



Hamilton

Canada-Wide Early Learning and Child Care (CWELCC) Cost-Based Funding Model

Licensee Information Session – October 30, 2024

Land Acknowledgement

The City of Hamilton is situated upon the traditional territories of the Erie, Neutral, Huron-Wendat, Haudenosaunee and Mississaugas. This land is covered by the Dish With One Spoon Wampum Belt Covenant, which was an agreement between the Haudenosaunee and Anishinaabek to share and care for the resources around the Great Lakes. We further acknowledge that this land is covered by the Between the Lakes Purchase, 1792, between the Crown and the Mississaugas of the Credit First Nation.

Today, the City of Hamilton is home to many Indigenous people from across Turtle Island (North America) and we recognize that we must do more to learn about the rich history of this land so that we can better understand our roles as residents, neighbours, partners and caretakers.



Hamilton

INTRODUCTIONS

Agenda

What's new for 2025?

2024-2025 Timelines

Objectives & Principles

Overview of Cost Based Funding Approach

Accountability Framework

Tools and Resources

Next Steps

What's new for 2025?



On August 15th, 2024, the Ministry of Education released the 2025 Cost-Based Funding Guidelines, to be implemented January 1st, 2025



The Province is transitioning from a revenue replacement model to a cost-based funding approach to better reflect the true cost of providing child care



Licensees are encouraged to review the guidelines, watch the Ministry of Education's recorded webinar and become familiar with the estimator tool

Base Fee Reduction

March 27, 2022

- ✓ Daily base fees were frozen for CWELCC eligible age groups

April 1, 2022

- ✓ Fees reduced by 25%

December 31, 2022

- ✓ Fees reduced by 52.75%

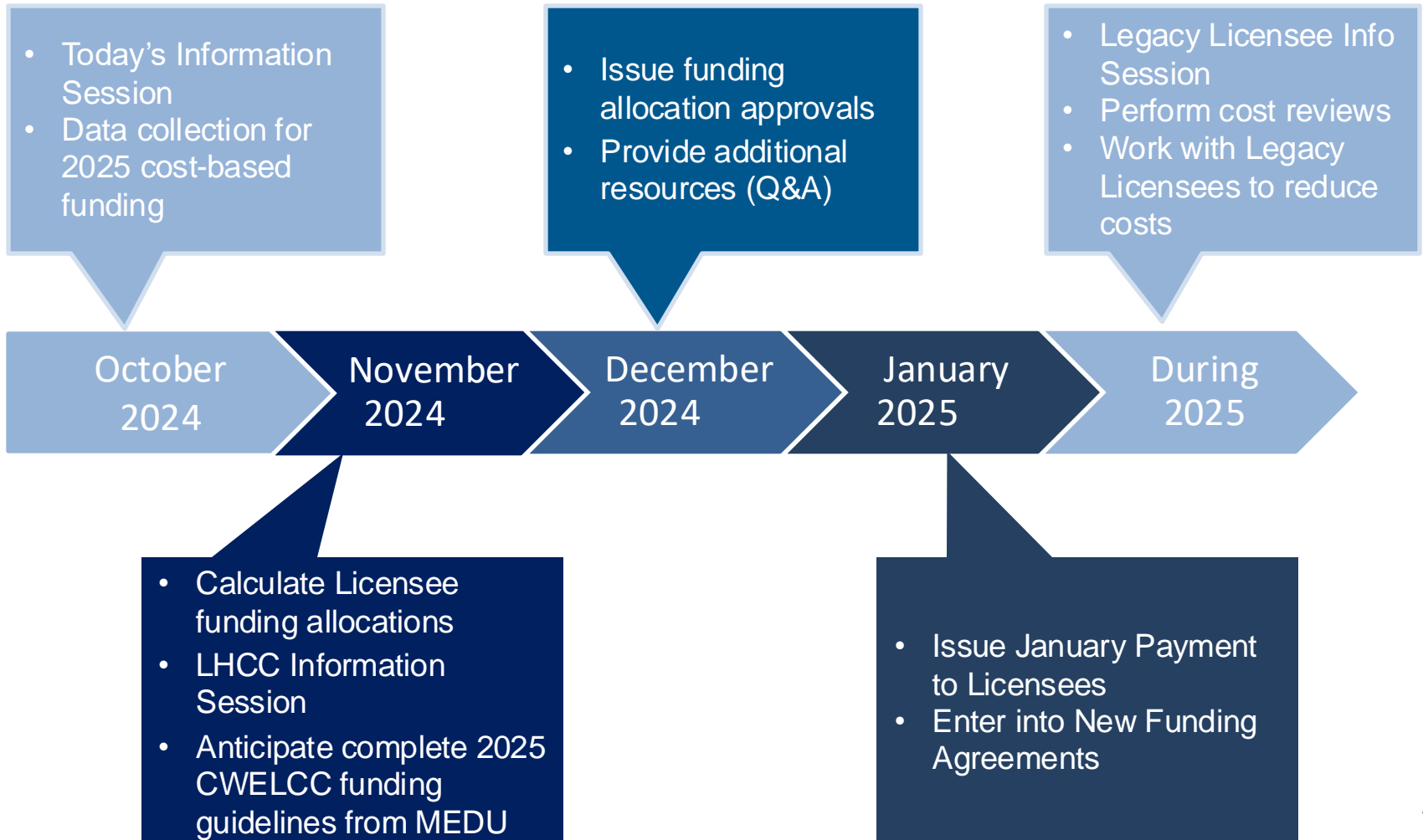
January 1, 2025

- ✓ Fees capped at \$22 per day



NOTE: If fees are currently below \$22 with the 52.75% reduction, fees will stay the same

2024-2025 Timeline



Objectives and Principles of the Cost-Based Funding Approach

Objectives:

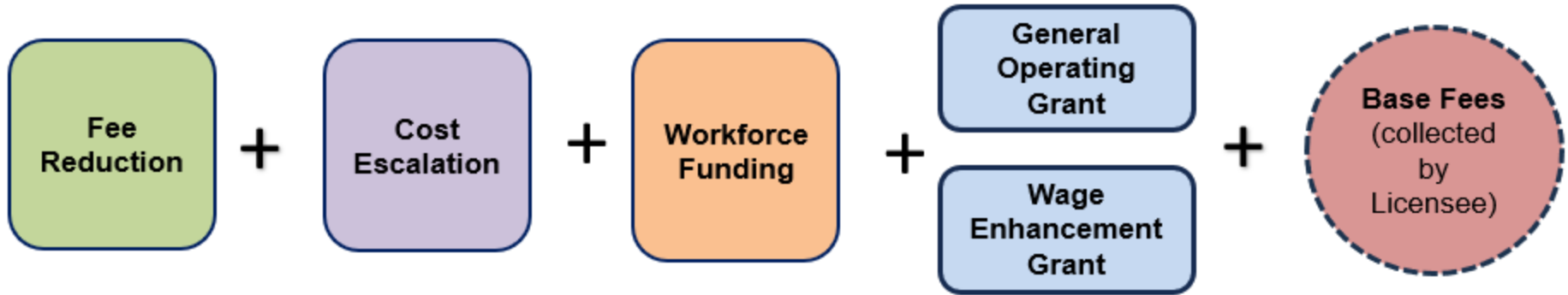
- ✓ Support continued licensee participation
- ✓ Support wage enhancements
- ✓ Improve access to high-quality and affordable child care

Principles for Approach:

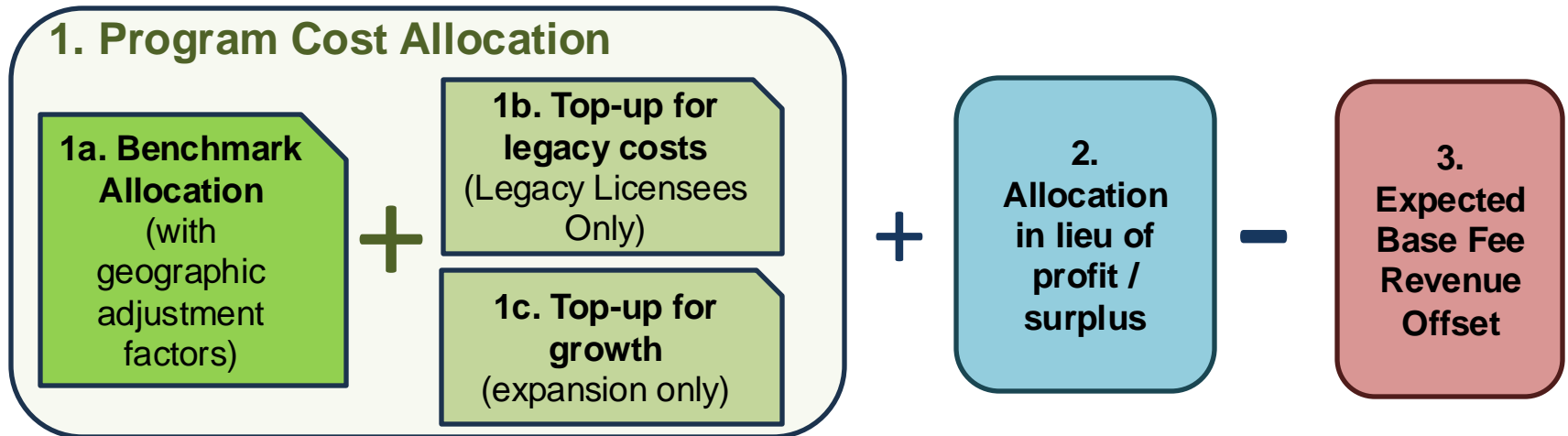
- ✓ Transparent
- ✓ Representative
- ✓ Simple
- ✓ Accountable

What's changing?

2024 Funding Allocation Method

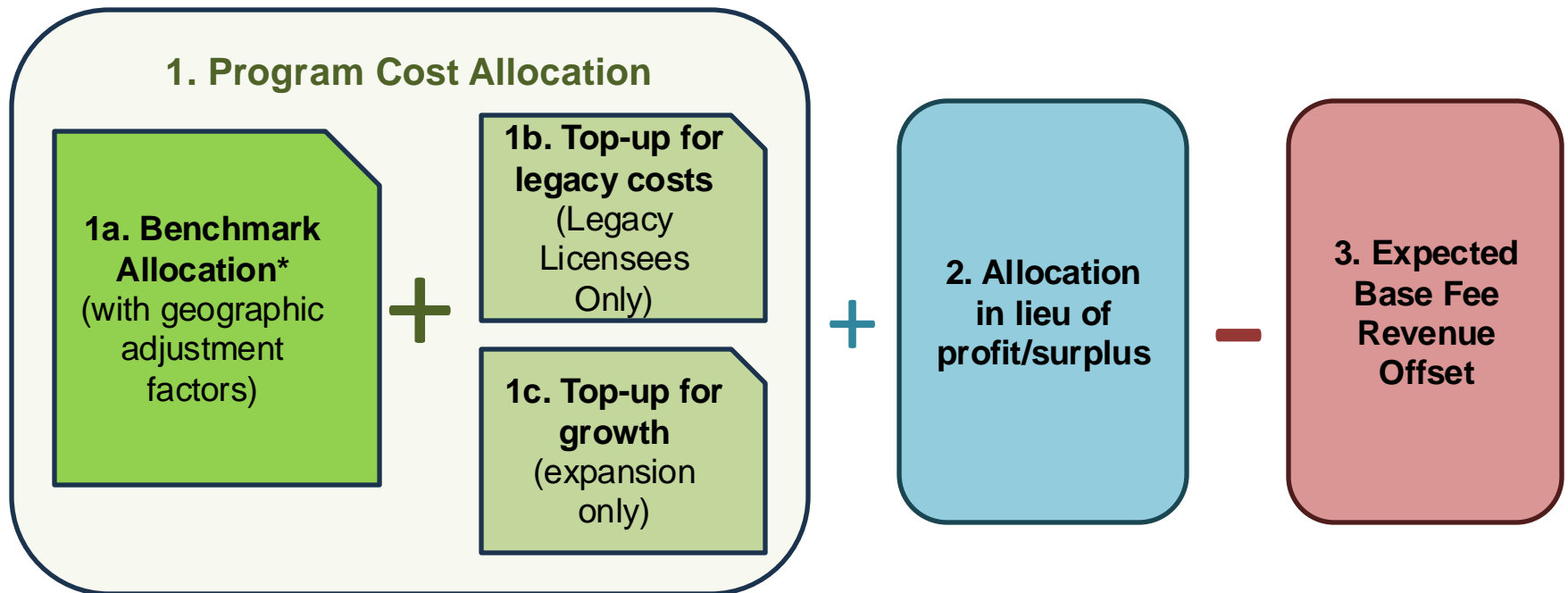


2025 Funding Allocation Method



Cost-Based Funding Approach: Overview

2025 Funding Allocation is determined at site level & includes 3 components.



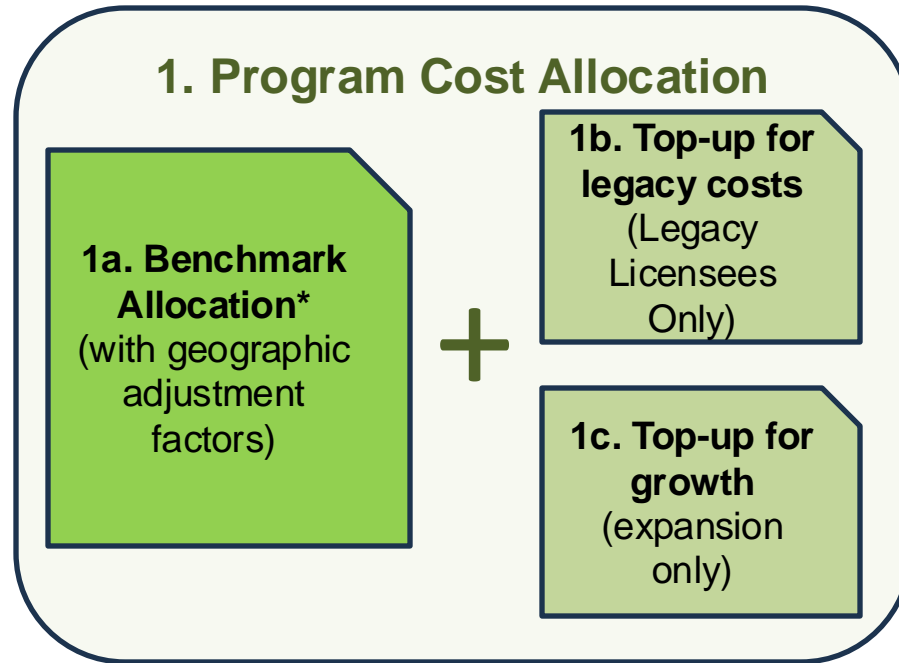
***Benchmark:** the standardized cost metric(s) published by the Ministry of Education in Schedule "A" for the calendar year

Data Collection

2025 Data Required to Support the Calculation of the Program Cost Allocation:

- ✓ Licensed spaces by age group
- ✓ Planned number of operating spaces by age group
- ✓ Service days by age group
- ✓ Projected base fee revenues for 2025

Program Cost Allocation Component Overview



***Benchmark:** the standardized cost metric(s) published by the Ministry of Education in Schedule “A” for the calendar year

1a. Benchmark Allocation
(with geographic adjustment factors)

Part 1a: Benchmark Allocation

Program Staffing

Wages and benefits for program staff counted towards ratio requirements

Supervisor

Wages and benefits for the Ministry-approved supervisor

Accommodations

Accommodations costs including rent, mortgage payments, property taxes etc.

Operations

All other variable and fixed operating costs including wages and benefits for non-program staff, food, overhead costs, program equipment and supplies, office expenses, utilities, cleaning, insurance and other (advertising, training, IT)

X

Geographic Adjustment Factor (GAF)

For Hamilton, the GAF is 0.82

Benchmarks for Calculation

Child Care Centres

	Variable per operating space-day
PROGRAM STAFFING	
Infant	\$92.03
Toddler	\$56.48
Preschool	\$39.23
Kindergarten	\$15.03
Family age group	\$56.48
Plus, ancillary costs of:	13.4%

	Fixed per centre per service day
SUPERVISOR	
All centres	\$301.38
Scales with 0-5 operating capacity (from 0% to 100%), weighted by staffing ratio	
Plus, ancillary costs of:	16.2%

	Variable per operating space-day	Fixed per licensed space-day
OPERATIONS		
<i>Community Setting</i>		
Infant	\$1.64	\$15.09
Toddler	\$1.64	\$15.09
Preschool	\$1.64	\$15.09
Kindergarten	\$5.55	\$5.07
Family age group	\$1.64	\$15.09
<i>Public School Setting</i>		
Infant	\$3.80	\$9.61
Toddler	\$3.80	\$9.61
Preschool	\$3.80	\$9.61
Kindergarten	\$3.56	\$1.56
Family age group	\$3.80	\$9.61

	Fixed per licensed space per year
ACCOMMODATIONS	
<i>Community Setting</i>	
Infant	\$2,571.84
Toddler	\$1,972.39
Preschool	\$1,735.54
Kindergarten	\$1,598.66
Family age group	\$2,958.99
<i>Public School Setting</i>	
Infant	\$1,622.91
Toddler	\$974.25
Preschool	\$797.58
Kindergarten	-
Family age group	\$1,241.79

**1a. Benchmark
Allocation**
(with geographic
adjustment
factors)

Benchmark Calculation Example

Child Care Site Details:

- ✓ Legacy site located in a community setting,
- ✓ Total of 261 operating days in 2025
- ✓ Licence capacity of 15 Toddler and 24 Preschool
- ✓ Operating capacity of 15 Toddler and 24 Preschool

Note: the example is for illustration purposes only

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1a. Benchmark Allocation
(with geographic adjustment factors)

Part 1a: Program Staffing Component Calculation

Program Staffing

Operating Capacity x Program Staffing Benchmark x Operating Space Days x 1.134 Ancillary

Age Group	Operating Capacity	Benchmark	Operating Space Days	Ancillary (13.4%)	Total
Toddler	15	\$56.48	261 x 15 = 3,915	1.134	\$250,749.17
Preschool	24	\$39.23	261 x 24 = 6,264	1.134	\$278,665.44
TOTAL					\$529,414.61

1a. Benchmark Allocation
(with geographic adjustment factors)

Part 1a: Supervisor Component Calculation

Supervisor



Service Days x Supervisor Benchmark x Eligible Child Ratio x 1.162 Ancillary

Service Days	Benchmark	Eligible Child Ratio	Ancillary	Total
261	\$301.38	100%	1.162	\$91,403.13

1a. Benchmark Allocation
(with geographic adjustment factors)

Part 1a: Accommodations Component Calculation

Accommodations

Licence Capacity x Accommodation Benchmark

Age Group	Licence Capacity	Benchmark	Total
Toddler	15	\$1,972.39	\$29,585.85
Preschool	24	\$1,735.54	\$41,652.96
TOTAL			\$71,238.81

1a. Benchmark Allocation
(with geographic adjustment factors)

Part 1a: Operations Fixed Cost Component Calculation

Operations Fixed Costs

Licensed Space Days x Fixed Operation Benchmark

Age Group	Licensed Space Days	Benchmark	Total
Toddler	261 x 15 = 3,915	\$15.09	\$59,077.35
Preschool	261 x 24 = 6,264	\$15.09	\$94,523.76
TOTAL			\$153,601.11

1a. Benchmark Allocation
(with geographic adjustment factors)

Part 1a: Operations Variable Cost Component Calculation

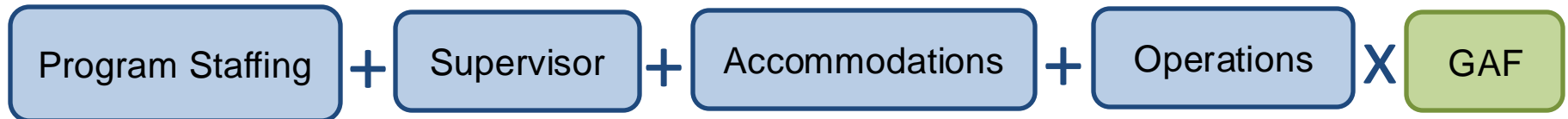
Operations Variable Cost

Licensed Space Days x Variable Operation Benchmark

Age Group	Licensed Space Days	Benchmark	Total
Toddler	261 x 15 = 3,915	\$1.64	\$ 6,420.60
Preschool	261 x 24 = 6,264	\$1.64	\$10,272.96
TOTAL			\$16,693.56

1a. Benchmark Allocation
(with geographic adjustment factors)

Benchmark Component Summary Including Geographic Adjustment Factor (GAF)



Sum of the Benchmark Component calculation based on the example site:

$$\begin{aligned} & \$ 529,414.61 + \$ 91,403.13 + \$ 71,238.81 + \$ 170,294.67 \times 0.82 \\ & = \$ 707,128.00 \end{aligned}$$

Note: the example is for illustration purposes only

**1b. Top-up for
legacy costs**
(Legacy
Licensees Only)

Step 1b: Legacy Top-up

- ✓ The Benchmark Allocation should be sufficient for some Licensees; therefore, not all licensees will need legacy top-up
- ✓ Eligible Licensees with cost structures that exceed benchmark allocations are eligible for legacy top-up
- ✓ The legacy top-up is meant to support with legacy cost structures in the transition to cost-based funding in 2025, **if eligible costs exceed a licensee's benchmark allocation**
- ✓ Legacy top-ups can only be provided to licensees enrolled in CWELCC on or before August 15, 2024, and maintained a CWELCC service agreement with the City of Hamilton

**1b. Top-up for
legacy costs
(Legacy
Licensees Only)**

Legacy Top-up Data Collection

Legacy top-ups will be determined using the following data:

- ✓ 2023 Costs must be broken down by license (i.e. by site) and eligible costs related to serving CWELCC-eligible age groups (0-5 years)
- ✓ 2023 actuals and 2025 budgeted operating capacity
- ✓ 2023 actuals and 2025 budgeted service days and typical hours of care
- ✓ Eligible costs from the 2023 audited financial statement and 2025 fixed costs for insurance, property tax and occupancy where eligible
- ✓ 2023 actuals and 2025 budgeted Controlling Owner's compensation for labour
- ✓ 2023 actuals and 2025 budgeted staffing and wage compensation data

1b. Top-up for legacy costs
(Legacy Licensees Only)

Legacy Top-up Calculation

Step 1:

Calculate the 2023 Adjusted Costs

Step 2:

Multiply the 2023 Adjusted Costs by the two Adjustment Factors

- ✓ Cost escalation factor
- ✓ Operating scaling factor

Step 3:

Add the 2025 “Workforce Funding”

Step 4:

Add the 2025 “Fixed Costs”

Step 5:

Add the 2025 One Controlling Owner’s Compensation for labour

Step 6:

Calculate if the centre is eligible for Legacy Top-up

**1c. Top-up for
growth**
(expansion only)

Part 1c: Growth Top-up

- ✓ Growth top up will only be applied to licensees who are approved to add spaces beyond current centre licensed capacity, or approved number of homes in Hamilton
- ✓ All growth in CWELCC must meet the City's Access and Inclusion framework and is subject to approval

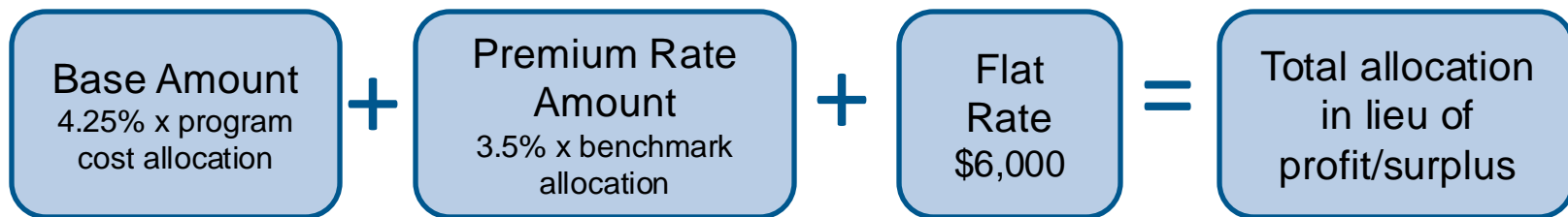
NOTE: Directed Growth Applications will be posted on the City's website for 2025 community-based spaces by Q1 of 2025

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2. Allocation in lieu of profit / surplus

Allocation in Lieu of Profit/Surplus

- ✓ Recognizes the cost and the risk of operating a business and allows for reinvesting in child care
- ✓ Will be provided in addition to the program cost allocation
- ✓ Is made up of the sum of three components for each licensee:



3. Expected Base Fee Revenue Offset

Expected Base Fee Revenue Offset

Expected base fee revenue are fees collected from families for the calendar year and deducted from the total cost-based funding allocation.

The Expected base fee revenue offset is the:

- ✓ Sum of the base fee revenue associated with each operating space for eligible children
- ✓ Expected registration fees or other mandatory fees must be included
- ✓ Adjustments are made to account for expected vacancies. (10% in 2025 and 5% for 2026 onwards)

Base Fee Definition

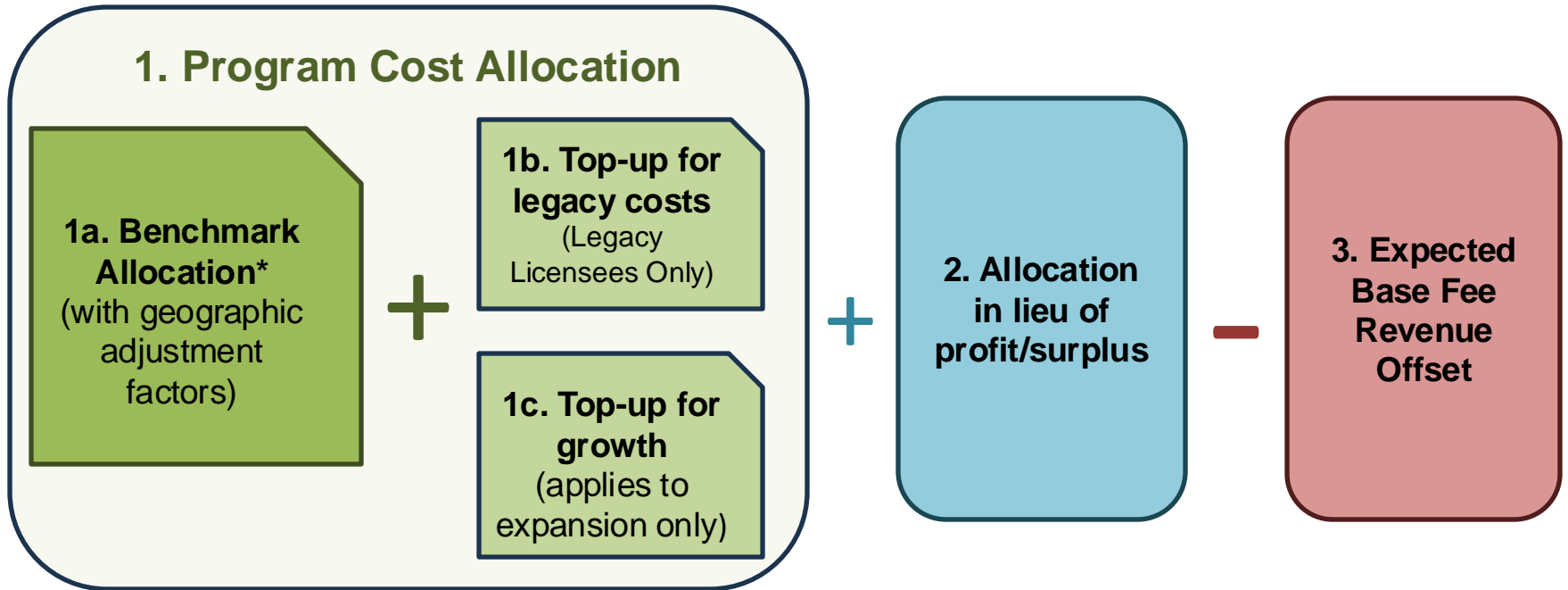
Base Fees:

- ✓ Daily Parent Fees charged for anything a licensee is required to provide under the CCEYA (for example, play materials, food where required by regulation)
- ✓ Mandatory fees a parent must pay in order to receive care (for example, registration fee)

Non- Base Fees:

- ✓ Fees that are for optional items or services (for example, transportation, field trips, late fees, NSF) in accordance with the terms of the Parent Handbook

2025 Cost-Based Funding Recap



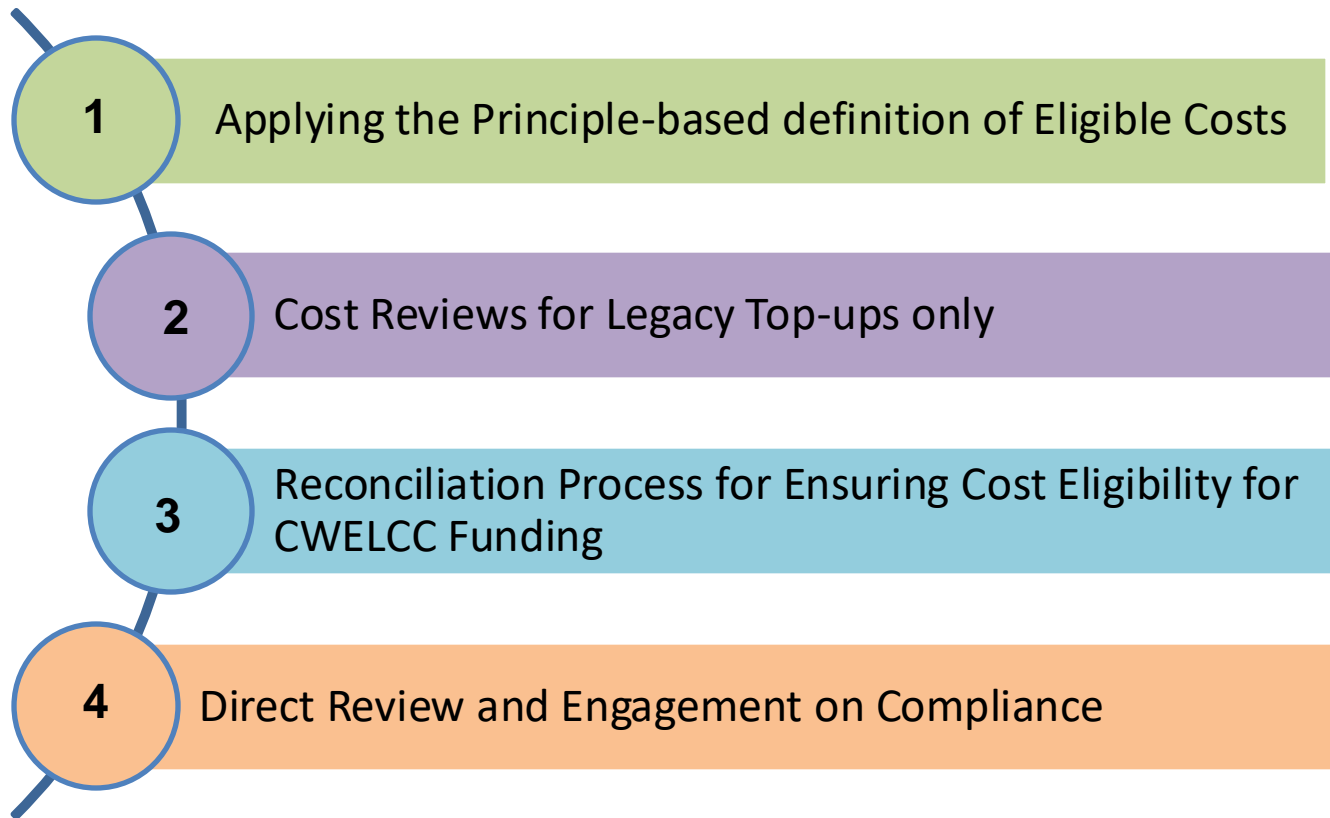
***Benchmark:** the standardized cost metric(s) published by the Ministry of Education in Schedule “A” for the calendar year

Impacts to Non-CWELCC Licensees

- ✓ Non-CWELCC licensees may continue to run their operations under the existing provincial licensing and regulatory framework
- ✓ As of 2025, non-participating licensees serving children aged 0-5 will no longer be eligible for routine funding (WEG, GOG)
- ✓ Existing fee subsidy agreements may continue until the benefitting child ages-out of the program or leaves the licensee, but no new fee subsidy clients will be placed

Accountability Framework

The Accountability Framework was developed to support the evaluation of costs incurred by the licensee. It is made up of the four components below:



Principle-Based Definition of Eligible Costs

1

Applying the Principle-based definition of Eligible Costs

The Ministry has introduced the following principles to support the evaluation of cost eligibility for the purpose of providing child care for eligible children:

Attributable

Costs are attributable if they are incurred directly or indirectly, for the provision of child care included in base fees

Appropriate

Costs that are necessary or reasonably expected to be incurred by an ordinary prudent person in the operation of a comparable business providing child care for eligible children as well as, provide consideration for access and inclusion, health and safety, and quality

Reasonable

Reasonable for the quality of the good or service and the amount incurred, given the quality for the good or service

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Principle-Based Definition of Eligible Costs

1

Applying the Principle-based definition of Eligible Costs

Balance the objective of supporting Licensee participation in CWELCC by:

- ✓ Providing appropriate funding that is representative of the true costs of providing child care
- ✓ Building in cost control structures and safeguards to ensure equity and accountability
- ✓ Providing a clear and consistent approach eligible cost evaluation
- ✓ Supporting high-quality learning environments for children
- ✓ Reducing administrative burden for City of Hamilton and Licensees

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Principle-Based Definition of Eligible Costs



1 Applying the Principle-based definition of Eligible Costs

Example of Eligible Expenses:

An eligible Licensee needs to purchase a new refrigerator. The following identifies eligibility vs. ineligibility of the purchase:

Attributable	Required for purpose of providing safe food to children; or a second fridge is required to support storage of food for # of children care for at the Centre	
Attributable	Purchased fridge is located far away from the Centre where the child care is being provided	

Principle-Based Definition of Eligible Costs

1 Applying the Principle-based definition of Eligible Costs

Example of Eligible Expenses:

An eligible Licensee needs to purchase a new refrigerator. The following identifies eligibility vs. ineligibility of the purchase:

Appropriate

Prudent cost expected to be incurred in the operation of a comparable child care centre to provide safe and healthy food to children



Appropriate

Purchased second hand and cannot store food at a safe temperature (due to an irreparable condition)



Principle-Based Definition of Eligible Costs



1 Applying the Principle-based definition of Eligible Costs

Example of Eligible Expenses:

An eligible Licensee needs to purchase a new refrigerator. The following identifies eligibility vs. ineligibility of the purchase:

Reasonable

Quality does not exceed what is reasonably required for the Centre's needs, and Licensee obtained a competitive price for a fridge of that quality



Reasonable

Purchased "top-of the-line" with features not required to deliver child care at the Centre; purchased for a price higher than other models clearly available in a timely manner



Cost Reviews for Legacy Licensees

2

Cost Reviews for Legacy Top-ups only

- ✓ The Ministry is directing the City of Hamilton to review the costs of licensees with the most **disproportionately high legacy top-up** allocations
- ✓ The goal of these cost reviews is to gradually shift the overall cost of providing child care towards more standardized costs, as represented by benchmark allocations, without impacting quality
- ✓ The City of Hamilton will be developing a framework for cost reviews in 2025, as mandated by the Province

Cost Reviews for Legacy Licensees

2

Cost Reviews for Legacy Top-ups only



- ✓ By March 31st of each calendar year, the City must select and notify licensees who are subject to a cost review for that year
- ✓ By December 31st, Cost Reviews will be completed by the City of the same calendar year
 - Includes reasonable timeline to reduce eligible costs where applicable

NOTE: A Licensee selected for cost review in a previous calendar year is not subject to a new cost review in current calendar year, so long as licensee continues to work on their cost reduction actions

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Cost Reviews for Legacy Licensees

2

Cost Reviews for Legacy Top-ups only

City of Hamilton will work collaboratively with the Licensee to identify potential cost reductions, such as:

- ✓ Costs that are ineligible
- ✓ Improved efficiencies in eligible costs (bulk ordering, outsourcing, redundancies, insufficient value to quality)

NOTE: The City of Hamilton will be providing further information sessions in 2025 regarding Cost Reviews and legacy top-ups once the City's framework has been developed

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Year-end Reconciliation and Reporting Requirements

3

Reconciliation Process for Ensuring Cost Eligibility for CWELCC Funding



Licensees to submit:

- ✓ Staffing Reconciliation template confirming workforce compensation as part of the City's Annual Service Contract Business Reporting Cycle
- ✓ Completed Year-End Reporting workbook, providing the breakdown of eligible costs by the categorization of components of benchmark allocations as part of the City's Annual Service Contract Business Reporting Cycle, including:
 - Audited financial statements for January to December 2025
 - Annual attestation signed off by appropriate signing authority for the organization

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Year-end Reconciliation and Reporting Requirements

3

Reconciliation Process for Ensuring Cost Eligibility for CWLECC Funding

- ✓ Compare the initial cost-based funding allocation provided to a licensee at the start of the calendar year against the Licensee's actual cost-based funding for calendar year and recover any overpayments
- ✓ Reconciliations are not a line-by-line comparison exercise
- ✓ Allocation of In Lieu of Profit/Surplus will also be reconciled:
 - The **Actual** amount of In Lieu of Profit/Surplus will be recalculated based on the actual eligible expenses that materialized in the calendar year

NOTE: The recalculated amount **cannot** be greater than the initial funding allocation of In Lieu of Profit/Surplus provided in the funding year

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Year-end Reconciliation and Reporting Requirements

3

Reconciliation Process for Ensuring Cost Eligibility for CWLECC Funding



- ✓ Review of the cost-based funding can be performed periodically throughout the calendar year:
 - To identify overpayments for cash management purposes
 - Avoid recovery of significant actual overpayments from licensees at year-end
- ✓ The City will be reviewing utilization of funding in year during our mid-year reconciliation process
- ✓ The City is responsible for returning any unallocated funding or overpayment recoveries from licensees to the Ministry

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Direct Engagement to report on Compliance

4

Direct Review and Engagement on Compliance

- ✓ City of Hamilton is required to select a 5% sample:
 - Verify and confirm expense eligibility of claimed amounts
 - Ensure a reasonable methodology to pro-rate costs (CWELCC and Non CWELCC age categories) when necessary
- ✓ A Direct Engagement to Report on Compliance is performed by an independent third-party practitioner (that is, an external professional auditor)
- ✓ The City is responsible for the performance of the Direct Engagement to Report on Compliance for the selected eligible licensees and pay for it on their behalf
- ✓ First Direct Engagement to Report on Compliance will take place in 2026 (after 2025 funding year is finalized)

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Tools and Resources

1

Ministry's 2025 CWELCC Funding Approach Guidelines and Q&A document [Ministry of Education | Child Care: Guidelines](#)

2

Ministry's CWELCC Cost-Based Funding Recorded Webinar
[Ministry Webinar link: https://vimeo.com/user/224327029/folder/21786437](https://vimeo.com/user/224327029/folder/21786437)

3

Ministry's Benchmark Allocation & Legacy Calculator Tool
[CWELCC Funding Estimator Tool](#)

4

City of Hamilton's Information Session

5

City of Hamilton's Q & A Document
(In Progress, to be shared soon)

6

City of Hamilton's Business Guidelines
(In development, to be shared in the coming months)

Next Steps

2024

- ✓ Licensees will receive:
 - A copy of today's presentation
 - Q&A Document (to be shared in the coming weeks)
 - The confirmation of 2025 CWELCC funding allocations
 - Additional Tools as developed

- ✓ Subsequent recording of today's session will be made available on the City's website

- ✓ Information session for LHCC

Next Steps

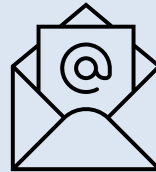
2025

- ✓ Licensees will receive:
 - Updated Funding Schedules
 - City of Hamilton's Business/Funding Guidelines

- ✓ Additional Information Session regarding Legacy Top-Up Allocations and Cost Reviews

Next Steps

- ✓ The Business Supports Team is committed to continue to seek clarity from the province and provide updates to support you through this new process and implementation
- ✓ Questions can be e-mailed to: CWELCC@hamilton.ca





Hamilton

THANK YOU

Healthy and Safe Communities
Children's and Community Services Division