018 do not decrease as a result of any reallocated Operating Funding.

Operating funding may **NOT** be used toward the following expenditures.

Administration Expenditures

Administration expenditures (i.e. fees) incurred by the ELCC Operator are inadmissible when expressed solely in terms of a percentage of program expenditures. (Only actual expenditures incurred for program administration can be an admissible expense up to a maximum of 10% of total operating costs.)

Amortizations

Amortizations, tangibles and intangibles are not allowable expenses for use of funding.

Appropriations

Appropriations (i.e. charges to reserves or allowances)

Interest on Operating Loans

Interest on Operating Loans is an inadmissible expense.

Pension Expense

Pension expenses are an employer's expense (accruals) for the company's pension plan during a period. They are non-cash item hence are inadmissible. For more information on Pension Contributions, see below.

Professional Organization Fees

Fees paid on behalf of staff for membership in professional organizations as a condition of employment are inadmissible expenditures.

Provisions for Unused Vacation/Sick Leave, Wage Settlements

Provisions or reserve funds for unused vacation/sick leave, wage settlements are inadmissible expenditures. The costs become an admissible expenditure when the actual payments are made.

Provisions for Repairs or Replacements

Provisions for Repairs or Replacements is an inadmissible expense.

Provisions for Bad Debts

Provisions for Bad Debts is an inadmissible expense.

Retainer Fees

Fees paid as a retainer to have legal or other professional services available on a standby basis are inadmissible expenditures. Reasonable fees for services rendered are admissible expenditures.

Additional admissible expenditures include:

Bonuses, Gifts and Honoraria

Bonuses (including retiring bonuses), gifts and honoraria are admissible expenditures when paid to staff on the condition that the value is reported on the employee's annual T4. Bonuses, gifts and honoraria are inadmissible expenditures when paid to Board members.

Replacement Expenditures

Expenditures for the replacement of furniture, equipment are admissible.

Reporting Requirements

Operators will be required to submit the following documentation to Children's Services as a requirement of receiving operating funding. These documents are used to determine eligibility, establish funding allocations, audit how funding has been spent, ensure financial integrity, and monitor compliance with Provincial and Municipal policies and procedures.

Other Requirements

If a program downsizes or closes during the funding year, Children's Services must be notified. Any unspent funding must be declared surplus on the Funding Utilization Statement at the end of the funding year and will be recovered by Children's Services.

Programs are subject to review and/or audit upon Children's Services request and must provide such information as deemed necessary by Children's Services, according to the articles of the Service Agreement.

Form Completion and Authorization

Applications, allocations, and utilization forms must be authorized by a signing authority at the organization. For non-profit organizations, signing authority is determined by the organization's by-laws. These individuals must be on record as signing authorities with Children's Services Administration for the form to be accepted.

Signing authorities must certify/verify that that the information in the form is correct and/or that funding was used for purposes intended as defined in the Operating Funding Guidelines. The misuse of Operating Funding and/or the falsification of information will require repayment of funds and may result in the termination of the operator's Service Agreement.