



Hamilton

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

Licensee Information Session – January 16, 2025

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

Overview

How is a Legacy Licensee Determined?

How is Legacy Funding Calculated?

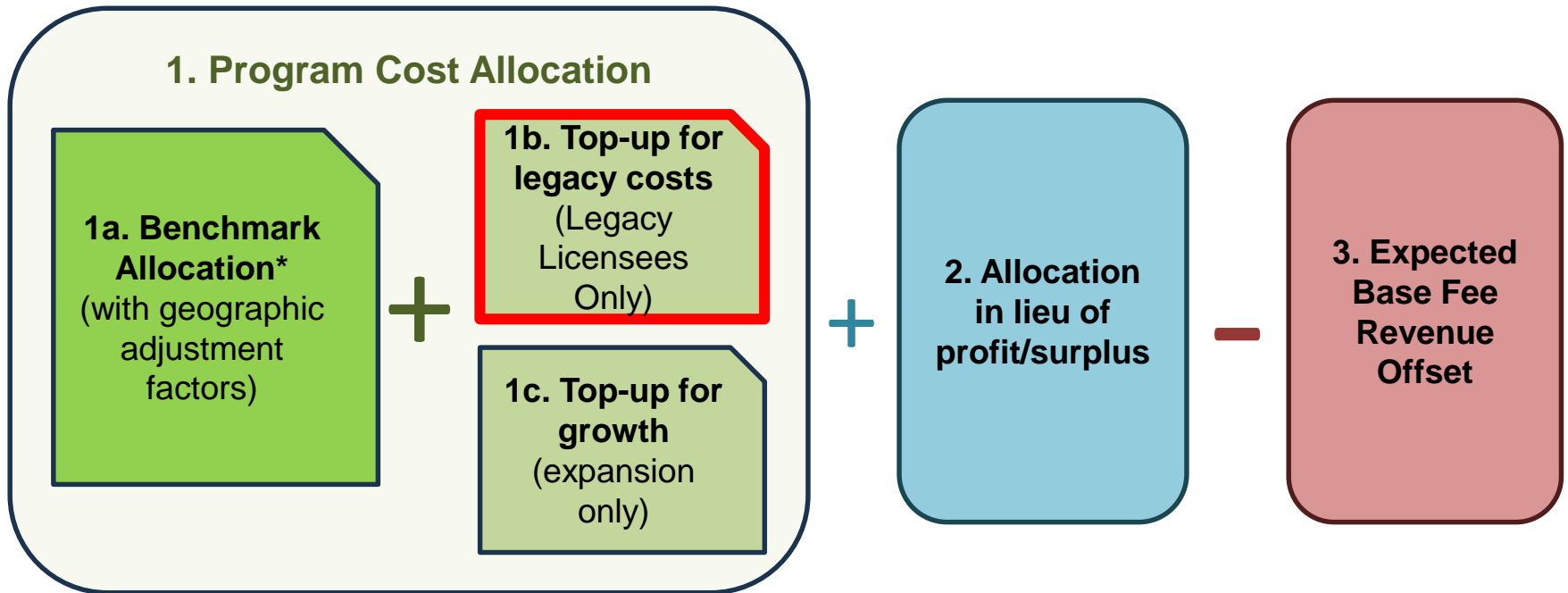
Example Run Through

Cost Reviews

Next Steps

Review: Cost-Based Funding Approach

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

Overview

- ✓ Legacy top-up funding provided to licensees whose eligible costs exceed their individual benchmark allocations for the calendar year
- ✓ Avoids legacy licensees having to significantly change their operating models
- ✓ Legacy top-up only applies to 2025 calendar year (becomes rolling top-up after 2025)
- ✓ Rolling top-up in 2026 is for existing licensees who received a top-up in 2025
 - ❖ Provided to ensure cost structures are covered from one calendar year to the next

Overview

Definition of Legacy Costs:

Costs that are consistent with legacy centres'/agencies' 2023 cost structures, adjusted for:

- *Eligibility (0 to 5 age spaces)*
- *Cost Escalation (adjustment for inflation)*
- *Changes to Operating Practices (e.g.: changes to operating capacity)*
- *Fixed Costs (recognizing these costs may not follow cost escalation assumptions)*

Overview

Data Required to Support the Calculation of Legacy Costs:

- ✓ 2023 Audited Financial Statements
 - ✓ 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 (for scaling factor calculation)
- ✓ 2023 actuals and 2025 budgeted service days and typical hours of care (for scaling factor calculation)
- ✓ 2025 budgeted 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

How is a Legacy Licensee Determined?

To determine if a licensee is eligible for legacy top-up funding, the following criteria must be met:

- (a) Licensee must be enrolled in CWELCC on or before August 14, 2024, and have maintained a CWELCC service agreement with the City of Hamilton; OR
- (b) Licensee applied for CWELCC enrollment on or before August 14, 2024, and was enrolled as a result of directed growth expansion; AND
- (c) Licensee's legacy costs exceed its benchmark allocation.

Legacy costs are calculated at the license (site) level, not at the head office level.

The City will assess a licensee's eligibility for the legacy top-up. Licensees do not have to apply.

Not every licensee will be eligible for the legacy top-up.

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

Legacy Top-up Calculation

Step 1:

Calculate the 2023 Eligible Adjusted Costs (0-5 age)

Step 2:

Multiply the 2023 Adjusted Costs by the two Adjustment Factors

- ✓ Cost escalation factor of 1.0465
- ✓ Operating scaling factor (specific to each licensee)

Step 3:

Add 2025 “Workforce Funding” to calculated amount

Step 4:

Add 2025 “Fixed Costs” to calculated amount

Step 5:

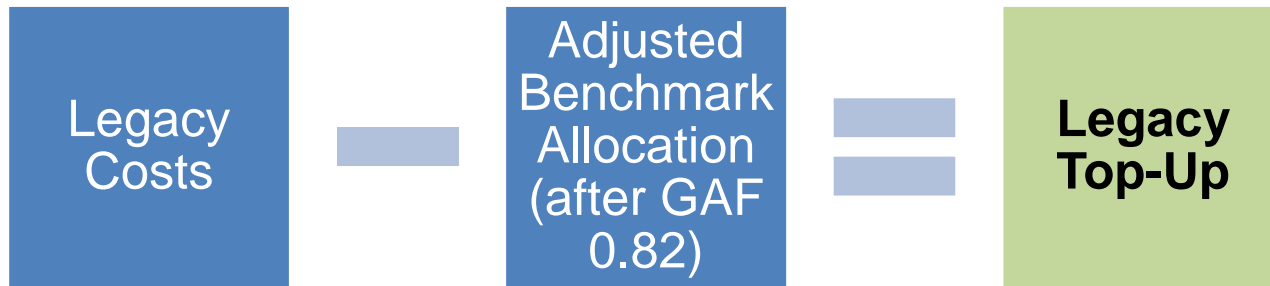
Add the 2025 One Controlling Owner’s Compensation for labour to calculated amount to arrive at the licensee’s total Legacy Costs

Step 6:

Determine Legacy Top-up by comparing the Legacy Costs calculated in Step 5 to the licensee’s benchmark allocation

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

Legacy Top-up Calculation



- ✓ If legacy costs are **more** than the adjusted benchmark allocation, the licensee **requires** a Legacy Top-Up
- ✓ If legacy costs are **equal to or less than** the adjusted benchmark allocation, the licensee **does not require** a Legacy Top-Up
 - Licensee's costs are covered through the benchmark allocation

Example Run Through

Step 1a:

Total all 2023 Eligible Costs*

***2023 Eligible Costs are for CWELCC age groups based on the 2023 Audit**

Expense Type	Amount	
Program Staffing wages and Benefits	\$ 355,680.00	
Supervisor wages and benefits	\$ 61,776.00	
Non-program staffing costs	\$ 118,560.00	
Amortization of tangible assets	\$ 536.60	
Rent costs	\$ 26,830.00	Fixed Cost
Repairs and maintenance – Buildings	\$ 4,829.00	
Advertising and promotion	\$ 1,200.00	
Loan losses	\$ 4,000.00	Non-recurring
Insurance	\$ 7,500.00	Fixed Cost
Accounting Fees	\$ 3,000.00	
Supplies	\$ 7,000.00	
Food and Catering	\$ 52,000.00	
Controlling Owner wages and benefits	\$ 90,000.00	
TOTAL 2023 Expenses	\$ 732,912.00	

Step 1b:

Calculate 2023 Adjusted Costs

Remove non-recurring costs, fixed costs, one-controlling owner costs, and the 2023 Workforce Funding received:

Expense Type	Amount
2023 Total costs from previous slide	\$ 732,912.00
Less 2023 non-recurring costs Loan Losses	\$ 4,000.00
Less 2023 Fixed Costs	\$ 34,330.00
Rent costs	\$ 26,830.00
Insurance	\$ 7,500.00
Less 2023 Workforce Funding (CWELCC & WEG)	\$ 35,000.00
Less 2023 Salary and Benefits for One Controlling Owner	\$ 90,000.00
TOTAL 2023 Adjusted Costs	\$ 569,582.00

Operating Scaling Factor

- ✓ Reflects cost changes due to operational changes (e.g.: increase to operating days or operating spaces) by comparing a licensee's 2023 and 2025 operating spaces:

- ✓ For **centre-based child care**:
 - Operating space days by age group
 - Program staff-to-child ratio
 - Typical number of hours of service

- ✓ For **licensed home child care**:
 - Planned active home days for 2025
 - Actual active home days for 2023

Operating Scaling Factor

- ✓ Operating Scaling factor is calculated individually for each licensee (site level)

As an example:

A legacy centre-based licensee has the following planned operations for 2025:

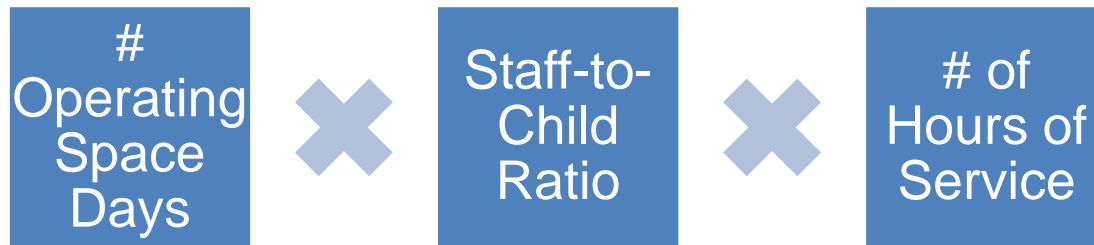
15 Toddler Operating Spaces
24 Preschool Operating Spaces
261 Operating Days
10 Hours (typical hours of service) per day

In 2023, the licensee's actual operating was as follows:

12 Toddler Operating Spaces
21 Preschool Operating Spaces
250 Operating Days
10 Hours (typical hours of service) per day

Operating Scaling Factor

- ✓ The following calculation is completed by age group, by operating year, to determine the **CENTRE-BASED** licensee's (site level) operating scaling factor:



YEAR	TODDLER				PRESCHOOL			
	Operating Spaces	Operating Days	Ratio	Hours of Service	Operating Spaces	Operating Days	Ratio	Hours of Service
2025	15	261	1/5	10	24	261	1/8	10
2023	12	250	1/5	10	21	250	1/8	10

2025	= (15 x 261 x 1/5 x 10) + (24 x 261 x 1/8 x 10) =	15,660
2023	= (12 x 250 x 1/5 x 10) + (21 x 250 x 1/8 x 10) =	12,563

Operating Scaling Factor: = 15,660 / 12,563 = 1.25

Step 2:

Apply the adjustment factors to the 2023 Adjusted Costs

Apply 2025 adjustment factors to 2023 adjusted costs

<i>Adjust 2023 to 2025 level</i>	Amount
2023 Adjusted Costs (<i>from previous slide</i>)	\$ 569,582.00
Multiply: Cost Escalation Factor	1.0465
Subtotal	\$596,067.56
Multiply: Operating Scaling Factor	1.2500
TOTAL 2023 Adjusted Costs	\$ 745,084.45

Steps 3-5:

Calculate the 2025 Legacy Costs

Calculate Legacy Costs	Amount
2023 Adjusted Costs (<i>from previous slide</i>)	\$ 745,084.45
Add 2025 Fixed Cost: Rent (<i>from 2025 Budget Template</i>)	\$ 30,000.00
Add 2025 Fixed Cost: Insurance (<i>from 2025 Budget Template</i>)	\$ 8,000.00
Add 2025 Estimated Workforce Funding: CWELCC & WEG (<i>from 2025 Budget Template</i>)	\$ 42,000.00
Controlling Owner's Calculated Compensation for labour (<i>If applicable</i>)	\$ 94,185.00
2025 Legacy Costs	\$ 919,269.45

Controlling Owner Compensation

- ✓ Controlling owner compensation for labour is included in your legacy top-up if you have been deemed eligible to receive legacy top-up funding
- ✓ If you have not been deemed eligible for the legacy top-up, your total CWELCC benchmark location will cover the cost of your operation (includes child care roles performed by an owner)
- ✓ There is no “**cap**” on how much owners/operators can pay themselves for eligible child care expenses, however:
 - ✓ Licensees must work within their total funding allocation
 - ✓ Expenses must be **reasonable, attributable, appropriate, and documented**

Controlling Owner Compensation

How is the controlling owner compensation for labour used to calculate the legacy top-up?

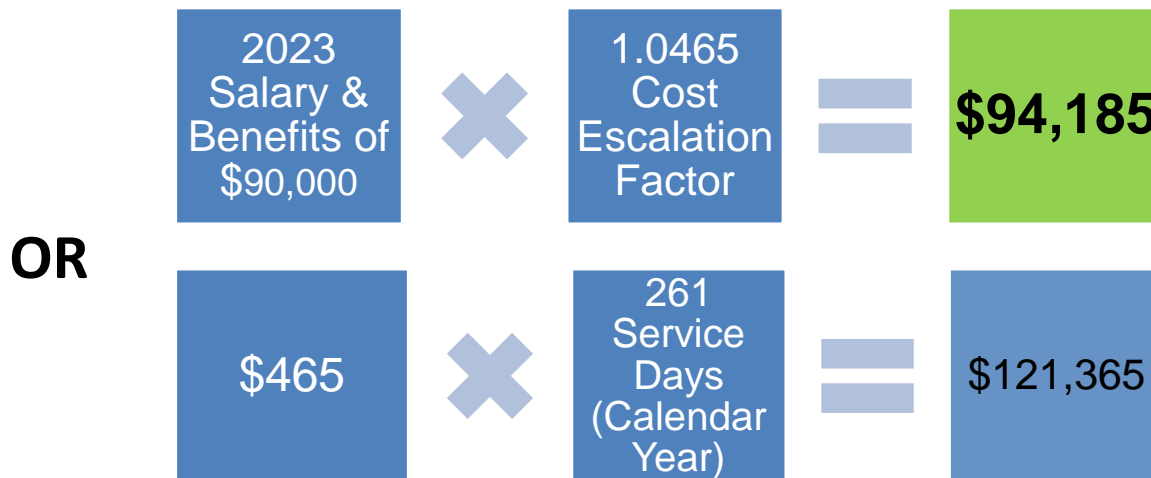
- ✓ 2023 Salary and Benefits for one controlling owner employed by the licensee is removed as part of the 2023 Adjusted Costs calculation (**Step 1b**)
- ✓ 2025 Salary and Benefits for above controlling owner is added back as part of the legacy cost calculation (**Step 5**), as the lesser of:
 - ✓ 2023 Salary and Benefits x Cost Escalation Factor of 1.0465; OR
 - ✓ \$465/day x Licensee's # of service days in calendar year
- ✓ **NOTE**: cost can only be claimed/reported once per head office

Controlling Owner Compensation

As in the example:

In 2023, the owner/operator of the child care was employed (on the T4) as a Supervisor/Director, making \$90,000 including benefits.

To calculate the amount to be used in the Legacy Cost calculation (Step 5), the lesser of the following is used:

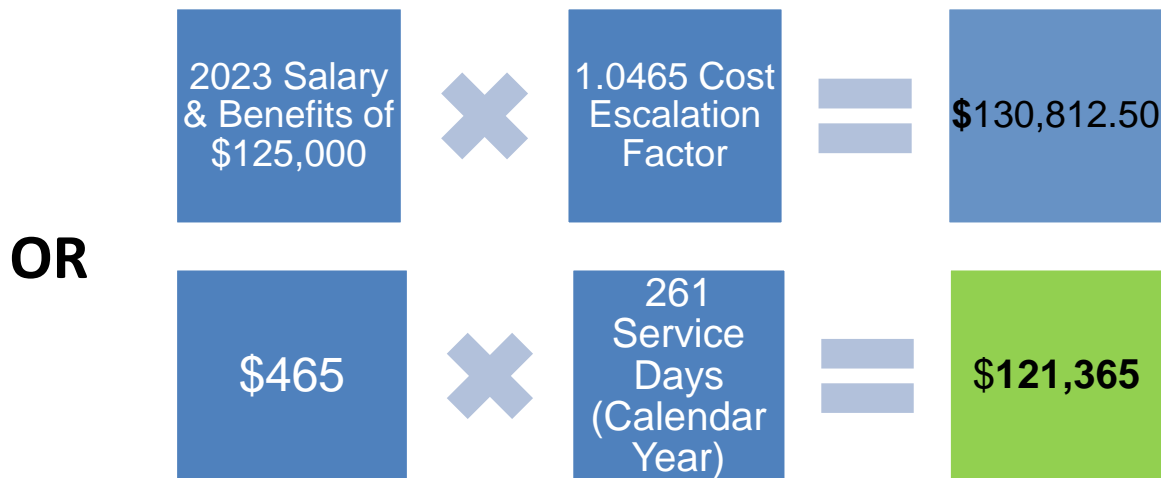


Controlling Owner Compensation

Using different amounts:

In 2023, the owner/operator of a different licensed child care earned (on the T4) \$125,000 including benefits.

To calculate the amount to be used in the Legacy Cost calculation (Step 5), the lesser of the following is used:



Step 6:

Compare Legacy Costs to Benchmark

Determine 2025 Legacy Top-up	Amount
2025 Legacy Costs (from Previous Slide)	\$ 919,269.45
Subtract 2025 Benchmark Allocation	\$707,128.00
Total 2025 Legacy Top-up	\$ 212,141.45

2025 PROGRAM COST ALLOCATION (Benchmark + Legacy top-up)	\$ 919,269.45
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Benchmark Summary	
Program Staffing	\$529,414.61
Supervisor	\$91,403.13
Accommodations	\$71,238.81
Operations	\$170,294.67
Unadjusted benchmark total	\$862,351.22
GAF	0.82
Total Benchmark Allocation	\$707,128.00

Cost Reviews for Legacy Licensees

- ü The Ministry is directing the City of Hamilton to review the costs of licensees with the most **disproportionately high legacy top-up** allocations
- ü 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
- ü The City of Hamilton will be developing a framework for cost reviews in 2025, as mandated by the Province

Cost Reviews for Legacy Licensees



- ✓ 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

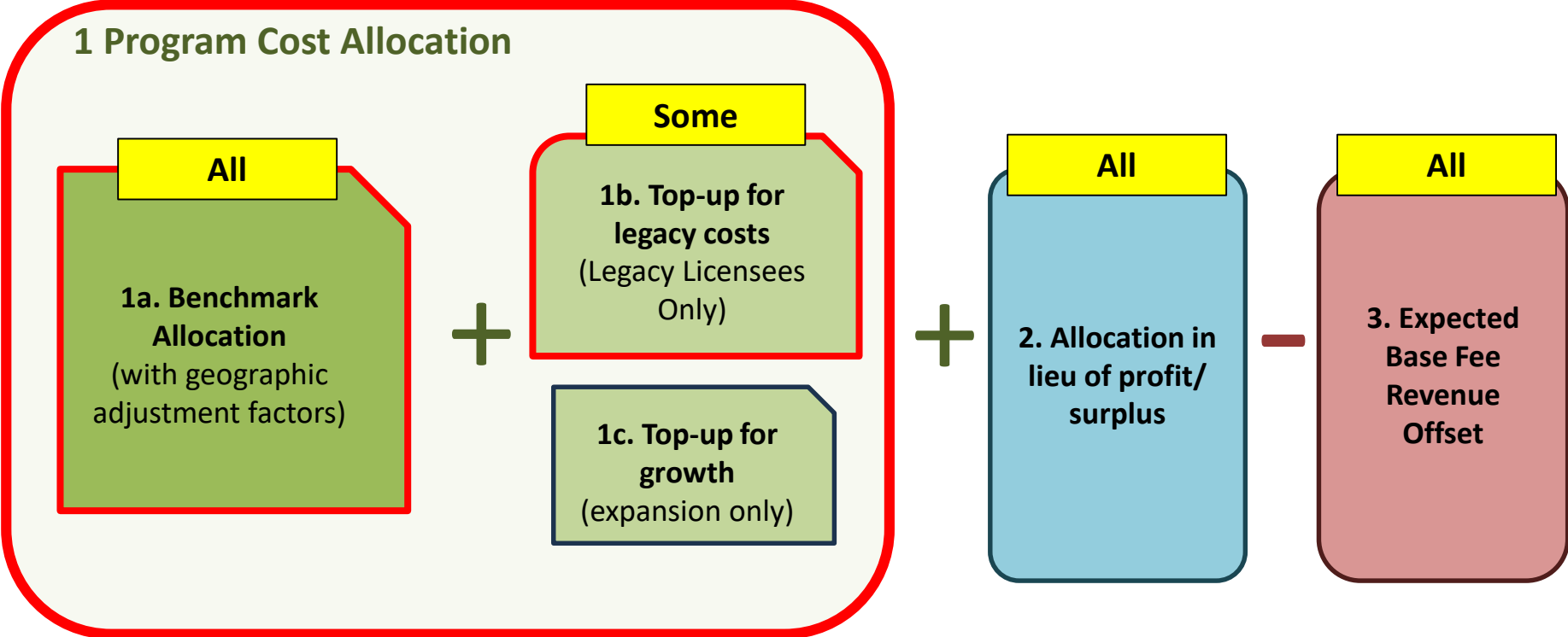
NOTE: A Licensee selected for cost review in a previous calendar year is not subject to a new cost review in current calendar year, so long as licensee continues to work on their cost reduction actions

Cost Reviews for Legacy Licensees

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)

Summary: Cost-Based Funding Approach



Legacy Top-up Calculation Recap:

Expenses	2023 Audit	2025 Budget
Ineligible (eg 6-12, non-recurring)	Removed	
Program Staffing and Supervisor	Adjusted by Cost Escalation factor and Operating Scaling factor	
Accommodations and Operations - Variable	Adjusted by Cost Escalation factor and Operating Scaling factor	
Operations – Fixed (eg Occupancy, Insurance, Property tax)	Removed	Add back reported amount
Workforce Compensation (CWELCC & WEG)	Removed	Add back amount calculated based on Staffing tab
One-controlling Owner Compensation (if applicable)	Removed	Adjust based on the Ministry's calculation

Next Steps

- ✓ The Business Supports Team will be scheduling individual virtual meetings with deemed Legacy Licensees from January to March 2025 to review legacy top-up allocations to ensure transparency prior to finalizing legacy funding allocations

- ✓ All licensees will receive:
 - Updated Funding Schedules
 - City of Hamilton's Business Guidelines

- ✓ Questions can be e-mailed to: CWELCC@hamilton.ca



Hamilton

THANK YOU

Healthy and Safe Communities
Children's and Community Services Division